Portland Tribune

Price of growth: $10 billion

Metro looks for ways to pay for next wave of infrastructure

BY JIM REDDEN

The Portland Tribune, Oct 1, 2009

L.E. BASKOW / TRIBUNE PHOTO

Traffic flows steadily about Orenco Station near the west side MAX Light Rail Line, an example of the type of transit-oriented, mixed-use projects that Metro envisions for the region.

In recent years, Metro has convinced regional voters to increase their taxes millions of dollars to operate the Oregon Zoo, which it manages.

Metro also has convinced voters to tax themselves millions of dollars to preserve thousands of acres of open spaces throughout the region.

But can Metro convince voters to tax themselves to help concentrate future growth in centers along major transportation corridors? What if the cost is billions of dollars over the next two or three decades?

If people aren't willing to pay, Metro chief operating officer Michael Jordan worries the seven-county region surrounding Portland will see its livability suffer as an expected 1 million more people arrive here in the next 30 or so years. Metro predicts that between 568,700 and 798,100 of those newcomers will land in the three counties that fall within its jurisdiction.

"Success will depend on how much money we are able to raise and how efficiently we spend it," said Jordan, the top executive at the elected government charged with managing growth in most of Multnomah, Clackamas and Washington counties.

According to Jordan, the region will need to spend $10 billion over the next 20 years just to maintain its existing infrastructure. He estimates that another $20 billion to $30 billion will be required to accommodate the additional people expected to live here. About half that money could come from existing sources, Jordan said – leaving a gap of at least $10 billion that must be filled.

Without the money, governments in the region will be hard-pressed to handle the population growth without increasing traffic congestion, overpopulating existing neighborhoods and failing to meet the needs of new and expanding businesses, Jordan warned.

With the money, Jordan foresees the region growing into an interconnected series of neighborhoods where most residents can meet their daily needs by walking, bicycling or taking short transit trips from their homes to jobs, shopping and recreational opportunities.

An example of where such money could make a difference is historic downtown Hillsboro, Jordan said. City and civic leaders are revitalizing the area around the downtown transit center with a new government center, apartments and the Venetian Theater & Bistro – a once-closed movie theater that has been renovated into a performing arts center and restaurant. Metro owns an approximately one-acre parcel in the area that Jordan believes could become a mixed-use housing development with additional public financing.

“This is the kind of area that can help absorb the population increase,” Jordan said during a recent walk around the Metro property at Fourth and Main, the site of a former Wells Fargo Bank.

Not everyone agrees that Jordan is on the right track, however. Jonathan Schlueter, executive director of the Westside Economic Alliance, is not even sure that a significant percent of the new residents will want to live in dense mixed-use developments, no matter how convenient they may sound.

“A lot of the new people will have families, and they might not want that kind of lifestyle. We need to guarantee a much broader range of housing choices for everyone,” said Schlueter, whose organization includes many Southwest Portland and Washington County businesses.

Is an infrastructure tax needed?

Jordan was hired as Metro's top executive in March 2003. At the time, he was serving as an elected Clackamas County commissioner. Before that, he worked as a manager at Pacific Power and Light and as city manager of Canby.

Jordan made his cost estimates last month when he released a formal set of recommendations on how Metro should accommodate the projected population increase. The recommendations mark a milestone in a two-year planning process, called "Making the Greatest Place," that is intended to help the elected Metro Council decide whether to expand the region's urban growth boundary next year.

Metro already has the authority to approve regional transportation projects. An advisory committee of local elected officials helps set the priorities in the organization's Regional Transportation Plan, which is being updated as part of the Making the Greatest Place process. Jordan believes Metro should create a similar mechanism for funding other infrastructure projects in the region.

One of his recommendations calls for the development of an Integrated Regional Investment Strategy to identify and prioritize such projects. Jordan believes it should be drafted by a high-level committee of elected officials, developers, environmentalists and others with an interest in the future of the region.

As part of their planning process, Metro staffers identified more than 115 potential sites in the region where new infrastructure projects could help accommodate projected population increases. They range from downtown Gresham, Beaverton and Hillsboro to the largely undeveloped Pleasant Valley area between Gresham and Happy Valley and the new city of Damascus in east Clackamas County. The city of Portland actually has the most – 31 – including the South Waterfront, Hollywood and Gateway areas.

The staffers also identified a series of potential infrastructure funding sources. They include property taxes, real estate transfer taxes, payroll taxes, development charges, urban renewal funds, user fees, fuel taxes and road tolls. Some require changes in state law to be applied locally. But it is too early to know how much additional money these sources can raise – and how large a gap the voters could be asked to make up.

Corky Collier, director of the Columbia Corridor Association, said his group supports Jordan’s efforts to prioritize and fund new regional infrastructure projects. His association represents businesses along the Columbia River from the Port of Portland to the Columbia River Gorge. The area includes numerous brownfields – contaminated sites – that could be redeveloped for new businesses.

“Right now, these properties are just sitting there unused because they are so expensive to clean up,” Collier said. “But if there was some way to help subsidize the cleanup without letting the polluters of the hook, they could become new employment centers.”

TRIBUNE PHOTO: L.E. BASKOW • *Metro executive Michael Jordan in front of his agency’s Hillsboro property.*

Growing up, not out

Metro began its current planning process in July 2006 under the name New Look. It kicked off with a gathering of elected officials, planners, environmentalists and community activists at the Oregon Convention Center. At the time, Metro Council President David Bragdon released projections showing the population of the Portland-Vancouver area would grow from approximately 2 million to around 3 million people by 2030.

Speaking to the crowd, Bragdon said Metro had adopted a good plan for managing such growth in 1995 called the 2040 Concept. It calls for concentrating new development in centers along major transportation corridors. The problem, Bragdon said, was that most centers were not developing on their own.

"We have learned that it is not enough just to put blobs on a map and expect something to happen," Bragdon said.

When Jordan recommended recently that the UGB not be significantly expanded in the near future, his suggestion drew a great deal of attention. But Jordan insists that regardless of where the boundary is set, the region will have trouble funding future development – at least funding it in a manner that preserves livability, which he defines as including parks and transportation alternatives.

In fact, as Jordan noted, little development has yet to occur on the 20,000 acres that Metro brought into the UGB in recent years. During the past 10 years, nearly 95 percent of new housing has been built within the original boundary established in 1979.

In his recommendations, Jordan pointed out that approximately 15,000 acres of vacant land remain within the UGB, including 10,000 acres that could be used for employment centers. Jordan says these lands should be developed before the boundary is expanded, in part because Metro studies show that, in general, upgrading existing infrastructure is less expensive than building new infrastructure. (See related story.)

But some people question this assumption. Kelly Ross, executive director of the Oregon Chapter of the National Association of Industrial and Office Properties, believes individual projects vary too much to make such an assumption, even generally.

"Especially with infrastructure projects, there are so many variables and fluctuations that you can't conclude that for planning purposes," said Ross after reviewing the study.

Spending it differently

The idea of a regional ballot measure to fund infrastructure projects is not new. Metro previously considered asking voters to approve a regional transportation funding package in May 2010. A committee chaired by Clackamas County chairwoman Lynn Peterson recommended asking voters to increase motor vehicle registration fees to raise $1 billion in the next 20 years. It was shelved after the 2009 Oregon Legislature approved a statewide transportation funding plan.

Even though there is no guarantee voters will ever approve a regional infrastructure funding measure, Jordan said that simply raising more money is not enough. As he sees it, the money must also be spent wisely.

“In the future, the money must be spent in a much more coordinated, efficient manner,” Jordan said.

As an example, Metro has prepared a chart that identifies where government-subsidized housing should be built in the future. It calls for 95,000 units to built throughout the region between next year and 2040. They would be located in 25 areas, ranging from downtown Portland to Sherwood, Troutdale and Clackamas.

Jordan said this chart is a good example of just how coordinated such infrastructure spending needs to be in coming decades. But he admits achieving this level of efficiency will not be easy.

“It’s Gordian how difficult it is,” Jordan said.

Candidates agree on need for funding

The two leading candidates for Metro president in next year’s election agree that voters may eventually need to be asked to approve a regional infrastructure funding measure.

Metro Councilor Rex Burkholder and Robert Stacey, who retired as executive director of the 1000 Friends of Oregon land use watchdog group on Sept. 30, both say it is too soon to know how much money voters should be asked to approve and what the source should be.

Burkholder believes that such a measure can be relatively small and targeted if Metro can reduce the cost of future transportation projects. Such projects have historically accounted for around 42 percent of all infrastructure spending – by far the largest single amount.

“We need to invest differently than we have in the past,” Burkholder says. “We need to offer people alternatives to cars – like transit and pedestrian and bicycle paths. If we can reduce the dependence on cars, we can save a lot of money."

Burkholder also believes the region can tap revenue sources that do not require residents to increase their taxes, such as real estate transfer fees and road tolls. By taking advantage of these sources first, he is hopeful that any measure submitted to voters will be for very specific projects whose benefits are widely understood.

Stacey also believes other funding sources should be utilized first, including finding new ways to make growth pay for itself. He believes that concentrating growth in urban centers will help hold down the cost of any measures needed to fill the remaining gap.

"Compact growth costs less money than providing the same services to the edges," Stacey says. He also believes TriMet should consider building dedicated rapid transit bus lines as a less expensive alternative to light rail.

Study shows how costly public infrastructure can be

As part of its planning process, Metro analyzed the local infrastructure spending required or predicted for a number of development projects around the region.

These included the completed Brewery Block in downtown Portland that had a local infrastructure price tag of $40 million, the proposed North Bethany residential expansion in Washington County that is expected to cost more than $416 million, and the new city of Damascus in Clackamas County that is predicted to require more than $3 billion to reach its full capacity.

"Public infrastructure is extremely expensive," the study concluded. "Even in locations where existing infrastructure has adquate capacity and can be extended to serve newly developing properties, it is not cheap."

The study also concluded that, in general, costs are less expensive where infrastructure is already in place, even if the existing infrastructure needs maintenance work or upgrades. At the same time, however, the study cautioned that comparisons between projects are almost meaningless.

"There is so much variation from one site to the next that it is difficult to make meaningful comparisons," the study says. "One site already has available infrastructure and the next does not. One has steep slopes and the next does not. One has good conductivity and the next does not. The list goes on."

The study found that project costs varied widely, even when infrastrucure was already in place. For example, the North Main project in Milwaukie required $919,000 in local infrastructure spending to create 95 housing units and 40 jobs. In comparison, the Gresham Civic Center required $11.6 million to create 636 housing units and 2,433 jobs. And the South Waterfront area in Portland is expected to cost over $323 million to create 3,600 housing units and 10,000 jobs.

Best laid plans don't always bring results

Local governments need to work closely with private investors to accommodate the 1 million additional people expected to arrive here during the next 20 years, says Metro Chief Operating Officer Michael Jordan.

But many recent public-private partnerships have been undone by the ongoing recession and related credit crunch.

A good example is Pleasant Valley, a 1,400-acre parcel between Gresham and Happy Valley that was brought into the urban growth boundary in 1998. Although targeted for housing, retail and employment development, the land lacks practically all of the infrastructure required for that to happen. Access is provided by a small number of narrow county roads. Water comes from wells. The homes that do exist in Pleasant Valley are on septic tanks, because there is no sewer system.

According to Gresham Environmental Services Director David Rouse, the infrastructure needed to fully develop the area is estimated to cost around $150 million – far more money than is available. But after years of nothing happening, city officials worked out a deal with a handful of developers to finance development on the first 320 acres. Gresham agreed to pay $13 million for a sewer line and pump station. The developers agreed to pay $18 million for water lines, road improvements, parks and other amenities.

The private investment was to be paid up front. The amount was essentially an advance payment on the system development charges normally paid when homes are constructed on individual lots. The amount worked out to around $25,000 a lot, and the developers would be paid back over time by receiving a credit for each home they built.

The agreement was finalized in July 2007. But according to Rouse, it fell apart when the housing market crashed and the developers went out of business.

Despite the setback, Rouse is hopeful the plan can be resurrected when the housing market improves.

“When the economy recovers, Pleasant Valley is well positioned to be one of the first areas in the region for development. We already know how to pay for it,” Rouse says.

– Jim Redden

-jimredden@portlandtribune.com