

URBAN RENEWAL PRIMER

Urban renewal is a state-sanctioned program designed to help communities improve and redevelop areas that are physically deteriorated, unsafe, or poorly planned. The Portland Development Commission (PDC) uses urban renewal as a tool to help specific areas of the city realize capital projects – parks, streetscape improvements, community centers, and the like – that would not happen on their own.

Began as a federal program to improve inner-city housing, urban renewal has evolved over five decades from a top-down effort characterized by large-scale clearance efforts to a more collaborate effort that aims to strengthen existing communities by relying on input from people in those communities. Though it has undergone many changes since its inception, urban renewal has endured as an effective way to reinvigorate portions of our central cities. Here in Portland, urban renewal has and continues to enliven and enrich our community. It has helped realize new public assets such as streets and streetcars, parks and plazas, and greenways and community facilities. It also has financed incentives for private investments that have created jobs, revitalized neighborhoods and provided a full range of housing options.

The following are answers to frequently asked questions about urban renewal.

THE BASICS

Q. How does urban renewal work?

A. The basic idea behind urban renewal is simple: future tax revenues pay for revitalization efforts. The City Council, acting on the recommendations of a community-based steering committee and PDC, draws a line around an area (the urban renewal boundary) and identifies desirable improvements within that area (the urban renewal plan). The city issues urban renewal bonds to pay for the identified improvements. As property values increase in the area due to new investment, the rise in property tax revenues (called “tax increment”) is used to pay off the urban renewal bonds. This financing method is called tax-increment financing, and it is the most common method of paying for improvements in an urban renewal area.

Q. How widespread is the use of urban renewal?

A. More than 40 Oregon cities and counties currently have urban renewal programs in operation. Since 1958, when PDC was established as Portland's urban renewal agency, the City Council has created 20 urban renewal areas in Portland. PDC currently administers ten urban renewal areas: River District, Downtown Waterfront, South Park Blocks, North Macadam, Airport Way, Convention Center, Central Eastside, Lents, Interstate Corridor and the Gateway Regional Center.

Q. What kinds of projects are funded by urban renewal?

A. Urban renewal funds can be used for a variety of capital investments, such as:

- Redevelopment projects, such as projects near light rail that combine retail and residential components
- Economic development strategies, such as small-business loans or loan programs tied to family-wage jobs

- Housing loans and other financial tools for ownership and rental housing which serve a variety of income levels
- Streetscape improvements, including new lighting, trees, sidewalks, pedestrian amenities, etc.
- Transportation enhancements, including light rail, streetcar, intersection improvements, etc.
- Historic preservation projects
- Parks and open spaces

Q. What are examples of projects in Portland financed with urban renewal dollars?

A. Waterfront Park and Pioneer Square, two major civic resources downtown, both were funded with urban renewal dollars. More recently, urban renewal funds helped finance the Central City Streetcar, the Eastbank Esplanade and Airport MAX. Urban renewal dollars have also reached into Portland's neighborhoods, funding improvements such as facade improvements along NE Alberta Street, boulevard treatment along Martin Luther King Jr. Boulevard, and sparkling new commercial and housing development in Lents. Newer urban renewal areas such as Interstate and Gateway promise transportation improvements, affordable housing, additional greenspace and cultural amenities.

Q. What are the roots of urban renewal?

A. Urban renewal emerged in the late 1940s as an attempt to revitalize central cities, which were losing population and resources to new post-war suburbs. Until the 1960s, urban renewal was a federal program used to clear large areas of land largely to provide what was then considered to be improved housing conditions for thousands of people. It also funded large projects such as hospitals, highways and civic centers. The funding mechanisms and purposes of urban renewal changed in its early decades, but the term broadly referred to a set of programs and policies meant to counter inner-city disinvestment and reinvigorate declining downtown areas.

Q. How has urban renewal evolved over the years?

A. Legislative changes, shifting federal priorities and voter initiatives all have changed the way urban renewal is carried out. On a practical level, urban renewal has evolved from a program in which sizable tracts of land are cleared for new, large-scale projects to one that collaborates with residents to strengthen and revitalize their communities. Today, urban renewal agencies approach projects with broader revitalization goals and a more community-oriented mindset. As Portland's urban renewal agency, PDC works within the existing built and social environment to create and encourage redevelopment opportunities where those communities so desire. Unlike earlier practices, PDC now undertakes an extensive neighborhood-oriented public process as part of its urban renewal activities.

Q. Who designates urban renewal areas?

A. City Council designates urban renewal areas by adopting an urban renewal plan for a specific area. The plan is the result of a community-wide visioning process, and is designed to revitalize an area according to the community's goals and objectives in support of established neighborhood, city and regional policies.

Q. What is the criteria for urban renewal areas?

A. Urban renewal areas must show evidence of some degree of blight, demonstrated by conditions such as poorly constructed buildings, faulty planning, lack of open spaces, deteriorated properties, an incompatible mix of uses and improper utilization of land.

Q. How are the actual boundaries of urban renewal areas drawn?

A. The size and composition of Portland's urban renewal areas vary widely, but each is designed to maximize the potential effectiveness of tax-increment financing. Boundaries are drawn with economic, legal and political considerations in mind. The boundaries of the Interstate Corridor Urban Renewal Area, for example, expanded as neighborhoods in North and Northeast Portland expressed their desire to benefit from urban renewal programs and dollars. Residents of single-family neighborhoods encircling the Gateway Regional Center, however, asked that Gateway's urban renewal area comprise only the commercial and industrial core of the area. In both cases, an extensive public review process led by a citizen committee helped decide where the lines ultimately were drawn.

Q. How do urban renewal areas relate to goals put forth by neighborhoods, the city, and other policymaking bodies?

A. Urban renewal helps advance already-established objectives by providing a funding mechanism for implementation. Each urban renewal plan specifically lists how the plan will help achieve neighborhood, citywide and regional policy objectives. Recently, urban renewal areas were created in Lents Town Center and in the Gateway Regional Center to help realize Metro's 2040 Regional Framework Plan, a plan intended to enhance quality of life and preserve open space. They were also developed in keeping with their respective neighborhood plans as well as the Outer Southeast Community Plan.

Q. Are there limits on Portland's use of urban renewal?

A. Yes. Under state law, the sum of all urban renewal areas in any one municipality cannot exceed 15 percent of its total assessed value or 15 percent of its total land area.

PUBLIC INVOLVEMENT

Q. How much say does the public have in the creation of new urban renewal areas?

A. A lot. Oregon law requires citizens be consulted throughout the urban renewal process, and PDC is both proactive in seeking community input and responsive to community desires. Urban renewal areas, their principles and the specific projects funded by them are conceived in consultation with citizen committees who represent a broad spectrum of community interests. In addition, three public bodies must approve any new urban renewal area: the Portland Development Commission, the Portland Planning Commission, and City Council. Other jurisdictions impacted by the urban renewal area -- such as the county and the local school board -- are asked to issue a recommendation on the plan. Public comment is solicited and accepted throughout the process.

Q. Can the public be assured that its voices will be heard even if City Council has the ultimate authority to designate urban renewal areas?

A. Oregon law permits local redevelopment agencies – in this case, the Portland Development Commission – to declare urban renewal areas within its jurisdiction, and City Council must approve the plans for such areas. However, the law requires – and PDC insists on – public participation at each step. The recent formation of the Interstate Urban Renewal Area is a good example of the extensive public involvement process PDC initiates in each proposed urban renewal area. In the Interstate neighborhoods, a citizen committee of more than 50 people – mostly residents and business owners from the affected neighborhoods – met for several months to draw the plan boundary and craft a list of 11 general principles that will guide public investment in the area. A similar process took place in Gateway, where a group of more than 30 citizens worked for nearly two years to envision the area's future and approve an urban renewal plan.

Q. What is the public's role after an area is designated an urban renewal area?

A. Spending in each new urban renewal area is overseen by a citizen advisory committee. The decision to allocate money for specific projects that meet the goals of the urban renewal plan are made each year through PDC's budgeting process. PDC gathers suggestions for projects through several methods, including input from stakeholders through meetings and public workshops. The agency's budget is ultimately approved by City Council.

WHY URBAN RENEWAL?

Q. Why are public investments such as urban renewal needed to redevelop an area? Why not let private developers do the work?

A. In urban renewal areas, public investment is used to stimulate private investment on a much larger scale. The amount of urban renewal funds invested in any one area is small compared to the private investment that follows. Urban renewal is primarily used to update and improve an area's infrastructure -- through capital expenditures on transportation improvements and parks, for example -- and to provide incentives for desired development such as affordable housing, family-wage jobs and building refurbishment. The result is that private investments pay for the lion's share of new building construction and renovation costs in urban renewal areas.

Q. Why is urban renewal sometimes preferable to other means of improving an area?

A. Urban renewal is a way to focus resources on a particular area, and to use public resources to stimulate and leverage much larger private investments. Specific public-improvement projects can come about as a result of local, state and federal grants, private investment and donations, city general fund allocations and other sources of public financing. Each of these options has its particular drawbacks. Competition for projects funded by the city's general fund is intense. Grant money is similarly competitive, time-consuming to obtain, and usually arrives with strings attached. Tax-increment financing is a simple and reliable financial tool.

COSTS OF URBAN RENEWAL

Q. Does urban renewal deprive other taxing entities, like the county and the school district, of tax revenues needed to pay for services?

A. Urban renewal does not directly affect a school system's operating budget because schools are funded by the state on a per-pupil instead of a property-tax basis. Urban renewal does nominally affect voter-approved bonds because the affected education district has less property value to levy bonds against, resulting in slightly higher bond rates. Other taxing jurisdictions' share of tax revenue from property inside the urban renewal area boundary is frozen for the length of the urban renewal area, usually 20 or 30 years.

Because of the massive public investments made during that span, however, those taxing jurisdictions should see considerable increases in future tax collections. Over the life of an urban renewal area, assessed values can rise to more than twice the amount projected without urban renewal. Taxing jurisdictions also are protected from significant impact by state limits on how much of a municipality can be designated an urban renewal area.

Q. Does urban renewal benefit only a few large developers and property owners?

A. No. Urban renewal is designed to benefit all people within the urban renewal area, in surrounding neighborhoods and throughout the city and metropolitan area. The urban renewal plan, which guides all public spending in the area, is conceived by citizens who are best able to make decisions about how to improve their neighborhood. And everyone benefits from the results of urban renewal, which often includes better planning, more open space, more efficient traffic patterns, better transportation options, diversified housing choices and more enjoyable amenities.

Q. How does the creation an urban renewal area affect a Portland resident's property taxes?

A. The formation of an urban renewal area does not result in new taxes. Urban renewal activities are financed by bonds. These bonds are repaid from the property taxes generated by the increase in value, over time, of properties within the boundary. Although property values within an urban renewal area are likely to rise, property taxes are based on assessed values, which are limited to a 3-percent annual rise in most cases.

Q. Is there any danger of defaulting on urban renewal bonds and sticking taxpayers with the bill?

A. The city guarantees urban renewal bonds. Since the city practices conservative fiscal management and is very concerned about maintaining a strong credit rating, it is very careful about taking on any debt it is uncertain about paying off. In no urban renewal area has the city had to rely on alternative methods of bond repayment.

FEARS ABOUT URBAN RENEWAL

Q. Does designating an area as an urban renewal area make living there less affordable?

A. Not necessarily. In fact, urban renewal can be a strong and effective tool to protect long-term affordability in revitalizing neighborhoods by financing the construction of affordable housing.

For example, the first priority for housing money in the Interstate Corridor Urban Renewal Area is to fund the development and preservation of housing affordable to people most at risk of displacement. Affordable housing projects in Portland recently financed using urban renewal dollars include Hamilton West (152 units at SW 12th and Clay) and Kafoury Commons (129 units at SW 13th and Jefferson). It is important to keep in mind that although property values are expected to rise in urban renewal areas, Oregon law limits yearly property-tax increases under most circumstances -- even in urban renewal areas.

Q. How frequently does urban renewal result in displacing people from their homes or businesses?

A. Very rarely. In the past, urban renewal sometimes involved large-scale displacement. One notable example was the Emanuel Hospital project, when several hundred people and more than two dozen businesses were relocated, with benefits, to make room for new housing and the hospital's expansion. Today, however, urban renewal works to revitalize communities within the existing built environment.

Q. Does urban renewal create uncontrolled growth or traffic?

A. No, quite the opposite: Urban renewal monies can be used to control growth and improve transportation infrastructure. In the Gateway Regional Center, where unparalleled access has created a prime spot for new development, urban renewal emerged as the most realistic method to influence private development in a way that manages anticipated growth. Included in the urban renewal plan are ways to increase transportation options, better manage existing traffic flow and direct new construction in ways that enhance livability for current and future residents.

Q. Does urban renewal mean condemnation?

A. No. Condemnation is a constitutional right reserved for public agencies and is altogether separate from urban renewal. Condemnation proceedings occur very rarely in urban renewal areas: Of the more than 60 properties acquired by PDC since 1990, only four involved condemnation proceedings. More importantly, in recently designated urban renewal areas, the issue whether to grant PDC the power of condemnation has been decided by citizen oversight committees in the respective communities. In Lents and Interstate, these committees voted to limit or prohibit condemnation in their respective urban renewal areas. In Gateway, the citizen advisory committee voted to allow PDC to use condemnation authority if certain criteria were met.