

The Oregonian

What to know ahead of Portland Mayor Charlie Hales' budget, \$49 million surplus

*By Andrew Theen
May 04, 2015*

Charlie Hales releases his proposed budget on Tuesday morning, offering the first substantive peek at what the Portland mayor hopes to do with a nearly \$50 million surplus.

In Portland's quirky commissioner form of government, the mayor sets the budget priorities and guides the city's spending proposals at the beginning of the budget cycle. The proposed budget could change in the coming weeks, as the elected officials and budget committee work through the spending priorities. A final budget vote is scheduled for June 18, with the new fiscal year starting July 1.

The general fund is the largest discretionary pot of money for which the City Council determines a spending plan. General fund dollars, largely property tax revenue and business license fees, pay for parks, police, fire and other basic services.

Check in with OregonLive.com on Tuesday for stories, analysis and photos from the mayor's budget rollout.

This marks Hales' third budget as mayor, and it's a stark contrast from the \$21.5 million deficit he inherited.

Last week, Portland's budget officials said the City Council has \$49 million in new revenue to allocate in the 2015-16 fiscal year, a product of a thriving business climate and a citywide construction boom.

Here are a few numbers to know going into Hales' proposed budget:

- \$13.1 million: The amount of on-going spending the City Council can expect in future fiscal years. This new money could allow the council to approve spending plans for programs that carry on for multiple years.
- \$35.9 million: The one-time general fund amount up for grabs.
- \$17.95 million: Half of the one-time spending must be spent on maintenance or safety improvements, thanks to a January City Council policy move.
- \$10 million: Commissioner Steve Novick asked for more than half of the maintenance set-aside specifically for street paving. For comparison, that is roughly one-year's worth of paving.
- \$175 million: That's the estimated cost needed to renovate and fix the Portland Building, the city's largest administrative office.

Keep an eye on these issues:

- Transportation: Hales and Novick spent much of 2014 campaigning, unsuccessfully, for more transportation money. The budget proposal offers the first significant hint at how seriously the mayor views both the paving backlog and safety improvements. While a chunk of the \$17.95 million could go to paving, Hales could also dedicate some of the ongoing money as well. The mayor's budget announcement is at the East Portland Community Center.
- Parks: Voters approved a \$68 million parks bond in November, but the bureau still has hundreds of millions in deferred maintenance work and capital spending across the city.
- Emergency Preparedness: In November, the City Council approved spending \$11 million in excess cash from the previous fiscal year for a series of projects, including traffic signal maintenance and \$300,000 for east Portland parks master planning. At the time, the requests included \$9 million to address fuel stations that could pose a significant risk in the event of an earthquake. Portland chose to issue debt for some of those projects, and Hales could decide to use some of the 50 percent set-aside for additional fuel station replacement or other proposals.

Firefighters - A \$4.2 million federal grant that saved 26 firefighter jobs expires this year. The Fire Bureau requested money to continue the jobs.

Marijuana - Hales requested \$440,000 for a citywide marijuana permitting program. With legal recreational marijuana arriving soon, the mayor could use this budget for additional regulatory measures or staffing as the city ramps up.

Those are just a few of the overarching topics to keep an eye on from Hales' budget. We'll have more reporting on the budget on Tuesday.

Portland Mayor Charlie Hales' \$49 million budget proposal has millions for 122nd Avenue

*By Andrew Theen
May 05, 2015*

Portland Mayor Charlie Hales wants to spend more than \$8 million of the city's \$49 million budget surplus on transportation improvements along 122nd Avenue alone.

Hales revealed his proposed budget Tuesday morning at the East Portland Community Center, pledging to spend \$30.4 million of the city's surplus in the upcoming fiscal year on basic services.

"The main street of east Portland is 122nd Avenue," Hales said, saying the \$8 million would add critical safety improvements to make the thoroughfare available to more frequent transit service.

The proposed budget included \$18.9 million in one-time spending for the Bureau of Transportation. Hales' proposal includes \$8.9 million in paving projects and \$6.9 million for street safety improvements.

"This is a serious commitment from the city of Portland to the streets we all own," Hales said.

Hales and Commissioner Steve Novick spent much of 2014 advocating for a new funding stream to pay for long deferred street maintenance projects. Hales said Tuesday's proposal doesn't change the long-standing issue, adding "we'll get back to the question of long-term funding" after the budget.

The budget proposal includes nearly \$6 million in one-time dollars for the Portland Housing Bureau, with 41 percent of that going to the housing investment fund. Another \$850,000 would be dedicated to home retention programs to prevent residential displacement.

Hales' chose the East Portland Community Center, calling the location a "fitting location" for a budget proposal that includes \$2 million for youth programs through the Bureau of Parks & Recreation for free programs for kids.

The proposal includes several items Hales mentioned in his State of The City address earlier this year. Here is a quick breakdown of some one-time and on-going funding requests.

One-time general fund requests:

- \$440,000 for marijuana permitting
- \$120,120 for mental health
- \$100,00 for ban the box implementation
- \$960,000 for Youth Pass
- \$250,000 for streetcar capital improvements

Ongoing funding requests:

- \$1.4 million for unpaved roads through PBOT "Out of the Mud" program
- \$900,000 for \$15/hour wage for employees and contractors
- \$300,000 east portland action plan

Other big ticket items included in Hales' proposal:

- \$2.6 million for the Portland Building

- \$1.4 million to maintain 26 firefighter positions that would be otherwise be lost due to the end of a federal grant
- \$1.9 million to augment 2016 World Indoor Track and Field Championships

Hales and other city officials will be available later this afternoon for a deep dive into the budget documents. The Oregonian/OregonLive will be there with more photos and analysis.

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This story will continue to be updated.

Proposed Portland parks SDC vs. housing affordability: Editorial Agenda 2015

*By The Oregonian Editorial Board
May 04, 2015*

Portland City Council on Wednesday will consider a large and controversial fee hike whose calculation is almost ostentatiously complicated. No, the proposed street fee has not emerged from hibernation ... yet. The city, rather, has its eye on parks fees, which could jump by more than 50 percent for many new homes, driving the cost of Portland's housing stock even more rapidly upward.

The proposal appears on the agenda at the request of Commissioner Amanda Fritz, who heads the city's parks bureau (and did not respond to a request for comment Monday before deadline). Fortunately, she needs support from at least two of her four colleagues, all of whom should tell her to send the fee hike back to the policy garage for more work. There should be an open bay right next to the street fee, which consistently failed last year to win support from a council majority.

The parks fee, known formally as a systems development charge, is applied to new development in order to cover associated infrastructure costs. The concept, at least, is simple. Because building new homes increases the demand for parks, the thinking goes, those who buy them should pay a proportionate share of the cost of meeting the demand.

The implementation, unlike the concept, is complex and slippery. The proposal the Council will consider Wednesday, for instance, assigns different parks SDCs to five different housing tiers in two zones (central city and non-central city). The tiers vary according to unit size and range from \$4,648 for a unit smaller than 700 square feet in the central city to \$13,049 for a unit of 2,200 square feet or more outside of the central city.

This is a refinement, by the way, of a version discussed by Council in April that featured a mere four size-related tiers over two zones. This, it seems, wasn't complex enough.

Currently, the city's parks SDCs vary by housing type rather than size. A single-family unit in the central city, for instance, pays \$8,594, and one outside of the central city pays \$8,582. A 2,200-square-foot unit outside of the central city, then, would see a hike of over 50 percent under the new proposal.

The demand for park infrastructure generated by an identical housing unit in an identical location will not be 50 percent greater next year than it is today. Why the big fee jump, then? The calculation of park SDCs has less to do with actual impact than with assumptions and methodology. These can be tweaked to produce a variety of results, including – pretend to be surprised – collecting more money.

Raising fees so dramatically will have the obvious effect on housing affordability, and this will not happen in a vacuum. Even as the city contemplates higher park fees for new homes (and, yes, business expansions), the stalled street-fee discussion looms in the background. Meanwhile, city officials are urging lawmakers to allow them to adopt inclusionary zoning, under which a certain percentage of new housing units in a development would have to be set aside as affordable – with the developer (and buyers of market rate units) contributing much or all of the embedded subsidy.

City commissioners are appropriately concerned about the effect of rising housing costs on low-income Portlanders. They're not nearly concerned enough, however, about the effect of such costs – and the well-intended policies that drive them upward – on middle-class residents, especially those who also support children and might reasonably want to live in a 2,200-square-foot unit. If it's true that government

taxes what it doesn't want, rubber-stamping the new SDC methodology would send a message middle class families could hardly miss.

Portland City Council can send a different message, however, by shelving the SDC methodology temporarily and committing to think in a more coordinated fashion about the cumulative effects, especially on middle-class families, of this and other new policies.

There's much to be said for moderate fees accompanied by periodic bond measures for parks and other infrastructure. This approach allows property owners to set their own priorities to some degree, it places pressure on public officials to exercise greater fiscal discipline, and it links payment to property value, which is a rough proxy for wealth.

The Portland Tribune

Hales: Proposed \$3.5 billion budget reflects city's priorities

*By Jim Redden
May 5, 2015*

Mayor Charlie Hales unveiled his proposed budget for the next fiscal year Tuesday morning, saying it focuses on basic services, improving the relationship between the police and the community, and helping youth, especially at-risk kids.

Budgets are the way the City Council puts its priorities into action," Hales said during a press conference at the East Portland Community Center, 740 S.E. 106th Ave.

The proposed \$3.5 billion budget includes \$484.5 million in General Fund dollars, the kind of money the City Council has the most discretion over. That's \$49 million more than last year, an jump attributed mostly to the improving economy increasing business licenses fees. Hales could have proposed spending it on new programs or initiatives, something his predecessor Sam Adams was famous for. Instead, here's where Hales wants most of it spent:

- Street projects would receive nearly half of the increase, almost \$20 million. The additional money would continue the city's commitment to maintain 100 miles of streets a year, add safety improvements in East Portland so TriMet will start frequent service on 122nd Avenue, and finally begin funding the long promised "Up From the Mud" program to H paving the 50 miles of dirt roads in the city.
- Continuing police reforms, including the new positions required to implement the U.S. Department of Justice settlement agreement to end the bureau's historic use of excessive force against the mentally ill. Hales is also proposing spending \$500,000 to help fund the new regional Psychiatric Emergency Center with Multnomah County and other partners called for in the agreement.
- Expanding hours for teenagers at Portland Park & Recreation community centers and other facilities to provide safe options for being on the streets. Among other things, Hales wants to spend \$2 million of the additional funds to reduce the user fees that were begun during the Great Recession to offset budget cuts.

Another public safety-related request is for \$1.38 million to restore 26 Portland firefighter positions eliminated during the Great Recession but retained with a federal grant that expires halfway through the coming fiscal year.

Hales budget also includes an additional \$6 million for the homeless and affordable housing, including funds to keep an existing women's shelter open year-round, increased focus on homeless camps, and more housing assistance. The total housing budget is \$106 million.

"We do have an affordable housing crisis, and it is not going away anytime soon," says Hales.

Hales is also proposing to increase joint water and sewer rates a little less than 5 percent. He says that is less than projected several years ago and mostly for necessary capital projects, such as the \$55 million water conduit under the Willamette River designed to withstand earthquakes.

Although Hales proposed budget would add 128 new positions, he insists most will provide needed services, not administrative overhead.

Unlike many previous budgets, Hales' proposal does not include much one-time spending. Hales says a lot of that money went to projects the council knew would be continued in future years anyway. He wants to end that practice but folding them into the regular budget, beginning with \$300,000 for the East County Action Plan that has already been funded for many years the council.

Despite that, Hales is still proposing a few one-time appropriations he calls appropriate. In addition to the \$500,000 for the regional mental health crisis center, they include:

- \$2.57 million to start design work for renovating the Portland Building. The rest of the project — currently estimated at \$175 million — would be funded through a financial instrument backed by future rents from the bureaus housed there.
- \$1.93 million to promote Portland and provide public access to the 2016 IAAF World Indoor Championships, schedule for March 16-18 next year at the Oregon Convention Center. The international track and field competition is part of 10-days of athletic competitions, including the 2016 USATF Indoor Track & Field Championships on March 11-12. Hales says the events are an unparalleled opportunity for Portland to showcase itself before the 200 or so participating countries, and he also wants those who are not attending to view it on a Jumbotron screen at Pioneer Courthouse Square. For more information, visit portland2016.com.
- \$400,000 for a joint project between Concordia University and Portland Public Schools to rebuild Faubion School as a PK-8 with more ties to the nearby university.

The council will consider and possible change Hales budget over the next two months or so. The next two Community Budget hearings are: May 7, 6:30-8:30 p.m. George Middle School, 10000 N. Burr Ave. and May 20, 6:30-8:30 p.m., City Hall Council Chambers, 1221 S.W. 4th Ave.

More information is available on the City Budget Office website at www.portlandoregon.gov/cbo.

Portland Business Journal

Portland's next city budget could include millions for businesses

*By Andy Giegerich
May 5, 2015*

Portland Mayor Charlie Hales is rolling out his budget today.

The rollout comes less than a week after Portland's Budget Office projected that the city will have an additional \$13.1 million of ongoing resources and \$35.9 million in one-time resources to spend in fiscal year 2015-16.

Hales will predicate his budget on that forecast.

While the city's general fund is growing at near record levels, leaders don't expect it to last. However, expect Hales to make a major push for pouring some of the current extra funds toward infrastructure needs. The mayor and Commissioner Steve Novick had sought ways to generate street repair funds through new fees.

The plan drew sharp opposition from businesses. That noted, the new budget's extra heft will likely include millions for projects on which businesses can bid.

"This increase in resources will allow the city to further prioritize basic services," Hales said in a release. "Residents can expect that my proposed budget will include substantial investments in paving, parks and housing."

Business license tax collections helped fuel the general fund increase. Collections are expected to rise to \$100 million-plus for fiscal year 2014-15, up from \$81 million a year earlier.