



BEND CAP
Project Memorandum

TO: Project Team

FROM: Chris Zahas, Leland Consulting Group

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SUBJECT: Financial Tool Kit for Implementation, Bend Central Area Plan, Part 2
Project Number: 4503.2

Development Funding Tools

Tax Increment Financing/Urban Renewal – Tax increment financing (TIF) is one of the most powerful public funding tools for revitalization. TIF is a mechanism where public projects are financed by debt borrowed against the future growth of property taxes in a defined urban renewal district. The assessed value of all properties within the district is set at the time the district is first established (the base). As public and private projects enhance property values within the district, the increase in property taxes over the base (the increment) is set aside. Debt is issued, up to a set maximum amount, to carry out the urban renewal plan and is repaid through the incremental taxes generated within the district. Urban Renewal Districts usually are in effect for 15 to 20 years. When the district is retired, the base is removed and all property taxes in the district return to normal distribution. Bend currently has urban renewal districts in the Downtown Historic Core and at Juniper Ridge, but not in the Central Area east of the Parkway. Since Bend has used this funding mechanism before, has an urban renewal agency in place to administer it, and because it is such a useful tool for revitalization, it should be strongly considered to help fund projects in the Central Area.

Enterprise Zone – An Enterprise Zone is a State-designated area where businesses located within them that make capital investments, hire new employees, contribute to economic development plans, rehabilitate old buildings, and/or do research and development are provided a tax credit and potentially other development incentives. An Enterprise Zone designation would be an incentive to attract business investment in the Central Area.

New Market Tax Credits – New Market Tax Credits can be used to fund projects by selling credits against Federal income taxes to taxable investors for making qualified equity investments in designated Community Development Entities (CDEs). NMTCs are allocated annually to CDEs under a competitive application process. CDEs then offer these credits to investors in exchange for stock or capital interest in the CDEs. CDEs then invest in projects in designated low-income census tracts (in the CAP, the area south of Franklin qualifies, but the area to the north does not). While limited in geographical eligibility in the Central Area, NMTCs can generate significant funding for projects and should be investigated further.



Low Income Housing Tax Credits – Granted by the State through a highly competitive process, Low Income Housing Tax Credits (LIHTC) provide equity capital for multifamily rental housing developments for low-income households. The credit contributes to project equity, reducing developer’s out-of-pocket investment and can be a significant incentive for the provision of affordable housing. Since Bend already faces a significant workforce housing shortage, LIHTCs could be a useful tool to support new housing development in the Central Area.

Local Improvement District – A Local Improvement District, or LID, is a special assessment district where property owners are assessed a fee to pay for capital improvements such as sidewalks, underground utilities, shared open space, and other features. LIDs are typically petitioned by and must be supported by a majority or supermajority of the affected property owners. Since LIDs are funded by private property owners, they can help share the funding burden in a public-private partnership. Further, since it requires private property owner support, it is a good mechanism to help organize property owners around a common goal.

Business Improvement District/Economic Improvement District – A Business or Economic Improvement District is a special assessment district where property and/or business owners are assessed a fee to pay for programs and services that benefit the area such as business marketing, extra street cleaning, flower baskets, events, security patrols, and other non-capital expenses. A BID or EID is petitioned and must be supported by a majority or supermajority of property and/or business owners. A BID/EID is an excellent tool to ensure adequate funding for a business or district association, including funding for a full-time director. A BID was recently passed in downtown Bend, but nullified due to a technicality and is expected to be proposed again soon. BIDs are useful in both early and late stages of revitalization, where they can help organize businesses in early years and help maintain programs and services in later years after capital improvements are in place.

Multifamily Housing Tax Abatement – As an incentive for new housing development, the City can abate or reduce a portion of tax burden for multifamily housing development (either apartments or condominiums). Taxes are typically abated for a period of ten years and appear as a property tax savings for condominium owners or apartment building owners. Bend already has a policy in place to do this for projects that provide housing for families earning less than 60 percent of the area median income. In order to spur additional housing development in the Central Area, the City could consider relaxing the criteria to allow for tax abatement on a wider range of housing.

Parking District – A Parking District is a special district created to fund parking improvements and programs. Typically, the District receives funding from parking meters, garages, and fines. Funds in a Parking District are part of a special enterprise fund, remaining separate from the City’s general fund.

The City of Bend currently has a program that provides funding for city provided parking structures in the CB zone by charging a fee to developers in-lieu of providing parking. Since the Plan calls for densities that require structured parking for many parts of the Central Area, and since structured parking is particularly expensive an often not

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feasible for development outside the Historic Core, a Parking District could be established for the Bend Central area to alleviate this burden and spur denser development along Third Street quicker than the private sector would otherwise build. The City's 2007-2008 in-lieu of fee program in the CB zone charges \$20,656 per required parking space for automobiles and \$1,033 per required space for bicycles. A new parking district for the Bend Central area could include a similar program.

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Both the existing program in the CBD and a new in-lieu of fee program established for the Bend Central area should anticipate parking needs, provide parking in a timely manner as the area develops, charge adequate fees for the city to construct and maintain parking facilities, and retain fees specifically for parking within the Parking District boundaries. Finally, the parking district program should be equitable between large and small property owners and encourage shared parking arrangement agreements when possible.

Transient Room Tax (TRT) - Bend currently assesses a 9.0 percent tax on hotel and motel rooms within the City. Revenues go to the general fund and a variety of tourism promotion programs. Funds (either through an increase in the tax or a redirection of existing revenues) could fund projects in the Central Area, although such expenditures should be regionally-serving since the tax is assessed on hotels throughout the City, not just those in the Central Area. This funding tool should only be considered in the Central Area for regionally significant projects such as a convention center or performing arts center.

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Facade Improvement Program - A facade/storefront improvement program provides matching grants and/or loans to property and business owners to improve building facades within a planning area. Programs are typically implemented in conjunction with an urban renewal district. In areas such as Greenwood, where existing buildings are likely to remain and have the desired scale and character, a facade improvement program can provide a highly visible improvement for a relatively low cost. Typical facade grants/loans range between \$5,000 and \$20,000. Therefore, it is a low-cost, highly visible tool that can lead to early successes.

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Sustainability and Energy Funding Tools

EPA Brownfields Program - The EPA Brownfields Program enables productive economic development on sites where cleanup is otherwise prohibitively expensive by providing funding for remediation of environmental cleanup. Some areas east of the Parkway that are currently in industrial use may be contaminated. The Brownfields program can accelerate cleanup, enabling redevelopment to occur sooner.

EnergyTrust of Oregon Programs - To enhance energy efficiency and sustainability, EnergyTrust, a nonprofit funded by the Oregon Public Utility Commission, provides financial incentives for equipment upgrades and components of lighting and controls, motors, drives, HVAC, and gas equipment by covering the above-market cost component for equipment that is above code or beyond standard practice. Grants are available for new construction and upgrades to existing facilities. As redevelopment of



existing buildings and development of new ones occurs throughout the Central Area, the City should encourage energy efficiency wherever possible.

Oregon Energy Loan Program – The Oregon Department of Energy offers low-interest loans for projects that save energy; produce energy from renewable resources such as water, wind, geothermal, solar, biomass, waste materials, or waste heat; use recycled materials to create products; or use alternative fuels. The program can apply to individuals, businesses, schools, cities, counties, special districts, state and federal agencies, public corporations, tribes, and nonprofits.

Infrastructure Funding Tools

A wide range of funding tools is available to support transportation infrastructure and planning in Oregon. Many of those tools are funded via the Oregon Department of transportation (ODOT) through competitive grants that are offered annually or biannually. The following programs are some of the most common and most likely to be of use in the Central Area, particularly as it relates to addressing the transportation needs of the Third Street corridor.

Oregon Pedestrian and Bicycle Program (ODOT) – ODOT provides grants for crosswalks, bike lane striping, and pedestrian crossing islands that fall within the rights-of-way of streets, roads and highways. Bike/ped grants usually fall between \$80,000 and \$500,000.

Oregon Transportation Enhancements (TE) Program – Using federal transportation funds, ODOT TE grants are awarded to local governments and other public agencies to support projects that improve communities and enhance the experience of traveling. New sidewalks, bike lanes, and pedestrian amenities such as benches and streetlights are eligible TE projects, as are the restoration of historic railroad stations, bus stations, and bridges. TE awards typically range from \$200,000 to \$1 million, and local governments must contribute ten percent of the project's cost.

ODOT Transportation Growth Management Program – ODOT provides grants to local governments in Oregon for a variety of purposes including updating land use and transportation plans, making walking and biking safer and more convenient, improving access to transit, improving the pedestrian-friendliness of downtowns and Main Streets, amending local codes to encourage "transportation efficient" development, and creating better connections between local destinations.

Safe Routes to School (SR2S) – Administered in Oregon through ODOT, this federal program funds advocacy efforts such as traffic education, safety enforcement near schools, and public awareness campaigns aimed at making it safer for children to walk to school. SR2S funds may also be used for the construction of sidewalks, pedestrian crossings, bike storage racks, and traffic calming facilities.

Oregon Parks and Recreation Local Government Grant Program - OPRD gives more than \$4 million annually to Oregon communities for outdoor recreation projects. Eligible



projects involve land acquisition, development, and major rehabilitation projects that are consistent with the outdoor recreation goals and objectives contained in the Statewide Comprehensive Outdoor Recreation Plan (SCORP).

Systems Development Charges - System development charges (SDCs) or development impact fees are one-time fees assessed to new development and changes in use. The fees cover the capital cost of the infrastructure needed to serve new development and the people who occupy or use the new development. SDCs often pay for a wide range of improvements, including roads, schools, fire and police stations, sewer, water, stormwater, utilities, and other costs. The City of Bend already assesses at 100% of the allowable charge for SDCs based on formulas calculating the Equivalent Residential Unit (ERU). The 2007-2008 SDCs for various services are as follows:

<u>Water</u>	<u>\$3,496 ERU</u>
<u>Sewer</u>	<u>\$2,038 ERU</u>
<u>Park</u>	<u>\$3,550 ERU</u>
<u>Transportation</u>	<u>\$4,356 ERU</u>

Because the City of Bend already assesses a range of fees for various types of development at the maximum allowable level, it is recommended that the CIP be reviewed and appropriate funding from SDC charges be allocated to areas within the CAP boundaries consistent with the catalyst projects identified. Additionally, the City's SDC program should be reviewed to determine if earmarking funds by particular overlay areas is feasible. In the absence of the ability or desire to revise the existing SDC program or CIP, it will be necessary for the city to work with private property owners to form an LID or BID as described above.

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Implementation Incentives

Urban development and redevelopment is almost always more expensive and more complex than new development on the edge of the city. Land is more expensive, regulations are usually stricter, and construction staging is more challenging - all of which tend to increase development costs. If the Central Area is to be the most important urban district in the region, it should also be the "easiest" place to do business, not the most difficult. Thus, a package of incentives that reduce the challenges of development can speed up development and increase the amount of investment in the area.

Expedited Permitting - For developers, time is literally money and saving weeks or months on a project is often more important than saving money. For projects that support the Plan or meet certain thresholds of quality, the City can create a program to process development applications within an expedited time period as an incentive for developers. To process permits faster, cities often assign a staff person as a single point of contact for developers in the target area to shepherd the project through the various city agencies.



Land Assembly - The Central Area is characterized by fractured ownership, which makes it challenging and expensive to assemble parcels large enough to achieve a critical mass that supports the densities envisioned by the Plan. As an incentive, the City can acquire target properties and assemble larger parcels to be offered to developers, usually through a competitive request for qualifications (RFQ) process. This not only relieves the burden on private developers of having to assemble property, but it also gives the City leverage to require the project to include specific design elements or other features. Land assembly would likely require seed funding through an urban renewal district, but could become a revolving fund as land is sold to private developers.

Fee Waivers/Reductions - As a further incentive to desired types of development, the City can implement a fee waiver or fee reduction program. Such a program could reduce traffic impact fees, system development charges, building permit fees, and other expenses related to development. Eligibility criteria should include meeting high standards for quality and supporting the Plan. Bend already has such a program in place for affordable housing projects.

Catalyst Projects

Bend Bulletin Site - This publicly owned parcel could be redeveloped as a mixed-use housing project, providing workforce housing in close proximity to the downtown jobs base. The City could recruit a developer through a competitive request for qualifications (RFQ) process.

Hawthorne Avenue Mixed-Use Development - To activate the Railroad District as well as a new Hawthorne Avenue connection, multiple mixed-use developments should be built in the area on opportunity sites. Uses along Hawthorne should include office and housing, with a small amount of ground-floor retail and service uses.

Redevelopment at 3rd Street and Greenwood Avenue - This project would activate the 3rd Street and Greenwood Avenue gateway, providing a signature building of active retail, office, and/or entertainment uses. While too busy for housing, the high traffic flow could benefit commercial users.

Structured parking facilities - The scale of development envisioned for the areas west of 3rd Street and east of the Parkway will require structured parking. However, structured parking is difficult to accommodate on smaller parcels and is very expensive. Shared parking structures that can serve multiple adjacent and nearby properties would allow for more efficient use of parking facilities and would reduce the cost of development. A parking district or other mechanism should be formed to ensure that development pays its fair share when parking is not required by each project.

City Hall/ Civic Center - Consistent with the recommendations within the first phase of the Central Area Plan for focusing civic uses within a “civic neighborhood”, develop the concept plan and development criteria for the Civic Neighborhood site with a range of uses, including a new or expanded City hall a, public parking and a plaza/open space, sufficient for preparing and issuing a request for development proposals, establish a



development program, and begin acquisition of balance of civic neighborhood properties.

Infill housing between southern central neighborhood and the Old Mill District – This area, generally between Colorado and Arizona is already developing with a mix of housing and retail uses. These uses should continue to be built on remaining vacant land to provide additional close-in housing while also buffering the Old Bend neighborhood from the Old Mill District.

Infill housing in the northern central neighborhood – Medium-density infill housing in this area would strengthen the residential character of the neighborhood while providing new housing opportunities close to downtown.

Develop surface parking lot at Wall and Greenwood into appropriate mixed-use – The small corner lot at the corner of Wall and Greenwood is a classic infill redevelopment opportunity. As a gateway site with visual prominence from both directions on Greenwood, it will demand high quality architecture that sets the tone for the rest of the Historic Downtown Core. Recent developments in downtown Bend show that the market exists for multistory development on small sites. As the City of Bend has done with other redevelopment sites, it should issue a request for qualifications to identify a developer to purchase the site and build a mixed-use project.

Mirror Pond Parking Lots – The Mirror Pond Parking Area is a public space that holds great emotional ties in the civic heart of Bend and, as such, a specific redevelopment recommendation is not appropriate. The first phase of the Central Area Plan recommended an interactive and participatory process to determine a future vision and course of action for redevelopment of the Mirror Pond Parking Area. Based on input from the public process workshops, a program and solicitation for design or development services would be issued.

Relocate auto dealers and light industrial businesses – Relocate existing businesses to new sites in order to free up existing properties for redevelopment. This could include the creation of an auto mall somewhere in Bend, which could be facilitated through a public-private partnership.