

The Oregonian

Portland Street Fee: City Council kills off 1988 financial policy meant to provide money for road repairs

*By Brad Schmidt
August 06, 2014*

The Portland City Council on Wednesday quietly killed off a 26-year-old financial policy meant to provide millions of dollars a year for road repairs.

Tucked inside more than 70 pages of documents filled with policy changes, the City Council voted 4-0 to amend a passage about city financial policies by deleting reference to a transportation funding plan from 1988.

The now-deleted policy set a "target" that 28 percent of the city's utility license fee collections would be earmarked for transportation.

This fiscal year, the city's utility license fees are projected at \$82 million. If the city met its funding target, the Portland Bureau of Transportation would receive \$23 million from the general fund.

This year, Portland Mayor Charlie Hales and Commissioner Steve Novick have been making the case to establish a new street fee to pay for road repairs. The fee, under the latest public iteration, would raise \$53 million annually by the third year via fees to homeowners and businesses.

After Wednesday's vote, Novick said he was "thoroughly embarrassed" he didn't notice the deletion or call attention to it -- because he would have used it to make a political point about funding.

In 26 years, the city has allocated 28 percent of utility license fees to transportation just once -- in 1988. The actual amount diverted for transportation dropped from more than \$5 million to nothing in 1994 -- where it stayed until the 2010 fiscal year.

Today, the Bureau of Transportation receives about \$9.9 million from the general fund, with \$2 million of that from the fees.

Dana Haynes, a spokesman for Hales, said he didn't know why the transportation funding policy was removed from the city's financial management plans but would look into it.

Part of the reason the City Council approved the policy 26 years ago: to deal with road repairs.

According to the 1988 City Council resolution, Portland had a backlog of 476 miles of streets that would cost \$37 million to repair and repave.

Here's part of what the now-defunct policy called for:

"The General Fund portion of the proposed Transportation budget will be reviewed each year along with other General Fund program needs. This policy provides a target amount of 28% of projected utility license fee receipts for the program to be submitted by Transportation. However, depending on the financial condition of the General Fund and the other service needs of the City, the Council might adjust the actual transfer in any given year."

City staff and members of the City Council didn't address the deletion of the policy on Wednesday.

Under a section about "other financial policies that guide City operations," the city deleted a sentence that said those other policies were recognized as part of Portland's comprehensive management policies.

Included in the list of policies that got axed: the 1988 Transportation Fund Policy.

Construction begins on Cully's first developed park; city will reveal name this week

*By Casey Parks
August 06, 2014*

Portland city leaders will reveal the name of Cully's new park Thursday night at Northeast 52nd Avenue and Alberta Street.

The 2.4 acre park will be Cully's first developed park. Nearly 1,500 families who do not have access to a park or natural park will live within half a mile of the new space.

City leaders paid for the \$2.5 million project using system development charges. They expect the park will open next spring.

Portland Parks & Recreation staff have been working to develop the park since 2012. Early on, they collaborated with students from Rigler Elementary to brainstorm what the park should look like. Parks staff asked the kids to describe how they play and what they'd like to see in the park.

"That feedback is what we used to form the foundation of what design choices could be and what programming choices could be," said Elizabeth Kennedy-Wong, the bureau's public involvement manager.

They then worked with the nonprofit Verde and with Hacienda CDC's Expresiones program to pair children with architects in creating the designs.

Because of those meetings, the park will include a "skate dot" -- a 3,000 square foot skate feature where younger kids can learn skating skills. The park will have a regular playground, but it will also have a nature-based area to encourage kids to play in the dirt.

And, perhaps most importantly, Kennedy-Wong said, the new park will have tons of open areas.

"We've found unprogrammed space is often most valuable because it allows people to bring to it what they want," she said. "Park-goers can bring a book or a picnic and just hang out."

Those community design collaborations were key in creating an inclusive, multi-generational park, Kennedy-Wong said, and they inspired the new park's name.

A naming committee spent much of 2014 discussing possible monikers for the park. Community members submitted several names, Kennedy-Wong said, but the committee felt most of those didn't honor the spirit of community that they wanted the park to convey.

"They said, 'How do we confer on this park a name that really does deliver sense of community, unity and inclusiveness that we want?'"

The team eventually settled on a Chinook wawa word that will be announced Thursday night.

The celebration, which includes speeches from city leaders and neighbors, runs 6:30 p.m. - 7:30 p.m. Confederated Tribes of Siletz Indians tribal elder Pauline Montana will be on hand with drummers for a Native American blessing of the land.

Old Town Chinatown apartment boom? Portland City Council OKs \$7 million subsidy plan to spark construction

*By Brad Schmidt
August 06, 2014*

A divided Portland City Council on Wednesday approved development subsidies to promote construction of up to 500 new middle-income apartments in hardscrabble Old Town Chinatown.

Mayor Charlie Hales, who championed the plan, said he's "ashamed" of current conditions in Portland's oldest neighborhood and is hopeful that development subsidies estimated at \$7 million will make a difference.

"I'm very confident that this is our best shot," said Hales, who secured support from commissioners Dan Saltzman and Steve Novick. "And I'm cautiously optimistic that it might be enough to finally start making things happen in Old Town Chinatown."

But Commissioner Amanda Fritz blasted the subsidies, arguing that they will benefit construction companies and property owners at the expense of roads, parks, water and sewer services. Commissioner Nick Fish joined Fritz in opposing the plan.

"This funding mechanism will put parks deeper in the hole," said Fritz, who oversees Portland Parks & Recreation and is asking voters in November to approve a \$68 million bond measure for repairs.

Months in the making, Hales' controversial plan will waive development fees typically collected by the city to pay for parks, roads and utilities.

Hales said the waivers are necessary to spark development in Old Town Chinatown, an impoverished neighborhood with an abundance of low-income housing that "has managed to sleep through two amazing real estate booms."

Portland already waives fees citywide for low-income housing open to residents who earn less than 60 percent of the region's median income, or \$29,160 for an individual.

Wednesday's 3-2 vote amends that policy specifically for Old Town Chinatown, allowing fee waivers for up to 500 apartments open to households that earn up to 100 percent of the regional median, or \$48,580 for an individual.

Portland's citywide fee-waiver policy requires rent restrictions for 60 years. The Old Town Chinatown rules eliminate rent restrictions after 15 years, an escape clause that would allow property owners to increase rents – if the neighborhood turns.

To qualify for Old Town Chinatown waivers, a developer will need to file for a building permit by June 30, 2019. Development charges typically exceed \$10,000 per unit and officials estimate the waivers will hit \$7.3 million over five years, if 500 apartments are built.

Fritz's Parks Bureau would waive an estimated \$2.8 million. Fish's sewer bureau would forgo \$1.9 million and the water division would give up \$1.6 million. Novick's Transportation Bureau would waive \$1 million.

Novick, the swing vote for the oft-delayed plan, said it's reasonable for the city to offer financial incentives to promote income diversity in Old Town Chinatown. And if the plan doesn't prompt development, the city won't have to waive any money.

"On balance, I think that the mayor is engaged in a worthy gamble," Novick said.

Portland City Council restores \$170,000 for Downtown Marketing Initiative after eliminating from budget

*By Andrew Theen
August 06, 2014*

The Portland City Council voted Wednesday to restore \$170,000 for a downtown marketing program and holiday promotional events organized by the chamber of commerce.

Mayor Charlie Hales said adding back \$170,000 helps "ameliorate" a decision to cut funding for the Portland Business Alliance's program entirely from the 2014-15 budget. The \$170,000 comes out of the city's contingency fund. Last fiscal year, the city contributed \$828,309.

Commissioner Amanda Fritz was the lone dissenting voice on the City Council. "I can't support this," Fritz said, saying the Downtown Marketing Initiative's holiday programming shouldn't be paid by contingency funds outside the budget process.

Portland's support for the initiative dates back to the 2009-10 fiscal year and Travel Portland put on the program for years. The Bureau of Transportation typically paid a large portion of the annually costs, using general transportation revenue.

Commissioner Steve Novick voted to add back the money. Novick said during the budget process, he asked to have the money removed from PBOT because of funding woes. He suggested the city's general fund pay for the program, but he was rebuffed.

At a City Council meeting last week, the Portland Business Alliance's Lisa Frisch lauded the holiday marketing events and the ugly sweater party and downtown "yarn bombing" of statues in particular.

She said adding back \$170,000 helps, but the relative lack of city support from previous years means a scaled back holiday program with fewer activities.

Frisch said the alliance won't be able to hold an online contest for the best ugly sweater, and will sparingly manage its Instagram and Facebook accounts.

Steve Novick blames the street-maintenance messenger: Editorial Agenda 2014

*By The Oregonian Editorial Board
August 06, 2014*

There he goes again. "He" is Portland Commissioner Steve Novick, who heads the city's transportation bureau and, with Mayor Charlie Hales, has been plugging a hefty fee to pay for street maintenance. "Again" refers to his tendency to lash out at those who disagree with him, in this case "an increasingly unpleasant media environment."

Novick's complaining occurred on Monday during a forum at Portland State University on the condition of American infrastructure. The Oregonian's Joseph Rose was there and captured several minutes on video. Novick, who was sitting on a panel, lamented "the story that gets told" about the causes of the city's street maintenance crisis and the options for addressing it. Novick then divided the city's news organizations into two groups, those that apparently tell the story he wants told, and those that constitute a sort of Axis of Unpleasant. The Oregonian, which is no longer "a solid, responsible paper," is a charter member of the Axis.

Occupying a key role in the street-maintenance narrative is the office of Portland's auditor, which blasted the city last year for spending money on other transportation projects even as it neglected to maintain streets. "A lot of people think the auditor wrote a report that said we'd have plenty of money for transportation if we weren't blowing it all on pet projects," Novick complained. The city would still have a huge street-maintenance deficit, he argued, even if it hadn't devoted transportation funds to the Sellwood Bridge, Milwaukie light rail, the Streetcar and so on.

We don't know who believes what about the auditor's findings, but we'll restate our position on the street fee for the benefit of those who may have heard Novick Monday. Because what follows is likely to be unpleasant for the commissioner himself, he might want to stop reading here or weave himself a security blanket out of pages taken from the Nice News.

First, what the auditor said in February 2013. Streets are "Portland's most valuable asset group," yet the city's "lack of an overall transportation strategy has essentially made street maintenance a low priority in the City's budget." So, even as "street condition deteriorated, City Council chose to invest in competing transportation priorities ... allowing future costs for restoring street maintenance to multiply." According to transportation bureau estimates, the audit said, "an additional \$75 million per year would be needed for ten years in order to repair and reconstruct streets to meet condition targets."

The \$75 million problem should not have taken the city by surprise. The 2013 audit pointed to two earlier audits, in 2006 and 2008, emphasizing the need for preventative street maintenance. Thus, "despite PBOT knowing the inevitable and costly consequences of failing to maintain streets, PBOT management and City Council limited street maintenance work in recent years, choosing instead to focus on other priorities." You know, pet projects.

We haven't argued that the city would have no maintenance backlog even if it had made caring for the city's most valuable asset an appropriately high priority. But the audit leaves no question that the bill would be a lot lower than it is now. We have argued, on the other hand, that the city should take pains to make any additional assessment as modest as possible, to make it temporary and to put the matter to a vote. City leadership owes taxpayers that much, having contributed so egregiously to the problem taxpayers must now fix.

Are we contributing to "an increasingly unpleasant media environment" by pointing out the city's culpability and advocating for solutions that emphasize accountability? We suppose that's a matter of opinion, though it seems to us that the city's real problem is a hostile auditing environment created by a terrible governing environment.

The Portland Tribune

Hales confident street fee will pass

*By Jim Redden
August 7, 2014*

Mayor Charlie Hales still believes the City Council will approve his proposed street maintenance and safety fee in November, although he is not sure what the final version will include.

Speaking at a transportation funding forum Monday morning, Hales said the "third member of the City Council is prepared to vote" for the fee being developed by Commissioner Steve Novick and him. In the past, Hales has said he expected Commissioner Amanda Fritz will be the third vote, even though she has not yet publicly committed to it. Commissioners Nick Fish and Dan Saltzman have consistently said they think the fee — formally called the Transportation User Fee — should be submitted to Portland voters for approval, something Hales and Novick so far have rejected.

Fritz tells the Portland Tribune she is still waiting to see the final version of the fee before deciding whether to support it, however. Three work groups currently are reviewing options for such issues as discounts for low-income households and alternatives for assessing nonresidential properties, including businesses, governments, nonprofit groups and religious institutions.

"I am waiting to see what is proposed after the current process discusses options," Fritz said Monday afternoon.

Hales also told the forum that he and Novick are "agnostic" about the final version of the fee, provided it raises approximately \$53 million a year divided evenly between residential and nonresidential properties. Hales said he is prepared to resubmit his original proposal to the council if the work groups cannot agree on alternatives, however. It includes a monthly fee of around \$144 a year for households with low-income discounts and a nonresidential fee based on estimated motor vehicles trips generated by different types of businesses and other organizations.

"We have to act locally," said Hales, noting a city audit found the Portland Bureau of Transportation should be spending an additional \$75 million a year on street maintenance.

Hales and Novick introduced that version in May, then withdrew it for further consideration. They anticipate a council vote on Nov. 12, about a week after the general election.

The Forum on the Future of America's Transportation Infrastructure was organized at Portland State University by U.S. Rep. Earl Blumenauer, a Democrat representing Oregon's 3rd Congressional District and a longtime advocate of increased federal transportation funding. It was attend by numerous state, regional and local elected officials, including: Oregon state Treasurer Ted Wheeler; Karmen Fore, Oregon Gov. John Kitzhaber's transportation policy adviser; state Rep. Tobias Read, chairman of the Oregon House Committee on Transportation and Economic Development; Multnomah County Chair Deborah Kafoury; and Novick, who is in charge of the PBOT. Oregon business and labor leaders also attended, including Schnitzer Industries Chief Executive Officer Tamara Lundgren, who also is chairwoman of the U.S. Chamber of Commerce, and Oregon AFL-CIO President Tom Chamberlain.

The forum occurred just days after Congress passed a last-minute, 10-month extension of the federal Highway Trust Fund before taking its summer break. Blumenauer and many of the others who spoke said the \$11 billion infusion was better than the trust fund going broke, but complained it was a temporary fix that avoids the larger question of the federal government's proper role in building and maintaining America's transportation system. Congress has not raised the federal gas tax in 21 years, meaning it is not keeping up with inflation because motor vehicles are becoming more fuel efficient. Blumenauer has introduced legislation to increase the tax from 18.5 to 24.5 cents per gallon during the next three years, index it to inflation for 12 years, then replace it with a new vehicle miles traveled system that still is being developed.

Most of those who spoke praised Blumenauer's leadership on the issue, while also saying the uncertainty in Congress means that state and local governments must be considering raising their own transportation funds. The most notable exception was John Charles, director of the Cascade Policy Institute, a Portland free market think tank, who called for abolishing the Federal Transportation Administration, the Federal Transit Administration, the Oregon Department of Transportation and TriMet. Instead, he advocated turning transportation systems to the private sector, noting the growing success of Uber, the company that allows people to solicit rides from other people instead of calling taxicabs.

Charles criticized Portland as the only major city in the country that prohibits the use of Uber's mobile app.

Despite disagreeing with every other speaker, Charles was applauded when he finished speaking and Blumenauer praised him for raising issues that need to be considered in the changing economy.

One project that did not win support is the new bridge across the Columbia River east of Interstate 205 proposed by Clark County Commissioner David Madore. A countywide advisory vote is scheduled at the general election. Port of Portland Executive Director Bill Wyatt called it a "bridge from nowhere to nowhere." Vancouver City Councilor Jack Burkman asked for patience with the county. Others wondered how Madore, who opposed the failed Columbia River Crossing, could even propose the project, which has not received any of the engineering and environmental studies that went into the development of the CRC.

As the forum was breaking up, Blumenauer praised Hales and Novick for pursuing their street maintenance and safety fee, despite vocal opposition from some residents and business owners.

"It's important not to back down from the revenue question," Blumenauer said.

Smoke clearing on pot tax bucks

*By Peter Wong
August 7, 2014*

How much money Oregon will take in if voters choose Nov. 4 to legalize marijuana?

A panel determined this week that the official financial estimate will be between \$17 million and \$40 million annually, once start-up costs are taken care of in the first few years.

More than 1 million voters will see that estimate, both in the state voters pamphlet and online voters guide, when they consider the fate of Measure 91.

"But this is such a speculative estimate to begin with," says Michael Jordan, director of the Oregon Department of Administrative Services and a member of the panel.

The panel combined the low-end estimate offered by the Legislative Revenue Office with the high-end estimate in a report by the Portland firm ECONorthwest, which prepared it for Measure 91 advocates.

All are based to some degree on data from Colorado, which began retail sales of the drug at the start of this year. Washington, where voters also legalized recreational use of marijuana in 2012, began retail sales July 8.

The panel, led by Secretary of State Kate Brown, had tentatively chosen the lowest of the estimates, which pegs the first-year yield at just \$9.3 million after start-up and operational costs are deducted. In the

first full two-year budget cycle in 2017-19, it projects \$40 million, and in subsequent years, between \$17 million and \$26 million annually.

Still, says Mazen Malik, senior economist for the Legislative Revenue Office who prepared the estimate, "in the long term, you would expect marijuana to bring in a higher amount of revenue."

State Treasurer Ted Wheeler says that estimate, though based on sound assumptions, is too conservative.

"I think it's a mistake to disregard some of the higher estimates in the ECONorthwest report," he says.

According to that report, it projects the first-year amount at \$38.5 million — and \$78.7 million for the 2017-19 budget cycle.

"We feel it's a conservative estimate and a safe amount," says Anthony Johnson of Portland, the measure's chief sponsor.

Jim Bucholz, director of the Oregon Department of Revenue, went along with the panel's final figures. But the Legislative Revenue Office, he says, "is the only one who is completely neutral."

A third estimate was offered by Beau Whitney, an independent economist who teaches at the University of Phoenix and has his own consulting business in Portland. His first-year range is between \$9.1 million and \$21.2 million, but the subsequent two-year cycle at between \$22.2 million and \$46.6 million.

"I am trying to create a simple forecast that people can understand," says Whitney, who has done contract work for businesses such as Intel Corp. "I do not have a dog in this fight."

Figuring finances

Oregon's Measure 91 leaves many details to the Oregon Liquor Control Commission, which would have the authority to regulate and tax marijuana, sales of which could start in mid-2016.

After OLCC start-up and operating expenses, which are estimated at \$3.8 million overall for 2015-18 and \$3.2 million annually afterward, revenues are divided among state agencies based on a formula in the measure.

Beneficiaries, in descending order, are the Common School Fund, 40 percent; mental health, alcoholism and drug services, which goes largely to counties, 20 percent; Oregon State Police, 15 percent; city law enforcement, 10 percent; county law enforcement, 10 percent; Oregon Health Authority, also for treatment and prevention, 5 percent.

Oregon's proposed tax, based on weight, differs from Colorado's and Washington's.

The Oregon measure would impose an average tax of \$28 per ounce — \$35 per ounce of flowers (buds), \$10 per ounce of leaves, and \$5 per immature plant. Increases are linked to the Consumer Price Index.

Washington taxes 25 percent on wholesale transactions by producers and processors to retailers, and on retail sales to consumers. Colorado taxes 15 percent of the value of plant material — values are set annually — and there is a 10 percent retail sales tax.

Johnson, the chief sponsor of Oregon's measure, says the differences are deliberate.

"We feel we have come up with a great model to pull as many people into the regulated market and out of the black market," he says. "We want to encourage people to come into the light of day and generate millions for the state."

Shift from black market

The estimates differ largely on which assumption is chosen for conversion of marijuana buyers from the black market to a legal market.

The ECONorthwest report figures it will be close to 40 percent.

"We determined that more than 20 percent of the black market would go to the legal market," says Robert Whelan, a senior economist for the Portland firm. He also says legalization would attract first-time buyers, particularly older people with no ready access to the drug.

A 2013 Oregon State University estimate by Sean Crawford pegs the share of current users who would switch to a legal market at 40 percent, about 110,000 of the 260,000 who are age 21 and older. Users between 18 and 21 were excluded; they still could not possess or use marijuana legally.

The report assumes that each of those 110,000 current users would buy 6.75 ounces per year, and 90,000 new entrants would buy one ounce each per year.

"This is a difficult market to analyze because it's hidden," Whelan says.

Based on a 2009 study by the Rand Corp., which projected that retail prices in California would drop by 80 percent under a proposed legalization measure, Whelan says Oregon's projected price of marijuana per ounce would drop about 20 percent from \$177 to \$145. (California voters rejected legalization in 2010.)

Whelan says despite such a drop, "the Napa Valley of marijuana is the Medford-Grants Pass area," referring to Southern Oregon, where much of Oregon's currently illicit crop is produced outdoors.

Differing assumptions

But under Malik's assumption, only a third of current users would enter the legal market — and the price would not drop as much as envisioned in the ECONorthwest report.

"The legal stuff is not necessarily cheaper than the not-legal stuff," he says. "You would have movement in the price in an illicit market, but it would be smaller."

Malik, who works for the office that advises lawmakers about tax measures, says cultivators and retail sellers of marijuana still would be subject to all the employee taxes and property and utility costs of other businesses. Unlike those businesses, however, Malik says marijuana-related businesses cannot deduct their operating costs before paying federal taxes.

Still, he says, as growers got more efficient and police cracked down on unlicensed operations other than self-cultivators allowed under the law, prices could come down more.

Paul Warner, who leads the Legislative Revenue Office, says a more detailed study is forthcoming.

Whitney, the independent economist, projects a shift of 50 percent of current users to the legal market, more than the other estimates. But he also says consumption will average 2 ounces per year, based on Colorado data, far less than assumed in the ECONorthwest report.

Malik says he assumes an 8 percent rate of self-cultivators, higher than the 3 percent rate assumed in the ECONorthwest report. Growing your own is an option in Colorado, which allows six plants, and under Oregon's measure, which allows four, but it is barred in Washington.

Other factors

As for Colorado, where up to 50 percent and more of proceeds from early retail marijuana sales have come from out-of-state tourists, Malik says Oregon should not expect such a large share given policies in neighboring states.

The ECONorthwest report assumes a 32 percent share from tourists.

Oregon was the first state in 1973 to decriminalize possession of less than one ounce of marijuana; California followed suit in 1975. The maximum fine in Oregon is \$1,000, although the fee for marijuana diversion is \$335.

Marijuana for medicinal purposes became legal in all three West Coast states in the 1990s; California was first in 1996.

Of Oregon's four neighbors, only Idaho does not have decriminalization or medical marijuana laws. Of Colorado's seven neighbors, only two have medical marijuana laws and one a decriminalization law.

None of the Oregon estimates takes into account medical marijuana or changes in law enforcement costs.

"No matter which estimate you look at, this measure will be a definite revenue generator for the state," says Johnson, Measure 91's chief sponsor.

“It will also save resources and time for law enforcement and the judiciary and will better allocate them to combat more serious and violent crimes.”

Sources Say: Let's hear it for taxes and wedded commissioners

*By Jim Redden
August 7, 2014*

Mayor Charlie Hales and Commissioner Steve Novick were applauded by those attending a transportation forum Monday for completely different reasons.

Those at the forum broke into applause when Hales called for raising taxes to fund transportation and transit programs. “You have to speak the name. Raise the federal gas tax. Raise TriMet’s payroll tax. Raise the state gas tax a measly 5 cents,” Hales said while speaking on a panel.

Novick drew applause when the moderator of a different panel said he is getting married this weekend to his longtime girlfriend, Rachel Philofsky, Multnomah County’s emergency management coordinator and the niece of local political consultant Liz Kaufman. They live in the Multnomah Village area of Southwest Portland. The normally wisecracking Novick seemed surprised by the applause and thanked the crowd.

The Forum on the Future of America’s Transportation Infrastructure was organized at Portland State University by U.S. Rep. Earl Blumenauer, a Democrat representing Oregon’s 3rd Congressional District and a longtime multimodal transportation advocate.

Open primary measure divides parties

Our Oregon, the liberal advocacy organization backed largely by public employee unions, says it will be part of a coalition opposing the open primary measure that will appear on the Nov. 4 general election ballot. Supporters include Gov. John Kitzhaber, his Republican opponent for re-election Dennis Richardson, PacifiCorp, PGE, the Oregon Business Association, and the Oregon Working Families Party.

The coalition to oppose Measure 90 is calling itself Protect Our Vote. The other members won't be announced for a while, but spokeswoman Sara Logue says they will be along the lines of those who defeated a similar measure in 2008. They included public employee unions and both major and minor political parties.

Ballot Measure 65 was proposed by former Democratic Oregon Secretary of State Phil Keisling and former Republican Oregon Secretary of State Norma Paulus. Endorsers included then-former Gov. Kitzhaber, former state Sen. Avel Gordly of Portland, Associated Oregon Industries, the Oregon Business Association and the Oregon Business Council. It lost by a margin of 66 percent to 34 percent.

Negative ad campaign still under wraps

If Democratic Oregon U.S. Sen. Jeff Merkley is right, by now we should be swamped with negative TV ads attacking him as part of a well-funded effort to elect his Republican opponent, Monica Wehby.

Merkley has been warning supporters for weeks that a conservative SuperPAC called Freedom Partners has bought more than \$3.6 million in ad time between now and the Nov. 4 general election. The PAC did not return calls for comment. According to numerous reports, it is supported by the billionaires Charles and David Koch, commonly referred to as the Koch Brothers.

Merkley’s campaign came up with the \$3.6 million figure by researching purchase orders for political ads that TV stations must file with the Federal Communications Commission. The FCC maintains a website where each station and its required reports can be found. Buys for ads supporting Merkley also can be found there. It is online at stations.fcc.gov. Just search for stations by name.

City Council approves action plan for Old Town/Chinatown

*By Steve Law
August 7, 2014*

The city of Portland will offer a break on development fees to companies willing to build up to 500 units of middle-income housing in Old Town/Chinatown.

After a contentious months-long debate, the Portland City Council voted 3 to 2 on Wednesday to adopt the Old Town/Chinatown Action Plan, which includes the waiver on System Development Charges among other policies. The action plan, proposed by the Portland Development Commission and Old Town/Chinatown property and business owners, also directs urban renewal money to help building owners make seismic safety retrofits on older brick buildings, among other elements.

Mayor Charlie Hales championed the plan, arguing that Old Town/Chinatown “managed to sleep through two real estate booms,” and still has many vacant storefronts and buildings deemed fire traps because the owners can’t afford needed seismic upgrades.

“I’m ashamed at the condition of Old Town/Chinatown,” Hales said.

The mayor and other advocates also want to bring more middle-income residents into a neighborhood long known as a haven for social services and housing for the homeless and low-income people, as well as open drug dealing.

The fee waiver for System Development Charges, or SDCs, provoked the most controversy.

SDCs are levied on new developments to help pay for parks, transportation, sewer and water infrastructure needed to serve new housing and commercial projects. Commissioners Amanda Fritz and Nick Fish hotly opposed waiving SDCs for middle-income housing. Fritz oversees the parks bureau; Fish oversees the sewer and water bureaus and formerly led the parks and housing bureaus.

The city already grants SDC waivers for affordable housing projects for the poor and low-income tenants, and for those who build accessory dwelling units or ADUs. Low-income housing advocates are adamant that any SDC waivers should continue to address those needs and not be expanded to middle-income housing.

Fritz portrayed the SDC waiver as an unneeded subsidy to developers, construction companies and landowners, depriving parks and other city bureaus of millions of dollars. The new residents of Old Town/Chinatown will rightly demand more parks in the area, she said, yet the action plan doesn’t direct money to needed parks. Fritz also opposed awarding city subsidies for housing at a time when there are so many unmet needs for the homeless and those needing more affordable housing.

“I could go on and on about this,” she said.

Commissioner Dan Saltzman, who oversees the Housing Bureau, said the fee waiver was a worthy gamble to jumpstart construction of middle-income housing in an area dominated by low-income housing projects.

“We think this is a significant inducement for a part of our city that is in dire need of changing the status quo,” Saltzman said.

Commissioner Steve Novick said the fee waiver is a “reasonable thing to do” given that city policies created a neighborhood with a high concentration of poverty.

“It is a worthwhile goal to try to have a wider range of incomes in the neighborhood,” he said.

Fritz said as the Pearl District gets built out, developers will turn to Old Town/Chinatown. “I believe that this new construction will happen anyway,” she said.

Supporters argue that the city bureaus aren’t losing any money from the fee waiver, because middle-income housing won’t pencil out in Old Town/Chinatown without subsidies, and thus no SDCs would flow to the four city bureaus. The Portland Development Commission also expects the middle-income projects would bring some SDCs in for ground-floor retail that would be built as part of those projects. “It is an investment of money that we would otherwise never receive,” Hales said.

Lodging taxes won't go to affordable housing

*By Steve Law
August 6, 2014*

The Portland City Council rejected a bid by Commissioner Dan Saltzman on Wednesday to dedicate all taxes collected from the city's new short-term rental ordinance to affordable housing projects.

Saltzman and Commissioner Nick Fish proposed directing the 5% city lodging tax now being collected from Airbnb hosts into the Housing Investment Fund, starting with the next budget cycle.

Fish said there is a logical reason to support affordable housing with the tax money, because encouraging Airbnb-style short-term rentals in Portland will inevitably lead to the loss of affordable housing.

But Mayor Charlie Hales and commissioners Amanda Fritz and Steve Novick turned down the proposed ordinance.

Hales said he supports putting more money into low-income housing, doesn't want to tie the hands of city budget writers by dedicating a new revenue source to housing.

"I don't want this council to be tied down like Gulliver with this string and this little string," Hales said, evoking an image from "Gulliver's Travels."

Dana Haynes, Hales' spokesman, said the issue will surely come up again in some form. "I think this will be part of the conversation for the next budget," Haynes said after the council vote.

Willamette Week

Airbnb Has Spent \$24,000 Lobbying Portland City Council Its new hotel taxes won't be earmarked for affordable housing.

*By Sami Edge and Aaron Mesh
August 6, 2014*

Airbnb's visit to Portland City Hall was very successful—but it wasn't cheap.

As reported in this morning's Murmurs, Airbnb spent \$19,782 from April through June lobbying City Hall to grant the city's unprecedented seal of approval on the San Francisco startup's short-term rental operations.

That brings Airbnb's year-to-date lobbying expenses to \$24,282—and that's not counting what it spent in July, when it laid out a City Hall buffet of muffins and sandwiches for its clients.

Meanwhile, city records show Airbnb's fiercest opponent, apartment management group Multifamily NW, spent \$1,016 in the same span. Multifamily NW wants to make sure the city doesn't approve short-term rentals in apartments and condos—though Mayor Charlie Hales says that change is coming.

The code changes approved by the City Council put limits on the online rentals, making legit some of the otherwise no-tell motels of about 1,600 Portlanders already advertising through Airbnb.

What's remarkable about the deal Airbnb struck in Portland, however, is that while the city legalized some of the company's rentals, it's accepting the lodging taxes from all of them. City officials are expecting nearly \$500,000 a year in new taxes.

Today, the City Council has rejected Commissioner Dan Saltzman's plan to dedicate that money to an affordable housing fund. (The Portland Mercury has detailed coverage of that squabble.)

Homeowners who want to turn bedrooms in their homes into hotel rooms can do so starting Sept. 2 by purchasing a \$180 permit and scheduling a city safety inspection.

The Mercury

In Other News

By Mercury staff
August 6, 2014

FOR THE SECOND TIME since 2011, the Oregon Department of Transportation (ODOT) has settled a lawsuit with homeless campers who claimed the department unlawfully confiscated personal items.

Under the agreement, ODOT will pay \$60,000 and faces additional rules for how it can expel campers from its land.

Those rules will have ramifications for Portland's homeless, since ODOT owns land around bridges and along the Springwater Corridor—areas that have been ripe for enforcement.

ODOT has established guidelines for dealing with campsites before. In a 2011 settlement with plaintiffs represented by the Oregon Law Center (OLC), the department agreed to give campers 10 to 19 days to clear out their belongings from ODOT land. But the OLC sued again in 2013, when ODOT didn't abide by those rules when clearing out campers from property near the Interstate 205 bike trail.

The latest settlement, signed Tuesday, July 29, gives ODOT more leverage to move campers out quickly. If it pre-emptively posts "no trespassing" signs, it only needs to give 24 hours' notice. DIRK VANDERHART

SOMETIMES, a little bit of competition can be a good thing.

Months after Portland made Google's short list for gigabit-speed fiber-optic service, one of our current broadband providers has unsurprisingly announced that it, you know, wants in on the action, too.

On Tuesday, August 5, CenturyLink officials gathered at Portland City Hall to promise the dramatic expansion of a high-speed network it had already been offering, quietly, in some neighborhoods.

Like with Google—which won't reveal Portland's fate until later this year—CenturyLink won't have to cover the entire city. (Meaning you're still stuck with Comcast if you live in a poor neighborhood.) Portland, as part of its bid for Google Fiber, explicitly waived that requirement.

CenturyLink's decision echoes moves made by (panicked) providers in other cities targeted by Google. Portland has long wanted broadband providers to wire homes with fiber-optic service. But CenturyLink, even as of a few years ago, had told city officials it didn't think the market would support that kind of investment ["Ring of Fiber," Feature, March 5]. Until now. DENIS C. THERIAULT

Hall Monitor

A Bad Omen for City Hall

By Denis C. Theriault
August 6, 2014

A FEW YEARS AGO, in a more publicly collegial era for Portland City Council (emphasis on "publicly"), an idea this reasonable would have been embraced as an everyone-takes-credit no-brainer—unanimously approved the first time it was brought up.

But not in 2014. Not in a Portland City Hall rubbed raw by personal beefs and increasingly stumbling into a reliance on transactional politics.

For the second time since he raised the idea in June, City Commissioner Dan Saltzman's dream of using newfound annual revenue from short-term rentals to help offset their looming dark side—an inevitable loss of affordable long-term housing—will die at the feet of his temperamental colleagues.

Saltzman had long ago pulled in his predecessor atop the Portland Housing Bureau, Commissioner Nick Fish. But Saltzman, after reviving his idea late last month, was unable to persuade anyone else—despite a dramatically improved lobbying effort, which included face-to-face meetings and supportive letters from housing advocates, developers, and communities of color.

And now, as of press time, what was supposed to be a victory party this Wednesday, August 6, will look more like an execution.

Commissioners Amanda Fritz and Steve Novick remained as opposed as ever ["Round Two," News, July 30]—despite sympathy for the housing advocates supporting Saltzman. Fritz, in particular, couldn't get past the notion that this discussion, about money already spent elsewhere, was taking place outside the city's budget process. (And when the Portland Housing Advisory Commission wrote the council lending its support, Fritz wrote everyone back making that point deadly clear.)

So it also went with Mayor Charlie Hales, who'd been held up as Saltzman's best hope. The break between the two is especially striking, given how often they've agreed on housing and development issues.

Saltzman has dutifully lined up behind Hales' push to redevelop Old Town and Chinatown by waiving infrastructure fees. Saltzman also kept out of the way when Hales tried to immediately expand the city's embrace of short-term rentals to apartments and condos.

Saltzman's office didn't return calls seeking comment, apparently leaving that up to Fish.

"Here's a way, upfront, to say we acknowledge that there's going to be a negative impact" because of short-term rentals, he says. "We want to take the modest first step of taking revenue we wouldn't otherwise have and using it to fund affordable housing.

"This is not a defeat. It's just a setback. If we can't prevail tomorrow, then I'll work overtime to get funding in the budget cycle."

Maybe that will bear fruit. By next spring, as part of a larger discussion of the city's finances, Fritz might be willing to sign on.

But it's not clear if Novick or Hales would ever be so eager. Not with Saltzman and Fish so closely attached to the proposal. Not with their opposition to the biggest transactional issue in city hall this year—Novick and Hales' voter-free push for a street fee—so fresh in everyone's minds.

Saltzman deeply angered Novick this spring—costing himself a re-election endorsement—when he questioned not only the tactics around the fee, but also whether the city even needed one. Novick also called Fish a name (once!) in an email shared with the press.

If Hales felt himself burning as brightly, he's never let on—but it wouldn't be surprising. Hales is known for having a temper. And it's been plainly obvious that his relationship with Fish, already touchy at times, has cooled.

That may all be noise. Hales, in breaking with Saltzman on short-term rental revenues, can certainly cite legitimate policy differences. Novick already has. But the notion that various grudges could even exist is discomfiting.

And on a council where merely counting to three has somehow become more preferable than finding a good reason to count all the way to five, Hales might be the one who winds up losing the most.

Cozying Up Hales' Budget Reversal an "Olive Branch" for the PBA

*By Denis C. Theriault
August 6, 2014*

THE FUNDING PITCH from the Portland Business Alliance (PBA) hit Mayor Charlie Hales' inbox a little after 2 pm on June 23—just four days after the Portland City Council had finally approved its budget for the fiscal year that started July 1.

At Hales' behest, that budget had crossed a notable line in city hall's on-again/off-again relationship with Portland's chamber of commerce.

It cut the \$828,000 in transportation revenue that had been allocated to one of the PBA's most cherished programs—its Downtown Marketing Initiative (DMI). The PBA had long seen that payment as the city's end of a deal to raise parking rates downtown. Axing it altogether, including a popular campaign that saw the city's statues dressed in ugly Christmas sweaters, was seen as a betrayal.

And in six pointed paragraphs, the PBA's president, Sandra McDonough, was formally pleading with Hales, one more time, for what amounted to a partial do-over. And, maybe, a chance to make nice.

"A small gesture," she wrote, referencing retailers' "high level of concern and distress" over a broken "commitment," "would be greatly appreciated by the retail community."

Finally, this month, McDonough seems due to get her wish. On Wednesday, August 6, the council is expected to restore some of the cash it historically handed the PBA: \$170,000 for a "bare-bones" holiday business promotion.

It's a remarkable turnabout so soon after Hales' rejection—sudden enough that the decision won't be unanimous. Commissioner Amanda Fritz balked during a vote last Wednesday that would have immediately paid the PBA from the city's contingency fund.

But building that kind of support was never the plan.

Emails obtained by the Mercury reveal another motive for Hales' reversal, beyond an earnest desire to soften any looming holiday blow for downtown businesses. Late on June 23, Hales wrote his chief of staff, Gail Shibley, and his director of strategic initiatives, Josh Alpert, to issue a simple order:

Do it. Tap money that's traditionally set aside for unexpected expenditures. Make the peace.

"I think it is a very affordable olive branch," Hales wrote, later calling it a "prudent bet on downtown health." "And if we can get three votes for a contingency draw, we can fund it."

If that seemed rash—given Hales' "hold the line" budget rhetoric all spring—that was because he had a stealth reserve of confidence.

Thanks to a still-humming local economy, the city budget office has told the Mercury that Portland's staring at a one-time budget surplus worth at least \$10 million. That money—technically an accounting of leftover cash after the previous fiscal year—is about the size of a similar surplus divvied up last fall.

(And it's still just 1 percent of the city's combined revenues and spending.)

"Economic conditions are still generally positive," Budget Director Andrew Scott tells the Mercury, "and given that we forecast conservatively, we would expect this year's ending-fund balance to be equivalent or greater than last year's."

That preliminary figure hasn't been shared publicly. But it hasn't been much of a secret in city hall, and it's made it easier for most of Hales' colleagues to swallow any objections.

Except, that is, for Fritz.

"If I were going to vote to spend \$170,000 today," Fritz said during the July 30 hearing, "I'd vote for a crossing improvement in East Portland, which is another project we decided we couldn't fund in the budget."

The DMI first found itself in danger this winter, alongside discussions over a controversial street maintenance fee. The DMI had been funded through transportation money that otherwise could have been spent on road fixes and safety projects—an arrangement City Commissioner Steve Novick questioned when submitting his proposed budget for the Portland Bureau of Transportation.

Acknowledging the deal with the PBA over parking rates, Novick suggested tapping the city's general fund—forcing the DMI to compete with other needs like parks and housing and public safety. Hales and the city council decided, in turn, that all of those things were more valuable than marketing.

The DMI got nothing, in fact—until McDonough reached out with her letter.

But then, starting in July, emails show, Hales' staff worked closely with the PBA to deliver on Hales' decision. Alpert, Hales' strategic director, found a way to immediately tap contingency funding instead of

waiting until the fall. He promised to round up votes and also reassured the PBA that putting its name on the ordinance wouldn't be politically toxic.

Alpert was first to advise Hales that the move might rebuild a little bit of "good will," the emails show.

Cutting the DMI cash—and going back on what had been understood as a promise over parking rates—would have been a cardinal sin for the PBA no matter what else was going on in city hall, sources say.

That strife was magnified in light of this year's push to pass a street fee without voter approval. The PBA's then-top lobbyist had warned, in publicly posted documents first noticed by Willamette Week this winter, that cutting the DMI might muddy the discussion.

But the street fee's hardly been the only source of friction between Hales and the PBA.

The PBA was stung by Hales' decision last year to sit out a legislative fight meant to revive Portland's unconstitutional sit-lie sidewalk laws. It didn't like that Hales (or anyone on the city council) passed a sick-leave ordinance. Hales further disappointed the PBA when he didn't fight harder for the Port of Portland's dropped plan to develop West Hayden Island—part of an ongoing battle over where to site new industry in Portland.

The city's also been in early discussions, emails confirm, about raising parking meter rates downtown another 20 cents.

"It's not a secret," says Hales' spokesman, Dana Haynes, "that the Hales administration and the PBA have not seen eye-to-eye on a number of issues they are concerned about."

Hales and McDonough did manage to see eye-to-eye, at least, on the timing of this push. McDonough's email had requested "an answer by August 1." The original July 30 vote—squelched by Fritz—would have put the city two days under the wire.

Who says city hall isn't responsive?

Movin' on Up

Alta Bicycle Share Might Be Sold. What Does That Mean for Us?

*By Dirk VanderHart
August 6, 2014*

ALTA BICYCLE SHARE seemed poised to emerge atop the country's new preoccupation with bike share.

After starting up short-term public bike rentals in Boston and Washington, DC, the five-year-old Portland company quickly expanded to the country's densest cities: Chicago, San Francisco, Seattle, New York.

Since early 2013, Alta's also been working, without much success, to bring bike share home to Portland. Now the company's hit a financial snag out east, and it looks like Portland won't be home for much longer.

Early last month, reports emerged that the company is in the process of being bought out by a New York concern, REQX Ventures. REQX, a subsidiary of New York real estate firm Related Companies, is negotiating to purchase a stake worth at least 51 percent of Alta, the website Capital New York first reported.

Local sources confirm to the Mercury they've been told a deal is in the works.

So far, most of the speculation around the agreement has centered on what it might mean for New York's Citi Bike system.

Alta's had trouble in a number of its markets, but nothing's been as awful as its quagmire in the Big Apple, where revenue has lagged despite heavy use, software at bike-share kiosks has been plagued by bugs, and the company quickly found itself short millions of dollars.

The conventional wisdom is the REQX deal will solve Alta's cash flow issues, lead to an infusion of millions for the New York system, and potentially result in thousands of the company's bright blue bikes in new parts of New York.

But what does it mean for Portland, where an outstanding contract with Alta sits on ice while the company looks for millions in corporate sponsorships to help pay for a 750-bike system? No one's saying.

"We're monitoring the situation and they're updating us, but we can't discuss our contractor's internal affairs," says Dylan Rivera, a spokesman for the Portland Bureau of Transportation (PBOT). "That's for them to discuss."

An Alta spokeswoman declined to comment, and Vice President Mia Birk didn't return our call.

According to Rivera, PBOT received an overview of Alta's finances when it bid for the Portland bike-share contract. But those finances have clearly changed in light of the situation in New York, and would change again if the company were bought out. Rivera wasn't certain whether Alta would be required to provide updated financial information if it comes under new ownership.

And there doesn't seem to be a lot of clarity in city hall about just how the deal could affect the city's contract.

"I don't know what it means yet," Portland Transportation Commissioner Steve Novick said when asked about the deal.

Some, like Bicycle Transportation Alliance Executive Director Rob Sadowsky, say they're hopeful.

"Will it stay the same company? We don't know," Sadowsky says. "Will it allow them to be competitive? Will it allow them to operate greater economies of scale? We don't know.

"I'm paying attention to it, and I'm not freaked out at all."

In particular, Sadowsky says, he's optimistic a deal might bring better marketing skills to Alta. That could lead, in turn, to the long-sought sponsorships needed to get Portland's system running by next spring.

"The most important concern that we have," Sadowsky says, "is that bike share's not moving forward."

Fritz Slams Funding for Old Town Redevelopment Plan: "It's a Shell Game"

*By Denis C. Theriault
August 6, 2014*

It's been well-known for months that a neighborhood-sponsored plan to redevelop Old Town and Chinatown—relying on infrastructure waivers to hopefully spur construction of 500 "workforce" housing units—would divide the Portland City Council along some immutable fault lines.

When the Oregonian first reported on the plan back in March, two commissioners—Nick Fish and Amanda Fritz—stood ready to offer their opposition. They liked the idea of helping the neighborhood. But those foregone fees, they argued, would cost the city's transportation, parks, water, and sewers bureaus—and might be subsidizing development that would come to the neighborhood anyway. They also flagged a departure from city policy. The fees, also known as system development charges, are typically waived only for affordable housing units.

They repeated the same during a hearing July 23, at which today's formal vote was scheduled. Thusly, as expected, the redevelopment plan, pushed hardest by Mayor Charlie Hales' office, wound up moving forward on a 3-2 decision.

Hales had sufficiently persuaded Commissioners Steve Novick and Dan Saltzman to bet that the waivers—worth \$7 million—would be the magic ingredient breaking impoverishment's tenacious hold on a neighborhood that's been increasingly surrounded by prosperity.

"This district has managed to sleep through two amazing real estate booms without anyone laying one brick on top of the other," Hales said this morning. He went on to say he was "ashamed" at the state of a neighborhood home to much of the city's social services infrastructure and with the vast majority of the housing stock set aside for low-income residents.

That's not to say there weren't a few surprises. Fritz, not content to merely recite her previous reservations, whipped up another rhetorical tornado, full of digs at the mayor—akin to the speech she delivered in 2013 when Hales didn't back her requests to fully fund (money that's since been restored) anti-sex-trafficking programs.

She called the whole plan a "shell game," which I guess is a kind of a gamble. She talked about the optics of giving money to developers at a time when the city is still short housing units for its neediest. She also reminded the council about the wisdom of giving up infrastructure fees just before her parks bureau, this fall, asks voters to renew an expiring bond measure that comes out of property taxes.

Here's a sampling:

Leaving aside who pays, the other core question in this issue is whether or not we should be subsidizing middle income housing, and if so whether the new policy should apply only in Old Town Chinatown.

We know that the greatest need for housing subsidies is at the level of 60% of median income and less. We know that we can't afford to help everyone who needs help even at that level, and so two thousand people are living on our streets.

Even though the desire for middle income housing has validity, can we really afford to dedicate resources to something that would be nice, that the market otherwise provides, and isn't as life-and-death as housing for people living outside, under our bridges, along the river and streams and in our parks?

But then again, Lents and Gateway don't have longtime developers and landowners sitting on expensive developable assets waiting for the Council to provide millions of dollars of SDC subsidies along with millions of dollars in Tax Increment Financing.

Mayor Hales asked a question at the end of the hearing in July, making sure the subsidies would apply to affluent owners of Old Town parking lots. I appreciate that level of transparency, and I hope other strategies will be forwarded to the Council soon, to prompt redevelopment of surface parking lots.

- *A study in Florida indicates that waiving fees does not prompt development.*
- *I believe new construction in this area will happen anyway, as the Pearl is built out and developers look for new downtown sites.*

It's a shell game, and Parks, Transportation and the utilities lose in the funding mechanism chosen to implement this Plan.

As a piece of political rhetoric, it's bracing and pointed in a way that's awfully rare. I asked Fritz's office for a copy, and that way you can read the whole thing... after the jump.

I watched the public hearing on this item live in Yorkshire, England, thanks to Portland Community Media and PortlandOnLine. I appreciated the public testimony and Council discussion. Since I wasn't able to participate in the hearing, I have many comments to make as we are voting.

- *I support many elements of the action plan.*
- *Old Town Chinatown Japantown is an important neighborhood, which deserves our best efforts to make it vibrant and special place.*
- *So do all the other 94 neighborhoods, of course. Each neighborhood has unique qualities and challenges. Every neighborhood could use additional support and taxpayer-funded investment, even affluent ones that lack basic services like sidewalks and playgrounds.*
- *Community members have worked hard with PDC and City bureaus to identify improvements and strategies that are likely to conserve and improve the special characteristics of this historic neighborhood, and I commend you all for your diligence and vision/*

The primary question is how to pay for the plan.

- *The Mayor, PDC and the plan propose to stimulate development by excusing developers from paying their fair share for improvements and maintenance in parks and utilities. Improvements that will be needed by the new residents.*
- *System Development Charges are the way almost all new development pays its fair share as compensation for the impacts that development and its users have on the City services and infrastructure.*
- *The exceptions up until now has been SDC waivers for affordable housing, either at or below 60% of median family income, or for small Accessory Dwelling Units.*
- *Now, this plan proposes to change City policy and possibly give millions of dollars in subsidies for median family income residences. Instead of debating this overall policy, the proposal is to apply the subsidy in just one of 95 neighborhoods.*
- *Commissioner Fish explained at the hearing that the Water and Environmental Services SDCs pay to maintain and replace the existing system.*
 - o *I agree with Commissioner Fish that requiring ratepayers to subsidize median income housing is a policy that raises significant concerns.*
 - o *Commissioner Fish made excellent points about the impacts on ratepayers.*
- *If I had been present, I would have illuminated the planned impacts on the Parks bureau.*

Because of the timing of the hearing, I must do that now after the public hearing is closed.

- *A couple of weeks ago, Council approved the referral of a Parks ballot measure, asking voters in November to replace the expiring bond measure authorized in 1994, to provide money for parks maintenance. In order to not raise taxes, I am asking for much less than is needed to avoid closures, let alone provide all the improvements needed to provide parks services to every neighborhood.*
- *Portland Parks and Recreation faces a gap of about \$360 million in needed capital improvement projects and major maintenance.*
- *The bond measure, if passed, will raise at most 1/5 of that amount or about \$68 million.*
- *This gap of nearly \$300 million doesn't even count the additional \$400 million that is needed to provide adequate levels of new parks facilities for all neighborhoods, including Old Town Chinatown.*
- *I am disappointed that the Plan does not address parks needs in the district. Last night, I attended the Movie in The Fields Park in the Pearl District. If this Plan is successful in attracting median income families to Old Town Chinatown, there won't be a neighborhood park for them to relax in.*
- *Expected future needs in the Central City area near in or near the district include improvements to the Greenway, a park opposite the Post Office, and one in the Conway development, as well as other potential major projects.*
- *Tax Increment Financing funds will not cover the full cost of these parks.*
- *Parks System Development Charges pay for new facilities needed to accommodate new growth, not for maintenance and repairs like the bond measure funds.*
- *Cutting SDC funds further reduces Parks' ability to provide adequate levels of service.*
- *The current SDC fund for the Central City plus expected income does not cover the projected costs of known needs in the area. Based on my 14 months of experience being the Parks Commissioner, I can assure you the new median income residents will be as demanding as the residents of other neighborhoods, in asking for their fair share of parks facilities. And so they should.*

Let's be clear. This proposal to forgo SDCs benefits construction companies and landowners. Future residents will not benefit. They will face widening gaps between the services needed in pipes and parks, and the capacity of the responsible bureaus to pay for those needed services.

- *And the worst part of this financing plan is, there are other options. It's likely there will be a higher than forecast ending fund balance in the General Fund this year. The*

Council could choose to allocate some of that balance to subsidize or provide incentives for development in Old Town Chinatown.

- *Instead, the plan is to make four bureaus bear the burden of encouraging middle income housing here.*
- *Whatever foregone revenue in Parks occurs should be reimbursed in the Budget. I intend to make that clear in any future budget decisions contemplated by this Council.*

This funding mechanism violates one of my core principles: There must be a reasonable answer for the question of: Who pays, who benefits, and is it fair?

- *Leaving aside who pays, the other core question in this issue is whether or not we should be subsidizing middle income housing, and if so whether the new policy should apply only in Old Town Chinatown.*
- *We know that the greatest need for housing subsidies is at the level of 60% of median income and less.*
- *We know that we can't afford to help everyone who needs help even at that level, and so two thousand people are living on our streets.*
- *Even though the desire for middle income housing has validity, can we really afford to dedicate resources to something that would be nice, that the market otherwise provides, and isn't as life-and-death as housing for people living outside, under our bridges, along the river and streams and in our parks?*

Urban Renewal Areas have already received additional dedication of taxpayers' dollars intended to stimulate economic development so that other more market based development will invest.

- *This funding mechanism sends even more money to an Urban Renewal Area that has already been extended and expanded.*
- *Just three months ago, Mayor Hales assured us that there is plenty of money and capacity in this URA to cover all current and future needs, and therefore that it was fine to decrease the size of the district.*
- *Now, we are told that the Old Town Chinatown plan can only be accomplished by taking SDCs from Parks, Transportation and the utilities.*

If we are going to institute this funding mechanism as a new policy, why wouldn't we do it first in areas that have greater need for middle income housing opportunities such as in Gateway or Lents?

- *There, too, is an abundance of low income housing, and not enough middle income housing in the district or nearby to support local businesses and neighborhood prosperity.*
- *Lents and Gateway don't have the benefit of a Pearl District nearby, with its new parks and vibrant commercial and employment opportunities, so the need is even greater there.*
- *Lents and Gateway don't have two MAX corridors, or a nearby streetcar loop.*
- *But then again, Lents and Gateway don't have longtime developers and landowners sitting on expensive developable assets waiting for the Council to provide millions of dollars of SDC subsidies along with millions of dollars in Tax Increment Financing.*

Mayor Hales asked a question at the end of the hearing in July, making sure the subsidies would apply to affluent owners of Old Town parking lots. I appreciate that level of transparency, and I hope other strategies will be forwarded to the Council soon, to prompt redevelopment of surface parking lots.

- *A study in Florida indicates that waiving fees does not prompt development.*
- *I believe new construction in this area will happen anyway, as the Pearl is built out and developers look for new downtown sites.*

It's been said that Parks is not losing any money, because no development is currently happening in Old Town.

- *It's interesting to hear again the argument made by my opponent in my re-election campaign, that if nothing is done then nothing is saved and nothing is lost.*

- *That assertion didn't convince Portland voters in 2012, and I believe Portlanders will see through it in this instance also.*
- *A hole gets deeper the more you keep on digging, and this funding mechanism will put Parks deeper into the hole, in the best case scenario that it achieves the goal of prompting more development.*
- *Without a commitment by the Council to pay back the lost SDC money from the General Fund or from URA funds, there is no potential scenario in which the Parks bureau, Transportation or the utility bureaus and consequently the citizens of Portland can come out ahead in this plan.*

The fact is that this is a shell game of what Commissioner Fish referred to as the different colors of money.

- *We're talking about taxpayers' and ratepayers' money.*
- *The money to improve Old Town Chinatown exists in Tax Increment Financing, or TIF. The majority of the Council is choosing to fund seismic retrofits with the TIF money, instead of using TIF to subsidize SDC waivers.*
- *There was no discussion of how the available TIF money could and should be spent, at the hearing on this plan in July or in the Budget hearings this spring.*
- *It's a shell game, and Parks, Transportation and the utilities lose in the funding mechanism chosen to implement this Plan.*

Old Town Chinatown is an important part of our downtown core and we need to support changes needed to make it a thriving neighborhood and business district.

- *The action plan speaks to many of the issues that will be addressed in the coming years to make this a successful and vibrant area.*
- *Connectivity, Parking, Seismic upgrades, historic preservation, and enhancing neighborhood business and retail areas are but some of the goals this plan addresses.*
- *The River district Urban Renewal Area is an important part of that "renewal" and TIF funds are clearly intended for that economic purpose.*

I again commend and thank those in the community who have participated in the creation of this Action Plan I know you all worked hard in achieving this endpoint, and I believe there can be many good things to come out of it that will benefit and make this an even more successful neighborhood.

In England, the famous saying in the London Underground is, "Mind the Gap".

- *This caution appears appropriate in this decision, if a majority of Council is willing to promote middle income housing in Old Town on the backs of parks and ratepayers.*
- *If approved, the funding mechanism chosen shows that a majority of Council is willing to widen the gap between what we now have and what is needed for parks facilities and utilities.*
- *This is a good Action Plan, but as a member of that working group stated at the hearing, with all the intelligent people here on this Council we should be able to make the right decision on how to pay for it.*
- *I believe in this instance, that is not the case, and we are not minding the increasing gap to our Parks and Infrastructure needs with how this plan is being funded.*

I must respectfully vote NO

Why Restore (Some) Money for the Downtown Marketing Initiative? The City's Looking at a New Surplus Likely Worth At Least \$10 Million

By Denis C. Theriault
August 6, 2014

Mayor Charlie Hales has said timing and need governed his hand in looking to restore partial funding for the Portland Business Alliance's Downtown Marketing Initiative—some five weeks after he and the rest of the Portland City Council passed a budget that gave the program nothing.

In a 4-1 vote today giving the PBA just \$170,000 in contingency funds for holiday marketing, a far cry from the more than \$800,000 the city spent from its transportation revenues last year, Hales echoed previous statements about how businesses need help most around the holidays. He also said the issue was "time sensitive," in that the PBA needs to spend the fall getting ready for the promotion, knowing what it can spend.

But Hales had some other reasons to be so bullish on such a quick reversal. One reason, as you'll read in this week's paper, was the hope of making peace with the PBA after friction over several issues—not merely limited to Hales' pursuit of a street fee. Hales, according to emails obtained in a public record request, told his staff to make it happen because he saw the request as "an affordable olive branch."

But maybe a bigger reason? Hales is well aware the city can afford it. And some. But he's only hinted at why that's the case, only casually mentioning some new money in the city's coffers. Also from this week's paper:

Thanks to a still-humming local economy, the city budget office says Portland's staring at a one-time budget surplus worth at least \$10 million. That money—technically an accounting of leftover cash after the last fiscal year—is about the size of a similar surplus divvied up last fall. (And it's still just 1 percent of the city's combined revenue and spending.)

"Economic conditions are still generally positive," budget director Andrew Scott tells the Mercury, "and given that we forecast conservatively, we would expect this years ending-fund balance to be equivalent or greater than last year's."

That preliminary figure hasn't been shared publicly. But it's not been much of a secret in city hall, and it's made it easier for most of Hales' colleagues to swallow any objections.

Except, as everyone noted last week, Commissioner Amanda Fritz. Fritz voted no this week, after squelching an attempt last week to hand over the money on an emergency (AKA: immediate) basis. Fritz wants to wait on this issue and several others, until the fall, before redoing budget decisions and spending any new money.

"Are we saying we got our budget choices wrong?" she said. "I can't support this even though i do support the program."