

The Oregonian

Portland Weighs Reviving Tax Breaks for Affordable Apartments

*By Elliot Njus
March 14, 2018*

Portland housing officials have proposed reviving a property tax break for developers who include affordable housing in their projects.

It's an effort to squeeze units with restricted rents from a landslide of development proposals that came in before the city started requiring such units in all large developments. That inclusionary zoning policy took effect last year, but a pipeline of about 10,000 apartments proposed ahead of the mandate aren't subject to it.

The incentive officials are seeking to bring back provides for a 10-year property tax exemption on all of a development's residential units in exchange for making 20 percent of the units affordable to households making 60 or 80 percent of the median family income. The developers still pay taxes on the land and any commercial space in the building.

Commissioners put off their decision until next week, but Mayor Ted Wheeler and two commissioners signaled their support for the proposal as one way to promote the types of affordable units that private developers haven't created on their own.

"We're actually helping them create units that will be rented," Commissioner Chloe Eudaly said. "Anything we can do within reason to help them deliver the housing we actually need is worthwhile."

The city, and other property-tax funded jurisdictions, would forego about \$1.5 million a year in tax revenue if it finds enough takers in the development pipeline.

It's not clear how many developers would take advantage of the program; city housing officials estimate it could result in 100 to 300 discounted units based on earlier trends.

The MULTE program appeals to policymakers because it creates affordable units in market-rate developments. It does so at a lower cost per unit than building with public funds, and it uses tax dollars that haven't been collected yet. And the units give low-income households access to desirable neighborhoods.

But the units are only required to remain affordable for 10 years, compared to the 99-year affordability requirement baked into the city's inclusionary zoning policy, or the of up to 30 years under federal tax credits for low-income housing.

The MULTE program was had been popular among developers. Some had pushed for an expansion of the voluntary program as an alternative to a mandatory inclusionary zoning policy.

But it's not clear how many developers might be enticed into opting into the program now.

Mark Madden of WDC Properties has used MULTE in five apartment developments totaling 160 units, 32 of them with reduced rents. Madden doesn't have any projects in development that would qualify, but that the effort could promote more affordable housing units -- and perhaps boost some market-rate projects that otherwise wouldn't pencil out financially.

"I believe it's the best program, allowing developers the real estate tax abatement to make a project pencil for lenders," he said.

But another developer who has a pending application for development under the MULTE program suggested it might be less enticing today because the climbing price of construction materials, labor and land had narrowed developers' margins.

"Two years ago, we felt it was probably a net positive. We weren't getting fat on this, never have," said Guardian Real Estate President Tom Brenneke. "Today, it's a net neutral."

The city council will take up the issue again next week. It will also need the approval of the Multnomah County commissioners.

Portland City Council Axes Limit on Arts Tax Overhead Spending

By Gordon Friedman

March 14, 2018

Portland arts tax scofflaws beware: City tax collectors on Wednesday won the ability to spend more money to go after money-earning adults who don't pay the \$35 annual tax.

On a 4-0 vote, Portland city commissioners removed a cap on how much the city can spend to run the local arts tax. Commissioner Dan Saltzman was absent.

Commissioners and city officials said they needed to remove the voter-approved limit of spending 5 percent of collections to run the tax because it kept city tax collectors from maximizing arts tax revenue.

"While we are undoubtedly going to take some lumps for it, I think fixing it is the right thing to do," Mayor Ted Wheeler said during a hearing on the cap-removal idea. Wheeler added that he believes the arts tax works, but not as well as "originally proffered or anticipated."

In principle, the limit was supposed to ensure that 95 cents of every dollar collected went to arts organizations and art and music teachers. Still, in each year of the tax's existence, the city revenue office has blown past the cap.

Thomas Lannom, the city Revenue Division director, said that's because the tax is relatively low at \$35 per-person – not because the program is inefficient. He defended scrapping the overhead limit in testimony to the City Council last week. "Spending 10 cents to collect the next dollar makes perfectly good business sense, but the current city code prohibits us from doing that," Lannom said.

Lannom said that, contrary to public opinion, the arts tax is one of the city's most efficient money-making pathways because each arts tax collector manages about 100,000 accounts at a time. Compare that to other city taxes, he said, where each collector handles far fewer accounts.

The council also agreed to work with the arts tax oversight committee to draft a recommendation that an income-based exemption to the tax, currently set at \$1,000 per individual and at the poverty level for a household, be doubled at a minimum. Lannom said one in seven adult Portlanders is eligible for an arts tax exemption. Doubling it would balloon the exemption to make one in three Portlanders eligible, he said.

Portland voters approved the arts tax in 2012 with a 62 percent "yes" vote. As of June 2017, it has brought in \$47.8 million, with nearly 10 percent spent on overhead costs. The net amount goes to the Regional Arts & Culture Council, which gives out arts-related grants, and also pays

for arts teachers in the six local districts that lie partly or wholly inside city limits – Centennial, David Douglas, Parkrose, Portland Public Schools, Reynolds and Riverdale.

The Portland Tribune

Sources Say: Trump and Eudaly Together in Court

*By Jim Redden
March 15, 2018*

And a candidate for Washington County Chair gets creative on International Women's Day.

What do President Donald Trump and Commissioner Chloe Eudaly have in common?

Although the obvious answer might be nothing, they are both being sued in federal court for blocking people from their social media accounts. The cases are slightly different, however.

Trump is being sued in Manhattan federal court for blocking people from his Twitter account by the Knight First Amendment Institute at Columbia University and several Twitter users.

Frequent protester Mimi German is suing Eudaly in Portland federal court to see alleged comments about her on the commissioner's private Facebook page.

International Women's Day valentine

In one of the more unusual news releases of the 2018 elections, Washington County chair candidate Ryan Deckert used International Women's Day to praise by name "all of the powerful women working in our local community to make our futures bright."

Deckert is the former director of the Oregon Business Council, which merged with Associated Oregon Industries after he left. The first woman in the March 8 email showed his skill as a politician. It was his wife, Inga Deckert, co-founder of Deckert Jillions, who worked to pass the pharmaceutical pricing transparency bill during the 2018 Oregon legislative session.

Also notable was Jill Eiland, the former public affairs director for Intel, the large high-tech manufacturer in Hillsboro with outside political influence in Washington County. Others included current and former advocacy group leaders.

The other candidates in the race are Washington County Commissioner Bob Terry, Metro Councilor Kathryn Harrington, and Comcast account executive Shabba Woodley.

Willamette Week

Portland's Backyard Cottages Will Get a Permanent Exemption From Development Fees—With One Restriction

*By Rachel Monahan
March 14, 2018*

Portland City Commissioner Chloe Eudaly proposes: no more development fee waivers for Airbnbs in backyard cottages and other accessory-dwelling units; pay the fee or create permanent housing.

Since 2010, Portland officials have pushed for the building of more backyard cottages (and other accessory dwelling units) by exempting them from development fees charged by the city.

But that exemption has always been temporary, if regularly renewed.

City Commissioner Chloe Eudaly, who has been working toward more ADUs throughout the city, is looking to make the exemption permanent—with a catch.

Any homeowner who gets the exemption, worth by one estimate up to \$12,000 a unit, won't be able to cash in on renting the cottages on Airbnb or other short-term rental site—at least for a specified period of time after getting the fee break.

Homeowners who want Airbnb in their backyard cottages can still pay the system-development charges.

Her office has not settled on how long the restriction against using them for short-term rentals would last, in the draft policy shared with WW.

But the idea is to push to create more permanent housing in the city.

"There's no public benefit to another Airbnb," says Marshall Runkell, Eudaly's chief of staff.

"There is clearly a public benefit to another long-term residence."

Eudaly has also proposed that the city put money toward new financing mechanisms to further stimulate development of ADUs.

The policy has the support of a key advocate for ADUs.

"There will be some degree of ADU production loss as a result of this policy, but on the balance, I think the City Council is making a the right call," says Kol Peterson, an ADU consultant and author of *Backdoor Revolution-The Definitive Guide to ADU Development*.

"I've have spoken with hundreds of Portlanders about this proposal already at various points, and am certain that a permanent SDC waiver for ADUs is very popular."

The Portland Mercury

City Commissioners Now Directly Control Portland's Election Finance System

By Dirk VanderHart

March 14, 2018

Commissioner Dan Saltzman Says That's a Recipe for Disaster. Others Agree.

The city's campaign finance program is facing something of a housing crisis.

While the City Auditor's Office oversees local elections, it has refused to take in Portland's new system for funneling public money to candidates for city office. Multnomah County elections officials have declined as well.

And now, in a situation that's raising questions about chaos and conflicts of interest, even the bureau that's been assigned to deal with the Open and Accountable Elections program has washed its hands of the matter.

Under an ordinance that Portland City Council passed in an unexpected maneuver on March 8, the system—which will give money to future candidates for city commissioner—is now under the direct control of a sitting city commissioner.

"I think we all agree that's not a perfect solution," Mayor Ted Wheeler said in a tense hearing on the concept last Wednesday, March 7. "In the short term I'm supporting this, because the program has to go somewhere."

"I can't support this in its current form," Commissioner Dan Saltzman said at the meeting. "It just doesn't look right."

Open and Accountable Elections is the city's effort to help lesser-known voices run credible races for city office such as city commissioner, city auditor, or mayor. It's slated to debut with the 2020 races for mayor and city council.

The program offers candidates the option of using city funding to leverage their small campaign donations—the city has pledged to kick in up to six public dollars for every one donated by qualifying sources. To gain access to the system, candidates need to first prove they're viable by hitting certain fundraising thresholds. (Candidates for city commissioner or auditor must collect \$2,500 total from at least 250 people, while mayoral candidates must collect \$5,000 total from at least 500 people.) Candidates also need to agree to limits on campaign spending and the contributions they accept.

The program is a labor of love for Commissioner Amanda Fritz—and a chance to prove public financing can work after Portland's last experiment proved susceptible to fraud—but it's had a rocky start.

When city council passed the system in late 2016, Open and Accountable Elections had already struggled to find a home. Auditor Mary Hull Caballero said her office didn't have the bandwidth to institute a new election system. Neither did the county.

So, Fritz took another route, convincing her colleagues to place the system in the Office of Neighborhood Involvement (ONI), which she controlled at the time. Then Wheeler took office in 2017, and stripped ONI from Fritz's control, handing it instead to Commissioner Chloe Eudaly. Eudaly says she's too busy to implement the elections system. Which brings us to last week.

In a move first reported by the Mercury, Fritz has devised a new way to manage the elections program: rotating it among city council offices every couple of years.

The changes council has now approved create a situation where Wheeler can pick any city commissioner (or himself) to manage the program, so long as that official has more than two years left in their current term.

First up is Fritz, who'll get the program up and running before handing it off to a new official at the end of the year. Some items on her list: hiring a staff of two, and appointing a volunteer commission to advise on how the program should be run.

But this scheme brings up questions. When Open and Accountable Elections was at ONI, it was subject to the control of a bureau director who answered to a city commissioner. Under the current system, it's directly under an elected commissioner's control. That puts Portland's program at odds with most, if not all, cities that have enacted similar systems.

"It doesn't sound like it's removing conflict of interest," Saltzman said during the March 7 meeting. "You're taking a program that is in a bureau, which is at least an arm's length from the commissioner in charge. You're giving it to a commissioner."

Saltzman kept going, saying he worried that a commissioner controlling the program could be influenced by colleagues running for re-election. "We are only human," he said. "We are subject to the opinions of our colleagues."

"There's no alternative, commissioner," Fritz replied.

The tense back-and-forth led Fritz to take extreme measures to pass the ordinance. Saltzman's objection on Wednesday wound up killing a plan to pass the ordinance on the spot as an "emergency." But Saltzman was out of town for Thursday's council meeting, so Fritz called up the matter again, securing the unanimous support she needed to pass the proposal right away.

Supporters of the idea also have concerns.

"I don't even want to think about the kinds of issues that could come up if it's being run out of a City Hall office and a city commissioner has endorsed someone in a race, [or] a staff member has endorsed someone in a race," Commissioner Nick Fish said last week. "There are political issues that come up that create the appearance of tilting one way or another."

In fact, pretty much everyone sees flaws in the scenario.

Richard Briffault, a campaign finance expert and law professor at Columbia University, echoed Saltzman's concerns about a possible conflict of interest. He says the system would be improved if Portland created a citizen commission to run the program—as opposed to one that offers advice.

"Shifting responsibility from one commissioner to another every couple of years sounds like chaos," Briffault said.

Kate Titus, whose group Common Cause Oregon has been a chief proponent of the election program, concedes that Portland's getting into odd territory.

"I don't think it's the most likely scenario that commissioners are going to directly intervene and shape the rules—but the more oversight they have, the more ability they have to do that, so it's not ideal," Titus tells the Mercury.

Exactly how Portland gets out of this quandary is unclear. Every member of city council has said they want to put Open and Accountable Elections in the Auditor's Office. In a study last November, the City Budget Office concurred.

But Hull Caballero has stood firm, insisting in a January 8 memo to Wheeler that staffing and organizational limitations in her office made it a bad fit.

City officials are still hoping she'll change her mind. If not, Wheeler said last Wednesday, the program may have to be bounced from city control altogether, and put into the hands of an "external operation."

"Long term, I don't think it's a good solution or an accountable solution to have it be part of the political offices," Wheeler said. "That's too close."

The Skanner

Rental Services Listening Session

By Portland Housing Bureau

March 14, 2018

The City of Portland is considering new laws guiding the rental application process for apartments and the associated security deposits. A listening session will be held at the IRCO Community Center at 6 p.m. on March 15 to provide information about the work of the Rental Services Commission. The session will also solicit public input on screening criteria and security deposits for rental housing.

Dinner and childcare will be provided. Translators are available on request.

Date: Thursday, March 15, 2018

Time: 6:00 - 8:00 p.m. (dinner begins at 5:30)

Location: IRCO Community Center, 10301 NE Glisan St., Portland, OR 97220

OPB

Portland Council Approves Spending More For Arts Tax Collections

By April Baer

March 14, 2018

Portland City Council has agreed to lift the administrative cap on the city's Arts Education and Access Fund, better known as the arts tax. Dismal collection rates have dogged the arts tax since its inception in 2012. The Portland Revenue Bureau estimates 1 in 4 eligible citizens just skips it.

But the terms voters agreed to require the revenue bureau to spend no more than 5 percent of gross collections over a five-year period.

Arts advocates have argued that the 5 percent administrative cap has hogtied the bureau from chasing delinquent accounts, and is inconsistent with what other departments — for example, the Portland Water Bureau — spend on bill collections.

But critics of the arts tax, like Commissioner Dan Saltzman, say waiving the cap would be out of step with voters' wishes.

Commissioners Nick Fish and Chloe Eudaly once again came together with Mayor Ted Wheeler to present revisions. (They've collaborated once before on arts policy.)

Wheeler said the changes should give the city a chance to boost collections appropriately, while maintaining public trust in the arts tax.

"I want to remind everybody this was brought to City Hall a number of years ago by the public," Wheeler said. "The public, if they so choose, could pull it back. But in the meanwhile it is our obligation to run it as best as we can. I believe the changes made in this ordinance give us the opportunity to better manage this program and to be more accountable in the administration of this program."

To address the concerns about accountability, the proposal orders that Council revisit collection costs every year. Further, the advisory board overseeing the arts tax will continue offering annual reports.

Council also decided to expand some exemptions for the tax.

The terms currently allow an exemption for households in which no one is earning above the federal poverty level. In a household of three, under the 2017 federal guidelines, that would mean a threshold of \$20,420. The changes would widen the exemption to double federal poverty guidelines. (In the example of a three-person household, the threshold would increase to \$40,000.)

The \$35 annual arts tax is due on April 17.