

The Oregonian

The future of Old Town Chinatown: is city-subsidized 'workforce housing' Portland's path forward?

By Brad Schmidt

Portland Mayor Charlie Hales and the city's urban renewal agency want to revitalize gritty Old Town Chinatown by offering subsidies to build hundreds of new apartments that could rent for as much as \$1,563 a month.

Waiving development fees would incentivize market-rate housing construction in a neighborhood left behind by Portland's apartment boom, city officials argue, luring residents with disposable incomes to patronize new businesses and discourage street-corner drug dealing.

Big-name developers such as Gerding Edlen and the Goodman family, which owns several parking lots in the area, are already eying projects and throwing support behind the incentives.

But some city leaders and housing advocates question the wisdom of offering subsidies of \$7 million to \$20 million over five years to build so-called "workforce housing" particularly when the city's own statistics indicate that Portland has a surplus of such housing and a deficit of options for the city's poorest residents.

The development incentives are shaping up to be the most politically challenging and controversial part of a comprehensive new plan being crafted by Hales and the Portland Development Commission to jumpstart Old Town Chinatown after decades of stagnation.

Despite numerous city efforts over the years, Old Town Chinatown hasn't blossomed like the Pearl District, downtown's West End or several close-in eastside locales. Portland's oldest neighborhood is perhaps best known for its homeless shelters, nightclubs, soup kitchens and thousands of people living in poverty.

As part of the five-year Old Town Chinatown plan, officials are looking to earmark about \$58 million from urban renewal funds to pay for unspecified redevelopment efforts. To address safety, the city is considering new licenses for nightclubs and beefing up foot patrols by police officers.

If the effort works, Old Town Chinatown will be a safer, more vibrant neighborhood that draws Portlanders of all incomes, said Ed McNamara, a policy director for Hales. For that to happen, developers need to see that the city is serious – and Hales believes the subsidies will show that.

"Part of that commitment to a five-year plan ... is to give a clearer signal to people that, yeah, this is a safe place to invest. It's going to change," McNamara said. "The city's not just going to pull out after a year."

\$1,563 a month

Portland already waives system development charges – assessed on new construction to help offset the costs of expanding public services – for rental projects serving people who earn up to 60 percent of the regional median income, or \$29,160 a year for an individual.

As part of the plan to remake Old Town Chinatown, Hales and the PDC made this recommendation late last year: extend the same breaks for "workforce housing" targeting middle-income earners whose individual incomes are twice as high, \$58,320.

Under such a scenario, the city of Portland would subsidize construction for one-bedroom apartments that run \$1,563 a month, including utilities.

That's well above the going rate for one-bedroom apartments in downtown and Northwest Portland, which rent for about \$1,115, according to the most recent rental survey by industry group Multifamily NW.

City officials are now backing off their recommendations, included in documents shared within City Hall and obtained through the state's public records law.

McNamara said the recommended income range was simply meant to start the discussion.

"The mayor's office hasn't gotten to that level of detail on what is exactly the right rent before a subsidy goes away," he said.

Documents also show that officials recommended offering \$20 million in fee waivers over five years.

The figure is now \$7 million, which would cover fee waivers for about 500 apartments, McNamara said.

"I really don't know how PDC came up with \$20 million, and when I saw \$20 million, I said, 'We don't need that much,'" said McNamara, who developed affordable housing before joining Hales' staff in 2013.

PDC said the \$20 million figure was a preliminary recommendation, based on an outside consulting analysis by Johnson Economics. The agency also said the recommendation was made "in partnership" with Hales' office.

"Nobody's really, at this point, even talking about what's the right number," McNamara said. "It's what do we think of the concept?"

Where's the need?

It's no surprise that Old Town Chinatown is at the center of Portland's debate over whether to subsidize housing for middle-income earners.

The neighborhood is primed for redevelopment, tucked between downtown and the thriving Pearl District.

Yet developers have shown little interest, even as new apartment projects seemingly break ground every week on the central eastside and the Lloyd District. That's because developers don't believe people are willing to pay the rents needed to justify construction costs.

The city's outside analysis, by Johnson Economics, concluded that a variety of development scenarios were not financially viable.

The obstacles in Old Town Chinatown are numerous.

For starters, it's difficult to assemble large pieces of land, said Gerry Mildner, director of Portland State University's Center for Real Estate. Height restrictions limit buildings to 75 or 100 feet in some places, up to 425 feet elsewhere. Masonry buildings need seismic upgrades.

"This could be a very effective program for getting units built in this neighborhood," Mildner said of the proposal to waive development fees. "This neighborhood has languished."

But affordable housing advocates say the city should be focusing its attention on serving people with the greatest needs, not offering incentives to build in a neighborhood that may still capitalize on the Pearl District's recent success.

"I think they're spending their time on the wrong priority," said Susan Emmons, executive director of Northwest Pilot Project, which serves elderly low-income Portlanders.

City officials are hard-pressed to document the need. Housing Bureau Director Traci Manning acknowledged that city statistics show a "glaring deficit" of about 19,000 units to meet the needs of Portland's poorest residents.

But she questioned whether a surplus exists for other income ranges, as the data shows, noting that the statistics are out of date and don't capture the city's white-hot rental market.

New Housing Bureau maps indicate that rents west of the Willamette River are too expensive for anyone earning 80 percent or less of the median, or \$38,500 a year.

“I’d love to have better data, and I can’t point to anything more comprehensive than that,” she said.

In Old Town Chinatown, Portland’s Goodman family wants to develop seven properties among the dozens of parking lots it owns downtown.

“There’s no demand in this neighborhood,” said Greg Goodman, co-president of Downtown Development Group. “So the SDCs (system development charges) are a big deal.”

Gerding Edlen also is interested in the neighborhood. The development company is negotiating to buy city-owned property at Northwest Naito Parkway and Davis Street for a 100-unit mixed-use apartment project, which is expected to include a limited number of rent-restricted units and qualify for a tax-abatement program.

“The neighborhood has challenges,” said Jill Sherman, a company vice president, “but also significant opportunity.”

Since 2008, the University of Oregon and Mercy Corps opened offices near the Burnside Bridge, light rail began running along Fifth and Sixth avenues, and the city dubbed a few nightclub-lined blocks in Old Town Chinatown as an “entertainment district.”

Adding more market-rate housing is the next step in unleashing the district’s potential, said Howard Weiner, who moved his skateboard business to the neighborhood 30 years ago and now chairs the community association.

“When you have folks that live in the neighborhood,” he said, “they’ll take ownership.”

Divided City Council

For now, Hales doesn’t appear to have the votes in City Hall to extend the subsidies to workforce housing.

Commissioner Amanda Fritz said representatives from Old Town Chinatown recently began asking for her support, even though she’d yet to receive information from Hales’ office or the development commission.

While Fritz recognizes a desire for mixed-income apartments, she said couldn’t justify a subsidy “until we’ve got housing for people who are living outside.”

Commissioner Nick Fish, who oversaw the Housing Bureau from 2008 until early 2013, also questioned the need to subsidize workforce housing.

“If you have a limited pool of money, and you have a documented need at the low end, I think you have a heavy burden of proof to show that you should use those resources on something that the market might be able to address,” Fish said.

Fish and Fritz also said they’re not interested in using development fees collected by the bureaus they oversee – water, sewer and parks – to subsidize new development.

Commissioner Steve Novick is the swing vote.

Novick, who manages the Portland Bureau of Transportation, said in an email that he has been briefed on the issue but is “not yet well informed enough to have much of an opinion.”

The lone voice of support comes from Commissioner Dan Saltzman, in charge of the Housing Bureau since last year.

Saltzman said he supports fee waivers for projects serving people with incomes up to 80 percent of the median, if not 100 percent. Anything higher is not politically attainable, he said.

“I’m just not going to be pigeonholed into feeling guilty if I’m talking about addressing the needs of Portlanders whose incomes are not the very, very lowest,” he said.

Lack of support within City Hall helps explain why the plan for Old Town Chinatown did not come to the City Council in December, as development officials suggested would happen last fall.

Three months behind schedule, McNamara and PDC officials now say they don't know when a proposal will move forward.

But McNamara remains hopeful he can find a sweet spot for incentives – one that works for developers, the City Council and Old Town Chinatown.

“That’s the idea,” he said. “By having some incentive now, everybody’s a little better off later on.”

Right 2 Dream Too: Ibrahim Mubarak's court appearance on trespassing charge rescheduled

By Andrew Theen

Ibrahim Mubarak, the co-founder of the Right 2 Dream Too homeless community, won't appear in court on trespassing and interfering with police charges until next month.

A group of Right 2 Dream Too supporters met prior to Mubarak's appearance on Monday, sporting sunglasses in solidarity of the housing activist. Mubarak rarely appears in public without a pair of sunglasses.

But his Monday appearance was a brief one. The 57-year-old, arrested last month underneath the Burnside Bridge, was rescheduled for an April 4 court appearance..

Mubarak was arraigned on one count of trespassing and interfering with a police officer on February 28.

Mubarak and Right 2 Dream Too supporters were underneath the Burnside Bridge last month checking on the welfare of homeless people sleeping underneath the bridge. Mubarak was arrested after a police officer instructed him to move off of private property.

Right 2 Dream Too and the city of Portland continue to search for a new home for the homeless community, aided by \$846,000 thanks to a recently approved land deal and negotiations.

The Portland Tribune

City may repay ratepayers for cleanup

By Steve Law

Portland sewer customers have shelled out money via their utility bills for 13 years to cover city spending for federal Superfund work on the Willamette — though the sewers had little to do with the toxic sediment contaminating the river.

The city's Superfund expenditures — topping \$52 million — were one of the big-ticket items cited by critics who sued the city in 2011 and accused city commissioners of using water and sewer rates as a “slush fund” for unrelated projects.

Now city officials are promising that sewer ratepayers will be reimbursed once the Superfund cleanup moves forward, and say that was their intention all along.

“There’s never been any understanding that it’s all going to be on the back of city ratepayers,” says Dean Marriott, director of the Bureau of Environmental Services, the city’s sewer and storm drainage utility.

The bureau had the most expertise on matters related to the river, so the City Council asked BES to spearhead the city’s Superfund efforts, Marriott says. “But we’ve not generated any of the contamination of concern that’s in the harbor.”

That’s welcome news to Kent Craford, a key force behind the 2011 lawsuit and a related May ballot initiative that would wrest the city sewer and water bureaus from City Council control.

“From a money standpoint, this is terrific news for sewer ratepayers,” Craford says. It might result in tens of millions of dollars credited back to sewer customers in future years.

However, Craford wonders why he never heard about this before, during several years spent closely monitoring the city water and sewer utilities, including a spell on the citizens budget committee for BES. Craford also has received many documents from the city about the questionable sewer and water expenditures, procured by his attorney John DiLorenzo.

“It is nowhere to be found, any inference that anybody’s going to pick up the tab for Superfund other than sewer ratepayers,” Craford says. “Faced with a \$127 million lawsuit and a likely verdict, they’ve changed their tune.”

Discussed several times

Craford says the city’s promise to make ratepayers whole down the road raises more questions about how the city has operated its utilities and used customers’ money. He wonders if it’s legal, and says ratepayers must be repaid with interest for fronting the city’s Superfund costs all these years.

Marriott, one of the city’s longest-serving and most-respected bureau chiefs, denies that the city has changed its position. The Superfund process is long and complicated, and it was always assumed that once the federal Environmental Protection Agency ruled on which city agencies bear responsibility for fouling the river, and the cleanup costs were clear, then the City Council would bill the proper agencies and shift money around, Marriott says.

“I don’t know that it was ever presented to council for a vote on it, but it’s been something that’s been talked about and understood from the very beginning,” Marriott says. “This subject was discussed on more than one occasion.”

Upon request, Marriott provided two City Council resolutions that bear on BES’s role in the Superfund effort. The first was adopted in February 2001, two months after the EPA made the polluted Portland Harbor on the Willamette River a Superfund site. That resolution designates BES as the lead agency for the city’s work on the Superfund project. However, the resolution makes no mention of how the bureau’s efforts should be funded.

Marriott says it was assumed that the bureau would get the money from ratepayers. In each year since, he says, the bureau’s Superfund expenditures were listed as a line item approved by city commissioners.

The second resolution was adopted in December 2012, during a flurry of activity as then-Mayor Sam Adams was winding up his term. According to that resolution: “The council anticipates that if the city is ultimately held liable to pay costs and damages under Superfund, that the council will then assess how best to assign those costs to its various agencies, bureaus, or funds, taking into account the bases of liability and the council’s authority under the charter.”

Craford points out that the resolution was passed more than a year after the lawsuit was filed questioning the Superfund expenditure as a BES ratepayer obligation.

Internal discussions

A former city finance official, who wishes to remain anonymous, recalls Marriott insisting early on that ratepayers be reimbursed eventually. "It was always a sense that it would not just be BES" ultimately paying for the Superfund, he says. "Dean Marriott was very clear about it."

In internal city discussions, the former finance official says, there were three bureaus discussed that might bear responsibility for Superfund cleanup: BES, because it runs the storm drainage and sewer systems that pumped some contaminants into the river; the Portland Bureau of Transportation, because it oversees city streets that also carried contaminants into the river; and the Fire Bureau, which conducted firefighter training exercises along the river that may have resulted in some discharges of toxic materials into the Willamette. But the city didn't want to "show its hand" about its cleanup responsibilities, the source says, for fear other polluters would try to take advantage and get out of paying their share.

Craford says the way the city handled this issue validates his contention that city councilors used money from sewer and water ratepayers as a "cookie jar."

"The sewer ratepayers are footing the bill because the city can make them," he says.

A retired city budget analyst, Katie Bretsch, concurs. "Jane and Joe Ratepayer didn't create this problem, and I think that if they were asked, they'd say the polluters, or their successors, or their for-profit industries generally, should pay," Bretsch says. "I think they'd say their bills are high enough already. The decision to make Jane and Joe pay is purely political."

City may get Superfund money back

Why is Portland so heavily involved in funding the Superfund project while arguing the city did little to cause the contamination in the first place?

Portland is a key player in the Lower Willamette Group, made up of parties identified as potentially responsible for the Superfund cleanup who are willing to step up and play a leadership role. The group also includes the Port of Portland, Northwest Natural and several industrial companies active on the river.

It's typical for local governments to play leadership roles in such Superfund groups, says Barbara Smith, spokeswoman for the Lower Willamette Group.

"They feel this needs to go well; it needs to be done with the best interests of the community," she says.

Being proactive can pay off, Smith says. The Lower Willamette Group, under EPA's oversight, hired the consultants who are testing the river sediment and helping draft potential cleanup scenarios. The EPA will use those reports to ultimately decide which parties must pay for the cleanup and how much.

Conversely, potentially responsible polluters who haven't stepped up may wind up paying more in the long run, she says. "There are many hammers in the law that require potentially responsible parties to participate, and if you don't, it can be worse."

Portland is contributing 25 percent of the Lower Willamette Group's budget, which so far totals nearly \$100 million, says Dean Marriott, director of the Portland Bureau of Environmental Services. The city also is spending money on its own behalf for related Superfund cleanup efforts.

Ultimately, the city expects it will get reimbursed if it contributes more than its share of the costs. That means ultimately city sewer customers could get credited for shouldering the city's contributions to the Superfund project. But it's not yet clear when that will occur and how much it might be, Marriott says.