Economic Development and the Role of the Portland Development Commission

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LEAGUE OF WOMEN VOTERS® OF PORTLAND EDUCATION FUND

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League of Women Voters of Portland

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INTRODUCTION

The members of the League of Women Voters of Portland (LWVPDX) voted at their annual convention on May 15, 2012 to restudy the issues of the Portland Development Commission (PDC) and of Economic Development Assistance. The purpose of this restudy is to educate members, providing an updated understanding of urban renewal and economic development in the City of Portland. It is expected that through a process of discussion and consensus unique to the League, our advocacy positions on these subjects will be combined and updated.

The League last studied these issues in 1981 and 1982; much has changed in the more than 30 years since then. This report will focus on those changing circumstances and how they affected urban renewal and economic development assistance programs. The study's scope, as determined by the membership, is to:

- Examine the role of tax increment financing on impacted jurisdictions
- Examine the role of public subsidies on encouraging private development
- Examine the Portland Development Commission's function as the principal economic development agency for the region.

Economic development for this study includes the broadest range of government activities that contribute to the stability, growth and diversification of the Portland economy.

Economic development was defined in Portland's 1980 Economic Development Policy[1] as "Improvement in the level, distribution, and stability of jobs and income for resident industry, business, and people." Urban renewal, as defined by the PDC, is "a state-authorized redevelopment and finance program designed to help communities improve and redevelop areas that are physically deteriorated, suffering economic stagnation, unsafe or poorly planned."[2]

The economy of Portland, the Metro region, the State of Oregon and the country has changed in significant ways since the early 1980s. Change is the context for this examination of Portland's economy.

We examine the changing governmental role in economic development, the development of public/private partnerships, and the societal issues that have arisen. A brief description of the major economic development organizations is provided in this report.

The report includes a summary and a review of the issues that have emerged from the research. These issues will be the foundation for the consensus process that will lead to any changes in the LWVPDX position statements.

UNDERSTANDING PORTLAND'S ECONOMY

This section discusses the factors that affect Portland's economy, including current issues, changes and trends since the 1980s.

Geographic Location, Natural Resources, Transportation

Stumptown (or Portland, Oregon, as it is called today) was founded in a unique geographic location, which is still advantageous to its economy. The ease of water transportation made it a transportation hub. In early years (it was incorporated in 1851), farm products and natural resources, especially lumber, moved through this hub. It is located at the confluence of the Columbia and Willamette Rivers. The Columbia/Snake River system is the nation's second largest waterway, which allows barge transportation from as far away as Lewiston, Idaho. As a consequence, the Port of Portland is the largest wheat exporter in the nation. Portland is a deep water port located on the Pacific Rim which, in the new global market, is one of the world's most vibrant trade areas. Taking advantage of this, Portland is ranked fourth in the nation for auto imports, and it has the third largest export tonnage of any port on the West Coast.[3]

The Columbia and Willamette Rivers also provide abundant water and low-cost electricity for businesses and residents. Other natural resources are still important to Portland: exports still include timber, agricultural products and seafood.

Portland's advantageous waterway location eventually attracted other kinds of transportation. Interstate 5 and Interstate 84, major routes of the interstate highway system, intersect at Portland, allowing 110 trucking lines to service the area. Burlington Northern/Santa Fe and Union Pacific railroads, both transcontinental railways, provide service to Portland. The Portland International Airport has nonstop flights to Asia and Europe.

The Global Market

Currently, Portland has certain advantages in the global market; however, that market is changing very rapidly. National accounting firm Ernst and Young, in an article entitled "Six Global Trends Shaping the Business World" lists the following long-term developments that are shaping our world[4]:

- Emerging markets increase their global power. Once attractive only for their natural resources or as a source of cheap labor and low-cost manufacturing, emerging markets are now seen as promising markets in their own right. Rapid population growth, sustained economic development and a growing middle class are making many companies look at emerging markets in a whole new way.
- Cleantech becomes a competitive advantage. Governments and organizations are announcing plans to shrink their carbon footprints. The move to cleantech may represent a second industrial revolution. Governments also view cleantech as a national strategic platform for creating jobs, fostering innovation and establishing local industries.
- Global banking seeks recovery through transformation. The global financial system remains in flux. Regulatory clarity is nearing. While the traditional top two international financial centers —New York and London — remain secure in their status, capitals of finance in Asia are rising in the rankings.
- Governments enhance ties with the private sector. The past year [2011] has been one of readjustment between developed and emerging economies, between the public and private sectors and between global institutions and nations.
- Rapid technology innovation creates a smart, mobile world. Over the past 25 years, the digital revolution has changed the way we work and play almost beyond recognition. The growing number of embedded sensors collecting information about the world, and the rise of social networks that store the data people share, will generate immense quantities of information.
- Demographic shifts transform the global workforce. Never before has demographic change happened so quickly. Global employers face the challenge that, despite a growing global population, they will soon have to recruit from a shrinking workforce due to an aging population.

Industry Clusters and the Traded-Sector Economy

In the late 1980s, former Governor Goldschmidt started a statewide cluster-based economic development strategy with "Oregon Shines: An Economic Strategy for the Pacific Century."[5] In that report, industry clusters were defined as "groups of similar and related firms that share common markets, technologies, worker skill needs and which are often linked by buyer-seller relationships." These concentrations give all companies in the cluster a productivity and cost advantage because their concentration attracts both suppliers and workers skilled in the industry to the area. In 1991, the State Legislature approved financial and technical support for key industry clusters. For instance, grants were provided to start industry associations to improve communication between the private and public sectors. The following are key industry clusters as defined in the Oregon Business Plan: Activewear and Outdoor Gear, Natural Resources, Advanced Manufacturing, High Tech and Clean/Green Technology.[6]

All of these industry clusters are also part of the traded-sector economy, defined as producers of goods and services that are consumed outside the region where they are made, thereby bringing new dollars into a region that are spent in local-sector businesses. According to the Oregon Business Plan, "Traded-sector businesses drive the Oregon economy,"[7] and encouraging them is a major part of the state and Portland's economic development strategy.

In 2009, the Portland City Council adopted the "Portland Economic Development Strategy: A Five-Year Plan for Promoting Job Creation and Economic Growth," identifying four target clusters for Portland: Clean Tech and Sustainable Industries, Activewear, Software and Advanced Manufacturing.[8]

According to available census data, Portland has approximately 65,500 businesses.[9] Despite the focus on the traded-sector and the target clusters, three of the ten largest employers (listed below) in the Portland Metro area are in health care and three are educational institutions.[10] Only two of the non-educational employers on the list are based in Portland; Fred Meyer has corporate offices and Legacy Health has headquarters in Portland.

- Intel Corp
- Providence Health Systems
- OHSU
- Fred Meyer
- Kaiser Foundation
- Legacy Health System
- Nike
- Wells Fargo
- Portland Community College
- Portland State University

Nationally, Portland has a strong trade and manufacturing base. Nearly one-fifth of the Portland metropolitan economy is generated by exports. "Between 2003 and 2010, Portland increased its export volume by 109.3 percent creating 45,863 new jobs. This growth made Portland the second-fastest growing export market among the 100 largest metropolitan areas. The region was 12th largest by volume in 2010 with $21 billion in exports, and had the third highest export intensity, with exports accounting for 18.2 percent of its economy."[11]

Manufacturing in Portland-metro is highly productive and large relative to other metro areas. Its manufacturing sector accounts for 107,000 jobs, earning the rank of 17 among the largest 100 metro areas in the U.S. Manufacturing workers make up nearly 11 percent of Portland-metro's workforce. In contrast, manufacturing accounts for only about 8.5 percent of total employment in other metro areas.[12]

In 2010, Portland-metro's manufacturing sector produced $32.6 billion worth of output, which constitutes more than 26 percent of total regional output. Manufacturing's share of total output in Portland-metro is substantially higher than the U.S.-metro average of 11 percent and is only slightly lower than San Jose-metro, which has the highest share among large metro areas. Output per worker in Portland-metro's manufacturing sector is approximately $300,000, around twice the U.S.-metro average.

Consistent with its very large output per worker, an important segment of Portland-metro's manufacturing sector is specialized in information technology and very high-tech manufacturing. Approximately 34 percent of Portland-metro's manufacturing qualifies as very high-tech, nearly twice the U.S. average.

Portland also stands out in small businesses per capita (fourth) and in patents per capita (seventh). In a Slate article, a Biz2Credit study lists the Portland area as having the "second highest average revenue in the U.S. for businesses with fewer than 250 employees."[13]

Workforce and Education

Portland has a population of 609,456,[14] up from approximately 366,000 in the 1980s.[15] It draws from a workforce of over 985,000 in the metropolitan area; 20 percent are employed in trade and transportation, 12 percent in professional and business services and 12 percent in manufacturing.[16]

Education

The workforce is educationally diverse. Ninety percent of the region's workforce has at least a high school diploma, ranking the region 7th among all major U.S. metro areas for broad educational attainment. Of this 90 percent, one -third has at a least bachelor's degree. There are over 20 colleges and universities in the metro area;[17] however, there is no world class graduate research university in the area other than Oregon Health & Science University (OHSU) for medicine and biomedical sciences. Large research universities are considered major drivers of a growing economy.

Portland Community College (PCC), with 93,000 students at four campuses, bills itself as a workforce training institution as well as a college that prepares students for transfer to four-year institutions. It works with both Worksystems, Inc. and private employers to train the work force. Worksystems, Inc. is a non-profit organization with funding from a multitude of public and private sources that works to train job seekers and match them with employers.[18] An example of a public-private skilled workforce partnership is the welding training center on the premises of Vigor Industrial, a cooperative effort between Vigor and PCC.

According to a publication by the Portland Business Alliance, "our region's income level has gone from above average to below average" since 2010 and "college-educated workers, who work less and earn less, creating a significant income gap" were a contributing factor.[19] The report suggests several reasons for this: fewer advanced degrees, fewer high paying occupations, fewer business majors and more humanities majors, and possibly life style decisions.

In an article entitled "Why the Young and Restless Matter," City Observatory, a Portland think tank, says, "Having a well-educated, highly skilled population is the key to higher wages and productivity."[20] Young workers with a four-year degree are the most mobile, and Portland has been the recipient of many of these young adults. City Observatory has researched the fewer working hours and lower wages of 25-34 year olds in Portland. "Far from being a retirement venue for the precocious indolent [from a New York Times article], the city is in fact a beehive of social and cultural innovation and entrepreneurship. Among college educated 25-34 year olds fully nine percent are self-employed, a rate half again greater than that of larger metropolitan areas — ranking Portland third for self-employment for metros with a million or more population."

But while there are many young entrepreneurs in Portland, the fact remains that many are earning incomes below national averages and many others remain unemployed. The assumption on the part of Oregon Governor Kitzhaber and the State Legislature is that the answer lies in better education. In response to concerns about worker readiness for well-paying jobs, the Oregon Legislature in 2011 adopted Senate Bill 253, which frames what is now called 40-40-20. This sets as a goal that by 2025, 40 percent of young Oregonians will have a baccalaureate degree or higher, another 40 percent

Proposed STEM Improvement		
Goal	**Today**	**By 2025**
2X % students proficient and advanced in national math and science scores at 4th and 8th grades	4th math: 37%	4th math: 74%
	4th science: 33%	4th science: 66%
	8th math: 33%	8th math: 66%
	8th science 35%	8th science 70%
2X number of math, science and engineering AAs and higher (from all Oregon postsecondary schools)	3,809	7,618

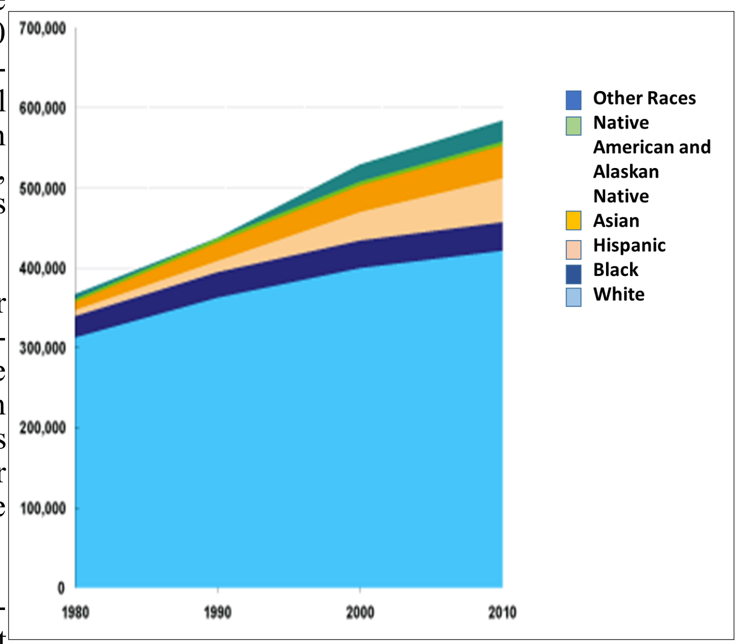
will have an associate's degree or a certificate in a skilled occupation and the remaining 20 percent will have at least a high school diploma. In addition, business and educational groups are advocating that Oregon focus on increasing educational attainment in Science, Technology, Engineering and Mathematics (STEM).[21]

In other efforts to pursue worker readiness for well-paying lower skilled jobs, PCC announced in September 2014 the opening of the Swan Island Trades Center in partnership with the Swan Island Business Association. "PCC is providing the skills and the job training for more than 20 different occupations in the trades," said PCC President Jeremy Brown.[22]

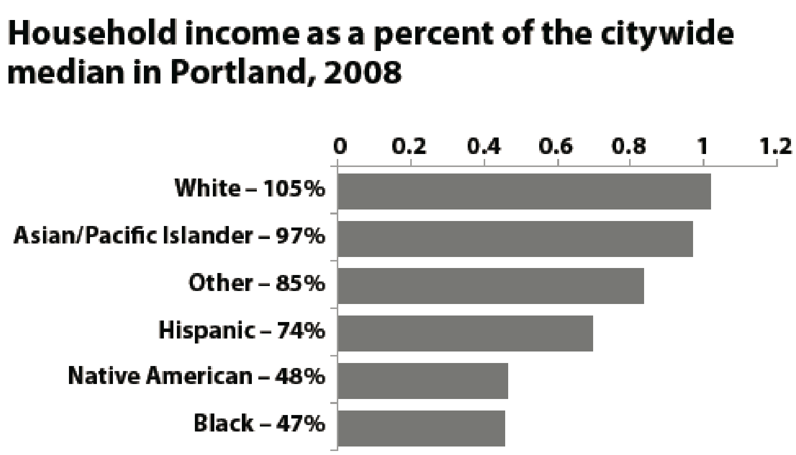
In 2013, at the instigation of Governor Kitzhaber and the Oregon Education Investment Board, the Oregon Legislature passed House Bill 3232, Strategic Investments Connecting to the World of Work. The Oregon Department of Education states that this legislation, "will provide funding to deepen students [*sic*] Engineering and Mathematics (STEM), the creative and design related industries (STEAM) & Career and Technical Education (CTE)."[23] In an effort to revitalize career and technical education, Portland Public Schools is currently planning to enhance programs already in place at Benson High School using CTE grants and other funding sources.

Ethnicity and Equity

Portland is increasingly ethnically diverse. The predominant ethnicity is still white, at 76.1 percent, but 9.4 percent are Hispanic or Latino, 7.1 percent Asian, 6.3 percent African American, 1.0 percent Native American, 0.5 percent Pacific Islander and 4.7 percent identify themselves as a mix of two or more races.[24] The following graph shows changes from 1980 – 2010:[25]



Communities of color do not share equally in the job market in Portland, as the following graph shows:[26]



A report by the Portland Bureau of Planning and Sustainability (BPS)[27] indicates that non-whites are increasingly moving to the fringes of the city. The Outer Southeast has seen an increase in low-income people of color seeking lower housing costs as gentrification drives up housing costs near the central city. The lower cost of housing away from the city center comes with an increase in the cost of transportation and access to jobs. Also, there are fewer public services and amenities in East Portland, partly because urban renewal and development dollars have historically been spent nearer the central city and partly because the city's per-user spending in East Portland is not equal to that for the city as a whole. Spending per user for sustainability, transportation, parks and housing has been below the city average; spending for police and fire has been above the average.[28]

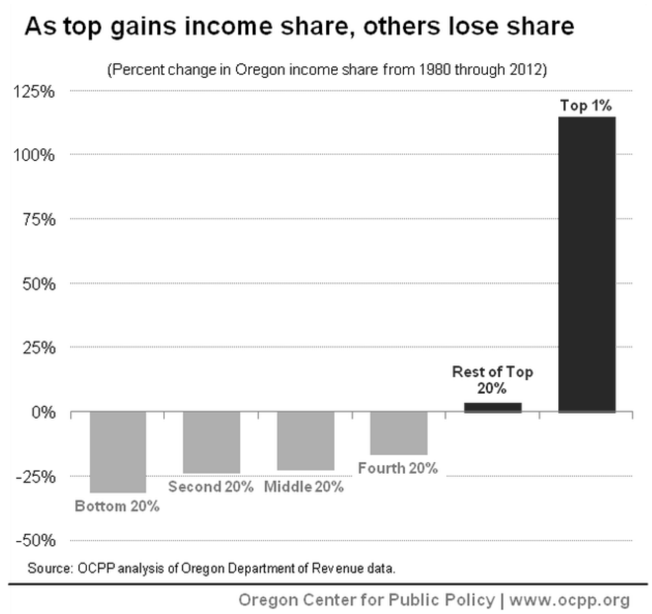
Wages

In 2009, median family income in Portland was $40,146.[29] The Portland Plan's measure of success for household prosperity uses a self-sufficiency index based on the income needed to meet basic household needs without government support, including the cost of housing, childcare, food, healthcare and transportation. In Portland, self-sufficiency is reached at approximately $36,000 per year for one adult and an infant. Industrial jobs generally exceed this criterion; the average wage for an industrial worker in Portland is $55,000 per year.

Researchers from the University of Oregon's Labor Education and Research Center (LERC) and Department of Sociology recently released *The High Cost of Low Wages*, which found that over 400,000 Oregonians – roughly 25 percent of the state's entire workforce – are employed in low-wage work ($12/ hour or $25,000 annual median wage or less).[30] Further, about one in seven Oregon workers receives public assistance. Each year, Oregon taxpayers spend over $1.7 billion to subsidize retail, fast food and health care corporations' reliance on a low-wage workforce.

In 2011, the Bureau of Planning and Sustainability handout to members of the Economic Development Policy Expert Group, listed the following major economic changes[31] in Portland in the decades following the League's last study:

- Economic globalization trends since 1990 have put increasing pressure on regions to remain competitive for traded-sector growth in order to remain prosperous. Recent state, regional, and city economic development strategies have focused on traded-sector growth.
- Reflecting the expanding "creative class" economy, Portland's share of residents employed in management, professional, technical, and creative occupations has risen from 24% in 1970 to 42% in 2000. Portland's urban innovation and livability advantages have been emphasized to support this growth.'
- Income distribution is shifting, and nearly all of the economy's inflation-adjusted income growth since 1979 was received by the top-earning 20% of Oregon households. Also, disproportionate upward mobility barriers persist for communities of color, residents with disabilities, female-headed households, and other groups.
- Real average earnings have been declining in Multnomah County since 2000, as local costs of living have outpaced average wage gains. In



2005-07, before the recent recession, only 76% of countywide households had adequate income to meet basic needs at local prices, measured by the Self-sufficiency Index.

- Unemployment in Multnomah County has generally exceeded national and regional averages since 2000, as population growth has outpaced relatively flat job growth.

Business Taxes, Fees and Exemptions

In addition to property taxes affected by Measure 5 and Measure 50 (discussed later in this paper), other taxes and fees affect the business environment in Portland. The Portland Business License Tax is a net income tax of 2.2 percent on business activity, with a minimum of $100. Multnomah County levies a Business Income Tax of 1.45 percent on net business income, with a $100 minimum. Portland has many fees, especially on development. Local taxes on payroll include a TriMet payroll tax of 0.7118 percent that is the primary source of TriMet's operating revenue. Oregon has no sales tax, but businesses pay a state income tax. Some businesses cite the high rate of state and local income taxes as a reason to move to Washington, which has no income tax, but does have a sales tax.[32]

Fees pertinent to businesses include System Development Charges that offset infrastructure requirements for new development, franchise fees, and licenses and permits. These produced combined revenue of $225.8 million for Multnomah County tax jurisdictions in 2012-13.[33]

Tax exemptions for various purposes offset business taxes and fees. These include:[34]

- An exemption on property taxes on facilities "being constructed for the production of income" and the equipment that will be used in them, but not on land, for up to two years during the construction process.
- An Enterprise Zone exemption for up to five years on taxes on new buildings and equipment constructed or purchased for use in Enterprise Zones, but not on land, by a business that has entered into a "first source hiring agreement" with the sponsor organization (in Portland, the PDC). About 44 percent of all Portland's industrial and commercial property is designated an Enterprise Zone.[35]
- Multiple unit housing, (but not land), in core areas, at light rail stations or in urban renewal areas can receive a property tax exemption for up to 10 years.
- Food processing equipment is exempt from taxation for up to five years after installation.
- Property that is leased by municipalities, dock commissions, airports, or ports for berthing ships, storage or handling of cargo, or used as an airport or airport maintenance facility is exempt from property taxes but must pay an "in lieu" tax to school districts.
- Low-income housing that is administered by non-profit organizations is also exempt from property taxes.
- There is a state income tax credit for companies making investments in E-Commerce, such as facilities, computers, equipment, networks, servers or software pertaining to E-Commerce related business-to-business transactions.

According to data supplied by the Multnomah County Tax Supervising and Conservation Commission (TSCC),[36] the categories above accounted for exemptions of $1,239,007,140 in assessed value in 2013-14. Based on the PDC information on Enterprise Zone exemptions,[37] the tax liability for an investment is about 1.5 percent of the value of the investment. Using that figure to calculate the approximate tax liability not realized because of the business exemptions above yields $18,585,107 in taxes not collected in 2013-14.

Although none of our interviewees suggested that the tax structure for Portland business was especially different from comparable cities, several expressed the opinion that Portland's regulatory system is arbitrary and unpredictable. Steve Kountz, of BPS, told us that most businesses surveyed in 2010 for the Portland Plan ranked "taxes and fees" as the biggest barrier to business success over the next 25 years. Also, the most frequently expressed themes in response to a survey question about the top two business-related issues in Portland were the cost of doing business and the difficulty of navigating city and county regulations. He also pointed to Governor Kitzhaber's Regulatory Streamlining and Simplification Project in 2012 that identified regulatory culture as a difficult challenge for business, particularly in discretionary processes like design review and environmental review, where there was a possibility of "setting policy at the permit level."

CHANGES IN ECONOMIC DEVELOPMENT

A History of the Portland Development Commission and Urban Renewal

In reaction to changes in Oregon's property tax system in the 1990s, Portland's use of urban renewal has undergone considerable transformation. In the early 1990s, uncertainty created by property tax measures led to a decision to suspend its use, but later tax measures caused a reversal that led to dramatic growth in urban renewal programs. More recently, increasing concern about the competition of tax increment financing with other important government services has led to measures that limit its use.

Portland Development Commission

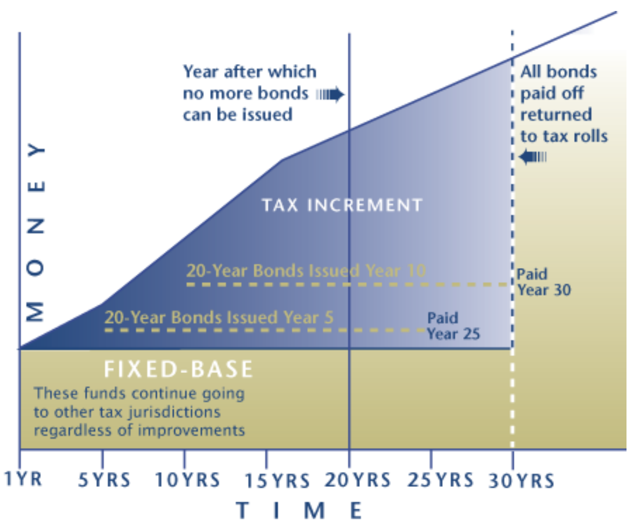
The Portland Development Commission (PDC) was created in 1958 by charter amendment. A five-member volunteer board appointed by the mayor and confirmed by City Council governs PDC. It serves as the city's urban renewal agency pursuant to Oregon Revised Statutes (ORS), Chapter 457, which was adopted in 1951. The statute spells out the process and tools available to local governments to redevelop and revitalize underperforming areas within their communities.[38] ORS 457 gives local jurisdictions the authority to identify blighted areas; those with conditions such as dilapidated buildings, faulty planning and inadequate streets, open space and utilities. According to the statute, these conditions "impair economic values and tax revenues. Such areas cause an increase in and spread of disease and crime and constitute a menace to the health, safety, morals and welfare of the residents of the state and these conditions necessitate excessive and disproportionate expenditures of public funds…"

After a lengthy planning process involving the PDC board, the Planning and Sustainability Commission and City Council, an urban renewal area (URA) is created. The Planning and Sustainability Commission, made up of volunteers appointed by the mayor and confirmed by City Council, is responsible for ensuring that the URA plan is consistent with the city's Comprehensive Plan and other relevant area plans. City Council makes the final decision on creation of new URAs and on amending existing URAs.

Once a URA is created, the city then has the authority to issue bonds to raise funds for development projects within that URA. Using a tool known as "tax increment financing" (TIF), the increased property taxes generated from the growth in assessed value within the district are used to pay for the debt (both interest and principal) created by the bond issuance. The city generally plans for URAs to last 20 years with a debt repayment period of approximately an additional 20 years. Once the debt is retired, all the property taxes from that area flow again to the county, schools, the city's general fund and other overlapping local taxing jurisdictions. If the financing tool works as intended, the jurisdictions will recoup significantly more than the value of the taxes foregone during the URA's existence because a derelict area is revitalized and contributing to the economy and the community's well-being.[39]

In 2007, in response to concerns that PDC spending was primarily benefiting developers and not the broader community and that PDC was not accountable to the public at large, voters passed a charter amendment referred by City Council. It increased Council oversight and involvement in PDC's budget process by requiring an annual public hearing, and ensured the City Auditor's authority to facilitate or conduct financial and performance audits of PDC. Former Mayors Bud Clark and Vera Katz opposed the measure because they believed it would hand over urban renewal spending decisions to politicians and upset the checks and balances that had been in place for almost 50 years.[40]

The amended charter specifies that PDC implement the vision and goals of the city as determined by City Council, and continues to be responsible for urban renewal, economic development and affordable housing. In addition, the amended charter calls for PDC to advance social equity and promote a diverse and sustainable community in which "economic prosperity, quality housing and employment opportunities are made available to all residents."[41]



The PDC is now very vocal about its commitment to equity. As a City of Portland agency, it is required to complete an equity assessment document as part of the budget process. PDC programs furthering equity include:[42]

- The Business and Workforce Equity Programs. Due to these programs, 29 percent of PDC's prime contracting, sub-contracting, professional services and supply was provided by minority- or women-owned and emerging small businesses in FY 2012-2013.
- The Neighborhood Prosperity Initiative (NPI) and Main Street Network. PDC partners with eight community-based organizations in North, Northeast and East Portland to "drive economic development in priority neighborhoods." PDC provides training and makes small grants to the organizations to hire staff, make small-scale physical improvements and increase the visibility of the neighborhood.
- Small and Micro Business Technical Assistance. PDC provides technical assistance and support to businesses owned by people with low incomes, people of color and people with limited English through contracts with eight non-profit organizations (e.g., Hispanic Metropolitan Chamber, Microenterprise Services of Oregon, Small Business Legal Center). PDC anticipates this program will serve 450 businesses in FY 2014-15.
- Workforce Development. PDC collaborates with Worksystems, Inc. to fund and administer workforce development programs for people with "significant barriers to employment." Worksystems, Inc. in turn contracts with non-profit providers like PCC (as mentioned previously), SE Works, Human Solutions and Portland Opportunities Industrialization Center. PDC reports their $2 million investment leverages another $2 million from Worksystems, Inc.
- Venture Portland. PDC helps fund this non-profit organization of neighborhood business leaders that provides grants, training and technical assistance to Portland business districts. In FY 2012-13, Venture Portland awarded $85,825 in grants to 32 projects in 23 districts.[43]

In 2010, the Portland Housing Bureau (PHB) was formed, combining PDC's Housing Department with the city's Bureau of Housing and Community Development. The PHB assumed responsibility for implementation of the TIF Set-Aside Policy for Affordable Housing, adopted in 2006, that requires 30 percent of urban renewal dollars to be spent on low-income housing. Those funds have been used to develop very low- and low-income rental housing and homeownership units. According to the PHB TIF Set-Aside annual reports, spending on very-low income units lags behind policy goals. The 2009-10 report states, "PHB and housing providers continue to work to find ways to sustainably invest in extremely-low income rental units that will operate successfully and help tenants remain successful renters."[44] The challenge of creating those units persists and is documented in the 2013-14 report.[45] The overwhelming need, however, is made clear in a document distributed by the Northwest Pilot Project showing a deficit of over 20,000 units at that level of affordability.[46]

In addition to the set-aside policy, most URAs set targets based on the city's Comprehensive Plan that calls for housing in redeveloped areas to be affordable to households matching the income profile of the city as a whole. This allows for Portlanders of all income levels to benefit from the public investment expended in the URAs. Portland has fallen short of those targets. For example, 35 percent of the housing units in the River District (the Pearl) should be low cost, but only 26 percent meet this goal.[47] In South Waterfront, of the 2,400 residential units produced to date, only 209 are affordable to very low- and low-income households.[48] Had the policy been followed, approximately 860 affordable units would have been produced.

Among PDC's powers is the right granted by the U.S. and Oregon Constitutions to take private property for public use. Property owners must receive fair compensation. Urban renewal agencies utilize the eminent domain authority both for the purpose of providing public facilities, such as parks and roads, and to assemble land for future private development in blighted areas. In 2005, the U.S. Supreme Court, in *Kelo vs. City of New London*, confirmed that cities have the right to condemn private property when the land will be used for private development.

In response to this ruling, property rights activists around the country spearheaded efforts to restrict the use of eminent domain. Oregonians passed Ballot Measure 39 in 2006 that prohibits condemnation of private property if some or all of it will be conveyed to a private party. Passage of the measure places limits on the ability of urban renewal and other public agencies to engage in public-private partnerships used in redevelopment projects.[49]

Urban Renewal in Portland

Since its creation in 1958, PDC has overseen 15 locally funded URAs. Three have been completed and all debt retired (South Auditorium, NW Front and St. Johns), and three no longer issue debt through bonds (Airport Way, Downtown Waterfront and South Park Blocks). The nine active URAs are Central Eastside, Gateway, Interstate, Lents, North Macadam (South Waterfront), Oregon Convention Center, River District (the Pearl), Willamette Industrial, Education URA (Portland State University). (See map in Appendix 1.) There are six newly created Neighborhood Prosperity Initiative (NPI) districts. Borrowing authority (maximum indebtedness) for the active URAs ranges from a high of \$489.5 million in the River District to a low of \$105 million in the Central Eastside (see Appendix 2). On the other hand, the collective maximum indebtedness for the six NPI districts is only \$7.5 million.

Urban renewal efforts have contributed significantly to Portland's success. Notable projects include: Tom McCall Waterfront Park, Pioneer Courthouse Square, Airport Light Rail, Portland Streetcar, Portland Aerial Tram, Director Park and Lan Su Chinese Garden. Other accomplishments include storefront improvement and community livability grants, affordable housing, transportation infrastructure, redevelopment, development and retail strategies.

In recent years, partly because of a growing desire to distribute the benefits of public investment more equitably, PDC began placing a greater emphasis on neighborhoods. It created six small districts through the NPI approach in areas with higher concentrations of communities of color and low-income residents (42nd Ave., Cully, Parkrose, Rosewood, Jade [82nd Ave.] and SE Division/Midway).

PDC works with local business owners and community members to revitalize commercial districts in those areas. The NPI districts utilize tax increment financing, although unlike traditional URAs, they do not use debt financing, but only spend the amount of resources each district generates through increased property tax revenues. The 2013-14 PDC budget shows $516,077 available for the NPI districts, a drop in the bucket compared to the River District URA with $53 million budgeted for the same fiscal year.

Making progress in districts outside downtown has proven difficult for PDC. The Lents and Gateway URAs are used as examples of areas where expectations for growth and revitalization have not been met. In Lents, for instance, the city has spent $96 million since the district was created in 1998 without much economic development success to show for it. PDC Executive Director Patrick Quinton stated in a January 2014 *Willamette Week* article, "We don't have a lot of successes to talk about on the commercial-revitalization front, I think that's pretty apparent."[50] Gateway tells a similar story with many more achievements needed before the vision for the district is realized.

Carl Talton, former PDC board member (1987-2003), explained that PDC is working to recalibrate the organization so it can engage successfully in community-based development. PDC has faced criticism for harming low-income communities and communities of color through its history of coming into an area, investing redevelopment dollars and driving out the people who live there. Mr. Talton believes the agency would have better outcomes if it invested only after communities have identified their needs. In his view, the planning for the Neighborhood Prosperity Initiative was a step in the right direction because it involved community representatives.

Nick Sauvie, ROSE Community Development Corporation director, shared reservations about the NPI program. Because of limitations associated with tax increment financing, it is conceivable that it could cost less to do the same work if the city used general fund dollars. He went on to say, "PDC deserves a lot of credit for their contributions to downtown, which is one of the best of any city in the country. They clearly have not been as effective in eastside neighborhoods. Lack of staff on the ground in the neighborhoods; lack of knowledge of the neighborhoods and a concept of what they could become; and lack of coherent strategy to implement the vision step-by-step all contribute to the weak performance."[51]

Oregon Statutory and Constitutional Changes Impact Economic Development

Measure 5: Beginning with passage of Ballot Measure 5 in 1990, voter-adopted changes to Oregon's property tax system had a profound effect on Portland's use of urban renewal. Measure 5 limited property taxes to $10 per $1,000 of value for general government funding (e.g., city, county, Metro) and $5 per $1,000 for schools, including community colleges. Measure 5 requires rates to be reduced proportionally, or "compressed," to stay within the limit. In FY 1991-92, general government tax rates within the city of Portland exceeded the $10 limit with a rate of $11.8586, so the city's tax revenue was reduced by $22.3 million due to compression.[52] To reduce the impact of compression on local taxing jurisdictions, the city levied no urban renewal taxes between 1992 and 1995. Former PDC Chair Doug McGregor stated that, "I've taken a personal stand that no, we should not compete against fire and police services to fund PDC activities."[53] As assessed values increased over the next few years, the city resumed collection of urban renewal taxes in 1995-96.[54]

Measure 50: The 1997 passage of Ballot Measure 50 created a rate-based property tax system in which taxing jurisdictions charge a flat rate per $1,000 in property value. In communities with urban renewal areas, this method of taxation results in reduced revenues for taxing jurisdictions rather than higher individual property taxes. The more property value tied up in urban renewal, the less property tax revenue there is to spend on essential services provided by the city, county, Metro, the schools and other local governments.

Measure 50 separated assessed values, on which property taxes are calculated, from real market values and placed a limit on the growth of a property's assessed value to three percent per year. Before Measure 50, an urban renewal agency only received property tax revenue if its efforts resulted in increased market values in the plan area. The maximum three percent increase in assessed value, which became routine as property values continued to increase, means that PDC can count on a steady source of revenue, regardless of whether any projects in the district are completed.[55]

The 2001 Oregon Supreme Court ruling in *Shilo vs. Multnomah County, Oregon* resulted in a change to urban renewal tax calculations. The ruling required property taxes collected by URAs to be converted to a tax rate and added to the other general government rates. This reduced compression in the education category and shifted it to general government.[56] In 2002, urban renewal was 12.5 percent of Portland's general government rate and by 2012 it had increased to 17 percent, thus contributing to additional compression.[57] This increase was due to growth in assessed values in URAs as well as the addition of new URAs. As property values continue to grow at a higher rate within URAs, this phenomenon is expected to continue.

The Portland City Auditor's 2013 Fiscal Sustainability and Financial Condition Report points to the shift that has taken place in the impact urban renewal debt has on city finances. In 2003, 19 cents of every city property tax dollar was spent on urban renewal debt, by 2012, it had increased to 25 cents. During that same time, Portland's property tax revenues increased by eight percent and property taxes devoted to urban renewal debt grew by 68 percent reducing revenue for services.[58] Overlapping jurisdictions, including the county and schools, experience similar effects.

Revenue Sharing: Skyrocketing values in the River District URA, growing from $359 million in 1999-2000 to $1.35 billion in 2007-08, motivated PDC and the city to propose amending the district plan in 2008 to tap into the increased borrowing power made possible by the increased tax returns. The amendment would have increased the district's original $224.8 million maximum debt by $324.7 million, allowing PDC to complete more projects in the URA. After resolution of an appeal to the Oregon Land Use Board of Appeals, the city increased the River District debt by $265 million, more than doubling the original maximum indebtedness, and added parts of Old Town Chinatown, an area with greater claim to blight, to the district.

By this time, Multnomah County was becoming increasingly vocal about the impact Portland's use of urban renewal was having on its property tax revenues and thus its ability to provide services. In a 2007 memo to an Urban Renewal Advisory Group, then Multnomah County Commissioner Jeff Cogen raised concerns about the County's ability to fulfill its obligations to public safety and human services when $16 million a year the county otherwise would have received was being spent in Portland's URAs. In the memo, Cogen explained, "This has contributed significantly to the dire financial condition of the County, which has had to cut its general fund budget for eight years in a row even during the recent economic boom and faces another significant budget cut next year."[59]

The growing concern led to state legislation (HB 3056) passed in 2009. It set debt limits relative to assessed value on newly formed districts and on future increases in maximum indebtedness, and established sharing triggers by which taxing jurisdictions share in the revenue generated by growth in assessed value within a URA. Furthermore, affected taxing jurisdictions must concur if the urban renewal agency proposes setting debt limits in excess of those allowed by statute.

Local Option Levies: A bill passed by the 2014 Oregon Legislature, HB 2632-A, ended the practice of diverting a portion of local option levies to urban renewal agencies for any new voter approved levies. In November 2014, voters overwhelmingly passed a measure referred by the Portland Public School Board renewing an existing local option levy. As a result, the district will recoup approximately $4.3 million more than it otherwise would have in 2015-16, the levy's first year in effect.[60]

Concepts for Future Change: Former Tax Supervising and Conservation Commission Executive Director Tom Linhares shared with us other ideas for addressing taxing jurisdictions' concerns over urban renewal's impact. Rather than imposing revenue sharing, "a better approach might be to allow the agency to collect every penny possible with a provision that any 'extra' revenue not anticipated has to be used to pay off any debt already incurred early." This would speed up the process of debt repayment and return the full value back to the taxing jurisdictions sooner rather than later. This would only work if urban renewal plan amendments were banned.

Portland has a history of amending its plans in order to add additional acres, to increase borrowing authority or to extend the life of a district. Downtown Waterfront was created in 1974 and stopped issuing debt in 2008. City Council is currently considering whether to extend the Central Eastside URA, formed in 1986, to end in 2023, giving it a 37-year life. Mr. Linhares explains that, "If an urban renewal agency knows that it will not be able to amend a plan area to increase debt or extend the time for issuing debt then perhaps it will take more care in setting up the plan in the first place. An urban renewal plan should have very specific and defined goals and objectives and not an open-ended ability to change or add to the list of projects. As they say in the movies: 'get in, get out and nobody gets hurt'." If more work were needed in the area, a new district would have to be formed, requiring resetting the frozen base value.[61]

Proposed Urban Renewal Modifications*:* One of the issues highlighted by Mayor Charlie Hales' election campaign was the increasing bite urban renewal spending was taking from the city and other taxing districts. In the summer of 2014, he proposed closing two URAs (Willamette Industrial and the Education URA), reducing acres in River District and Airport Way, and expanding and extending Central Eastside and North Macadam. If approved, the overall result of the proposal would be a savings of $67.43 million (present value) to the taxing jurisdictions over the next 30 years.

Citizen Participation in PDC

One of the major goals listed in Portland's Comprehensive Plan is to "Ensure citizen involvement in the policy development and decision-making process on publicly-funded economic development projects and activities."[62] Voters do not elect any of the leaders of major economic development organizations. Citizen involvement, therefore, usually depends on advisory committees and public hearings. For example, PDC is led by a volunteer citizen commission appointed by the Mayor, confirmed by the city council and reporting to the Mayor.

PDC has two existing citizen advisory committees, the Central City Budget Advisory Committee and the Neighborhood Economic Development (NED) Leadership Group. The former advises PDC during the budget process for URAs in the central city, and is concerned with PDC planning, at least for the inner city. The NED leadership group guides the implementation of the Neighborhood Economic Development strategy, including the NPIs. PDC forms limited duration advisory groups when necessary. For example, an advisory group concerned with Mayor Hales' proposed changes to URAs recently completed its work. LWVPDX

Action Committee members served on that committee. Another source of community involvement, the urban renewal advisory committees for each URA, has been eliminated in recent years.

PDC does not have easy-to-access requests for email notification of meetings, and neither meeting agendas nor minutes are routinely posted on its website. The need for this kind of transparency was one of the major items included in the position statement derived from the League's 1981 study of the PDC. Important documents relevant to URAs, specifically urban renewal plans and amendments, are not always available on the PDC website for each district.

Evaluating Urban Renewal and Economic Development

Included in the LWVPDX study committee's scope was an examination of the role of public subsidies in encouraging private development. A simple determination of the effectiveness of public subsidies is difficult to obtain.

Evaluating the benefits or costs of urban renewal for affected taxing jurisdictions is challenging because it is difficult to measure whether development occurred as a direct result of urban renewal or whether it would have occurred in any event. The California Public Policy Institute released a study in 1998[63] in which it identified comparable properties, half inside URAs and the other half outside. The author compared increased value over time and evaluated the effectiveness of urban renewal. He concluded that "redevelopment projects do not increase property values by enough to account for the tax increment revenues they receive. Overall, the agencies stimulated enough growth to cover just above half of those tax revenues. The rest resulted from local trends and would have gone to other jurisdictions in the absence of redevelopment."

A 2007 Oregon study, commissioned by the Association of Oregon Redevelopment Agencies, to evaluate seven urban renewal plans, explains the challenge of finding truly comparable land parcels in Oregon.[64] The survey did not attempt to evaluate the "but-for" scenario, but concluded that the projects did, indeed, facilitate new development, jobs and assessed value. Many agree that, although challenging, quantifying the effectiveness of urban renewal would contribute to better policy and decision making.

As part of this study, more than one interviewee mentioned that the traditional measure of jobs created is insufficient as a measure of success of an economic development project. In addition to the recent Labor Education and Research Center (LERC) study mentioned in our discussion of workforce, LERC's Barbara Byrd told us that Texas provided large tax incentives to Walmart to locate a warehouse in the state, only to discover that the jobs created paid so little that the job holders required public assistance, for a net loss to the state. Compounding the difficulty of using number of jobs as a measure of a project is that jobs in the construction phase are usually counted in projections. Once the construction phase ends, these jobs also end, often leaving many fewer long-term, stable jobs.

Even the Gross Domestic Product (GDP), a measure with a long and respected history, has recently been questioned as a measure of prosperity.[65] GDP is based on average, not median, income; incomes of most citizens can actually decrease while the average increases, when there is great income disparity. In addition, GDP can rise by harvesting natural resources; it does not include factors for depletion or environmental degradation. Other measures have been proposed, such as the Social Progress Index[66] and the Genuine Progress Indicator[67] that take economic, social equity, environmental factors and long-term projections into consideration.

Sean Robbins, the previous director of Greater Portland Inc. (GPI) and now director of Business Oregon, told us that the return on investment of economic development projects should be five times the investment. This is similar to the reasoning in the study of URAs in California that the areas would have to generate six times the tax increment retained by them to be "self-financing", or not subsidized by the revenue foregone by the taxing jurisdictions over the life of the URA.

Even if a simple figure could be agreed upon, it is difficult to specify what should be included in the calculation of return on investment, as Sean Robbins acknowledged. Many measures are specific to the project under consideration. For example, GPI's Metro Export Initiative[68] includes at least 15 performance measures. Most of the indicators, while important, are relevant only for this specific initiative, and not all can be translated into a dollar value.

A recent report by PDC[69] listed many useful measurements of economic success or failure in addition to jobs and GDP: private investment attracted by PDC initiatives, business license activity, savings to companies due to process improvements and waste reduction, investment capital trends and export statistics. However, as yet no simple summary statistic exists combining all these values into a weighted whole.

Some measures consider only the return to government bodies, not to the economy as a whole. The Oregon Taxpayer Return on Investment Coalition drafted a state legislative act in 2013 to restrict any business subsidy, including tax abatement and tax expenditures, to an amount not greater than "the total of five years of the income and property taxes paid by the employer and employees".[70] The act also specified that employment must remain stable for at least twice the period of subsidy. This measure was based only on the return to the state, not to the economy as a whole.

Evaluations by public bodies of a proposed economic development project often neglect opportunity costs. That is, they calculate only whether the project will be profitable to the community, not whether it is the *most* profitable when compared to other uses of the funds. Urban renewal tax increments are pledged for many years in advance and therefore do not compete annually with other budget priorities. Education is one type of tax district that receives less support when money is expended for economic development. Many interviewees reported that lack of quality public education was one of Portland's chief drawbacks to attracting new businesses. Investment in education could therefore be a better way to invest in economic development, but measuring its success would be difficult.

Government and the Economy

Governments guide economic development through legislation, incentives, funding (such as grants, infrastructure and technical assistance) and partnerships. A vast web of regulations and policies from federal, state, regional and local governing bodies affects Portland's economy.

City of Portland's Role in Economic Development

The LWVPDX last studied economic development in 1981, followed by a study of the Portland Development Commission in 1982, as a direct result of City Council's passage of the "Economic Development Policy for the City of Portland" in 1980, heralding a new emphasis on economic development. Previously, the PDC's function was primarily urban renewal in the manner of large-scale demolition and redevelopment. In 1979, PDC dedicated a staff member solely for economic development and Mayor Goldschmidt created the Bureau of Economic Development. According to our 1981 study, this led to some confusion about responsibilities between the two agencies. Mayor Frank Ivancie disbanded the city's Bureau of Economic Development in 1980 and placed all responsibilities for economic development with PDC. [71]

Currently, the primary role of economic development lies within PDC, but several other agencies directly affect economic development through the implementation of federal, state and local regulations.

Portland Comprehensive Plan: The Portland Comprehensive Plan is important for economic development because it sets the framework for infrastructure investments and establishes regulatory policies. Comprehensive Plans are required by every city in Oregon since passage of the statewide planning program in 1973. The City of Portland developed its first Comprehensive Plan in 1980. It has never been updated. The Bureau of Planning and Sustainability (BPS) is currently developing the Comprehensive Plan 2035[72] that should be adopted by the City Council in Spring 2015 as required by the state.

As the name implies, the Comprehensive Plan incorporates numerous regional, state and local policies and plans, including the Portland Plan. The components of a comprehensive plan are set in state statute. Proposed new URAs must follow the city's Comprehensive Plan.

The Comprehensive Plan 2035 forecasts a need for up to 140,000 new jobs by the year 2035. The Plan will direct where these jobs will be situated and will indicate the infrastructure required to support the new economy.

The economic development strategies in the proposed 2035 Comprehensive Plan include:

- Growth in exports of goods and services
- Growth in the productivity and competitiveness of key and emerging industries
- Staying competitive as a major West Coast trade gateway for goods traveling between the Columbia River basin and the Pacific Rim
- An overall competitive business environment

The proposed Comprehensive Plan defines "four major geographies" for economic development: the Central City, industrial areas, major institutions and neighborhood business districts.

The Comprehensive Plan 2035 proposes six related strategies for supporting industrial job growth:

- Addition of new industrial areas
- Intensification of development and use in existing industrial areas
- Freight transportation improvements
- Brownfield re-investment
- More industrial and employment sites and businesses in East Portland

A balanced approach to persistent land use conflicts: watershed health and residential compatibility

As part of the comprehensive plan process the city also developed the Citywide Systems Plan and Transportation Plan for infrastructure. These plans support the Comprehensive Plan. The Zoning Code will be updated based on the Comprehensive Plan.

The Portland Plan: The Portland Plan[73] also addresses economic development, but focuses on broader societal goals as well; a major goal of the plan is "advancing equity." It began as a response to income disparities, high unemployment, low high school graduation rates and environmental concerns. The city adopted the Portland Plan in April 2012; it includes both 25-year policies and 5-year action plans. The Portland Plan was used in the development of the Comprehensive Plan 2035.

The Plan discusses the economic strengths and shortcomings of Portland today. Portland has a relatively high export ranking for the size of the city due to its ability to move freight. It is also recognized for its job-creating business startups. However, unemployment rates exceed the national average, employees lack basic educational skills, some neighborhood markets are losing jobs and average earnings are not keeping up with the rising cost of living.

The Portland Plan's economic development goal is to "[e]xpand economic opportunities to support a socially and economically diverse population by prioritizing business growth, a robust and resilient regional economy, and broadly accessible household prosperity."[74]

Role of the Mayor's Office, Legislative Change for Oversight of PDC: The charter amendment approved by voters in 2007 (see p. 9) defines the role of PDC as the City's urban renewal, affordable housing and economic development agency while increasing the oversight role of the City Council. The PDC budget is now required to be integrated with the goals and budget processes of the city. The auditor was given increased authority over financial and performance audits of PDC. In addition, the role of social equity was prominently stated as a goal.

This change in oversight was clearly demonstrated in the economic development plan put forth under former Mayor Adams (see below). The plan stated that the Mayor's Office was responsible for establishing and updating the strategy and providing oversight to its implementation. PDC is responsible for implementation while the Mayor is accountable for the results of the strategy, and as such must ensure that coordination occurs among the range of bureaus and agencies with roles in the strategy.

Portland's 5-Year Economic Development Strategy: Mayor Sam Adams announced three goals at his inaugural speech: to increase family-wage jobs, to reduce the high school dropout rate and to make Portland more sustainable. Two of the goals are clearly delineated in his economic development plan adopted by City Council in June 2009, "The Economic Development Strategy: A Five-Year Plan for Promoting Job Creation and Economic Growth".[75]

The third goal to "build the most sustainable economy in the world",[76] included targeting investment to increase employment by 10,000 jobs in five years. The plan concluded that the city needed a more explicit and targeted economic development strategy beyond the usual investments in infrastructure and education. The plan stated that investing in quality of life did not generate the new jobs necessary for the city. The new approach to job growth "requires explicit investments in retaining and growing firms, training workers, funding innovation and developing catalytic projects."

The plan described economic development funding that fluctuates from year to year and states that tax increment financing, the city's primary tool for economic development, is "inflexible and generally off target in this mission."[77] It identified four industry concentrations that will receive targeted resources: Clean Tech and Sustainable Industries, Activewear, Software and Advanced Manufacturing. The Mayor's office holds the primary responsibility for strategy that will be implemented by PDC. A Mayor's Economic Cabinet of private and public partners was established.

The following initiatives and partnerships were based on the adopted strategy:

- The Neighborhood Economic Development Strategy which implements neighborhood-specific plans (see previous section)
- The Entrepreneurship Action Plan which increases investments in high-growth firms and entrepreneurs, while building synergies with local research universities and increasing access to risk capital and mentor opportunities
- The Education URA, slated for early termination, although some aspects of it are included in the proposed expansion of the North Macadam URA

The Metro Export Plan, developed in partnership with Greater Portland Inc. and the Brookings Institution, to connect local companies to international opportunities and drive export activity

In a three-year status report of the economic development strategy,[78] PDC reported that its efforts under the strategy retained 1,500 jobs and created 2,750 new ones through assistance to 176 local companies and recruitment of 19 new companies, and that PDC's investments leveraged more than $740 million of private investment, spurred an estimated 4,700 construction jobs and helped 526 businesses with $75 million in incentives. To put this into perspective, during the same three years Multnomah County as a whole added 16,300 new jobs.

Regional Governments

The regional governments of Metro and the Port of Portland affect economic development in Portland.

Metro: Metro's jurisdiction includes three counties and 24 cities, including the City of Portland. It provides regional planning and coordination to manage growth, infrastructure and development issues that span jurisdictions. Metro manages the Urban Growth Boundary (UGB) that separates urban and rural land uses. It works with communities to plan for future population growth and to meet needs for housing, employment, transportation and recreation.

The Metro Council is the nation's first directly elected regional government. Membership in Metro's advisory committees includes elected officials from Metro's jurisdictions, representatives of businesses, state agencies, special districts and individual citizens.

Every five years, Oregon law requires Metro to evaluate the capacity of the region's UGB to accommodate a 20-year forecast for housing and employment. Metro Council adopted the 2014 Urban Growth Report in December 2014. The 2040 regional goals are safe and stable neighborhoods for families; compact development that uses land and money efficiently; a healthy economy that generates jobs and business opportunities; protection of farms, forests, rivers, streams and natural areas; a balanced transportation system to move people and goods; and housing for people of all incomes in every community.

Metro programs directly related to economic development in the entire Metro region include:[79]

- Community Planning and Development Grants support some development projects, but mainly support planning for development within the UGB and in urban reserves. The grants are funded by a regional construction excise tax.
- The Regional Infrastructure Supporting our Economy program (RISE) (previously the Community Investment Initiative) helps catalyze development and infrastructure investments with regional partners in targeted areas. This program was created after a 2008 Regional Infrastructure Analysis that pointed to infrastructure deficiencies.
- Regional Flexible Funding for Transportation Projects directs federal flexible funding to transportation projects.
- Enterprising Places Grants are storefront improvement and district transformation grants designed to "help emerging commercial districts across the region fulfill their promise as treasured destinations and economic engines for the region".
- Transit-Oriented Development Program (TOD) provides grants and assistance to developers to build near transit, which Metro reports has preserved 479 acres of farm and forest land.

Citizen participation in Metro is facilitated by a large number of advisory committees. Its website provides information on each of them, including how they are selected, their membership, upcoming meetings with agendas, minutes of previous meetings and plans and policy documents relevant to the committee. Metro also offers citizens an opportunity to comment with an online participation tool, Opt In.

Port of Portland: The Port of Portland (Port) is an important player in our economy because it connects Northwest markets to a global system through its marine and airport facilities, and because it is the region's largest owner of industrial land. According to its strategic plan,[80] the Port focuses on roads, rails, rivers and runways and industrial land supporting traded-sector economic development and access to markets.

The Port is a regional government created in 1891 to dredge a 100-mile shipping channel from the ocean to Portland. It is directed by a nine-member commission appointed by the governor and reports to that office. It has 800 employees with more than $1.6 billion in marine and aviation transportation infrastructure and real estate assets that generate nearly $250 million in annual revenues. Revenues from its facilities primarily fund Port capital expenses and operations. There are two separate Port funds: Airport Fund and General Fund. Under federal regulations, revenues derived from airport operations cannot be used for non-aviation purposes. Only four percent of the Port's budget comes from property taxes;[81] property taxes and industrial land sales are the primary sources of its General Fund revenue.

The Port owns four marine terminals, three airports and five industrial/business parks in the region. It is the largest wheat export port in the U.S. and the third largest auto import port. It is, however, one of the smallest of its competitor seaports and airports, with heavy competition from larger ports along the West Coast.

As the direct connection to global markets, the Port has been greatly affected during the last 30 years by fluctuations in the global economy. When ocean and air shipping decline, so do the Port's revenues. Freight shipments and air travel directly reflect levels of economic activity. The Portland region is also a small market, with higher unemployment rates and lower income levels than the national averages, which dampen demand for trade, air travel and industrial land. This reduces the amount of revenue the Port collects and affects the financial resources it has at its disposal.

The Port faces increased global competition for container ports with the expansion of east coast container infrastructure, the pending completion in 2016 of the Panama Canal expansion and new container terminals in Canada.

The founding purpose of the Port was to dredge a channel in the Columbia River. Portland is a niche container port and deeper-draft vessels typically do not call on Portland. The worldwide movement for larger, more-efficient vessels requiring deeper dredging raises environmental concerns.

Recent industrial land surveys indicate that the Portland region will face a shortage of several categories of market-ready industrial land and the Port is the largest owner of industrial land in the region. Its property holdings are: Troutdale Reynold Industrial Park near Troutdale Airport, Gresham Vista Business Park, West Hayden Island in the Columbia River, Swan Island in the Willamette River, Portland International Center and Southwest Quadrant at the Portland Airport.

The Port has two ongoing citizen advisory committees: the PDX Community Advisory Committee, which advises on planning and development of the PDX airport, and the PDX Citizen Noise Advisory Committee, which advises on airport noise abatement. The former is directly related to the Port's mission statement, "to enhance the region's economy and quality of life by providing efficient cargo and air passenger access to national and global markets." Neither of these committees is focused on the Port's position as the largest owner of industrial lands in the City nor on its stated vision, "to be a prominent, innovative economic development engine while stewarding the region's community and environmental best interests". As with Portland and Metro, the Port convenes project and planning committees on an ad hoc basis. The Port's website has an Inside the Port page which provides information on meeting dates and summaries of meetings. All meeting notices are published in the media. The website also has easy-to-access requests for email notification of meetings.

Oregon Department of Land Conservation and Development

In 1973, the State of Oregon became the first state in the nation to adopt statewide planning goals. There are 19 goals that govern policies affecting land use. Oregon requires city and county governments to develop comprehensive plans that meet these goals.[82] There are four goals with the most direct impact on local economic development:

Goal 1 - Citizen Participation: “To develop a citizen involvement program that insures the opportunity for citizens to be involved in all phases of the planning process.”

Goal 2 – Land Use Planning: “To establish a land use planning process and policy framework as a basis for all decision and actions related to use of land and to assure an adequate factual base for such decisions and actions.”

Goal 9 – Economy: “To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon’s citizens.”

Goal 14 – Urbanization: To provide for an orderly and efficient transition from rural to urban land use, to accommodate urban population and urban employment inside urban growth boundaries, to ensure efficient use of land, and to provide for livable communities.”

The state planning law also required cities and metro areas to create an Urban Growth Boundary (UGB), which is a line that defines the outer limits of urban growth for the next 20 years. Cities estimate how much their population will grow and then determine how much land is needed for the additional housing and jobs. The concept was to direct urban development to the areas inside the boundary in order to protect the surrounding farmland and forests from suburban, low-density sprawl. UGBs also promote more efficient use of infrastructure such as roads and water and sewer systems by promoting density. In the Portland area, Metro is responsible for the Urban Growth Boundary.

Since a UGB limits the supply of land for housing and employment, it has the effect of raising the cost of land when demand increases. The UGB is credited with the Portland trends of a strong city core and gentrification of close-in neighborhoods, but also contributes to the displacement of low-income populations to neighborhoods far from the city center.

Oregon’s Land Use Laws, specifically Goal 9 (Economic Development) require local jurisdictions to plan for future employment needs when updating their comprehensive plans. Local jurisdictions utilize population projections and community priorities in order to establish the amount of land needed to accommodate the housing and employment needs of anticipated population growth. As mentioned previously, Portland is in the process of updating its Comprehensive Plan. Among other clusters, Portland has prioritized advanced manufacturing, which produces well-paying jobs but is land intensive. However, Portland has no room to grow geographically, and it is becoming increasingly difficult to identify land capacity for the city’s future jobs.

According to a planner at BPS,[83] when Portland reaches the point at which it cannot identify sufficient acreage to meet its housing and employment needs without sacrificing parks and open spaces beyond what the City Council and the public would accept, the city has options it could consider to meet the State’s requirements. It could adjust its assumptions and plan for jobs that are less land intensive, but might pay less. The revised assumptions must be credible. It could work with other Columbia River region ports, collaborate on port functions and thereby reduce the need for the Port to develop West Hayden Island. Alternatively, the city could utilize the state’s exception process and request permission to move forward without identifying sufficient employment and housing land.

Based on its environmental concerns, the Audubon Society of Portland made recommendations to the City to address the state’s requirement for employment lands while protecting environmental resources: (1) inform the state it will develop other strategies to meet employment needs, (2) develop an aggressive strategy to clean up brownfields, (3) develop regulatory and non-regulatory tools to intensify use of the industrial land base, (4) place strong protections on land already zoned industrial, (5) ensure that land rezoned for industrial use deliver the number of jobs promised and (6) promote collaboration and potential unification of the Columbia River Ports.[84]

Regional Solutions Centers

Regional Solutions Centers (RSCs)[85] provide opportunities for state agencies to collaborate with each other, with local governments and with other public, private and civic interests to address economic development problems and opportunities. The Metro RSC serves Clackamas, Multnomah and Washington Counties.

RSCs are staffed by representatives from each of five state agencies, including the Departments of Environmental Quality, Land Conservation and Development, Transportation, Housing and Community Services and Business Oregon. Team members work to develop and implement community and economic development projects selected by regions to address core issues in individual communities, such as NE Portland's Cully neighborhood. Their major contribution is helping to guide projects through the myriad approvals and funding sources necessary for large development projects.

RSCs also support efforts to attract and retain jobs such as the Metro Area Industrial Lands Readiness Initiative that provides technical assistance and financial investments supporting market-ready industrial lots. The Metro RSC has been involved with the Gateway Green Project, which will provide economic development benefits to Gateway, East Portland and the entire region.

Public/Private Sector Partnerships

Over the last 30 years, the number of public/private partnerships has dramatically increased as a tool for economic development.

Business Oregon

Business Oregon[86] is Oregon's economic development agency. It was formed to provide support for economic and community development and cultural enhancement through administration of a variety of programs of tax incentives, financial support and technical assistance to businesses, non-profit organizations and community groups, industries and local and regional governments and districts.

The agency is overseen by a nine-member commission, appointed by the governor, which guides policies and strategies to implement its mission: to create, retain, expand and attract businesses that provide sustainable, living wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.

Business Oregon also houses the Oregon Arts Commission and the Oregon Cultural Trust, entities that administer both federal and state investments in arts and culture. In addition, it acts as a fiscal agent for the semi-privatized Oregon Film and Video Office, which promotes statewide development of the film, video and multimedia industry in Oregon.

Greater Portland Inc

Greenlight Greater Portland, the region's only privately financed economic development group, and the publicly funded Regional Partners Council for Economic Development merged to form Greater Portland Inc (GPI)[87] in 2011.

GPI is a regional public/private partnership that helps companies expand in and/or relocate to the Portland/Vancouver metropolitan area, which includes seven counties and covers two states. Its membership includes local governments (cities, counties, Metro), port authorities, regional businesses and other public and private organizations. GPI's mission is to recruit new businesses and retain and grow businesses that will bolster the local economy and promote long-term job growth. In 2013, GPI invested $1,532,912 into four key initiatives: Business Recruitment & Expansion, Marketing & Branding, Regional Strategy & Coordination, and Administration.

Portland Business Alliance

The Portland Business Alliance (PBA)[88] is greater Portland's Chamber of Commerce and the voice of business in the region. A 58-member board of directors, representing a diversity of companies, industries and business interests governs PBA. It advocates for business at all levels of government and also offers a variety of networking events and professional development opportunities to connect and foster growth in the region's business community. Maintaining a land supply that will support job retention and ensuring that land is well served by infrastructure is a primary concern of the PBA.

Portland Family of Funds

In 2002, the PDC began to look for other sources of financing for local projects. It found the Federal New Markets Tax Credits that were created by Congress in 2000. PDC created the Portland Family of Funds, Inc. (PFF)[89] as its affiliate in order to utilize these tax credits and provided PDC staff for the new organization. The tax credits are used to fund development projects located in highly distressed communities. PFF combines these credits with various other federal and state tax credit programs and governmental incentive programs. The PFF helped finance the Armory-Gerding Theater historic rehabilitation, "The Nines Hotel" and the Mercy Corps World Headquarters.[90] PFF now primarily operates nation-wide with few projects in Portland, although PFF is currently participating in the development of Portland Mercado, a Latino public market located in the Lents URA.[91]

In 2004, PFF became an independent corporation due to rulings that PDC was not eligible to make direct investments in private entities. In addition, concerns were raised that the transactions between PFF and private firms did not allow for a transparent, public process.[92] This chapter of PDC's history highlights the complexity of combining public and private financing, and raises cautionary lessons when new funding sources are put forth for economic development.

SUMMARY

The concept of economic development as a government responsibility has evolved significantly since the last study conducted by the League in 1982. In the 1980s and 1990s, urban renewal was Portland's primary economic development strategy and the Portland Development Commission was the agency in charge. Urban renewal, a place-based, project-specific strategy accomplished a lot in its initial years, and truly did transform some "blighted" areas into vibrant, attractive and prosperous neighborhoods. It is, however, difficult to measure the actual economic development impact of these URAs, the extent to which the development therein would have happened without government intervention and support, or the collateral damage caused by gentrification and displacement.

At a certain point, because of the tax measures of the 1990s, the cost of tax increment financing of URAs to other taxing jurisdictions and to other priorities of the city (education, parks, transportation, etc.) became much more noticeable. The people of Portland and the City Council began to rein in PDC, first by bringing it more directly under City Council control, and then by scrutinizing its spending and its new districts more publicly and carefully.

The city also began to turn its attention to the problem of gentrification and the inequities created by the urban renewal model. The recently adopted Education URA (PSU) raised these issues, with the community arguing the area was clearly not blighted and that it was unfair to reduce tax income for other jurisdictions and other priorities to further build up an already gentrifying area. Other URAs, such as Lents, were languishing, in part because of an inability of the PDC and the urban renewal tools to address the underlying issues of poverty without simply razing an area and replacing poverty with new homes and businesses for the more affluent.

Over time, the city created new agencies to address issues of inequity and to promote affordable housing. The City also gave the PDC a new tool, the Neighborhood Prosperity Initiative, to put money into enhancement of neighborhoods and local businesses, but the money available is significantly less than that of the traditional URAs as there is no debt financing involved and anticipated increases in assessed values are much smaller.

The most significant economic development issue facing the City today is job creation. In this regard, Portland is little different from the rest of the country. The loss of lower skilled but well paid manufacturing jobs through off-shoring and technological changes has been escalating rapidly since the 1980s and has resulted in an alarming number of under-employed, underpaid and unemployed residents.

Portland is focused on retaining and expanding manufacturing jobs. This includes attention to available land and support for businesses that are committed to a well-paid, trained workforce. Addressing the job and wage questions as well as the underlying need for revamped and affordable education and affordable housing involves working with many agencies at the city, county, Metro, state and federal levels as well as private business associations and nonprofit organizations.

PDC has been given overall responsibilty for economic development, an expansion of its founding mission as a place-specific urban renewal agency. Several interviewees questioned whether PDC was equipped to take on this expanded role. In addition, it operates amongst a growing list of public agencies and private organizations that dilutes the perception that there is a single, leading agency that has the funding and staff to effectively take the leading role in planning, coordinating and insuring accountability for the results of public investment in economic development.

While the U.S. and Portland have finally begun to recover from the "Great Recession" of 2008, it has been an uneven recovery, leaving many individuals unemployed or under-employed, with stagnant wages significantly lower than pre-recession levels. The most lasting hallmark of the recovery seems to be growing inequality of income and opportunity. This is the challenge facing Portland and the metro region in 2015 as we search for a path toward equitable, sustainable economic development.

This report is the League’s first step in understanding these issues. League members will participate in group discussions in order to come to consensus, an overall sense of the group as expressed through the exchange of ideas and opinions. The consensus process will lead to any changes in the LWVPDX position statements that guide our action.

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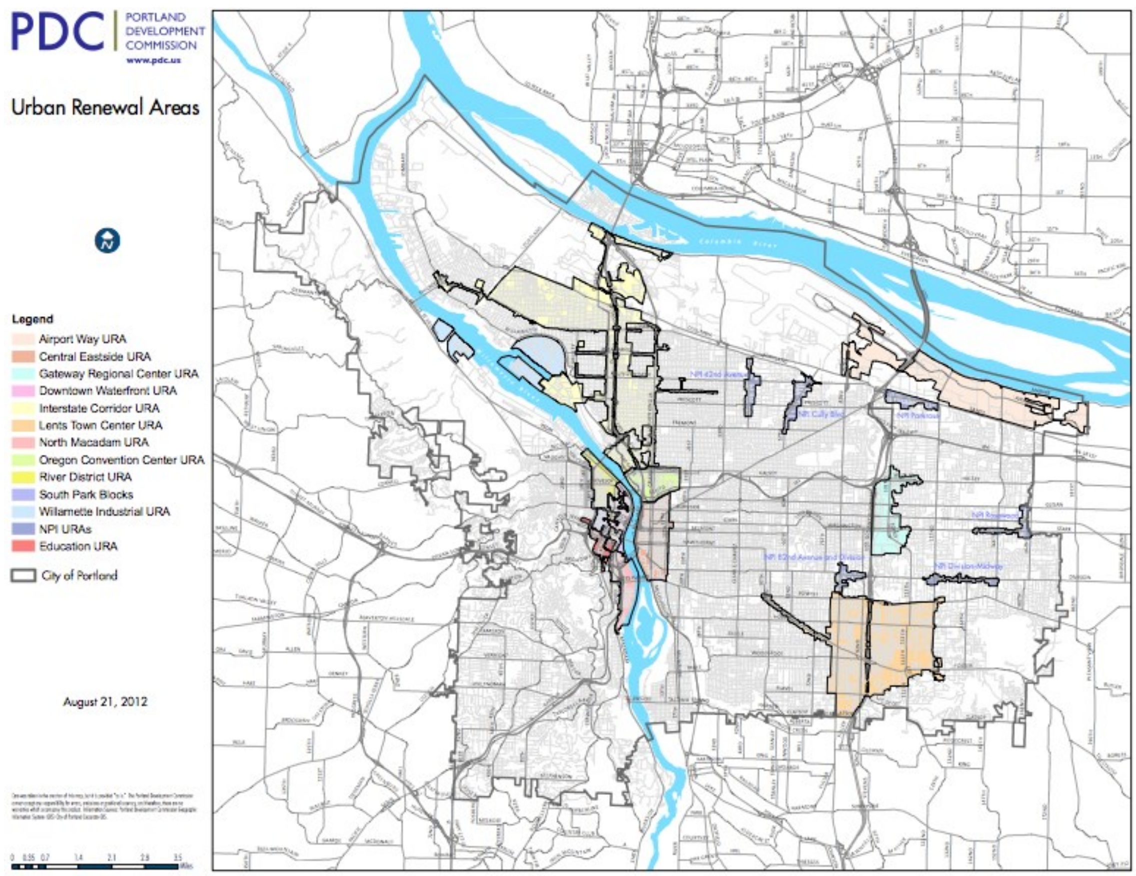
Appendix 1

Map of Urban Renewal Areas



Appendix 2

URAs in Portland – Summary Data

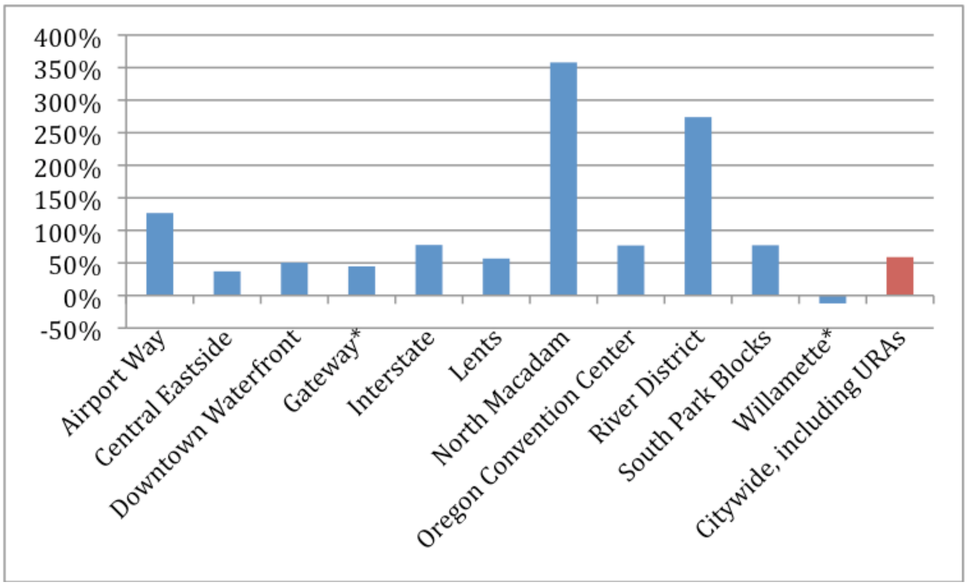
URA	Created	Expires	Acreage	Max Indebtedness	Notable Completed Projects	% ↑ in RMV to Date
Airport Way	May 1986	May 2011	1,841.4	$ 72,638,268	• Airport Way Widening and Extension • MAX Light Rail Extension to the Airport Terminal • Cascade Station Overpass, Streets and Utilities • Riverside Parkway Corporate Center (RPCC) Streets and Utilities • Columbia Slough Trailhead and Slough Trails	666%
Central Eastside	August 1986	August 2018 (extension in process)	692.3	$104,979,000	• East Burnside/Couch Couplet • Eastbank Esplanade • Eastside Streetcar Loop • Burnside Bridgehead	82%
Downtown Waterfront	1974	April 2008 (closes when all bonds paid)	233.1	$165,000,000	• Portland Saturday Market • North Old Town/Chinatown Redevelopment Strategy • Pioneer Courthouse Square • Tom McCall Waterfront Park • Transit Mall • Mercy Corps World Headquarters	646%
Education	June 2012	June 2041 (early closure planned for 2015)	144	$169,000,000		
Gateway Regional Center	June 2001	June 2022	658.5	$164,240,000	• I-205 MAX Light Rail • 102nd Avenue Streetscape, Phase I • Central Gateway Redevelopment Strategy • Gateway Transit Center Phase I	49%

Interstate Corridor	August 2000	June 2021	3,990	$335,000,000	• Interstate Light Rail • Dawson Park Gazebo • Patton Square Park • Patton Park and Shaver Green Apartments • Trenton Park • Beech Community Garden	97%
Lents Town Center	June 1998	June 2020	2,846.3	$245,000,000	• Lents Ball Park Field Improvements • Housing Development and Improvement • Earl Boyles Park Improvements • Springwater Trail Improvements • I-205 Light Rail • Neighborhood Street Paving Projects • Zenger Farm renovation • Lents Town Center: Assurety NW	87%
North Macadam	June 1999	June 2020	401.9	$288,562,000	• Portland State Business Accelerator • Portland Aerial Tram • Portland Streetcar • OHSU Building One – Center for Health & Healing • Central District Streets and Greenway • Caruthers Neighborhood Park • Grays Landing Affordable Housing	319%

Oregon Convention Center	June 1989	June 2013	410	$167,511,000	• Streetcar Infrastructure • Madrona Studios (Central City Concern) • Fremont Project (King's Crossing) • Vanport Square • Martin Luther King, Jr. Blvd. Streetscape Project • Alberta Street Streetscape Project	233%
River District	June 1998	June 2021	351.2	$489,500,000	• The Brewery Blocks • Meier & Frank Block Conversion • Central City Streetcar • Lovejoy Ramp Demolition • Jamison Square, Tanner Springs Park, The Fields • Lan Su Chinese Garden • 2,000-3,000 Affordable Housing Units • Bud Clark Commons • Vestas Americas North American Headquarters	442%
South Park Blocks	June 1985	July 2008 (will close when bonds paid)	98	$143,619,000	• Museum Place • YWCA Downtown Center • St. Francis Apartments • New Avenues for Youth/Outside In • Director Park • PSU Urban Plaza • Portland Mall Light Rail	220%
Willamette Industrial	2004	December 2024 (early closure planned for 2015)	755.5	$200,000,000		-11%

Appendix 3

Changes in Assessed Value per Acre of Portland URAs Compared to All Portland, 2001 - 2012



*Gateway and Willamette URAs did not exist in 2001. Data are from their beginning.

All data are from PDC.[93] Caveats are in order in viewing this data. Urban renewal provides benefits over and above increases in the value of property, such as parks and infrastructure. Also, increases shown are of assessed values, not real market values, so they do not reflect the total change in the URAs. A better comparison, but very difficult to obtain, would be between areas similar to each URA, but not part of a URA. This chart does accurately show the large variation in the success of Portland URAs and the difference between success east and west of the Willamette.

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