

PortlandTribune

Is this costing you?

Urban renewal tax • City's renewal areas thrive, but costs are borne by all

BY JIM REDDEN

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Over the past year, a series of controversies have swirled around Portland's urban renewal program.

First, Multnomah County Chair Ted Wheeler complained when the City Council considered creating a new urban renewal area to help renovate PGE Park for a Major League Soccer team. Then, many Southeast Portland residents objected when Commissioner Randy Leonard proposed using urban renewal funds to build a Triple-A baseball stadium in Lents Park. And most recently, a legal challenge prompted the council to scale back the planned expansion of a downtown urban renewal area that includes the Pearl District.

The council also dropped plans to send some urban renewal funds from that area – called the River District – across town to the David Douglas School District in East Portland for a new school.

The way the controversies unfolded makes it seem as though urban renewal only affects specific parts of town – the 11 urban renewal areas created by the council and administered by the Portland Development Commission that cover approximately 14 percent of the city.

But in fact, all Portland residents have a stake in the program, as revealed by the property tax bills that began arriving in the mail last month. That's because urban renewal taxes affect all properties in Portland, not just those in the 11 renewal areas. The amount, which adds up to hundreds of dollars on the typical homeowner's tax bill, is included on a line that reads, "Urban Renewal – Portland." It is the last line in the column of "general government taxes" that includes the city of Portland, the Port of Portland, Metro, Multnomah County and several property tax levies.

"Urban renewal is a city program, and it is financed by all city residents and businesses that pay property taxes," says Tom Linhares, executive director of the Multnomah County Tax Supervising and Conservation Commission, an agency that represents the public interest on budget matters.

More than that, the urban renewal portion of the city property tax bill is increasing much faster than the rest of it – jumping nearly 14 percent for urban renewal this year, compared with around 6 percent for the overall city tax bill. And the urban renewal increase happened without a formal vote by the council.

So, why then, are urban renewal taxes increasing so fast? The answer, according to Linhares, lies in a quirk in the complicated property tax limitation system created when Oregon voters passed Ballot Measure 50 in 1997. Although Measure 50 was intended to limit the automatic year-to-year growth of property taxes to 3 percent a year, it allows urban renewal taxes to automatically increase much faster.

"Measure 50 was a godsend for urban renewal," Linhares says.



L.E. BASKOW / TRIBUNE PHOTO

The new Broadstone Enso Apartment Building is being completed in the Pearl District – an area that is perhaps the most prominent example of urban renewal success in Portland. Recent tax statements show how all Portland property owners are paying for urban renewal-supported projects in the Pearl and elsewhere.

Portland urban renewal areas

The Portland Development Commission currently administers the following 11 urban renewal areas that have been approved by the City Council:

NAME	MAXIMUM INDEBTEDNESS	EXPIRATION DATE	ACRES
Airport Way	\$74,638,268	5/2011	2,726
Central Eastside	104,979,000	8/2018	692
Downtown Waterfront	165,000,000	4/2008	279
Gateway Reg. Center	164,240,000	6/2022	659
Interstate Corridor	335,000,000	6/2021	3,769
Lents Town Center	240,000,000	10/2015	2,707
North Macadam	288,562,000	6/2020	402
Convention Center	167,511,100	6/2013	593
River District*	224,780,350	10/2020	309
South Park Blocks	143,619,000	7/2008	161
Willamette Industrial	200,000,000	12/2024	758

*The City Council has increased the maximum indebtedness of the River District URA to \$489.5 million, beginning next year.

Source: Portland Development Commission

A remarkable success

Operating out of a small suite of modest office on the 15th floor of the downtown Portland Building, Linhares is one of the few people in the state who understands the ins and outs of the post-Measure 50 property tax system. Even Wheeler, who has made understanding urban renewal financing a top priority, defers to Linhares on the subject.

“If Tom says that’s how it works, that’s how it works,” Wheeler says.

Linhares is not an urban renewal critic. He notes that Portland’s program appears to be remarkably successful – the assessed value of the land within the city’s urban renewal areas is increasing much faster than the assessed value of the rest of the city. According to figures generated by Linhares at the request of the Portland Tribune, the assessed value within the areas increased almost 15 percent this year compared to just over 3 percent for the rest of the city.

The difference is explained by the large number of new construction projects taking place within the urban renewal areas. And the disproportionate increase in assessed value does not even include public projects, such as the new and improved streets and transit systems that support the private projects that are going on the tax rolls.

“That’s what urban renewal is supposed to do, generate redevelopment projects,” Linhares says.

But under Measure 50, the disproportionate growth in assessed value is compounded by a disproportionate growth in the urban renewal tax rate. As Linhares explains it, Portland’s urban renewal tax rate is a combination of all other tax rates that apply to Portland properties, including those for the rest of city government, the county, Metro and the schools. And city voters increased the total rate last year by approving three new tax measures – one for the Portland Children’s Fund, one for the Oregon Zoo and one for Portland Community County.

As a result, the urban renewal tax rate increased more than 10 percent this year.

The effect on the tax bill is clear from two examples Linhares produced at the request of the Portland Tribune. They compare property taxes assessed against the average Portland home in 2008 and 2009.

According to Linhares, in 2008, the average Portland home had an assessed value of \$149,865 and a total tax bill of \$3,174.74. By 2009, the assessed value had increased to \$154,500 and the tax bill had grown to \$3,366.03 – slightly more than a 6-percent increase.

The urban renewal portion of the tax bill increased much faster, however – \$324.40 to \$369.04, or nearly 14 percent. Total urban renewal taxes collected by the city will increase from around \$94 million last year to a little more than \$106 million this year.

What if there were no renewal?

That does not mean, however, that property tax bills would fall if there were no urban renewal

westside urban renewal area earlier this year. Because of how the limitation works, the county will be unable to collect about \$22 million in property taxes for general government purposes this year – an increase of approximately \$5 million from last year.

“You have to recognize there is a trade-off,” Wheeler says. “Portland has more urban renewal money to spend, but the county has less general fund dollars.”

After Wheeler complained, the council appointed a committee to study whether to create the new westside urban renewal area.



TRIBUNE PHOTO: L.E. BASKOW • *Tax expert Tom Linhares is one of the few people in Oregon who fully understands how redevelopment projects in the Pearl District help increase the urban renewal portion of your tax bill.*

Linhares cautions against concluding that the county would be \$22 million richer this year if the urban renewal areas had never been created. Without urban renewal, the assessed value in the areas might not have increased all that much. No one can say for certain how much new construction would have occurred in the areas without urban renewal.

“That’s the ‘but-for’ argument,” Linhares says. “If not for urban renewal, what would the assessed value be? How much has urban renewal caused new construction that would not have occurred without it?”

Wheeler agrees that urban renewal has led to some successes, such as the spectacular growth in the Pearl District. But he argues some redevelopment projects would have occurred anyway, if only because so many people moving to Portland want to live in or near downtown.

But Wheeler is more concerned the future. He wants the property taxes generated by the increased assessed value in the urban renewal areas to be made available to other taxing jurisdictions sooner. Although county officials had been raising the issue for years, his complaints prompted Mayor Sam Adams to work toward a solution. As a result, the city and county negotiated an agreement approved by the 2009 Oregon Legislature that should provide more property taxes from the most successful urban renewal areas to other taxing jurisdictions quicker.

Adams also asked Wheeler to join him on the committee that is studying whether to recommend creating the new westside urban renewal area. Potential projects range from redeveloping underutilized land around Lincoln High School to helping finance large mixed-use projects on the Con-Way site in Northwest Portland. The committee is expected to complete its work before the end of the year.

Wheeler says he has not yet made up his mind on whether to recommend creating the new urban renewal area. But he already knows that if he does, he will want to attach several conditions to it.

vulnerable among us," Wheeler says.

Tax bills

As shown on these two property tax bills, Portland urban renewal spending is increasing much faster than overall city collections. These figures compare the taxes levied against the average home in 2008 and the amounts in the 2009 bills that began arriving in the mail last month.

	2008	2009
Real Market Value	\$296,998	\$280,145
Assessed Value	\$149,865	\$154,000
Education Districts:		
Multnomah ESD	\$62.72	\$64.02
Portland Community College	\$38.44	\$39.21
Portland Public Schools	\$715.86	\$730.23
PPS Local Option Levy	\$171.16	\$174.75
Education Districts Sub-Total	\$988.18	\$1,008.22
General Government:		
Port of Portland	\$9.68	\$9.90
City of Portland:		
Permanent Rate	\$626.78	\$640.12
FPD&R Levy	\$359.36	\$367.29
Metro	\$13.34	\$13.58
Multnomah County	\$594.51	\$607.20
West Multnomah SWCD	\$4.78	\$5.13
Portland Childrens LOL	\$0	\$56.84
Multnomah Co. Library LOL	\$122.78	\$125.53
Portland Urban Renewal	\$324.40	\$369.04
General Government Sub-Total	\$2,055.64	\$2,194.64
Bonds		
City of Portland	\$26.26	\$30.56
Metro	\$21.45	\$21.60
Metro (New)	\$20.16	\$26.36
Multnomah County	\$22.02	\$23.72
TriMet	\$11.08	\$12.16
PCC	\$29.97	\$24.30
PCC (New)	\$0	\$24.47
Bonds Sub-Total	\$130.92	\$163.17
Total Taxes Imposed	\$3,174.74	\$3,366.03

Source: Multnomah County Tax Supervising & Conservation Commission

Nuts and bolts of urban renewal

The basic idea behind urban renewal areas is simple. The City Council draws a line (the urban renewal boundary) around an area in need of help. Once the renewal area is formally created, property tax collections within it are divided into two parts: taxes applied to the assessed value of the district at the time it was created, and taxes applied to the increase in value after the district was created. The assessed value within the area increases in two ways – the annual 3 percent growth allowed by state law and increases generated by improvements and new construction.

Taxes collected on the frozen tax base continue to be distributed to all taxing jurisdictions, including the city, county and school district. But taxes collected on the increased value are only collected by the city for reinvestment in the area. This is called Tax Increment Financing. Taxes collected from the increased value are used to underwrite bonds, which fund the specific projects identified in the urban renewal plan.

But in recent years, the council has voted to extend the life and increase the maximum indebtedness of several areas, including the Central Eastside Urban Renewal Area and the River District Urban Renewal Area that includes the Pearl District. These extensions helped fuel criticism from Multnomah County Chairman Ted Wheeler and Commissioner Jeff Cogen that they might never see the tax benefits of the city-supported redevelopment projects. The issue was especially pressing this year, because the commissioners had to close a nearly \$50 million county budget gap caused by the recession.

The city responded to the county's concerns by agreeing to legislation that will guarantee other taxing jurisdictions receive a quicker share of the additional taxes generated by the most successful urban renewal areas. The city also agreed to give the county \$27 million in River District redevelopment funds to help upgrade its aging facilities within the area.

– *Jim Redden*

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