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Memo to Planning Commission

Ernest Bonner

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THE CITY OF
PORTLAND



OREGON

15 January 1974

BUREAU OF
PLANNING

ERNEST R. BONNER
DIRECTOR

MEMORANDUM FOR: Planning Commission Members

FROM : Ernie Bonner

424 S.W. MAIN STREET
PORTLAND, OR. 97204

PLANNING
503 248-4253

ZONING
503 248-4250

As Mike Katz has so concisely stated, "In any project there are benefits and there are costs." In fact -- if Mike will permit me some elaboration -- in every project of any significance there are public benefits and costs, and there are private benefits and costs. It is presumed that private benefits outweigh private costs in all those projects proposed by private interests. It is a matter for the Planning Commission to judge whether there are public benefits or public costs, whether the benefits outweigh the costs, and who pays the costs or gets the benefits.

The question of who pays the public costs is an especially important one, in my opinion. If these public costs are paid by a public body, using revenues gained from an equitable tax source, it is one thing. But usually, and in the more tragic cases, it is not a public body that pays the public costs, but a select group of individuals.

That is the situation in the North of Burnside area. Private interests are proposing development and change (which presumably will net private benefits to those private interests). Public benefits presumably accrue to the community at large. Public costs will fall on some particular individuals, partly because public resources are not adequate to pay those costs, partly because the public is not willing to pay those costs.

If this situation were true in only one area of the City it would be tenable practically if not philosophically. But this condition occurs in practically every area of the City and in practically every project before the Commission.

It is neither possible nor desirable to halt all change or development in this region in order to avoid those attendant public costs to particular individuals -- usually those least able to bear that burden. It is also legally impossible to assign some of those public costs to those private interests whose development is the initiator of the cost. So there will never be any pure resolution to this problem.

But, private interests can take some responsibility for those public costs which are a result of their projects or proposals.

Since the first meeting of the staff with the NW Natural Gas Company, I have been attempting to realize this concept in practice. A meeting was set with Fred Rosenbaum and Lyndon Musolf of HAP, John Parsons and Jon Schleuning representing NW Natural Gas, and myself in December. Fred Rosenbaum proposed that the NW Natural Gas act as a sponsor of a low-income rehabilitation project for the elderly pensioners residing in the area using the Section 23 leasing program. The role of the Gas Company would be two-fold: first, find an economically-feasible rehabilitation project, then assist HAP in gaining an allocation of Section 23 funds from HUD. From the Housing Authority's point of view, this had two distinct advantages. One, the Gas Company had a credible bank statement and a staff with expertise -- two important ingredients to a housing sponsor. Two, NW Natural Gas as a lobbyist for low-income housing funds would conceivably shake loose the allocation needed from HUD -- such allocations have been notoriously low for several years.

In my judgment, this is the kind of private responsibility for public purposes that is needed if we are ever to achieve the goals of the downtown plan in the North of Burnside area.

John Parsons of the Gas Company was understandably hesitant as the Gas Company had never ventured into this field before, because he was uncertain what the State P.U.C. would say about it, and because he was doubtful of the NW Natural Gas Board's acceptance of such a project. But he agreed to proceed with initial discussions.

In the meantime, the possibility of a joint effort with the U.S. National Bank arose. This

merger of the Bank and the Gas Company made sense; where the Gas Company was lacking in housing expertise, the Bank could fill in. Further, the Bank had already expressed some commitment to the Burnside area with its establishment of an urban involvement corps among its employees, and had special staff assigned to urban affairs. Finally, I felt that the Bank Board of Directors might be able to help John Parsons sell the concept to the NW Natural Gas Board.

A meeting was held with Jack Mills of U.S. National Bank and John Parsons. Jack Mills agreed to propose to the President of the Bank, Mr. Elorriaga that the Bank establish a task force of a few selected staff to join with a similar task force from NW Natural Gas. The joint task force would then, in combination with Planning Bureau and HAP staff, complete an analysis of the economic feasibility of rehabilitating the Foster or Hoyt Hotels for low-income elderly pensioners using Section 23 leasing subsidies from HAP; and, if found feasible, to propose to their respective boards that the Bank and the Gas Company act as sponsors for such a project.

The President of the U.S. National Bank, when first questioned about the proposal, had many questions about the long-run propriety of housing for low-income residents in that area.

A second presentation was made to him -- this time by the Mayor. Though still hesitant, Mr. Elorriaga then agreed to enter into the project in the event Mr. Labadie, his executive in charge of properties in the North of Burnside area, recommended such an effort. A meeting is being held this Friday with Mr. Labadie.

In the meantime, John Parsons has committed himself and members of his staff to an analysis of the feasibility of rehabilitating the Foster or Hoyt Hotels for low-income housing. His letter dated January 10, 1974, to the Planning Commission is included in your materials. I believe John's commitment to be sincere, but I think he would agree with my judgment that convincing his Board that they should enter into some housing sponsor role will be difficult.

So, there we are.

I think the idea of private interests assuming responsibility for the public costs which accrue to

others as a result of their proposals is a sound one, though not necessarily a popular one, and certainly not an easy one to translate into practice. I would prefer not to impede private development simply to avoid those public costs. In the case of NW Natural Gas, I have attempted to find some way in which it would be possible to avoid the enormous cost (to us all, eventually) of dislocation of the present residents.

Minimizing the costs of dislocation in this area is not just a concoction of the Planning Bureau staff. It is specifically mentioned in the Downtown Planning guidelines in a number of ways:

"Provide a minimum of one replacement unit in the same relative rental category in Downtown or in adjacent areas for every unit removed."

"An effort should be made to provide replacement housing of comparable size and rent in the same general area and relocation completed before any redevelopment is allowed to begin."

"Specifically encourage the development of new housing units in: North of Burnside [area] short-range opportunities are probably limited to improvements in the supply of housing for the single men who live in the area. There is a need to provide replacement housing for this very low-income group."

In the case of NW Natural Gas, there can be no doubt that their proposed development will remove housing units which are in a relatively low-rent category. But who is to "provide a minimum of one replacement unit...for every unit removed," as the guidelines require? Will NW Natural Gas provide the subsidies needed, even with minimum rehabilitation, to offer units at rents of \$40 per month? Probably not. Can the Housing Authority expect to get a housing subsidy allocation to permit new or rehabilitated housing for the residents of that area? Certainly not without the kind of interest and concern among powerful interests that has sufficient clout not just to extract ~~mine~~ ^{more} resources from a limited pot, but to increase the size of the pot.

In short, private and powerful interests will determine whether and to what extent the City accomplishes the Downtown plan goals in the North of Burnside area. If they seriously and credibly

commit themselves to those goals, they are possible if not likely of accomplishment. If not, I would propose that the Commission recommend to the Council that the Downtown goals be changed. There is no sense in a continued and quixotic pursuit of goals and guidelines we know will be honored in the breach. We all have other things to do.

EB:bn

BEV: Remind me of
public policy

As Mike Katz has so ~~clearly~~ concisely stated, "In any project there are benefits and there are costs." ~~A slight elaboration of this~~
(—if Mike will permit me some elaboration—)
~~statement~~ ~~that~~ In fact, in every project of any significance there are public benefits and costs, and there are private benefits and costs. It is presumed ~~that~~ that private benefits (all those projects proposed by private interests.) outweigh private costs ~~in every case~~. It is ~~then incumbent~~ ^{a matter for} ~~the~~ the Planning Commission to ~~decide~~ judge whether there are public benefits ~~outweigh~~ ^{or} the public costs, ~~and~~ whether the benefits ~~more often than not, the public benefits~~ outweigh the costs, and who pays the costs or gets the benefits.

The question of who pays the public costs is an especially important one, in my opinion. If these public costs are paid by a public body, using ~~revenues~~ ^{revenues} gained from an equitable tax source, it is one thing. But usually, and in the more

trafic cases, it is not a public body that pays the public costs, but a select group of individuals.

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~~nobody will be responsible for those public costs, and this~~
The result will be a community ~~far less~~ far less than that ~~community will find itself where other communities are now~~
~~envisioned in our plans.~~

~~and where Portland always says it does those who must~~

~~This is not to~~

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and a staff with expertise — two important ingredients to a housing sponsor. Second, NW Nat'l. Gas as a lobbyist for low-income housing funds would conceivably shake loose the allocations needed from HUD — allocations notoriously low for several years.

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U.S. National Bank arose. This merger of the Bank and the Gas Co. made sense; where the Gas Co. was lacking in housing expertise, the Bank could fill in. Further, the Bank had already expressed some commitment to the Burnside area with its establishment of an urban involvement corps among its employees, and had special staff assigned to urban affairs. Finally, ~~it was~~^I felt that the Bank Board ~~and the NW~~ might be able to help John Parsons sell the concept to the NW Natural Gas Board.

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would then, in combination with Planning Bureau and HAP staff, ~~then~~ complete an ~~economic feasibility~~ analysis of the economic feasibility of rehabilitating the Foster & Hoyt Hotels for low income elderly pensioners using Section 23 leasing subsidies from HAP; and, if found feasible, to propose to their respective boards that the Bank and the Gen Co. act as sponsors for such a project.

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~~My~~ ~~Interpretation~~ of the Downtown plan that

~~is~~

Minimizing the costs of dislocation in this area is not just a conception of the Planning Bureau staff. It is specifically mentioned in the Downtown Planning guidelines in a number of ways:

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