

CITY OF PORTLAND
LEGISLATIVE PACKAGE



2010
SESSION

CITY OF PORTLAND COUNCIL:

**MAYOR SAM ADAMS
COMMISSIONER AMANDA FRITZ
COMMISSIONER NICK FISH
COMMISSIONER DAN SALTZMAN
COMMISSIONER RANDY LEONARD**

**CITY OF PORTLAND
LEGISLATIVE PACKAGE**

Prepared by the Office of Government Relations:

Dan Bates, Director
Martha Pellegrino, Lobbyist
David Barenberg, Lobbyist
Steffeni Mendoza Gray, Intergovernmental Specialist
Matt Jaffe, Government Relations Associate
Lesley Kelley, Business Operations Manager
Amy Julkowski, Executive Assistant

TABLE OF CONTENTS

BUSINESS ENERGY TAX CREDIT	1
EMERGENCY COMMUNICATIONS.....	2
ENERGY EFFICIENCY	3
OREGON CENTER FOR SUSTAINABILITY.....	4
REVENUE STABILITY	5
SHARED STATE REVENUES	6
TAX ABATEMENTS FOR HOUSING WITH COMMERCIAL COMPONENTS	7
TRANSPORTATION FUNDING.....	8

BUSINESS ENERGY TAX CREDIT

Objective: Support legislation that extends the Business Energy Tax Credit (BETC). Monitor proposed legislative changes to the BETC and oppose changes that would hinder the City's sustainability and economic development plans.

Issue: The City of Portland supports use of the BETC both as a tool for economic development as well as helping the City to meet its greenhouse gas emissions reduction goals. The BETC has been instrumental in building a robust local green economy; the tax credit helps existing businesses become more sustainable and competitive, attracts new businesses, retains existing businesses, and creates green jobs. Second, the City uses the BETC to help fund energy efficiency retrofits, public transportation programs, and renewable energy projects. All of these programs support the City's plan for reducing greenhouse gas emissions, while reducing traffic congestion and producing energy savings for Portland residents. For example, the City's energy efficiency projects, funded in part with the BETC, have resulted in a savings of \$33 million in energy costs since 1990; this translates into a savings of \$3 million per year for Portland taxpayers. The credit has also enabled the City to forge innovative new public/private partnerships.

The City will support efforts to extend the BETC program beyond its 2012 sunset.

EMERGENCY COMMUNICATIONS

Objective: Oppose efforts to divert funds from the 9-1-1 Telephone tax for uses other than supporting the emergency communications system.

Issue: The City of Portland's Bureau of Emergency Communications (BOEC) 9-1-1 Center provides 9-1-1 call answering and dispatch services to all of the police, fire, and medical responders in Multnomah County. On average, BOEC answers approximately 3,000 telephone calls a day, or over 1 million a year.

First authorized in 1981, the telephone tax provides \$80 million. The tax is currently \$0.75 per month, imposed on each circuit (wire line and wireless) capable of accessing 9-1-1 services. The revenues provide approximately 27 percent of each 9-1-1 center's total budget, statewide. The remaining costs are paid for by local taxpayers through user fees or taxing districts.

A portion of the funds (58 percent) are distributed by formula on an annual basis. From that formula, BOEC receives \$12 million a year. A second account, the Enhanced 9-1-1 Sub-Account which receives 37.5 percent of funds, pays for operational expenses (phone bills, technical support) as well as much needed equipment replacement and upgrades. The remaining funds go to the Oregon Office of Emergency Management and the Department of Revenue to cover expenses associated with collecting the revenue and administering the program.

Early in the 2009 Legislative Session, \$3.6 million was diverted from the Enhanced 9-1-1 Sub-Account into the state's General Fund to help balance the 2007-2009 budget. This is the second time in recent years that the Legislature has dipped into this account during periods of financial stress. Additional attempts during the 2009 session to divert additional funds were repelled. Any additional diversion of funds from the 9-1-1 tax will make the state ineligible for any federal emergency communications grants further into the future.

ENERGY EFFICIENCY

Objective: Support legislation that will offer technical corrections to HB 2626, the Energy Efficiency and Sustainable Technology Loan Program (2009).

Issue: In the 2009 legislative session, the Legislature passed landmark energy efficiency legislation, HB 2626, which established the Energy Efficiency and Sustainable Technology Loan Program (EEAST) within the Oregon Department of Energy (ODOE). The EEAST program provides financing, promotion, and technical support to encourage investments in energy efficiency, renewable energy, and energy conservation. The program makes long-term loans available to residential and commercial property owners to fund energy efficiency upgrades. These loans may be paid back through the property owner's utility bill or through an assessment that is administered through property taxes. The Public Utility Commission (PUC) and ODOE are working on implementing the program through pilot projects and will report back to the Legislature prior to the 2011 legislative session. The City worked to help shape the legislation based on experience with its Clean Energy Works program – an energy efficiency pilot project that will reach 500 homes in Portland.

OREGON CENTER FOR SUSTAINABILITY

Objective: Support legislation offering technical corrections to the 2009 bond authorization for the Oregon Center for Sustainability.

Issue: The Oregon Center for Sustainability, located on the campus of Portland State University (PSU), will be the first high rise in the world to meet the criteria established by the Cascadia Region Green Building Council's *Living Building Challenge*[™]. It will also anchor the PSU EcoDistrict: a neighborhood strategy to develop and integrate smart buildings, infrastructure, transportation, and community connectivity. The Center's design includes the following features:

- Net-zero Energy: generating all energy on-site;
- Net-zero Water: using only rainwater collected on-site;
- Red-list Free: excluding toxic chemicals common to building materials; and
- Local: sourcing materials and a workforce from within a limited proximity to the site.

The Center will be the regional hub of the new green economy, providing an optimal setting for hands-on training, long-term job creation, and educational opportunities. Its diverse group of tenants will further advance the State's leadership on the green economy through wide-ranging actions: policy change, education, research, commercialization, business incubation, and training. Furthermore, the building will welcome venture capitalists, businesses, and visiting delegations from around the world — connecting them to Oregon's skilled set of experts equipped to consult on sustainable projects throughout the world.

Of the \$120 million needed to bring the Center from concept to full realization, \$85 million has already been secured through State of Oregon bonds (\$80 million) and land and tax increment financing (\$5 million) from the Portland Development Commission. An additional \$35 million is being sought from public and private funders.

The City of Portland supports legislation that will clarify the purpose of the Oregon Center for Sustainability for the purposes of state bonding.

REVENUE STABILITY

Objective: Support legislation to reform the “Kicker” by directing state revenue that exceeds the state revenue forecast into the Rainy Day Fund.

Issue: Vital state services such as education, public safety and environmental protection are continually at risk due to the state’s unstable revenue system and the lack of a substantial reserve fund. When the State is unable to deliver basic services – local governments must often fill the gap stretching already thin resources further. The Oregon Constitution requires that a tax refund be mailed to taxpayers in any biennium that state income tax collections have exceeded the revenue forecast by two percent or more. The revenue forecast that the determination is based on is issued two years before the collections are known. If a requirement to direct the collections above the forecast into reserves had been in effect in 2007, an additional \$1.4 billion would have been deposited into the Rainy Day fund and would have negated the need for tax increases to balance the 2009-2011 state budget.

The City of Portland supports legislation that will refer a constitutional amendment to the voters to allow the “Kicker” to be directed into the Rainy Day Fund, a recommendation of the Governor’s Task force on Revenue Restructuring.

SHARED STATE REVENUES

Objective: Preserve the City's share of state liquor and tobacco revenues. Work with the Legislature and the Governor's office to ensure that any changes to shared revenue funding formulas keep cities whole.

Issue: Under current statute, cities receive a portion of state shared revenues to fund essential local services. In past legislative sessions, there have been attempts to reduce the amount cities receive from state shared revenues in order to fund state and county services. While the City remains supportive of increased funding for the state police and funding much-needed state and county human service programs, it is not supportive of funding these programs out of local public safety dollars.

A 2006 report by an Oregon Liquor Control Commission working group found that 58 percent of DUII arrests and 72 percent of liquor law arrests in Oregon are made by city police departments. Cities, however, receive only 20 percent of state liquor sales revenue and 14 percent of the revenue from beer and wine taxes. In 2005-2006, the City of Portland's alcohol-related service costs were close to 50 percent higher than the total revenue the City received through the state revenue sharing formula.

In 2008, the City of Portland received close to \$12 million in combined liquor and tobacco shared revenues. The City relies on these revenues to fund essential services, such as police and fire.

TAX ABATEMENTS FOR HOUSING WITH COMMERCIAL COMPONENTS

Objective: Partner with Multnomah County to introduce and pass legislation to “grandfather” existing property tax abatements that were previously granted to multi-family housing and transportation oriented developments with commercial components.

Issue: Through the New Multi Family Housing (NMFH) and Transit Oriented Development (TOD) programs, property tax abatements have been granted to projects in Portland that include commercial components. The abatement programs were adopted by the City to promote high-density residential and mixed-use development in the Central City Plan District, Urban Renewal Areas, and in transit oriented areas. Since the programs inception in 1975, the commercial components of developments have been eligible for abatement and over the lifetime of the program, 24 such projects in the City of Portland have received the abatement.

For most of these developments, both the abatement itself and the inclusion of rent-generating commercial space assisted the developer to obtain project financing, by improving the financial viability of the project. Furthermore, the inclusion of commercial space provides a public benefit by encouraging businesses to locate in underserved areas. A good example is Museum Place, a multi-family housing project where a ground floor Safeway serves neighborhood residents throughout the West End of downtown Portland, including tenants of the affordable housing units above the store.

A recent opinion by the State Attorney General’s office, however, has called into question the statutory authority for the granting abatements on the commercial portion of the projects. Consequently, this year in Portland nineteen owners received tax bills on abated properties from Multnomah County for the first time. The County assessed taxes on the commercial spaces, even though in each case, the City had granted abatements that included the commercial improvements. While many of the property owners are contesting the tax bills, the process is slow and costly. In each case, the owners relied on the abatements when they proceeded to obtain financing, set rents, and make other business decisions regarding the properties. Owners have reported that the assessments, in some cases, jeopardize the financial viability of the projects. There are similarly situated projects in other jurisdictions.

Multnomah County and the City have agreed to introduce legislation that would remove any uncertainty created by the Attorney Generals opinion by requiring the County to honor the existing abatements.

TRANSPORTATION FUNDING

Objective: Support legislation that will offer technical corrections to HB 2001 the 2009 Jobs and Transportation Act.

Issue: The 2009 Legislature passed HB 2001, The Jobs and Transportation Act (JTA) which increases the gas tax, weight mile tax, and vehicle registration fees – raising \$300 million annually. The distribution of these funds was agreed to be 50% to ODOT, and 50% to cities and counties (an increase of 10% for local government from the current formula). While the initial implementation of the JTA uses this formula, a technical error in the bill repeals a portion of the sharing provision for 2011 and beyond.

An additional correction is necessary to HB 2001 to eliminate a statutory provision that would require \$2 million in new Connect Oregon III funds be used for a study that had already been completed.

The City will advocate for the passage of legislation to make technical corrections to HB 2001 that ensure local government receives its agreed upon share of new revenue and restores \$2 million for funding Connect Oregon III transportation projects.