Chapter 8: Portland’s Downtown Streetcar Corridor

The Portland Streetcar in the Pearl District

Corridor Snapshot

<table>
<thead>
<tr>
<th>Transit Technology</th>
<th>Streetcar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Route Distance &amp; Number of Stops</td>
<td>3 miles, 38 stops</td>
</tr>
<tr>
<td>Year Service Began</td>
<td>2001 (Pearl District and Downtown), 2006 (South Waterfront)</td>
</tr>
<tr>
<td>Daily Ridership</td>
<td>7,783 (2005 average)</td>
</tr>
<tr>
<td>Residents Within _Mile Radius</td>
<td>Population—30,731, Households—19,555</td>
</tr>
<tr>
<td>Residential Density</td>
<td>39 Dwelling Units per Residential Acre</td>
</tr>
<tr>
<td>Median Income, 1999</td>
<td>Corridor (1/2 mile radius of stops) - $27,921 Region - $46,090</td>
</tr>
</tbody>
</table>

I. Introduction

Portland’s Downtown Streetcar continues the region’s tradition for innovative, comprehensive land use and transportation planning. The streetcar was financed by a mix of public and private funding. Its construction in formerly industrial areas adjacent to the downtown has spurred the creation of new vibrant neighborhoods. The State of Oregon forbids the use of inclusionary zoning and requires compact infill development as an outcome of urban growth boundaries around all urbanized areas. These two conditions have helped set the stage for the remarkable redevelopment of the Pearl District, north of the downtown, and the South Waterfront area south of downtown. New mixed-use neighborhoods have rapidly developed with mixed-income housing, shopping, employment, and public open space uses. Portland’s efforts can provide some critical lessons for creating mixed-income communities around transit across the United States.
Since the streetcar alignment was selected in 1997, over 7,000 residential units and almost 5 million square feet of non-residential space have been built or are anticipated to be complete by 2009 within the corridor. This amount of residential development in the corridor is especially remarkable given that only 8,005 units were built in the Portland region between 2000 and 2005. Prior to the mid-1990s, very little residential development had occurred in the downtown for some time and a considerable amount of pent-up demand for convenient, urban housing had built up. In parallel with the national housing boom, buoyed by low mortgage interest rates and economic trends, housing production accelerated in the late 1990s and early 2000s as the downtown market was established. The Portland region was home to 741,776 households in 2000 and is expected to grow by 54 percent to 1.15 million households in 2030. Of that growth, 27 percent of future households are projected to want housing near transit. Figure P1, below, summarizes the key actors and observations described in greater detail in the following pages of this chapter.

**Figure P1: Regional Actors and Highlights**

| Key Actors | • Metro, the only elected regional government in the country, has established a regional transportation and land use vision.  
• Tri-Met is the regional transit agency responsible for both transit planning and operations.  
• The City of Portland and the Portland Development Commission take a proactive role in local land use and development planning. |
|---|---|
| Key Tools | • Developer Agreements between the Portland Development Commission and private developers have set specific conditions and time scales for public and private revitalization efforts, and community benefits.  
• The first modern streetcar in the United States has been used to spur redevelopment in former industrial areas adjacent to the downtown. |
| Obstacles to Mixed-Income TOD | • Environmental contamination of industrial sites and recalcitrant property owners present two primary obstacles to TOD.  
• Because much of the mixed-income housing in the corridor is provided through Development Agreements, and not as part of a more comprehensive affordable housing strategy, it can be difficult to assess the levels of affordability that the development market will bear. |
| Lessons for Other Corridors | • Development Agreements provide an important tool for capturing value in the redevelopment of large (often formerly industrial parcels).  
• Development Agreements function best when made within a comprehensive transportation, land use, and design framework.  
• There is a range of tools beyond inclusionary zoning that can create mixed-income communities. These tools provide flexibility to respond to changing housing needs, but must be carefully managed to preserve certainty in the development process. |
II. Modern Streetcar Supports Housing and Redevelopment Effort

Portland’s central city, particularly the neighborhood known as the Pearl District, has undergone a major transformation since 1990. The Pearl District lies east of the I-405 freeway and west of the North Park Blocks and runs north from Burnside Street to the Willamette River. Land uses have both diversified and intensified in the past two decades. The Portland Streetcar has played a significant role in this transformation. Physically, the streetcar has enabled a greater density of development with lower parking ratios. Psychologically, the selection of the streetcar alignment in 1997 is pointed to by many as the key turning point in pushing development to a greater level of urbanism.

The Portland Streetcar is the first modern streetcar system to be built in the United States. As a part of Portland’s broader strategy to improve mass transit throughout the region, the streetcar was built as a downtown circulator (see Map P1, next page for an overview of the regional transit rail network). The initial 2.4 mile segment of the line was completed in 2001 and subsequently extended twice: first to River Place south of downtown, and then to the South Waterfront area. The line now has 38 closely spaced stations, each a few blocks apart, allowing the streetcar to serve as a “pedestrian accelerator” and resulting in more walking trips and less demand for parking. During the spring of 2006, average weekday ridership exceeded 7,000, almost double the ridership number in 2001. As a transit application, the Portland Streetcar is smaller than typical light rail vehicles, but still use overhead electrical wires. Vehicles operate on the street mixed with traffic. Headways are short to medium in length and projected ridership is lower than other types of larger-capacity rail investments serving longer distances. Journey-to-work travel within the streetcar district consists largely of transit and walking trips (30 percent) without many auto trips (40 percent of total), verifying the circulatory role it plays both within the downtown area and between other transit options.

Portland used creative approaches to fund the streetcar construction. The cost of parking was increased from 75 cents to 95 cents per hour and the city issued bonds backed by future parking revenues to raise $28.5 million. Property owners along the alignment agreed to form a local improvement district (LID), which provided another $10 million. Tax increment financing contributed $7.5 million, and a mix of other sources provided another $11 million.

The streetcar connects major destinations within the central city, including Portland State University and Good Samaritan Hospital, and links to the regional light rail and bus system. In 2006 streetcar service was extended to the South Waterfront, another abandoned industrial site like the Pearl District but located south of downtown, in order to improve connectivity. While the Pearl District was being called this country’s most successful redevelopment project, South Waterfront is almost double the size with twice the potential. Construction was already underway in 2006 on the first neighborhood, the $2 billion Central District, covering 31 acres. The South Waterfront is now connected to the Oregon Health and Sciences University atop a nearby hill via aerial tram.
III. Strong Regional Market Leads to Rising Housing Prices

Between 2000 and 2005 the Portland region added 8,005 housing units, while occupancy rates remained relatively steady during that time period.\(^1\) During the same period, median housing prices increased by $71,000 to $225,900; a 46 percent increase\(^2\). This increase in cost is reflected in the number of households spending 30 percent or more of their income on housing. The percentage of property owners in Portland spending that amount increased to more than 30 percent in 2005, up from less than 28 percent in 2000. Renters were disproportionately affected by the increases. In 2005, almost 53 percent of renters in the region spent more than 30 percent of their household income on housing\(^3\). Some researchers contend that housing costs have increased because the urban growth boundary has limited the land supply in the region. Regardless, Portland’s housing prices are within the lower range of average home prices for West Coast cities.

The State’s Metropolitan Housing Rule requires jurisdictions to set aside enough buildable land so that at least 50 percent of new residential units are attached single-family housing or multiple-family housing, or to justify an alternative percentage based on their particular circumstances. This rule, coupled with decreasing household size and increasing market demand for urban living, has caused an increase in the availability of multi-family housing. However, the State also adopted legislation forbidding inclusionary zoning. Thus, there’s no regulatory mechanism to impose mixed-income requirements on new development.

The Portland Development Commission (PDC) consistently and effectively used land acquisition, public investments, and development agreements to forge public-private partnerships and achieve ambitious planning goals. These include the production of affordable housing, transit, and transit-oriented development as well as economic development and urban recreation. Most of the central city is included in one of several urban renewal areas and most new development has benefited from PDC investment either directly or indirectly.

IV. “Perfect Storm” of Transit, Land Use, and Market Readiness Fuels Redevelopment of Streetcar Corridor

The streetcar wasn’t solely responsible for leveraging the tremendous amount of development that occurred in the Pearl District. Rather, the streetcar is part of a “perfect storm” of planning and policy, development opportunities, and public-private investment. The following sections describe previous and current land uses, underutilized land, demographic characteristics, market conditions, local land use regulations, and transit-oriented development and affordable housing policies that have shaped downtown Portland’s transformation.

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1 Harvard Joint Center for Housing Study, *State of the Nation’s Housing 2005*.

2 Ibid.

Streetcar Serves High-Density, Mixed-Use Subareas

Shown in Map P2, on the next page, and on Table P1, below, the land within a one-half mile radius of the streetcar corridor is comprised of several areas where different land uses are dominant. Prior to redevelopment, the Pearl District contained primarily underutilized industrial uses and included several very large parcels, including the Burlington Northern Railyard, Weinhard’s Brewery and the Lovejoy Viaduct (an obsolete bridge off-ramp). These three parcels were the major source of redevelopable land for mixed-use projects and contribute to the high overall percentage of current mixed-use land in the corridor, 11 percent.

### TABLE P1: Land Uses & Density, Portland Downtown Streetcar, 2005

<table>
<thead>
<tr>
<th>LAND USES Within 1/2 mile radius of stops</th>
<th>Housing</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Mixed Use</th>
<th>Civic</th>
</tr>
</thead>
<tbody>
<tr>
<td>DENSITY/INTENSITY</td>
<td>Housing (DUA)*</td>
<td>Commercial (FAR)^</td>
<td>Industrial (FAR)^</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td>53%</td>
<td>11%</td>
<td>11%</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>39.13</td>
<td>1.41</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Center for TOD, Strategic Economics, City of Portland, 2006

In addition to the Pearl District, the streetcar serves Portland’s central business district, where the majority of land uses are commercial, and the Portland State University. While there has been some intensification of uses in this area, much of the downtown was already built out to significant intensities prior to the creation of the Central City Plan (1988), which led to the transformation of the greater downtown and the building of the Streetcar.

The western edge of the area within one-half mile of the streetcar is largely residential. This area was built out with a range of housing types, primarily attached, prior to the building of the streetcar. Currently, the corridor is more than twice the density of any of the other case study corridors examined in this report. The South Waterfront is currently undergoing considerable development. Most of the area south of the Ross Island Bridge (the southernmost bridge into the downtown), which appears vacant on Map P2, previous page, is under construction with residential towers, medical, and other office uses. This entire area was previously industrial. The aerial tram connecting the South Waterfront to the Oregon Health Sciences University, the city’s largest employer, began operation at the end of January 2007.

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4 An even more detailed discussion of the history and economic development impact of the Portland streetcar can be found in the publication, *Street Smart: Streetcars and Cities in the Twenty-First Century*, published by Reconnecting America in 2006.
**Large Parcels of Underutilized Land Fueled Revitalization Efforts**

One of the most important lessons of the Portland Streetcar is the high degree of synergy between new transit investment and transitioning obsolete industrial parcels, provided the market exists and appropriate infrastructure is put in place. A large amount of obsolete, industrial land existed in large parcels close to downtown prior to the streetcar investment. The PDC worked to stimulate the private market by investing in new housing, commercial opportunities, and open space. The city also rezoned an additional 40 acres of industrial land that had served as a warehouse district to allow for more commercial and mixed-use development.

The relatively small number of property interests in these areas allowed for master planning of whole new neighborhoods. It also allowed the City to leverage significant contributions to the construction of the streetcar and many other critical public infrastructure improvements\(^5\) necessary to create balanced, higher-density places. The high value of new development in these areas has produced a sizeable stream of tax increment funds.

The following table, Table P2: Existing Land Uses, Demographics, Zoning, New Development & Planning Efforts, Downtown Streetcar (2001, 2006), Portland, Oregon, summarizes the above-discussed existing land use patterns, as well as demographic characteristics, zoning, new development projects, and planning efforts. Because the 38 stations are located quite close to one another, they are grouped into six areas with roughly similar characteristics. In addition to the sheer number of new development projects within the corridor, it is important to note that a number of these have included mixed-income or affordable residential units. The Pearl District displays some of cutting edge architectural and green building design. Affordable and mixed-income projects are blended with market rate housing with essentially no noticeable differentiation in design, quality or appearance.

**High-Intensity Zoning Tied to Public Improvements**

Land use and zoning designations in the greater downtown are predominantly high-intensity commercial, higher-density residential (26 DUA or higher), vertical mixed-use, and a special category called employment that allows a mix of uses. The major development agreements for the Pearl District and South Waterfront tied the level of required density to various improvements in public infrastructure. When the Lovejoy Viaduct (an unnecessary off-ramp from the Broadway Bridge, which no longer needed to be elevated to accommodate freight rail activity) was removed, required minimum densities increased from 15 to 87 dwelling units per acre (DUA). Required densities increase to 108 DUA with the commencement of the streetcar construction and increased again to 131 DUA with the construction of the first neighborhood park. Hoyt Street Properties is now requesting additional density for the final phases of build out in the Pearl and the City is negotiating for the development of a third neighborhood park.

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\(^5\) For example, two new, highly innovative and successful parks were built as part of the Pearl district and a third is under consideration for the final phase of development of the Pearl.
<table>
<thead>
<tr>
<th>Grouped Stations (see Map P3)</th>
<th>Existing Land Uses</th>
<th>Key Demographic Indicators, 2000&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Current Zoning</th>
<th>Recent, Planned and Proposed Development&lt;sup&gt;2&lt;/sup&gt;</th>
<th>TOD Land Use Planning Efforts</th>
</tr>
</thead>
</table>
| Station Group #1 (Northwest Portland) | Vertical Mixed Use Residential | Median HH Income: $28,000  
% Owner-Occupied: 13%  
Average HH Size: 1.39 | High Density Res  
Medium Density Res  
Vertical Mixed Use | 5 projects total:  
2 market-rate residential  
1 MR mixed-use res  
1 hotel  
1 retail | Numerous extensive and intensive planning and re-zoning project were conducted through out greater downtown Portland from the e. 1990s to e. 2000s in support of the streetcar improvements and creation of new downtown neighborhoods and job centers. |
| Station Group #2 (Pearl District) | Vertical Mixed Use Residential | Employment | DT Residential | 11 projects total:  
5 residential  
8 mixed-use residential  
1 affordable  
5 mixed-use office  
1 retail  
1 office  
1 hotel  
1 parking | Although many of the ultimate uses changed over time, the Central City Plan (1988) was the major comprehensive plan for the greater downtown that introduced the idea of significant intensification and expansion of the downtown into the adjacent industrial areas. |
| Station Group #3 (Pearl District) | Vertical Mixed Use DT Commercial | Employment | DT Commercial | 20 projects total:  
5 residential  
8 mixed-use residential  
1 affordable  
5 mixed-use office  
1 mixed-use industrial  
1 civic | |
| Station Group #4 (CBD) | DT Commercial | | DT Commercial | 8 projects total:  
1 MU affordable res  
5 civic  
1 office  
1 mixed-use office | |
| Station Group #5 (Museum Blocks, Portland State U & CBD) | DT Commercial Medium Residential | | DT Commercial High, Medium & Low Density Residential | 19 projects total:  
4 residential  
1 affordable  
5 mixed-use residential  
1 affordable, 1 mixed-income  
2 mixed-use office  
7 civic  
1 parking | |
| Station Group #6 (RiverPlace & South Waterfront, 2006 Streetcar extension) | Vacant Land Commercial Residential Industrial | | Commercial  
Medium Density Res  
Low Density Res  
Vertical Mixed Use Industrial | 6 projects total:  
4 mixed-use MR res  
1 civic  
1 hotel | |

<sup>1</sup>Demographic characteristics are for the entire line, as stops are quite close to one another.  
<sup>2</sup>Projects included are within 2 blocks of a streetcar stop and were built, planned or proposed since 1997, when the alignment was chosen. Map P3 shows fewer projects than this matrix, as several projects are immediately adjacent to one another and overlap when mapped.  
New Development Has Altered Previous Corridor Demographics

In 2000, the population living within a one-half mile radius of future streetcar stops had considerably smaller household sizes, lower incomes, and were much less likely to own the housing units in which they lived than the population of the region as a whole (see Table P3, below). All three of these characteristics: a household size of 1.39 persons, median income level of $27,921, and only 12.8 percent owner-occupied units, are the smallest and lowest, respectively, of all of the case study corridors.

<table>
<thead>
<tr>
<th>DEMOGRAPHIC CHARACTERISTICS</th>
<th>Population</th>
<th>Households</th>
<th>Average HH Size</th>
<th>Median HH Income</th>
<th>Median Age</th>
<th>% Hsg Units Owner-Occupied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streetcar (within 1/2 mile of stops)</td>
<td>30,731</td>
<td>19,555</td>
<td>1.39</td>
<td>$27,921</td>
<td>37</td>
<td>12.8%</td>
</tr>
<tr>
<td>Region</td>
<td>2,265,223</td>
<td>867,255</td>
<td>2.56</td>
<td>$46,090</td>
<td>35</td>
<td>59.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>JOURNEY TO WORK</th>
<th>Car Alone</th>
<th>Car Pool</th>
<th>Transit</th>
<th>Walk/ Bike</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streetcar (within 1/2 mile of stops)</td>
<td>0.38</td>
<td>0.05</td>
<td>0.19</td>
<td>0.32</td>
</tr>
<tr>
<td>Region</td>
<td>0.73</td>
<td>0.09</td>
<td>0.06</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Source: Center for TOD, Strategic Economics, US Census 2000

Typically, these factors contribute to making an area vulnerable to change because the population is more likely to be transitory and disenfranchised. It is highly likely that the demographic profile of the station areas has changed since 2000, given the degree of new development that has occurred in the Pearl District and the number of new, wealthier homeowners that have moved into the corridor. The degree of displacement is difficult to assess without more detailed analysis, but civic and political leaders are concerned that they are losing the affordability battle. Because this was previously an industrial area, the majority of new development has resulted in new housing, rather than the replacement of older, lower-value housing with more expensive units. Some single-room occupancy hotels near Burnside Street have been redeveloped since 2000, but there is still a considerable stock of subsidized affordable housing in the western part of Downtown and some new affordable housing units have been added as part of the new development in the Pearl District. (See further discussion of mixed-income housing strategies on page 14.) Overall, the pace of new affordable housing production throughout the region has not kept up with redevelopment and conversion.

Households living within the streetcar corridor transit zones also were more likely to use transit for commuting to work than households located elsewhere in the region. Most striking, and reflective of the urban environment and proximity to central business district, over 30 percent of households walk or bike to work and less than 40 percent commute by automobile. In contrast to other case study corridors, the Portland region’s mode split stands apart, particularly relative to its size.
**Downtown Market Spurs Ambitious Revitalization Projects**

In the 1980s, PDC introduced financial incentives for downtown housing, which resulted in several projects along the South Park Blocks. A new downtown housing market was also pioneered by artists and others in need of large, loft-like work/live spaces through the small-scale adaptation of historic warehouses in the industrial area now known as the Pearl District. At the same time, the City was planning for the transition of this area and the South Waterfront from obsolete industrial uses to more valuable and intense office uses that would integrate with the adjacent CBD office centers. However, in the early 1990s, the office market plummeted and in 1994, a 34-acre portion of the Burlington Northern Railyard was obtained by a developer, Hoyt Street Properties, with a housing vision for the area. Hoyt Street Properties subsequently acquired a large portion of the South Waterfront industrial properties, pioneered the phased development of mixed housing and retail throughout the 1990s in the Pearl District. This development activity accelerated in 1997, after Hoyt Street Properties reached a development agreement with the PDC.

**Hoyt Street Rail Yards, Prior to Redevelopment**

In 1999, office development also came to the Pearl District, with the Weiden & Kennedy headquarters and several more projects thereafter. A second major phased development project in the Pearl District was the redevelopment in 2000 of the five-block Blitz-Weinhard Brewery into mixed housing, office, and retail.\(^6\)

Currently, the condominium and rental housing and office markets are well established in the Pearl District with additional projects planned through 2009. As can be seen on **Map P3** and detailed in **Table P2**, a total of 41 projects have been built or are planned for construction since 1997 in the Pearl District.\(^7\) Of these, nine are mixed-income or affordable residential.

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\(^7\) All projects described are within a two-block radius of a transit stop.
Map P3
Recent, Planned + Proposed Development (1997 - 2009)
Downtown Streetcar
Portland, Oregon

Legend
- Existing Streetcar Stop
- Existing Light Rail Transit
- Planned Light Rail Mall Expansion
- Streetcar Line
- Recent Development
- Residential
- Mixed-Use Residential
- Retail
- Office
- Hotel
- Civic
- Parking

* Projects Shown are within a 2 block radius of stations
* Some projects may not show up due to overlapping dots

Source: Center for TOD + Strategic Economics + City of Portland, 2006
In addition to the massive amount of development that has occurred in the Pearl District, considerable housing and new civic projects have been built since 2000 or are planned for construction in the next couple of years in the area surrounding the South Park Blocks. A total of 19 different projects have been built or are planned for construction since 1997 in this area, including the Museum Place Project, a mixed-income project that the PDC assisted through site assembly and developer negotiations.

The Pearl District Today

![Photo Courtesy Hoyt Street Properties](image)

The South Waterfront area is now the major focus of construction activity in the greater downtown. Its redevelopment involves street improvements, streetcar service, and an aerial tram (another transportation innovation). Given the success of the mid-rise projects in the Pearl, developers and real estate investors feel sufficiently confident in the Portland urban housing market to finance and build high-rise projects in the South Waterfront. At full build-out in 2015, South Waterfront will have 3,000 housing units and 10,000 jobs. Four different projects, including three 23- to 31-story condominium towers with ground floor retail and an extension campus of the Oregon Health Services University are currently under construction.

In less than a quarter of the South Waterfront district’s 130-acre total land area, the following public goals will be achieved:

- Creation of 5,000 jobs, half the projected job growth for the entire district;
- Development of 2,700 of the 3,000 housing units planned for the district, and 430 of the proposed 788 units of affordable housing proposed;
- A one-quarter mile riverfront greenway at an average width of 125 feet (a 100-foot setback was planned for the entire district);
- Transit system development, including streetcar, tram, and bus; and,
- Improved environmental conditions and sustainable building practices throughout.
V. Creating Mixed-Income Communities: Affordable Housing Integrated into Larger Development Projects

The City of Portland and PDC have responded to affordable housing advocates by including income diversity in the transformation of the Pearl District and South Waterfront areas. State law prevents the use of inclusionary zoning as an affordable housing tool, but does require a provision for a mixture of housing types that has created a relatively high percentage of multi-family units relative to other regions.

A View from the Sitka Apartments, One of Several Affordable Housing Projects

Approximately 19 percent of the total new or significantly renovated residential and mixed-use/residential development projects built within a two-block radius of the transit stops are affordable or mixed-income projects (see Map P4, next page). Of the total 7,248 dwelling units built during this time frame, approximately 1,243, or 17.1 percent, are affordable to low- or moderate-income households. Detailed information regarding the level of affordability in each project was not available. However, anecdotal information suggests a range of affordability, from 180 units of low-income family units at 30 percent of area median income (AMI), to 120 units of transitional housing in the Danmore project and 203 units of affordable to households at 50 to 60 percent AMI in the Sitka project pictured above.

In laying out the affordability goals for the creation of the Pearl District and, more recently, the South Waterfront area, the City and affordable housing advocates took an explicitly mixed-income approach. Because state property law does not allow inclusionary housing ordinances, affordable housing in the major redevelopment projects in the Pearl District was achieved via the development agreements that governed new
Map P4
Residential Development (1997-2009)
Downtown Streetcar
Portland, Oregon

Legend
- Existing Streetcar Stop
- Existing Light Rail Transit
- Planned Light Rail Mall Expansion
- Streetcar Line
- Recent Development
- Market Rate Residential
- Market Rate Mixed-Use Residential
- Affordable Housing
- Affordable Mixed-Use
- 1/2 Mile Station Area Radius
- * Projects Shown are within a 2 block radius of stations
- + Some projects may not show up due to overlapping dots

Source: Center for TOD + Strategic Economics + City of Portland, 2006
Negotiations over the development agreement with Hoyt Street Properties included city-wide affordable housing advocates, such as the Portland Organizing Project. It was agreed that the ratio of affordable- to-market-rate housing should mirror the income distribution of the city as whole over time, with each new phase of development to be matched to current city demographics. While in hindsight some affordable housing groups feel that greater levels of affordability could have been achieved given the success of Hoyt Street’s projects, at the time, there was a concentration of affordable housing in western downtown and very little market-rate housing in downtown as a whole, and the depth of the market for high-end housing was unknown. Based on the success of the Pearl District, the PDC in 2003, negotiated a development agreement with North Macadam Investors (NMI), which controls much of the South Waterfront area. It is arguably the biggest developer agreement in Portland’s history, given the area and money involved, the number of players, and the complexity and scope of the commitments. The same guiding principle of matching the requirement to existing city-wide income categories is being applied in the South Waterfront. Included in the developer agreement between PDC and NMI is the construction of 400 to 480 market rate condominiums and 30 affordable condominiums, as well as 100-150 market rate apartments and 200 affordable apartments.

VI. Local Policy Tools: PDC Leads Coordination of Public and Private Entities

Nationally, the Portland region is seen as a model of coordinated land use and transportation planning that is based on significant community involvement and vision. While public sector actors and organizations have played a key role in the city’s establishment of a vision for redevelopment, implementation of the vision can be credited to private sector players committed to an environmentally and socially sustainable future.

The streetcar’s success results from a number of factors, including Portland’s investment in pedestrian, bicycle, and transit improvements, and historic commitment to urban planning detailed in the 1988 Central City Plan and reinforced by regional and state land use policies and law. A network of powerful activist neighborhood associations, together with strong local political leadership and a group of forward-looking developers, all worked together to implement policies supportive of both the planning and finance of the urban redevelopment, including the streetcar.

The PDC has taken a lead role in coordination of development activity in along the streetcar corridor. Created by Portland voters in 1958 as a special purpose government agency, the PDC serves as the city’s urban renewal, housing, and economic development agency. A board of five volunteer citizens appointed by

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8 Affordable units at low and median income affordability levels were paid for by Hoyt Street via subsidy from the market rate units; very low income units provided at rents affordable to households at below 50% local family median income received some public subsidy.
the Mayor and approved by the City Council governs the PDC. The agency’s executive director reports to the board on the work of 200 PDC professionals in an array of relevant areas, including real estate development, finance, construction, urban planning, project management, economic and community development, architecture, and law.

The PDC’s urban renewal work is funded primarily by tax increment financing by which future tax revenues pay for revitalization efforts in designated areas of the city. Based on extensive input from the community and PDC, the City Council creates an Urban Renewal Area by establishing its boundaries, adopting a plan for improvements, and setting the baseline tax revenues that will continue to be collected as normal. The city then issues urban renewal bonds to pay for those improvements based on the expected property value increases. As property values increase with new investment, the increase in property tax revenues is used to pay off the bonds. Once they are paid off, all tax revenues within the district become part of normal property tax collections.9

Equally critical were the establishment of the River District (includes the Pearl District) and North Macadam (includes South Waterfront) Urban Renewal Areas in 1998 and 1999, respectively.10 The Streetcar Local Improvement District, a property assessment on non-owner occupied residences, was created to help fund the Downtown Streetcar and other improvements.

Various other local policy, financing, and funding tools with potential application in other places are summarized in Table P4, on the following page.11 They represent a variety of tools available both to subsidize affordable housing and to promote transit-oriented development. TriMet, the regional transit authority, is a national leader in joint development of properties along its multiple transit corridors. The City is also a strong player in supporting TOD, and TOD tax abatements are authorized by the State to provide additional incentives for developing near transit.

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10 The new URAs also benefited from the funding available from the Downtown Waterfront URA, established in 1974 in the central waterfront portion of the Downtown, and Portland’s most successful URA district.
11 A variety of general tools, including overall State funding for affordable housing/subsidized housing are also being used in the Twin Cities region. These tools are discussed in Appendix A of the report. Table P4 highlights those specific to promoting TOD or have a linkage between affordable housing and proximity to transit, or creating mixed income communities.
<table>
<thead>
<tr>
<th>Tool</th>
<th>Intended Funding Agent/Implementing Agent</th>
<th>For use by:</th>
<th>Policy</th>
<th>Funding/Financing</th>
<th>Affordable Housing</th>
<th>Mixed Income (MI)</th>
<th>TOD</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Parking Garages Revenue Bonds</td>
<td>City</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Financed streetcar</td>
<td>Portland streetcar</td>
</tr>
<tr>
<td>TOD Property Tax Exemptions</td>
<td>City</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>TOD tax abatements support high-density housing and mixed-use developments affordable to a broad range of households on vacant or underutilized sites along transit corridors whose design and features encourage building occupants to use public transit. Projects must be located within one-quarter mile of a light rail station or selected bus corridors. Projects are exempted from ad valorem taxes on the value of the improvement for a 10-year period.</td>
<td>Arbor Vista Condominiums are 27 for-sale units located adjacent to Jefferson Street MAX station. Approximately two-thirds of the units were sold at market-rate, while the other third were reserved for a special financing program in which Innovative Housing provided a second mortgage that made the unit more affordable. Each homeowner purchasing the below-market units received a 10-year property tax abatement on the improved value of the home.</td>
</tr>
<tr>
<td>Affordable Housing Incentive Fund (AHIF)</td>
<td>County Developers &amp; Cities</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>The Program supports a variety of affordable housing initiatives that serve low-income families, youth, seniors, homeless families and adult, and people with disabilities. Most of the projects chosen for funding are linked to transportation, local employment, schools and supportive services.</td>
<td>Over the past six years, $23.6 million in AHIF funding has created or preserved 3,350 housing units (including 2,680 affordable units) and leveraged more than $470 million in additional public/private financing. The Board recently approved $4 million in 2005 funding for 16 projects that help create 1,427 housing units throughout the county, including 563 affordable units.</td>
</tr>
<tr>
<td>Direct Financed Acquisition Loan</td>
<td>City Developers</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>Loan funds are available to fund the acquisition of property, other activities necessary to take title to property, or to fund a portion of the cost of a contract purchase of property for rental, multifamily for-sale housing or Mixed-Use developments that meet the programmatic objectives of the Urban Renewal Area or a special initiative of the PDC.</td>
<td>An Equity Gap Contribution (EGC) provides public funding for rental or Mixed-Use projects that provide public benefits and are owned by Eligible Non-Profit Organizations. An EGC is intended to fund the difference between the projected project costs and available sources of construction and permanent financing.</td>
</tr>
<tr>
<td>Equity Gap Contribution</td>
<td>City Developers</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>HDSLs are subordinate loans with favorable terms that are used to fund projects that provide public benefits and demonstrate a financial need. The HDSL may be used for new construction or rehabilitation of existing residential, rental and Mixed-Use properties that will predictably generate sufficient cash flow to allow regular periodic payments on the HDSL.</td>
<td>HDSLs are subordinate loans with favorable terms that are used to fund projects that provide public benefits and demonstrate a financial need. The HDSL may be used for new construction or rehabilitation of existing residential, rental and Mixed-Use properties that will predictably generate sufficient cash flow to allow regular periodic payments on the HDSL.</td>
</tr>
<tr>
<td>Housing Development Subordinate Loan (HDSL)</td>
<td>City Developers</td>
<td>X</td>
<td>X</td>
<td>X</td>
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</tr>
<tr>
<td><strong>Non-Profit Acquisition Financing Loan</strong></td>
<td>City</td>
<td>Non-profit developers</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Acquisition loans are designed to fund acquisition of property and other activities necessary to take title to property for low or moderate income housing.</td>
<td></td>
</tr>
<tr>
<td><strong>Nonprofit Facility Loans</strong></td>
<td>City</td>
<td>Non-profit developers</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>The Nonprofit Facility Loans are loans with favorable terms that are used to fund costs of development associated with the acquisition, rehabilitation or construction of service facilities that provide space for delivery of services to a) primarily Low- or Moderate-Income residents, or b) designated Low-Income neighborhoods within the City of Portland.</td>
<td></td>
</tr>
<tr>
<td><strong>Vertical Housing Development Zone</strong></td>
<td>State</td>
<td>Developers</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Vertical Housing Development Zones subsidize “mixed-use” projects, to encourage denser urban-style development or redevelopment, which also will tend to induce greater utilization of alternative transportation modes.</td>
<td></td>
</tr>
<tr>
<td><strong>Sales of excess right-of-way</strong></td>
<td>Transit Agency</td>
<td>Developers</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Requires the inclusion of facilities for pedestrians and bicyclists wherever a road, street or highway is built or rebuilt by ODOT, municipalities, or counties. Minimum spending of 1% of highway funds.</td>
<td></td>
</tr>
<tr>
<td><strong>Oregon &quot;Bike Bill&quot; ORS 366.514</strong></td>
<td>State</td>
<td>Municipalities</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Requires the inclusion of facilities for pedestrians and bicyclists wherever a road, street or highway is built or rebuilt by ODOT, municipalities, or counties. Minimum spending of 1% of highway funds.</td>
<td></td>
</tr>
<tr>
<td><strong>Multifamily Housing Tax Credit Bonds</strong></td>
<td>City</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The Belmont Lustry established a new standard for inner city redevelopment in Portland. Land uses for the 21st Century that promote the preservation of history, urban density, affordability and utilization of existing infrastructure that provides easy access to public transit, bicycle, and</td>
<td></td>
</tr>
</tbody>
</table>
VI. TOD and Housing at the Station Area Level: Ongoing Revitalization of the South Waterfront Station Area

Map P7
South Waterfront Transit Zone
Portland Streetcar
Portland, Oregon

Map P7 shows the redevelopment potential within the South Waterfront transit zone. Very little existing housing surrounds the station, and what is included in the one-half mile radius is separated from the station by a large arterial. For decades this area has been largely isolated from the downtown and nearby residential neighborhoods because of topography and transportation infrastructure, including proximity to I-5. Significant redevelopment potential exists within the station area. The streetcar investment was strongly promoted by the City and development community as a tool to redevelop this former industrial area and extend the downtown economic vitality and high-quality urban design along the Willamette River.

In response to the streetcar investment and incentives provided by the PDC, the Oregon Health and Sciences University (OHSU) has partnered with the City and local developers to construct several new mixed-use buildings connected to the University by an aerial tram that opened in January 2007. The first new OHSU building opened in October 2006. As noted earlier in this chapter (see discussion on page 149), the PDC entered into an agreement with North Macadam Investors to redevelop the South Waterfront station area and provide a substantial increase in housing, including an agreement for mixed income housing units, and a mix of commercial, retail and office space. OHSU is a primary tenant of the new office space, and also will develop student housing located near the station.
VII. Opportunities, Obstacles & Lessons: Comprehensive Planning and Favorable Conditions Facilitate Implementation and Allow for Value Capture

One of the most significant findings from the Portland Streetcar Case Study, is the powerful role that developer agreements can play in stimulating developer that supports a range of community benefits, including creating transit-supportive development. Hoyt Street Properties has stated that the levels of density could not have been achieved in the Pearl District without the streetcar, given the amount of parking that would otherwise have been necessary. Planning staff emphasized that the speed with which development moved forward in the Pearl District after the negotiation of the developer agreement was in part due to an unusual amount of flexibility allowed in the agreement and the good faith of all parties in implementing its requirements.

Major Opportunities for Mixed-Income Housing Near Transit

• Large Obsolete Industrial Parcels Create Opportunities for New Neighborhoods
  The extent of large, single-owner parcels with obsolete industrial uses adjacent to the downtown in both the Pearl District and the South Waterfront is an extremely significant opportunity. Portland wasn’t just planning for in-fill development, it was creating whole new neighborhoods and was able to design new infrastructure and urban amenities accordingly. These parcels created the framework for developing public-private agreements that included affordable and mixed-income housing goals.

• Pent-up Demand for Urban Housing Creates Market for Urban Housing
  Prior to the development of the Pearl District, very little housing existed in the downtown. High-quality, high-density housing and urban amenities were largely absent as a product type in Portland.1 The streetcar and coordinated redevelopment benefited from pent-up demand that coincided with demographic trends such as down-sizing baby boomers and population growth to make a new type of urban housing type viable, and in fact, highly sought after.

• Developer Acquisition of Land Prior to Up-Zoning Allows for Public Amenities

1 Prior to the development of the Pearl District, Homer Williams, the major visionary in the Williams & Dame-led development team at Hoyt Street Properties, had done primarily single-family development projects. However, after looking at the many potential amenities of the area and evolving demographic shifts, he and the rest of the development team took a significant risk in building a higher-density, transit-oriented product type new to them and to Portland. Mr. Williams is now also a key property owner/developer in the South Waterfront, leading the first projects being built in the North Macadam areas. PDC has been the conduit for millions of dollars in public investment throughout the districts served by streetcar.
Hoyt Street Properties and the City of Portland were able to acquire large portions of the Burlington Northern Railyard prior to the significant escalation in property value that accompanies up-zoning. Because the purchase of the land did not absorb the majority of value to be created by new development, as it typically does, development was able to contribute more to local amenities and affordable housing production.

- **Streetcar Technology Has Lower Costs and Simpler Implementation**
  The total cost of the first three phases of the Downtown Streetcar, including the Downtown, Pearl District and extensions to South Waterfront was $88.7 million, with the average cost per track-mile ranging from $13 to $25 million for each phase. This is significantly less expensive than light rail, which has ranged from $20 to $60 million per track-mile in recent projects. Additionally, because construction of streetcar track is less intensive and the cars are smaller, the design preserved on-street parking and allowed shared use of the streetcar lane with autos, all of which minimized the impact of construction and encouraged local business and property owner support of the project.

- **Creative Financing of Transit**
  The Portland Streetcar was largely financed through local sources (revenue bonds on a public parking garage rate increase, tax increment financing from the Urban Renewal Areas and property assessment through a local improvement district), an unusual approach that allowed more local control and flexibility in planning and implementation.

- **Lack of Significant Numbers of Existing Residents in Redevelopment Areas**
  One of Portland’s significant opportunities in planning for and implementing new higher-density downtown neighborhoods was the relative lack of population in the industrial areas that were being redeveloped. The lack of existing residents has meant little or no community opposition to adjacent development projects or higher residential densities, and has also not created significant displacement of low-income households.

**Obstacles**

- **Lack of Existing Infrastructure Increases Cost of Redevelopment**
  Given the industrial nature of the uses in these areas and the large parcelization pattern prior to the streetcar investment, few of the amenities and basic infrastructure necessary to quality residential or mixed-use neighborhoods existed in the Pearl or South Waterfront. Public funding was required to provide improved road networks, open space or civic amenities prior to redevelopment. Requirements were also included in the developer agreements to require a private sector contribution, and while necessary to successfully redevelop the area, significant cost from both private and public sectors was required.
• **Contamination on Large Industrial Sites Adds to Legal and Cost Barriers**
  Much of the former railroad property proved to be contaminated, though the extent of contamination was not known until detailed testing was performed in 1997. Developers and the PDC worked with the Oregon Department of Environmental Quality to determine appropriate levels of abatement and were ultimately allowed to cap the soil and build on top, rather than remove any contamination, which would have been cost-prohibitive. The abatement process created additional costs and delays that were ultimately recovered from the former railroad owners.

• **Recalcitrant Property Owners Can Delay or Alter Alignment and Redevelopment**
  While the most visionary property owners helped mold and achieve the vision for each new neighborhood, several property owners in the North Macadam/South Waterfront area have been unenthusiastic about the City’s high-density goals for the area. In 1993, a group of property owners proposed a suburban development concept for the area featuring cul-de-sacs, which was rejected by the City. In order to reach the area south of Ross Island Bridge (South Waterfront) where OHSU and Williams & Dame (Hoyt Street Properties) and Gerding/Edlund (Brewery Blocks developer) are currently developing projects, the streetcar alignment currently skirts a hold-out property leaving a potential stop unbuilt until the ownership of the property changes.

• **High Housing Prices and Construction Costs Challenge Affordable Housing**
  While a number of new affordable housing projects have been built, and mixed-income housing also exists in the corridor, the cost of subsidizing these units is high. As land prices has escalated with the growth in demand, and prestige, of urban living within the corridor, continuing to provide new affordable housing units, and preserve those that have been created through developer agreements remains a challenge. Regional housing advocates and policy makers are struggling to meet the growing need for housing affordable to households at a range of incomes, particularly in transit corridors where reduced transportation savings particularly benefit lower-income residents.

**Lessons from the Corridor for Other Places**

• **Strength of Development Agreements as Tool For Value Capture**
  Comprehensive development agreements that specifically outline the responsibilities of all parties are essential to the success of complex public/private projects, especially at this large a scale. Effectively executed, they enable the developer to be appropriately supported, motivated, and rewarded, while ensuring the public trust is kept and urban planning goals are honored. In exchange for entitlements and various types of public support, large-scale development projects can help pay for new infrastructure, affordable housing, and other amenities.

• **TOD Land Use and Design Framework Critical**
The 1988 Central City Plan established the initial framing plan that laid out the structure of the new neighborhoods and the general vision for the expansion of Downtown. Having a clear redevelopment plan and appropriate zoning in place prior to new development and infrastructure investment was critical to the developer negotiations, the implementation of the streetcar and successful placemaking.

**Flexibility is Key in Accommodating Market Changes**
While the Central City Plan and the development agreements for the major parcels structured the project’s implementation, the ultimate outcomes didn’t conform exactly to the concepts laid out in each. Changes in the market and additional unexpected costs (e.g. contamination abatement) were accommodated over time with the results perhaps being better than originally anticipated. Such flexibility is necessary to respond to changing market pressures and allowing for profitable return for developers and changing community needs. Much of the redeveloping areas served by streetcar are “performance” zones, where a broad range of uses are allowed, but the building must respond to design standards.

**Underutilized Industrial Land Presents Significant TOD Opportunity**
There is great potential for successful TOD in previously industrial areas located close to urban cores. Large parcels used for obsolete, or misplaced industrial uses hold promise for the creation of whole new urban, higher-density mixed-use, transit-oriented districts with appropriate planning and investment. Successful redevelopment requires supportive land use and infrastructure planning. Significant investment is likely needed, allowing for partnerships between public and private actors to meet a multitude of transportation, open space, and housing improvements.

**Degree of Redevelopment Opportunity Points to Different Tools**
Portland utilized a variety of finance and planning tools to address environmental clean-up, subsidized housing and creation of mixed-income projects, support of TOD, and a continued focus on mixed-use development and transportation choice. The development agreement is of particular use in dealing with large transitioning parcels that require considerable infrastructure, but it is a less appropriate tool for use in built out areas where small infill projects make up the majority of new development opportunity. Jurisdiction must develop a set of tools that correspond to the unique challenges and opportunities that exist within each setting.

**Affordability Tools Exist Beyond Inclusionary Requirements**
States without affordable housing inclusionary requirements can require affordable units through negotiated development agreements, and other approaches that capture the value created by higher-density, market rate TOD housing. The Portland approach of matching the affordability of units to household income distribution city-wide is an

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2 Not all industrial land is appropriate for development with higher value uses. Depending on the types of uses and built space located in an industrial area, the importance of maintaining a healthy, diverse regional economy may require preservation of some amount of space for evolving industrial, and light industrial uses with convenient access to the urban core.
innovative way to achieve mixed-income housing inclusive of the community as a whole.

• **Value Capture Strategies Must Balance Array of Community Benefits**
In dealing with major development projects, many different public goods are needed to make a place work. Affordable housing goals must be balanced with goals for open space, transit, and other public facilities and goods necessary to create quality urban districts. Community dialogue is required to determine these benefits, and any trade-offs or priorities that may shift over time.

• **Create Equal Opportunity for Development Players**
Developer agreements and tax abatements have been two powerful tools in the Portland region to shape development around transit and meet public benefits. However, some of the tax abatement incentives available to affordable housing projects in the central city applied differently to for-profit or non-profit developments. Tax abatements aimed at stimulating the production of affordable housing should be available equally to achieve the maximum amount of housing possible, rather than rewarding certain types of organizations over others. The City’s tax abatement policy is being currently being modified to address this discrepancy. Realizing the potential of both the for-profit and non-profit development community to provide affordable housing and economic development opportunities is important to success. Ensuring that incentives and policies can be used by each is necessary.

The next chapter summarizes the key findings from the case studies specific to the shared challenges and opportunities for creating mixed-income housing near transit.