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Central Eastside Industrial District gets a push

City OKs \$51 million to extend renewal area

By Nick Budnick

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Jim Clark / The Portland Tribune

TRIBUNE PHOTO: JIM CLARK Developer Brad Malsin (middle) of Beam Development talks with assistant construction supervisor Jesse Lynch (left) and construction supervisor Hans Arnez at the former B&O Warehouse site Malsin's

He missed the last wave, but Brad Malsin plans to catch the next one.

Malsin, 54, is the developer who burst to public prominence last year only to lose out on the Burnside Bridgehead development planned for the east side of the Willamette River. When downtown's counterpart just across the river – known in planning circles as the Central Eastside – takes off, however, Malsin plans to be a winner.

Last week, the City Council voted to spend an additional \$51 million of public money in the Central Eastside Urban Renewal Area on things like street improvements, seismic upgrades of existing buildings and the construction of a new Portland Streetcar loop. That's good news for the Brooklyn-born Malsin, who owns four properties in the area and has eight others under contract.

Malsin and the three city commissioners who approved the spending – over Mayor Tom Potter’s objections – think they can spark a boom in the Central Eastside while avoiding what they consider mistakes that were made the last time the city attempted a major urban makeover with the Pearl District.

Mostly, Commissioners Sam Adams, Randy Leonard and Erik Sten want the coming building boom to create hundreds of affordable housing units to balance out the upscale condos that characterize the Pearl.

Joining them in framing this vision is local business owner Tim Holmes, president of the Central Eastside Industrial Council, who said the goal is to keep rents low enough that the neighborhoods can be an “incubator” for small startup firms.

“We want to keep blue-collar, living-wage jobs here so that the city of Portland is not a professional-and-barista economy,” he said.

Can they do it?

If you were to run into the Central Eastside in a neighborhood bar, it would wear jeans, work boots and a chip on its shoulder.

The gritty, 680-acre area, dominated by warehouses, extends between Interstate 84 to the north, Powell Boulevard to the south, Southeast 12th Avenue to the east, and the Willamette River to the west. It was created with special land-use restrictions, or zoning, intended to maintain a safe haven for industrial employers. And it’s worked: The area is home to some 17,000 jobs that the city can ill afford to lose – as well as numerous businesses that have become local landmarks, including City Liquidators, Sheridan Fruit, Wentworth Chevrolet and the East Bank Saloon.

But the city is changing, and residents and businesses – including people like Malsin – in the Central Eastside are impatient for the district to have its turn.

Malsin moved to Portland more than a decade ago, dropping his profession as an optometrist and remaking himself as a land developer, setting up a firm called Beam Development. He bought his first land in the Central Eastside about five years ago. Since then, he’s turned two warehouses into “commerce centers” of adaptable space for businesses, and now is working on a third at the old B&O Warehouse building, 107 S.E. Washington St.

Malsin and his fellow Central Eastside business owners have watched enviously as the Pearl boomed, and as the city of Portland then funneled subsidies and transportation investments into the stretch of land along the west side of the river south of the Ross Island Bridge known as South Waterfront.

But the boom had been promised to the Central Eastside first – nearly two decades ago, when the city first approved an urban renewal district there. Such districts essentially

allow the city to borrow against the district's future gains in property-tax revenue in order to invest in projects that spark an economic surge.

But even though the Portland Development Commission, the city's urban renewal agency, already has spent more than \$33 million in the district, the boom did not happen.

Holmes believes that is partly because much of the money, around \$17 million, was diverted to the Vera Katz Eastbank Esplanade, the walkway along the east bank of the Willamette that is intended to demonstrate the city's commitment to the area.

With the district set to expire after 20 years, Holmes and other business owners set about lobbying for an extension and more investment in the area. Last Thursday afternoon, their persistence paid off. By a vote of 3-1 with Commissioner Dan Saltzman absent, the council approved extending the Central Eastside urban renewal area by 12 years, increasing the amount of credit there to about \$51 million.

"I feel good about it," Malsin said the day after the vote. "I wish we had a lot more (money) to encourage and invest in the kind of business growth that can occur here."

He agrees with the members of the City Council that their goal is to learn from mistakes made in the Pearl District, where gentrification quickly made the neighborhood accessible mainly to the affluent, not the average Portlander.

"The whole thing that everyone's been saying about the Central Eastside," said Portland lawyer Doug Blomgren, is " 'We don't want to be the Pearl.' "

Ex-secretary has doubts

Blomgren, who until recently was the PDC secretary, is not so sure the city will succeed.

That's significant because he headed a 14-member stakeholder group that met regularly for the past year while studying the Central Eastside. With the blessing of the county as well as the PDC and Portland Public Schools, the group delivered a consensus recommendation to the City Council last month. The recommendation was to extend the district another eight years, providing the city with some \$35 million to spend.

The money would fund a variety of projects that are intended to spark a boom in employment in the Central Eastside, including:

- Seismic upgrades to allow more intense development of existing buildings. Currently 1,300 buildings in the area do not meet earthquake safety standards.
- Upgraded streets and sidewalks.
- The Burnside Bridgehead mixed-use development, as well as a new Burnside-Couch couplet making the two streets one-way.

- A new community center at the site of the old Washington-Monroe High School.
- An east-side streetcar route that would extend up and down Grand Avenue and Martin Luther King Jr. Boulevard within the district. Also being considered is a line that would connect with the west-side street car on a bridge over the Willamette that it would share with the light-rail extension to Milwaukie.
- Increasing river access, including family-friendly pedestrian connections from the neighborhood near Southeast 12th Avenue.
- Expanding the David Hooper Detoxification Center, recently transferred from Multnomah County to the nonprofit Central City Concern.

Blomgren said the goal was to intentionally keep investments low, thus avoiding the type of land speculation and rent hikes that could drive out employers – and jobs – already located in the Central Eastside.

Someone else's money

But while the stakeholder group presented the council with a plan for \$35 million, a majority of city commissioners wanted more.

In the June 14 meeting at which the stakeholder committee presented the results of their study, Adams, Sten and Leonard expressed their interest in going with the higher credit limit of \$51 million favored by Central Eastsiders.

The higher number had been broached by Central Eastside business owners in the stakeholder committee, only to be sunk by opposition from the school district and Multnomah County, along with the League of Women Voters, as well as Blomgren from the PDC.

The problem, Blomgren said, is that the redevelopment plan in essence spends other people's money. Redevelopment funds, called tax-increment financing, are based on the level of additional property taxes that an area earns after being named an urban-renewal area. Normally, that property tax is divvied up between the city, the county and the schools, but in urban renewal areas, the schools and counties get none of the new revenue for 20 years, until the urban renewal area expires.

In other words, Blomgren says, in city urban-renewal projects, “60 percent of every dollar you spend is someone else's money,” and city commissioners “get to decide by themselves how much of the county's money and the schools' money they get to spend.”

The other thing, he says, is that the point of the Central Eastside Urban Renewal District is to host jobs – not the kind of upscale condos that took root thanks to redevelopment in the Pearl District. Going with the larger number, as the council did, could increase land

speculation, which in turn could lead to higher rents – thereby making the district inhospitable to the employers and 17,000 jobs currently there.

Not only that, but if the goal of investing in the streetcar is to increase retail along Grand and Martin Luther King avenues, the resulting rent hikes will not necessarily help the employers already there. “It seems to me that (those two goals) are inherently contradictory,” he said.

He is not sure the Central Eastsiders have the same goals as the City Council, which Blomgren thinks intends to use urban-renewal for its own purposes. “I think some commissioners saw holes in their budgets and thought (urban renewal funds) could help fill them,” he said.

He’s echoed by one of his fellow members of the stakeholder group, Ingrid Stevens, a retired campaign consultant who until recently headed the Portland Planning Commission. “I’m a total east-side partisan,” she said, “but ‘east side’ doesn’t mean it’s helping working people. The biggest benefit of (urban renewal) goes to landowners – that’s where the big profits will go later on.”

What bothered her even more was that the consensus recommendation of the stakeholder committee – which was supported by Multnomah County as well as Portland Public Schools – was completely disregarded by the council. “What’s the point of having a process?” she said. “It’s not supposed to be window dressing.”

That was why Potter and Commissioner Dan Saltzman agreed with Stevens and Blomgren – only to be outvoted – when the idea of a higher limit was broached last month. Potter repeated his sentiments last week, saying, “These recommendations were a product of hard work and compromise, and I do not wish to circumvent this kind of citizen participation.”

Commissioners have plans

Last Thursday, when they made their decision final, Adams, Leonard and Sten appeared unfazed by the opposition. Before the meeting, Adams approached Carol Cushman, president of the League of Women Voters, which had sided with Stevens and Blomgren. Adams told Cushman that the smaller plan her group favored would have “guaranteed gentrification,” because it did not provide enough money to lock in affordable housing.

During council deliberations, Commissioner Erik Sten said he hoped the bigger budget could be subject to a recent council initiative to spend 30 percent of urban-renewal funds on affordable housing.

Watching from the audience was Holmes, who runs an advertising business at Northeast Eighth Avenue and Davis Street called DHX Advertising, in a building that he and his wife own and live in, next door to the firm’s eight-person office.

After the meeting, asked about the fear that a larger investment by the city could fuel commercial gentrification, he said, “Would that be a horrible thing? ... The Central Eastside doesn’t necessarily want the place to look bad.”

Holmes was echoed by Malsin. “I think gentrification is good,” he said, “as long as it’s done on a conscious level, and it serves a broad spectrum of socioeconomic needs.”

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