



To: Mayor Ted Wheeler
Commissioner Chloe Eudaly
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Dan Saltzman

CC: Director Leah Treat
Chiefs of Staff

From: Ombudsman Margie Sollinger and Director Dante J. James

Re: **Local Transportation Infrastructure Charge — Letter of Concern**
(Agenda Item No. 1282, Time Certain December 6, 2017)

Date: December 4, 2017

The Office of the Ombudsman and the Office of Equity and Human Rights jointly submit this letter for City Council's consideration in advance of its December 6, 2017 time certain hearing regarding the Neighborhood Streets Program (Agenda Item 1282). The purpose of the letter is to draw attention to the Local Transportation Infrastructure Charge (LTIC), a relatively new program designed to collect money from property owners to pay for infrastructure improvements. Although the program has successfully collected additional revenue for public improvements, it has also resulted in inequities that we encourage Council to address.

The LTIC, which went into effect in 2016, is based on a simple calculation: it is the total linear feet of qualifying property frontage multiplied by \$600. It treats all property owners the same. LTIC assessments generally range from tens to hundreds of thousands of dollars. The LTIC must be paid in full and is due prior to issuance of a building permit. Both infill developers and neighborhood associations support the charge because it is predictable and pays for transportation improvements that otherwise do not have a funding source.

According to a City-commissioned study, infill developers are expected to offset the LTIC's impact.¹ Unfortunately for Portland residents who want to build or replace a home on property they already own, an offset is not possible. Instead, for those with more modest means, the LTIC has proven to be cost-prohibitive. As currently designed, the LTIC program does not have a low-income exception nor is there any financing available to property owners who cannot

¹ Evaluation of the Impact of Proposed LTIC on Housing Affordability (ECONorthwest, February 9, 2016).



afford it. This contrasts with the Local Improvement District approach to transportation infrastructure, in which all participating property owners are automatically eligible for up to 20-year financing. Other City programs requiring residents to pay for public infrastructure appropriately seek to mitigate inequitable impacts by offering safety net loans, hardship waivers and lifetime deferrals.

Lack of a low-income exception and financing options means that the LTIC will preclude some residents from building a new or replacement home on their own property. Indeed, within its first year of operation, some residents have been unable to afford to move forward with their projects because of the LTIC – sometimes well after they have made significant project investments. One example involves an elderly cook at a local school district who owns and lives in a manufactured home in Southeast Portland. The home has extensive mold and other problems, so she wanted to replace it with a new manufactured home. She took out a loan to purchase the new home and was readying to install it. Unfortunately, when she applied for a permit with the City, she found out that the LTIC would cost her an additional \$54,000 – an amount she said she could not afford and which represented half of the cost of her new home. The Bureau of Transportation ultimately reversed course and allowed the woman to avoid paying the LTIC based on an expansive reading of a limited exemption, but similarly situated property owners are not likely to be so fortunate under the LTIC’s current configuration.²

We recognize the need to collect funds for transportation infrastructure on the City’s network of unimproved or under-improved local streets. We acknowledge that many years of work went into the LTIC proposal and that it was supported by infill developers and neighborhood associations. However, the City has also committed in the Portland Plan to “assess equity impacts of policies, programs, public services, investments and infrastructure delivery that may appear fair, but marginalize some and perpetuate disparities.” As currently designed, the LTIC’s one-size-fits-all approach falls short of the City’s commitment. Simply stated, a policy that treats everyone equally does not result in equity.

There are several ways to build fairness into the collection side of the LTIC. Other existing City programs may be used as models. We encourage City Council to take the opportunity on December 6th to direct Transportation to develop adjustments so that the LTIC is equitably assessed and collected.

² Another example involved a couple wishing to build a modest home (\$250,000) for their retirement on property they owned in Southwest Portland. Their project’s plans included \$30,000 of City fees based on the City’s estimates, but they later learned the LTIC would add an additional \$90,000, which they said they could not afford.