

The Oregonian

Why Mayor Charlie Hales' \$1 billion urban renewal plan sounds more impressive than it is: Portland City Hall Roundup

By Brad Schmidt

Portland Mayor Charlie Hales has been bragging that his plan to redraw a handful of city urban renewal districts will put \$1 billion on the tax rolls.

That's true.

But it also sounds more impressive than it really is.

Collecting taxes on that \$1 billion would be significant because it would mean more money annually for the city, Multnomah County and local schools.

But a good 40 percent of that \$1 billion won't really impact local budgets.

What follows is a geeky look at how the city reached its \$1 billion figure and why budgets will swell, but not accordingly.

River District, \$442 million

Once a rail yard and warehouse wasteland, the Pearl District is now the gold standard for urban renewal in Portland. Thanks to new office buildings and high-end condos, property values have soared exponentially.

Urban renewal generally works by freezing assessed property values in a certain area. Taxes on that base value go to the city, county and schools, as they always have.

But when the neighborhood redevelops, and property values jump, government agencies generally don't see more tax dollars from the increase.

The difference – called tax increment – is instead reinvested in the urban renewal district for an extended period of time.

With that in mind, the River District urban renewal area has a frozen tax base of about \$462 million.

Today, property within the district is worth a whopping \$2.2 billion, according to the Tax Supervising & Conservation Commission.

Hales' plan is pretty simple: the district has been so successful, local agencies should benefit from some of the growth.

He wants to return about \$442 million from the increased property values to the tax rolls, according to the city's urban renewal agency.

(IMPACT TO GOVERNMENT: Taxing that value will provide agencies with an estimated \$45.4 million over 30 years, or \$36 million in today's dollars.)

Education district, \$104 million

So long, we hardly knew ya.

Portland's newest district, created just two years ago, will be killed off under Hales' plan.

Its frozen tax base was \$622 million.

City officials are projecting that property values will grow by an additional \$104 million when the district is disbanded. That number will keep going up into the future, too – and it'll all be taxable.

(IMPACT TO GOVERNMENT: Collecting taxes on the full value of the district will provide a massive boost in future years: \$190 million more for local agencies over three decades, worth \$76 million today.)

Willamette district, \$76.8 million

These industrial pockets along the Willamette River never redeveloped as planned, making it the least successful urban renewal district in recent city history.

The property was frozen 10 years ago with a value of \$481 million. It's actually assessed at a lot less today – just \$419 million.

Even so, eliminating the district will mean a small windfall for local governments, although the explanation is complicated. Long story short: the city says eliminating this district will provide \$76.8 million in new taxable values for local governments.

(IMPACT TO GOVERNMENT: This district won't have much impact, just \$5.2 million over 30 years and an estimated \$7 million in today's dollars).

Airport Way, \$441 million

If you've stuck with us this long, you're in for a treat.

Tax collections in this district were frozen on a base of just \$125 million. Today the land is worth about \$1.2 billion.

Hales' plan calls for unlocking \$441 million of that growth to put back on the tax rolls.

But because the district is so old, and different rules apply, essentially allowing local government to benefit from the growth already, it won't make any difference to annual budgets – even though the overall value is similar to Hales' plan for the River District.

"It's not generating additional tax revenue," confirmed Tony Barnes, the budget guru for the Portland Development Commission.

That's why the city's urban renewal agency didn't include the proposed changes for Airport Way when it calculated new tax revenues for local government.

Takeaway

Yes, \$1 billion sounds impressive.

And Hales' plan will enable local governments to collect more tax dollars each year than they otherwise would, no question. The above changes, combined with greater costs from expanding two districts, net out like this: \$168 million more for local governments over 30 years, or \$67 million in today's dollars.

That's nothing to sneeze at.

But in reality, about 40 percent of the \$1 billion that Hales has been touting won't impact the bottom line.

You may now return to your regular, non-geeky reading habits.

Portland Commissioner Steve Novick on street fee, studded tires, why apartments would pay less than households

By Andrew Theen

Portland Commissioner Steve Novick participated in a live chat with OregonLive readers last week.

The topic: The street fee Novick and Mayor Charlie Hales have been discussing for the past few weeks.

A reminder, this is the proposed \$8 or \$12 per month fee on all households, which city officials said could generate up to \$53 million annually. This week, the Portland Business Alliance said it wants Novick to slow down the rush to approve a funding plan.

In case you missed it, last week's chat included some technical difficulties. We promised to follow up with questions that Novick couldn't answer at the time. The questions below were asked directly by readers last week. Novick's responses were sent via email:

Is the city looking at a studded tire fee? Why not?

Because of the damage they cause Portland roads, I agree that restrictions on studded tires should be imposed. That is why the City Council asked the Legislature to ban studded tires in the last legislative session. The legislature did not. But we'll try again.

This is referred to as a street fee. How is this not a tax?

Taxes are generally used to raise general revenue and fees pay for a specific service based on the use/benefit. Since our revenue mechanism is structured to create revenue for a specific purpose, the safety and maintenance of our streets, it is more a fee than a tax. A second factor used to distinguish a fee and tax is whether or not the fee is based on your level of use of the resource: Fees have a strong connection to use/benefit and taxes generally do not. Since our fee is based on the estimated number of trips generated by property types and square footage as described in the industry accepted best source of calculating average trips by property type, the funding proposal is more a tax than a fee.

Where is the proof that the city needs additional revenue to repair the streets? Where is a complete analysis, showing the details of how much money comes in and the total expenditures?

The condition of all the \$8 billion worth of assets that PBOT manages—everything from streets to bridges to sidewalks and crosswalks—is carefully monitored. In fact, the most recent Asset Status and Condition report was released just the other week and it confirms what many of us see on a daily basis: key elements of our transportation system are falling into disrepair without the dollars needed to keep them in good working order. This report gives us the knowledge and tools to direct the dollars we have where they can have the biggest impact. The report may be found here:

<https://www.portlandoregon.gov/transportation/62871>. In addition to this report, the City recently pulled together a Transportation Funding Task Force of external financial experts that also confirmed that the City needs additional resources to meet our maintenance and safety needs.

Why does the city need to repeatedly repair some of the same streets?

Maintenance needs are ongoing. It's part of responsible asset management. The better we do at maintaining our assets, the less we have to spend in the long run. The analogy I frequently use is brushing your teeth. We know, and dentists remind us, that regularly brushing our teeth is a pretty cheap and easy way to prevent costly and painful things like fillings and root canals. Investing in transportation maintenance is the sort of back to basics approach that I am committed to, and one that will save taxpayers.

How does PBOT prioritize spending to insure maximum return on taxpayer dollar? Cars & trucks represent the majority of trips within the City of Portland, but there has been a 30+ year disinvestment in roads.

PBOT uses a pavement management system to ensure that we make the right paving investments at the appropriate time to maximize the life of the street and reduce current and future costs. Annually, PBOT develops an agency budget that attempts to maintain, operate and improve our transportation system. This budget is developed with the assistance of PBOT's Budget Advisory Committee. Portland,

like most cities in Oregon, without sufficient funding for our streets is not able to provide the identified maintenance and safety services.

Why would multi-family housing units and big apartment complexes have lower rates?

The Institute for Transportation Engineers Trip General Manual estimates that multi-family properties generate about 60% of the trips generated by a single family house. As a result of multi-family properties on average generating fewer trips, they pay a lower fee.

How will freight customers be assessed for using our streets?

A street fee assessment on business would be based, in part, on the number of trips generated. As to fees by weight of vehicles, that is something we certainly looked into. We found that there isn't really a dramatic difference between the wear and tear an SUV imposes versus a sedan—and much of the wear and tear just comes from weather. "Water is the enemy of pavement," experts tell me. Even if we all rode nothing but bicycles on our streets, there would be weather-related wear and tear.

However, freight trucks are a different story; they impose lots of wear and tear. Because of that, the State has a freight weight-mile tax. Eugene considered a local one some years back, but concluded it was just administratively impractical to track how many miles a truck drives within the city limits of Eugene. In Portland, City staff have concluded that not only we would have similar administrative problems, cities are also legally preempted from applying a local weight-mile tax because of the existing State assessment.

Instead of asking for money to pave the streets could you pave the streets first with the money currently dedicated to non-essential projects?

PBOT has very little resources being allocated to non-essential services. When this same question was asked of our Transportation Funding Advisory Committee and our Bureau Advisory Committee, they both concluded that it is not possible for the City to solve the maintenance funding problem by reallocating existing resources.

Why are we not looking to better manage the funds being spent currently before seeking more money? For example, a busted street near my home was completely repaved only to have the city come back weeks later to hack it up to make scheduled sewer improvements, which necessitated repaving again. This happens all over the city regularly.

Why isn't there better management and better scheduling on these sorts of projects to reduce waste before asking for more money?

There are several reasons why you might see a street being dug into and repaired. In addition to maintenance, repairs, and improvements that PBOT does on our transportation assets, the Water Bureau, BES, utility companies, and private contractors also cut into streets to access underground assets. Any work on our streets done by private companies or bureaus other than PBOT are responsible refilling cuts into the street. The City does our best to coordinate all of this work and we're currently looking into software that could streamline this coordination.

What if two families are living in one house? Which one has to pay?

A street fee would be assessed per household, which includes both single family and multi-family dwellings. The street fee would be addressed to the resident or user of the property. If two families live in one house they will need to work out how they split the cost of this fee in the same way they share other costs.

Washington Park parking meter 'grace period' is over, Portland made \$434,882 in 2014 so far

By Andrew Theen

Washington Park users: your grace period is over.

It's been four months since Portland first started charging for parking throughout Washington Park, and after giving hundreds of warnings, Bureau of Parks & Recreation officials say they'll issue more yellow parking tickets as peak season begins at the widely popular destination.

"We started to ramp up enforcement and will continue to do that," said Victor Sanders, the city's parking program specialist.

Paid parking started at Washington Park on January 10. The city paid \$750,000 for 48 meters, which serve some 1,400 parking spaces at the park. The City Council approved the deal in December 2012.

For obvious reasons, city officials didn't publicize the relative lenience granted in these first few months to parking violators visiting the Oregon Zoo, Hoyt Arboretum, the International Rose Test Garden and other popular spots at the 400-acre regional attraction.

"It's only fair that there should be a grace period," said Mark Ross, parks spokesman.

According to data released to The Oregonian, just 14 tickets were issued at the park so far this year. All of those were given since April 21. The city did issue more than 400 warnings to parking violators, according to city data. Park rangers are responsible for handing out tickets at Washington Park, a policy decision that's the source of a union grievance filed on behalf of the city's parking enforcing officers.

During the first four months, the new paid parking program brought in \$434,882 in revenue,

The daily fee to park all Washington Park meters jumped to \$6.40 (\$1.60 per hour) on April 1, the start of peak park season.

Lisa Calef, a Southwest Portland resident, said she was shocked to hear the city's revenue total.

Calef, who lives close to Hoyt Arboretum, said people continue to park on the shoulder of nearby Southwest Fairview Boulevard near her home and walk long distances to the Arboretum.

"People are avoiding the pay lot and parking on the side streets," she said.

Calef expects the problem to get worse as the weather improves and more visitors use the park.

"The summer problem has become a year-round problem," she said.

Heather McCarey, executive director of the newly created Washington Park Transportation Management Association, which oversees all parking and transportation operations, said the city installed "no parking" signs along Fairview to address that problem.

"It sounds like that has always been an issue, for years and years," McCarey added. She said parking in that area of the park "is just tight."

McCarey said the city is "right on target" for annual revenue estimates outlined in December 2012.

The city expects to bring in \$2 million annually in new parking revenue. That will be spent on services to improve parking and transportation problems at the park.

Sanders and McCarey said the city has tweaked some of the language that appears on the parking meters to make it less confusing for users. Instead of leaving the pay stub in your vehicle like other paid parking throughout the city, users enter the numbered parking space and the amount of time. Another difference: users keep their receipts.

"It's a learning curve," Sanders said of the system. That's why the city didn't want to enforce parking violations so strictly.

Park users should see some improvements already, McCarey said.

A new free shuttle service runs from the TriMet Providence Park MAX station to every popular destination in the park. The shuttle currently runs every 20 minutes on the weekend. Starting on Memorial Day, the shuttle will operate seven days a week, lasting until Labor Day. The shuttle is marked as TriMet's Line 83, McCarey said.

The parking meters were billed as a new revenue source to help fix roads, sidewalks and other major transportation needs, but Sanders and McCarey said it's too soon to say when those improvements will come.

The transportation management association and the bureau are "constantly evaluating" the parking situation at Washington Park, McCarey said.

Portland street fee needs business buy-in: Editorial Agenda 2014

By The Oregonian Editorial Board

Commissioner Steve Novick, who oversees Portland's transportation bureau, is pushing the pedal to the metal in pursuit of a fee that would raise tens of millions of dollars every year for road maintenance. Why the urgency? "We've got 14 years of lethargy on this to make up for," Novick told The Oregonian's Andrew Theen.

"Lethargy" is an interesting culprit. In a pair of reports released last year, the city auditor delivered a withering account of the city's failure, despite repeated warnings, to care for its roads. City Council, the auditor found, even reduced maintenance spending during periods when transportation revenues were increasing. Where'd that extra money go? To politically favored projects, including streetcar operations and debt related to the downtown transit mall.

As the auditor's office observed in its February 2013 report, "The present poor condition of many streets and the high future cost to improve them, is a direct consequence of deferring maintenance in favor of other spending choices."

Novick, a relative newbie on City Council, is not to blame for the sorry state of Portland's pavement. What he and his colleagues must make up for isn't lethargy, however. What they must make up for is a long period of irresponsibility and mismanagement.

To be precise, city officials themselves aren't going to make up for anything. Taxpayers, whose money was spent badly in the first place, will be doing all of the making up by means of a street maintenance fee. No reasonable person questions the need to spend more money on road maintenance, and a good case can be made that some of the extra money should come from the sort of fee Novick has in mind. But the city, having spent the public's money badly for years, should take great pains to avoid overtaxing the public to make up for it. Even if that means easing up on the gas.

That is exactly what Portland's business community has asked Novick and Co. to do. Commissioners may vote as early as next month on a fee whose details emerged only last month. It would apply both to households, which would pay up to \$144 annually, and to businesses, which only last year were targeted by a rush-job ordinance imposing new sick-leave requirements. Fees for businesses would be linked to assumed daily trips. As a result, according to a draft fee schedule released last month, a day care facility – a day care! - might have to cough up as much as \$2,328 per year for roads.

The Portland Business Alliance is worried about the well-being of small businesses, and rightly so. Portland residents should share this concern, as the ability of businesses, especially small ones, to absorb new costs is finite. Much of that day care fee, if not all of it, would be passed along to parents, who already would be paying up to \$144 a year on their own. And you thought child care couldn't get more expensive.

To the greatest extent possible, City Council should earn buy-in from potential fee-payers, including businesses, before moving forward. The risk of proceeding deliberately is that the fee, should

commissioners send it to voters (they should), will overshoot the November ballot. That's another reason for Novick's urgency, but the risk is worth accepting. Having compromised Portland's roads at their leisure, city officials can surely take a little time to get the solution right.

In the meantime, there is another, highly regressive funding measure they can, and should, put on the November ballot: the city's botched arts tax.

Willamette Week

Mayor Charlie Hales Orders All Big Spending Changes Debated by City Council

By Aaron Mesh

Portland Mayor Charlie Hales wants to reform city code to force debate on big-ticket contracts like the Bureau of Environmental Services office building that tripled in cost without City Council discussion.

Hales sent a memo to all city bureau directors on Tuesday that orders all contract increases over \$1 million to be immediately taken off the City Council's consent agenda, where items considered routine are passed without debate.

"Having these matters on the Consent Agenda," Hales writes, "seems to be avoiding the in-depth review that may be appropriate as these projects go through the construction process."

Hales has also directed bureaus to flag any changes to contracts, no matter the size, after the first two. He says he wants a full policy discussion on changing city code to make these reforms permanent.

The mayor's order is a direct response to WW's revelations on how an office building for sewer engineers tripled in cost. The latest cost estimate on the project is \$12.6 million.

WW reported last week how the building tripled in price with silent approval from the City Council. City Commissioner Nick Fish declared Wednesday that all water and sewer contract changes above \$500,000 would be moved off the consent agenda.

Kent Craford, co-petitioner on a ballot measure that would remove the Water and Environmental Services bureaus from City Hall's control, says the reforms are too little, too late.

"These guys have totally misplaced priorities," Craford tells WW. "No little procedural tweak will address that cultural problem."

Hales' full email is below.

From: Hales, Charlie
Sent: Tuesday, May 06, 2014 3:42 PM
To: City Elected Officials
Cc: City Bureau Directors; Shibley, Gail; Haynes, Dana
Subject: Memo regarding Council Consent Agenda

As Mayor, I have been considering the role of the Consent Agenda. It seems clear that not all major capital construction projects receive adequate Council attention. Having these matters on the Consent Agenda seems to be avoiding the in-depth review that may be appropriate as these projects go through the construction process.

I have therefore decided that I want to have a conversation with the other Council offices, with input from the bureau directors, on amending the City Code to specify that some work change orders for major capital projects, above certain significant thresholds, be

restricted from the Consent Agenda. I am interested in having policy-level discussions about what should be considered on the Consent Agenda, as opposed to what should merit more specific, individual discussion.

In the interim, in anticipation of this conversation taking place, I am informing the other Council offices that if any work change orders for capital improvement projects are placed on the Consent Agenda, which fall within the following criteria, I will ask that these ordinances be removed for Council discussion and separate vote on the regular agenda:

- Increases of \$1 million or more in a work change order, or work change orders representing more than 30 percent of the original contract amount (bearing in mind that currently the Procurement Code allows the Chief Procurement Officer to approve changes of up to 25% without Council approval)
- Any work change orders after the first two (I will be asking the Chief Procurement Officer to flag any work change orders after the first two)

To the extent that this is not occurring now, I will be asking that work change order ordinances contain descriptions, in the recitals, of the amount of the original contract, the amount of the change expressed as a percentage of the original contract amount, and the number of prior work change orders.

In addition to capital improvement projects, professional services contracts also should be reviewed, both at the front end and when amended.

In short, I have concluded that the current approach of what may go on the Consent Agenda for the Council's consideration needs to be revised. I welcome your input and look forward to discussing this with you all in more detail in the near future.

Sincerely,

Charlie Hales
Mayor, City of Portland
1221 SW 4th Avenue

The Mercury

City Hall's Flogging A "Street Fee" Poll. Is It Any Good?

By Dirk VanderHart

In this week's issue, we take a look at the latest proposal for shoring up Portland's transportation finances. For months, Mayor Charlie Hales and Commissioner Steve Novick have been beating the drum for a "street maintenance fee"—a monthly amount households and businesses would pay into a special pot, that would then be used on road maintenance (most of the money) and safety projects (less of the money).

The notion of the street fee has people torn. Even those who really want to see the Portland Bureau of Transportation get more money are sort of disgusted by the fee mechanism. That's because it's regressive, assigning the same charge (\$8 or \$12) to households regardless of income (though there is a low-income discount). Even Novick says he's holding his nose over the fee idea.

So it's worth asking: Where did the fee idea come from?

The most immediate answer is: People like it best! That's been Novick's argument, and he's got some numbers to back it up. In late March, PBOT paid \$28,000 for a poll of 800 Portland voters, gauging how likely they'd be to support a street fee. The pollsters described all the bells and whistles the fee would help pay for—sidewalks, paving, crosswalks—and offered up options for how it might be collected.

Then, at the VERY end, polling firm DHM Research tacked on mention of six other possible funding mechanisms: a sales tax or income tax increase, for instance. According to the survey: between 51 and 52 percent of respondents said they'd support a monthly fee of \$8 or \$12. Between 50 and 70 percent of respondents signaled they'd be less likely to support the tax options.

Surprise! People liked the street fee, which they'd just been questioned about at length, more than the tax options mentioned as an afterthought.

The Mercury wanted to figure out if that process was flawed. Wouldn't the survey ALWAYS favor a street fee, given that design? So we asked around.

First, we spoke with Andrew Thibault, a Seattle-based principal at EMC Research. Thibault respects DMH, the firm that carried out the street fee survey. After looking it over, he said the methodology appeared sound. Yes, the stress on the street fee likely muddied the waters for other mechanisms, Thibault says, but that's an unfortunate effect of any poll design.

"The challenge here is: When you're designing a survey, you have to choose something to ask about first. That necessarily biases everything else you're going to ask."

Regardless of the order, Thibault says people are most-likely to support "whatever fee or revenue source is closest to what you're trying to fund." So a dedicated fee for street maintenance would probably always trump shaving a percent off people's income tax.

"Even if you put a city transportation fee along with a sales tax at the top of the survey, the city transportation fee would have ranked much higher than the rest," Thibault says.

We also reached out to Beth Daponte, a Connecticut-based social scientist who boasts all matter of prestigious appointments on her CV. Daponte took a far dimmer view of the survey, criticizing its layout and language.

Specifically, she took issue with a question asking about "important safety improvements to prevent injury and death."

"That sort of incendiary language can bias responses toward desiring investments," Daponte wrote in an e-mail. "Overall, the survey should have been structured differently and with an eye for reducing potential bias."

John Horvick, vice president and director of research, concedes the structure of the survey probably had an effect. But Horvick says, given the low support for other taxing mechanisms, he doubts any other options would have seen more than 50 percent support regardless of the survey's sequencing.

"We could have done cleaner tests on different funding mechanisms," he says. "Given the [funding] limitations we had, we wanted to get a straight-up test on priority of the street fee."

Which gets to an important point: DHM polled on the street fee, because that's what DHM was asked to test on.

"Those sorts of policy decisions are really driven by the commissioner and his staff and the citizen advisory committee," Horvick says. "That's not really DHM's role."

As we point out in this week's issue, this isn't Portland's first brush with a street fee. Back in 2008, then-Commissioner (and mayoral contender) Sam Adams seemed very close to pushing his Safe, Sound and Green Streets initiative through city council. The deal fell apart, though, when the state's petroleum lobby said they'd force the matter onto the ballot.