

The Oregonian

Portland street fee: A few takeaways on how the controversial funding plan is changing

By Andrew Theen
September 11, 2014

UPDATE: This story was updated with additional reaction from Commissioner Steve Novick.

Portland has three volunteer work groups independently working toward a common goal: offering advice and recommendations to the Portland City Council on how exactly to raise more money for street maintenance and safety projects.

On Thursday, a group of about two dozen people hailing from each of the three work groups met for a special two-hour work session at City Hall.

Call it an extra credit session before the groups' penultimate meetings next week. Portland transportation bureau staffers dug deep into the weeds on Thursday, and one of the big takeaways: the controversial monthly street fee is virtually unrecognizable in the current proposals.

Street fee, we hardly knew thee.

In late May, Commissioner Steve Novick and Mayor Charlie Hales unveiled their plan to help raise more money for street maintenance and safety projects. That plan, tabled before a City Council vote in June, included a phased in monthly flat fee for residents and a separate monthly fee for businesses based on a wonky transportation manual's trip generation data and the building's square footage.

What do the current proposals look like, and what are some of the hot button issues? Let's examine how things have changed since May:

(Disclaimer: City officials will note that nothing has been finalized, and the City Council will ultimately determine what is approved in November 12, and that could include changing or addressing some of these factors listed below)

Goal posts moved — Novick and Hales have consistently advocated for more money for street maintenance, frequently saying the city needs to raise and spend \$91 million per year for a decade to really make a difference in the city's woeful road network. That figure doesn't include the cost of safety improvements or other transportation infrastructure.

The proposal floated in May estimated a haul of \$53 million in gross revenue from the resident and business fees. The latest version decreased the estimates to \$20 million from both the residential and business communities (total of \$40 million gross revenue). After you take away the estimated \$2.6 million to collect the fee on an ongoing basis, plus the millions the city won't be able to collect from taxpayers or businesses that can't or won't pay, PBOT will take in just \$30 million.

On Thursday, there was a sense from several committee members that the shrinking street fee is a growing problem. The \$30 million figure, they say, won't help address the nagging deferred maintenance that was one of the key points driving the street fee discussion in the first place. "It seems to me even if you enact this, the whole thing continues to slide backwards," Vic Rhodes, the former director of what is now the transportation bureau, said of street conditions.

At an April press conference unveiling Portland's transportation report card, Novick said, "time is our enemy." Nearly half of busy roads are in poor or very poor condition, and 54 percent of neighborhood streets are in similar shape, according to city data.

Jonathan Ostar, co-founder of OPAL Environmental Justice Oregon, echoed the concerns about the shrinking revenue, saying anything below the \$30 million net estimate would be "unacceptable."

Monthly no more? - Since its inception, the street fee discussion centered on a monthly fee for both residents and businesses. Now, PBOT appears to be leaning toward one lump sum payment, payable in

April of each year. Nothing is concrete of course, but on Thursday, revenue officials said the first payment could be due on April 2016. Why April? The city is looking at a progressive income tax on residents, for one. Using the existing revenue collection system for the arts tax could help hold down administrative costs, too.

Early on in the street fee discussion, Novick and Hales hinted at potentially putting the fee on the city's utility bill. That appears to be unlikely. The latest proposals also does away with a phased in approach, where the fee would gradually increase. But some folks find it easier to pay on a quarter or monthly basis, and PBOT is still looking at those options and other payment plans. Novick said he was concerned about the lump sump payment. "Most people budget month to month," the commissioner said in an email, "And we should give them an opportunity to pay month to month if at all possible."

Income tax and flat fee - The newly configured proposals are a significant departure from the May proposals, which drew criticism at a five hour City Council hearing earlier this year for being particularly regressive. Now, the latest plans include two variations on a progressive income tax. Under one example, people who earn less than \$30,000 of adjusted gross income would pay nothing. The wealthiest Portlanders would be capped at \$200 a month.

On the business side, the latest plan categorizes businesses according to the number of employees and annual gross revenue. The fee could be as little as \$2.50 per month or as much as \$120, depending on the business.

PBOT said whatever the funding mechanism is, it should be tax deductible for business owners.

Chris Kopca, Downtown Development Group's asset manager, said the funding plans are "fundamentally unstable." He said many residents could end up paying more than the businesses. "I don't think that's a good structure," he said.

The working groups start meeting again next week.

Want to take a deep dive? Here are some of the documents presented to the work group on Thursday.

UPDATE:

PBOT just posted all the documents for Thursday's meeting online. Here's a link.

Seattle is building micro parks. Why not Portland? Portland City Hall Roundup

*By Brad Schmidt
September 11, 2014*

It's well documented that east Portland residents don't have the same easy access to public parks as do people living in the rest of the city.

The reasons are many. But among them: the city hasn't bought enough land in east Portland to bridge service gaps, and the city hasn't developed all of the east Portland park land that it does own (with some acreage sitting neglected for decades).

We bring this up today because Seattle is trying something noteworthy.

Our neighbor to the north will begin developing a dozen micro parks, none more than two-thirds of an acre, and one of them smaller than the typical plot for a single-family home.

The city plans to develop the parks by 2018 in areas with service gaps, according to The Seattle Times.

We shared the story with Commissioner Amanda Fritz, who oversees Portland Parks & Recreation. Since taking over city parks, Fritz has prioritized bringing more services to east Portland – pledging to develop two parks and buying land for another.

In east Portland, the average park is about 8 acres in size, with some as small as an acre and the largest, Lents Park, at 38 acres. In general, parks officials in the past have been reluctant to develop small parks.

Fritz noted that it would be nice to have a dedicated pot of money for parks improvements, as Seattle does (voters approved a parks district in Seattle, while in Portland parks services compete against police and fire for general fund dollars).

If Fritz had another \$10 million, the city commissioner said, she would want to develop another large park in east Portland and build out improvements at Errol Heights, in the Brentwood-Darlington area of Southeast Portland.

But Fritz says she's nearly out of money, having already pledged current and future development fees to make parks improvements for places such as Beech Park and Gateway Urban Plaza in east Portland.

So that, Fritz said, means no Seattle-style micro parks for east Portland, at least under her tenure.

"Given that PP&R has SDCs as our only source of funding for new facilities and I've allocated almost all of the expected income for the next few years, no, I don't have any plans to do this in Portland," she said in an email.

The Mercury

Meet the New Street Fee! It's Different! That Might Not Matter.

*By Dirk VanderHart
September 11, 2014*

The controversial "street fee" proposal certainly has, uh, blossomed since being unveiled four months ago.

The latest proposals for finding millions in new yearly revenue to patch Portland's roads are almost totally unrecognizable from that toddling regressive flat fee for residents, combined with a sliding fee for businesses (based partly on the number of car trips they attract)—etched and whittled by new poll numbers and a lot of loud outrage.

Portland Bureau of Transportation staffers and Revenue Bureau types just spent the morning laying out the most-recent mechanisms they've got in mind, in a meeting of three work groups trying to find recommendations. The proposals are presumably similar to whatever's going to come up before city council in November, and so will probably affect your purse and/or wallet. Here's what we're looking at:

- For starters, PBOT has pretty drastically reduced its ambitions—at least according to the numbers floated today. Transportation Commissioner Steve Novick and Mayor Charlie Hales have consistently said PBOT needs about \$91 million each year to catch up maintenance that would make our roads acceptable. In their initial proposal, they shot for a little over \$50 million a year (which would also be spent on safety improvement projects), indicating it still wasn't enough, but a start. Now, PBOT's hoping to get \$20 million a year from Portland residents, and \$20 million a year from Portland businesses. But once administration costs and tax flouters are taken into account, PBOT says it'll be making about \$30 million a year.

This wasn't lost on group members this morning, some of whom questioned why the bureau is letting up on the gas. The most stinging criticism came from Vic Rhodes, a committee member who served as director of the then-Office of Transportation back when Hales was transportation commissioner.

"It seems to me that even if you enact this, the whole thing continues to slide backward," said Rhodes, referring to the city's street maintenance backlog. "I'm lost in how this fits contextually."

PBOT staffers say they'll reexamine their revenue goals in coming meetings.

- So where will that \$30 million (really a \$40 million target) come from? Well, on the residential side, it'll almost certainly be based on how much you make—a stark change from Novick and Hales' initial proposal of making everyone pay a flat fee (with a discounted rate for low-income residents). That was too regressive for many Portlanders, and even Novick frequently grouched about it. Then we paid \$16,500 to conduct a new poll, and found out that Portlanders might be willing to live with an income tax (something officials had previously said was out of the question). An income-based tax has dominated conversations since.

The revenue bureau has concocted two proposals. The first is a straight income tax, complying with all the vagaries and complicated nuances of the tax code. Under numbers floated today, households that make \$30,000 or less (nearly a third of the city, according to this morning's presenters) would be exempt. It would be capped at \$2,400 a year (for incomes nearing \$1 million, according to PBOT figures). Here's an example (though you should disregard that \$210 figure, which would be capped at \$200).

Sample Tax Calculation for \$1,000,000 AGI

AGI	Tax Rate	Annual Tax	Monthly Tax Equivalent
\$30,000	0.07%	\$22.09	\$1.84
\$42,000	0.11%	\$46.38	\$3.87
\$74,000	0.18%	\$136.20	\$11.35
\$77,000	0.21%	\$158.73	\$13.23
\$175,000	0.24%	\$425.17	\$35.43
\$52,000	0.26%	\$133.99	\$11.17
\$550,000	0.29%	\$1,603.48	\$133.62
\$1,000,000	0.25%	\$2,526.03	\$210.50

The next option is an income-based tax that snaps people into a set of rigid brackets. This is the revenue bureau's clear preference, because it's easier to administer. There are a lot of uncertainties about this one—proposals exist for capping monthly taxes at \$20, \$100, and \$200 (the lower cap would more evenly distribute the burden, while higher caps would put much of it on richer Portlanders). And again, there would be exemptions based on income and dependents. But rather than working with minute percentages like the tax code, this option puts you in a category based on your income. Examples? Yes, you're right:

Taxable Income

(3) 8 Brackets Capped Tax*	<=\$30K exempt, \$100 cap	<=\$30K exempt, \$200 cap
\$0 - \$30K	\$0.0	\$0.0
> \$30K-\$50K	\$4.0	\$1.5
> \$50K-\$75K	\$4.0	\$4.0
> \$75K-\$100K	\$8.0	\$8.0
> \$100K-\$175K	\$16.0	\$12.0
> \$175K-\$250K	\$32.0	\$25.0
> \$250K-\$500K	\$64.0	\$85.0
> \$500K	\$100.0	\$200.0

This mechanism has a lot of moveable parts that would have to be settled before coming to council. How big should the monthly tax cap be? Who should qualify for exemptions? Would all of the proposals be indexed to inflation? Allowed to lapse after a certain number of years? It's uncertain at this point, but PBOT says it's crafted examples of an income tax that can generate \$20 million a year, plus or minus \$2 million.

- Which brings us to the business side of the equation—a facet of this morning's presentation that was sending people into Twitter fits about how mind-cracking PBOT's schemes are. And this new "Business Entity Flat Fee," or BFF, is complicated. It's just not that complicated.

Basically, PBOT has created four groups businesses might fit under—based on employees, gross revenue, and square footage (with a fifth group for businesses that hold city business licenses, but aren't located here). PBOT then divided each of those groups by broad business categories (agricultural, construction, office, restaurant, and medical are some examples). Figure out what group you belong in, and your business category, and you've got your monthly tax. This time, PBOT is proposing a \$120 monthly cap.

There are three proposals along this scheme, with differing distinctions for how the four business groups should look. PBOT took a crack, then business owners, then a group concerned with non-profits and low-income earners. They've got subtle differences that I won't go into here, but as an example, here's the original proposal:

Business Category Criteria and Fees Based on fees per business entity		Non-Residential Fee Proposal Scenario: Proposal to Workgroups on August 24th, 2014 \$20 Million Gross Revenue Target (+/- \$2 M)								
8/11/2014		A		B		C		D		Extended****
Employees	Annual Gross Revenue	0 - 1		2-5		6 - 10		> 10		Monthly Fee
		* Soft	Monthly Fee**	* Soft	Monthly Fee**	* Soft	Monthly Fee	* Soft	Monthly Fee	
Group 1										
Agricultural	2,500	\$2.50		40,000	\$5	40,000 - 90,000	\$10	95,000	\$20	\$3
Churches, Charities, Associations	2,500	\$2.50		5,000	\$5	5,000 - 10,000	\$10	10,000	\$20	\$4
Parks and Open Areas	2,500	\$2.50		300,000	\$5	300,000 - 675,000	\$10	675,000	\$10	\$5
Services	2,500	\$2.50		10,000	\$5	10,000 - 30,000	\$10	30,000	\$20	\$5
Other	2,500	\$2.50		5,000	\$5	5,000 - 1,000	\$10	5,000	\$20	\$5
Group 2										
Construction	2,500	\$5.00		10,000	\$10	10,000 - 20,000	\$20	20,000	\$40	\$10
Industrial	2,500	\$5.00		20,000	\$10	20,000 - 40,000	\$20	40,000	\$40	\$10
Recreation	2,500	\$5.00		10,000	\$10	10,000 - 20,000	\$20	20,000	\$40	\$10
Transportation	2,500	\$5.00		20,000	\$10	20,000 - 40,000	\$20	40,000	\$40	\$10
Group 3										
Institutional	2,500	\$7.50		35,000	\$15	35,000 - 80,000	\$30	80,000	\$60	\$15
Office	2,500	\$7.50		15,000	\$15	15,000 - 35,000	\$30	35,000	\$60	\$15
Group 4										
Restaurant	2,500	\$10.00		5,000	\$20	5,000 - 10,000	\$40	10,000	\$80	\$20
Retail	2,500	\$10.00		15,000	\$20	15,000 - 40,000	\$40	40,000	\$80	\$20
Group 5										
Lodging	2,500	\$12.50		35,000	\$25	35,000 - 75,000	\$50	75,000	\$100	\$25
Medical	2,500	\$12.50		18,500	\$25	18,500 - 40,000	\$50	40,000	\$100	\$25

*** Non-Profits receive a 50% discount on their category based fee

The city estimates 120,000 to 125,000 businesses would pay the tax—including 30,000 who don't have locations in Portland. The least a business would pay is \$30 a year. The most is \$1,440.

At this morning's meeting, work group members had a mixture of sharp questions and appreciative comments over the proposals. Chris Kopca, of the Downtown Development Group, called the vast differences between business and residential tax mechanisms "really awkward,"

"It's a bad thing to go forward with two formulas that approach it so differently," Kopca said. "I don't think it breeds political goodwill, longterm."

Reservations aside, nothing was decided this morning. More will become clear as the various work groups meet again next week, though even the best-laid plans may not be enough to stop the street fee's most-strident critics from trying to force a public vote. And a lot more, if history is any indication, could change before November.