

Cascade Station – Airport Way URA Background October 2005

1997

The City of Portland, Metro, Port of Portland, Tri-Met and Cascade Station Development Company (CSDC), a partnership between Bechtel and Trammel Crow, enter into a unique public/private agreement to plan and build the infrastructure related to Portland Airport MAX line and develop the Cascade Station project

1999

City approves the 460-acre Cascade Station/Portland International Center (PIC) Plan District located south of Airport Way and west of I-205. The Plan District allows compatible commercial and industrial development to be built in the vicinity of Portland International Airport, adjacent to the light rail line. It envisions employment and visitor-serving facilities that are easily accessible to pedestrians and are transit and airport supportive.

PDC enters into a Development Agreement with CSDC, which contains design-related standards and financial agreements to guide construction of approved land uses, the Airport MAX line, and the park blocks infrastructure and the promotion of quality jobs.

2000

The City amends the Cascade Station/PIC Plan District to change the infrastructure plan and street layout to coordinate with the final Airport Max right of way.

2001

Construction of the Airport MAX line, park blocks and public infrastructure such as sewer, water and stormwater systems is completed. The light rail opens on September 10, 2001.

2002 through 2004

The real estate market is negatively impacted by world events and a downturn in the local economy.

2004

A market study is prepared by ERA (Retail Sales Impact Assessment of Cascade Station, ERA 2004) at the request of PDC indicating that increasing the amount of retail development rights at Cascade Station, and allowing a limited amount of larger-format users at the site will not have a detrimental effect on other regional retail centers.

2005

February—City Council amends the Cascade Station/PIC Plan District to allow for a limited number of large format retailers to anchor the Cascade Station development.

October—IKEA announces choice of site within Cascade Station for new store.

Airport Way URA History

The Airport Way Urban Renewal Plan (the “Plan”) was adopted in May, 1986, with a plan termination date of May 15, 2011. The goals and objectives of the Plan have guided the Commission’s redevelopment and public investment activities since then. The district’s boundary has remained unchanged since its inception, spanning from NE 82nd Avenue, adjacent to the Portland International Airport, to the Portland city limits at NE 185th and Marine Drive. At 2,780 acres, the Airport Way URA is the City’s second largest urban renewal district.

The Airport Way Urban Renewal Area is unique in its absence of a substantial housing element and its proximity to major transportation infrastructure. As such, the URA’s primary goal has been to facilitate development to create a major eastside employment center. In 1989, the Commission and City Council adopted the Airport Way Development Plan which supports this employment goal through a mission to attract and support private investment in order to create more than 20,000 jobs by the year 2010.

The Urban Renewal Plan and the Development Plan identified several objectives including: planning, developing and improving infrastructure systems; stimulating private investment; and promoting the enhancement of major water features. To accomplish these goals and objectives, PDC has provided financial incentives, direct infrastructure investment, development and economic development assistance.

In fiscal year 2004/05, six years prior to the URA’s expiration, Airport Way reached its maximum indebtedness of \$72,639,000. The District can no longer incur additional debt to generate new tax increment proceeds. The 2004/05 budget includes about \$11 million in fund balance and program income for Airport Way activities. No funds are budgeted past fiscal year 2005/06. Project activity will be limited to the residual program income currently budgeted and prospective program income from land sales.

II. SIGNIFICANT MILESTONES:

Below is a summary of the significant Airport Way Urban Renewal Area projects completed to date:

Transportation Improvements:

AW Widening and Extension: Most notable is the \$25 million Airport Way road improvement. The project was a 4.3 mile expansion from two to four lanes from I-205 to NE 138th and the road extension to the city limits at NE 185th. Approximate PDC Investment: \$7 million

MAX Light Rail Extension: The \$125 million, 5.5 mile extension currently carries over 3,000 passengers daily. PDC partnered with the Port of Portland, Tri-Met and Cascade Station Development Company in this successful public/private partnership. PDC investment: \$23 million.

Secondary Arterial Improvements: PDC commissioned PDOT to replace culverts with new bridges over the Columbia Slough on both NE 148th & NE 158th Avenues. PDC again commissioned PDOT to replace NE Clark Road and improve the NE Holman/105th intersection to provide an essential east-west connector to the industrial district and Cascade Station. PDC investment: \$2.2 million

Infrastructure Improvements:

Cascade Station Infrastructure: PDC served as a financing vehicle for this \$22.6 million project. The 120-acre Cascade Station is planned for a mixed use development containing retail, office and hotel development and includes two MAX stops. The infrastructure improvements include the new park blocks, streets and utilities. The Cascade Station development is slated to create up to 8,000 new jobs and \$31.1 million in city tax benefits over 20 years. In a complex transaction, PDC and the Port of Portland executed a Master Development Agreement, which granted certain development rights in Cascade Station to PDC. PDC in turn, assigned these development rights in return for Cascade/Bechtel's assuming PDC's obligations on \$28 million in TriMet bonds. Under the terms of the existing Trust Agreement and Master Development Agreement, PDC is the holder of a \$14 million junior obligation note from Cascade Station LLC/Bechtel; repayment of which is dependent upon successful development activities within the site. PDC investment: \$8.6 million.

Riverside Parkway Corporate Center (RPCC): In January 2002, PDC purchased 38.4 acres of prime industrial land at the URA's eastern edge to leverage high density, quality job development. Infrastructure improvements include the NE Portal Way cul-de-sac, a ½ street improvement, utilities, and landscaping. The 4.72 acre-parcel that sold to locate the Portland Hospital Services Corporation generated \$1.2 million in revenue. The remaining 32.73 net developable acres is valued at \$7.9 million. Parceled, the remaining acreage will be sold according to the terms of an Option Agreement with the Panattoni Development Company, LLC to tenants that meet the quality jobs program over the next few years. PDC investment: \$9 million.

Columbia Slough Trailhead and Slough Trails: PDC improved a portion of the 40-mile Columbia Slough trail at NE 169th Avenue, at Cascade Station and sections throughout the district. At NE 169th, PDC constructed the Slough Trailhead, a canoe launch and picnic area to increase the recreational value along the area's waterway. PDC investment in waterways and recreational elements: \$5 million.

Quality Job Creation

Since quality job creation is a major focus of Airport Way, achievements were noted in the successful recruitment or expansion of several companies including: Harry's Fresh Foods, Portland Hospital Services, Stormwater Management, Triad Speakers, Thortex, Made in Oregon, Oregon Spice, and Leatherman. PDC Quality Jobs and Economic Opportunity Fund programs alone leveraged over \$53 million in private investment and created and retained 1,137 jobs. Since the district's inception, over 17,000 jobs have been created with a PDC investment of \$1.9 million.

Financial Impact

Public sector investment has leveraged more than \$300 million in private sector development and over 16 million square feet of development (not including retail and hotel). Growth and assessed market value in the Airport Way Urban Renewal district has occurred at more than *three times* the pace of citywide assessed market value at 13.6 % per year average since 1986 (OMF Urban Renewal Update, 2001). Also significant, Airport Way has released \$2,893,724,226 in assessed valuation back to the local taxing jurisdictions in the past five years and all future property taxes will be returned to the taxing jurisdictions.

Tax increment will continue to be collected and applied to existing long term bond debt service and the full valuation will be returned to the taxing jurisdictions when the bonds are paid off at maturity – scheduled to be the year 2020.

II. REMAINING ACTIVITIES

There currently remains a fund balance in the Airport Way tax increment fund of \$11,449,153. Staff has programmed the expenditure of those funds in fiscal years 2004-05 and 2005-06. Depending on the schedule of projects during that period, all remaining tax increment funds should be spent primarily on business assistance financing, Economic Opportunity grants, Quality Jobs loans and land acquisition to stabilize and revitalize the manufacturing sector and leverage needed land sales and leaseholds for PDC controlled property.

The remaining 32.56 acres of industrial land at Riverside Parkway Corporate Center will also generate program income through prospective land sales of approximately \$8 million. The land sales will generate program income that can be used to fund other projects such as economic development tools until expended. Within the next 2-3 years, remaining RPCC parcels will be sold through an Option Agreement to end users that meet the Quality Jobs Program.

Most visible and vital to the area's improvement is the Cascade Station project. A market study prepared by ERA (Retail Sales Impact Assessment of Cascade Station, ERA 2004) at the request of PDC indicated that increasing the amount of retail development rights at Cascade Station, and allowing a limited amount of larger-format users at the site would not have a detrimental effect of the other regional retail centers.