

The Oregonian

Charlie Hales' business-tax hammer: Editorial Agenda 2016

By The Oregonian Editorial Board

May 3, 2016

Charlie Hales, Portland's lame-duck leader, is nothing if not dramatic. The one-time Mayor Fix-It, who toted a tool belt to an early state of the city address, whipped out a hammer Monday and smashed what remained of his relationship with the city's business community. Despite enjoying record revenues and a multimillion-dollar budget surplus, Hales wants to hike the city's business tax by 14 percent.

The mayor acknowledged the controversy his proposal would generate, The Oregonian/OregonLive's Brad Schmidt reported, but said he "would rather have controversy over doing the right thing, and taking care of the most vulnerable people in the community, versus the controversy of, 'Oh my god, you're raising my taxes.' Pick your poison."

Leave it to Hales to suggest that it's somehow poisonous for the city to live within its means even during a revenue boom. Portland does have plenty of problems, from homelessness and violent crime to decaying roads (for which, by the way, the city is asking voters to approve a gas tax this month). And addressing these problems does cost money. But a better mayor would celebrate the expected budget surplus and propose to allocate it in the most effective way possible without reaching out for even more. That's called restraint, not poison.

Credit Commissioners Dan Saltzman and Steve Novick for spotting — and acknowledging — the deeply unserious nature of the mayor's proposal. Saltzman was particularly blunt, saying, "There is not a compelling rationale here, other than, 'Give us all the money we can possibly get our hands on, and we'll spend it for you,'" Schmidt reported. Saltzman does not support the tax hike.

Neither does Novick, who described himself as puzzled. "The lesson I learned on the street fee discussion is you don't roll out a tax and fee increase without doing your homework and outreach."

Such was Hales' lack of outreach to his colleagues that Sonia Schmanski, chief of staff to Commissioner Nick Fish, told Schmidt Monday, "We haven't gotten past the surprise." She did not offer a position on Fish's behalf, as Fish is traveling to visit family in Spain. But on Tuesday, Fish told The Oregonian/OregonLive editorial board via email that he has concerns about how Hales proposes to pay for what's in his budget and will speak with colleagues and stakeholders when he returns before taking a position. Fish tellingly said he'd be "particularly interested in the perspective of Venture Portland and local small business owners."

Amanda Fritz, the remaining commissioner, has said she won't develop a position on the tax hike until hearing from her constituents.

To pass the tax, Hales needs the support of two colleagues. So far, he has two no votes and two undecideds. The tax seems likely to go nowhere.

But why would the mayor propose to hike taxes on city businesses during a revenue boom without first trying to line up votes from his colleagues? "I think he's, frankly, trying to get at PBA," Saltzman told Schmidt, referring to the Portland Business Alliance. "Obviously, the relationship soured there a long time ago."

To this end, Hales' timing speaks volumes. Businesses in the Portland area already face an effort by Portland State University to establish a payroll tax. Also looming is a possible vote on a massive gross receipts tax on large corporations sought by the state's public employee unions. The businesses that pay this tax would pass along the hurt to smaller businesses, which, by the way, will be adjusting over the next several years to the state's huge minimum-wage hike. Proposing a 14 percent tax hike in this context seems to be a particularly vindictive act.

But credit the mayor with reminding Portlanders during his final months of a quality the city needs in his successor: an eagerness to build relationships with local businesses, especially before asking them for something. This quality is an important one for commissioners to have as well, and to that end the immediate opposition of Novick and Saltzman to the tax hike is reassuring, as is Fish's evident skepticism.

The Portland Tribune

Hales' business tax increase lacks council, mayoral candidates' support

*By Jim Redden
May 4, 2016*

The City Council is undecided on Mayor Charlie Hales' proposal to increase the city's Business License Fee to 2.5 percent to help fund public safety, homeless and affordable housing services.

And it's not getting much support from the major candidates in the Portland mayor's race, either.

None of the three major candidates asked by the Portland Tribune said they supported Hales' proposal. State Treasurer Ted Wheeler is opposed, and Multnomah County Commissioner Jules Bailey and Portland State University urban researcher Sarah Iannarone say they need more information.

Hales included the increase in the proposed budget for the next fiscal year he released on Monday. Since then, commissioners Steve Novick and Dan Saltzman have both come out against it, saying it does not appear to be needed because city revenues are increasing at record levels.

Then commissioners Nick Fish and Amanda Fritz both told the Portland Tribune they do not have enough information to make up their minds.

Fish emailed the Tribune from a family vacation to say he needs to talk with Hales, the rest of the council, and small business owners and organizations before deciding. He is returning to town this week.

And Fritz emailed to say she will not not decide until after hearing public testimony on it.

"As usual, I will wait to decide how I will vote on the proposed Budget until I've considered public testimony. I have heard from many Portlanders (including many business owners) that they want more services for housing, police, and parks. The budget process is set up to engage our community in deciding what services Portlanders want, and how we want to pay for them. The hearing on the Mayor's proposed budget is next Thursday in the evening. I expect a robust community discussion before, during and after that hearing," Fritz said.

Wheeler's campaign manager says that's not the route he would take to raise revenue. Wheeler also criticized Hales for apparently not consulting with his council colleagues or business organizations before announcing it.

"Ted believes it's another example of the mayor making a significant announcement to the surprise of his colleagues and those who would be subject to the policy. Ted's approach, in contrast, will be characterized by convening stakeholders, building consensus, and moving forward as a coalition," says Cox.

Campaign managers for Bailey and Iannarone both said their candidates need more information on the proposal.

"Jules wants to learn more about its impact on local small businesses," says Bailey campaign manager Christine Lewis.

"Sarah agrees that Portland needs major investments in housing, rent assistance, solutions to homelessness, and police reform at this critical time. As a small business owner, however, she would like more information about the impacts to local small businesses of the proposed increase to the Business License Fee. Her concerns, as always, are with equity foremost," says Iannarone campaign manager Elisabeth Swarttouw.

The 0.3 percent increase is estimated to raise \$8.7 million a year.

The Portland Business Alliance has come out against the increase, saying it makes "no sense" since city revenues are increasing, among other things.

Hales estimates the increase will be paid by approximately 25,000 Portland businesses, while many others would be exempt because they are so small. Hales is also proposing to increase the Owners Compensation Deduction would be raised to \$125,000 from \$100,000, giving more than 2,000 a tax break.

It will take three votes on the council to approve the increase.

A previous Portland Tribune story on the proposed budget can be read at pamplinmedia.com/pt/9-news/304714-182850-business-group-says-hales-fee-increase-makes-no-sense.

The Portland Mercury

Hall Monitor: Boom Town Budget Fight!

By Dirk VanderHart

May 4, 2016

ON THE SECOND FLOOR of Portland City Hall, it looked to some like another blessed trouble-free budget year.

In regular updates, commissioners' offices on that second floor were assured the city would have tens of millions more next year than would be required to continue existing city programs, a surplus partly fueled by record business tax revenues. And as Mayor Charlie Hales worked up a budget proposal, they were told by budget staffers that pressing concerns—like police staffing, firefighter positions, a mandate that the city pay certain parks workers more, and millions for housing and homelessness—would all be taken care of.

After all, the city was sitting on a \$20 million surplus. Until Thursday, that is, when news arrived that it was actually a \$25 million surplus—meaning more than \$500 million in the city's general fund. Big money.

Then Friday came, and any shot at a trouble-free budget year flew out the second-floor window. Hales' office that day quietly broke the news to commissioners that \$500 million, in the mayor's opinion, isn't enough to meet the city's needs. We need closer to \$510 million, Hales says.

So on Monday, Hales publicly unveiled a plan that's surprised a lot of people. As part of his budget, he'll ask Portland City Council to approve a raise to the Business License Fee local companies pay every year—from 2.2 percent of profits to 2.5 percent. That's actually a 13.6 percent hike in the fee, good for \$8.7 million a year.

It's a bold, last-year-in-office type move from Hales, who long ago shed any notions of catering to the whims of the Portland Business Alliance, and who says it's the prudent thing to do as Portland plans for rising costs in coming years.

"I'm not naturally inclined to raise taxes," Hales said at a showy press conference announcing the budget proposal. "This is a necessary increase to pay for services that are critical."

The mayor makes the case that most of the \$8.7 million will come from big corporations. A majority of Portland businesses don't earn enough to even qualify for the fee, and lots of others pay the minimum \$100. When Hales' plan for a more generous deduction for owner salaries is considered, 25,236 businesses would see tax increases under the change, the city says.

But all the figures in the world may not be able to outweigh one: \$500 million. Commissioners are scratching their heads over a tax increase when the city is in such a comfortable place.

"I can't justify a rationale," Commissioner Dan Saltzman told Willamette Week. Commissioner Steve Novick, hoping that voters pass a gas tax on May 17, immediately set about suggesting cuts that would render a tax hike unnecessary. Commissioner Amanda Fritz didn't offer many critiques.

All of which means Commissioner Nick Fish, who serves as a city liaison to business group Venture Portland, is a likely swing vote on Hales' most contentious budget. And inconveniently, he's in Europe visiting family.

"He's not going to take a position while he's in Spain," Fish's chief of staff Sonia Schmanski says. Plenty of businesses will anxiously be awaiting his return.

Meet the Next Wave of Portland Homeless Camps

By Dirk VanderHart

May 4, 2016

IN A CLATTERING lot behind Benson Polytechnic High School, the future of Portland homeless camps is coming together piece by piece.

Two or three days a week, 100 of the school's freshmen have been taking up saws and ladders, hammers and levels, and slowly building what teacher Tim Hryciw calls "basically finished garden sheds"—64 square feet, with two windows and a door.

For the school, it's an engaging way of teaching geometry, clearly enjoyable to the 14-year-olds busying themselves around the lot on a recent Monday. For the City of Portland, it's a way to tinker with how homeless camps will soon look in this city.

The four structures being built behind Benson today won't just house homeless people when they're completed in coming weeks. The city says they'll also serve as prototypes for an untold number of similar structures going forward—"sleeping pods" that can be cheaply and quickly built for organized camps as Portland wrestles with a housing emergency.

"The whole idea is to mass produce," says Josh Alpert, chief of staff to Mayor Charlie Hales. "Clearly there is a demand for camps and it's not going to end any time soon."

Welcome to the next step in Hales' strategy to combat an increasingly visible homelessness problem. As business groups and neighborhoods take up legal and rhetorical arms against the tents that dot the landscape, officials are quietly working toward a system where these small sheds, pre-approved by city code enforcers, can be built and mobilized en masse, and connected to sites with social services.

The sleeping pods—also weirdly called "hard tents" by city officials keen on ensuring they're allowable under Portland's zoning code—were mentioned when Hales rolled out a newly permissive camping policy in early February. Back then, Alpert was calling them "disaster relief pods," and it was unclear where they'd come from.

That question is quickly resolving itself.

At Benson, in the "tech geometry" course Hryciw began a couple of years back, the Portland Bureau of Development Services (BDS) is working with the freshmen on a plan that will meet code standards for a small, habitable structure. It has to be smaller than 200 square feet, with

no electricity or plumbing. It has to be stronger than an average shed, built to withstand gales and damp mud. And, perhaps most importantly, it has to be portable.

The goal is to get BDS to formally sign off on a design that can be replicated at sites zoned for "community service" use, with no need for construction permits. (It's the same zoning the city's using to justify relocating rest area Right 2 Dream Too to the Central Eastside, a move that's being challenged by nearby businesses.)

"We promised four [units]," Hryciw said recently, amid an unending string of questions from students. "If I were smart, I would have said three. We've been cranking."

As it progresses toward approved blueprints, the city's also working with a grassroots group made up of existing organized encampments, advocates, and a steadily growing stream of nonprofits and neighborhood representatives. This group, calling itself the "Village Coalition," came together a few months back through the ReBuilding Center on North Mississippi. It meets every other week.

"We're trying to learn what may work to address the housing crisis from the perspective of those who are houseless," says ReBuilding Center Executive Director Stephen Reichard. "I think that everybody in the coalition feels it's part of their job to do that."

The Village Coalition quickly landed on a suggestion: If the group could identify a warehouse where it could build tiny homes, the space could serve as a training ground for homeless people seeking new skills, and a handy source for the pods the city's been seeking.

Hales' people agreed to help. Alpert is talking with labor organizations about offering apprenticeship programs to houseless residents, and the city's looking at sourcing materials via a new law that ensures older homes are taken apart piece by piece.

City staffers are also trying to find a warehouse.

"The city is currently looking to see if there are any warehouses within the city-owned properties to be considered as a staging and training facility for the production of sleeping pods," says Bob Kieta, a recently retired city facilities manager who's been helping Hales with his homelessness efforts.

Under the city's plans for a "community village system," Kieta says, the sleeping pods would be clustered around a central building that has toilets, showers, and a kitchen. Those services hubs would have to be at least 170 square feet for every 10 pods.

"Sleeping pod camps are seen as transitional spaces into permanent housing," Kieta says, "and as populations move and needs in different areas grow, we will be able to move the sleeping pods to address the housing and shelter needs of different communities."

Sites like the one Kieta's proposing have been successful in places like Eugene. But they might also be roped into a lawsuit filed recently against Hales and the City of Portland, which argues, in part, that Portland has exceeded a state limit on transitional camping sites.

Officials have been trying to figure out how to rapidly produce sleeping pods for much of 2016. Local architect Mark Lakeman remembers a call he got from the city roughly four months ago "asking where they could rapidly get a bunch of tiny homes."

"I said there's nobody who has this kind of stuff in stock in a way the city could afford," says Lakeman, who's been working with the Village Coalition. "The best thing we could do is get a big warehouse and some skilled carpenters. They go, 'That's too messy and we don't do things like that.'"

Now, it appears, the city does things like that.

Hales, in fact, has long had an interest in using tiny homes as a balm for the city's affordability crisis. In August 2014, the Mercury reported on the possibility that the mayor would support small affordable communities on city property. The homes being proposed under that plan would have been more expensive than the "sleeping pods" under construction these days—something like \$12,000 a pop compared to the \$1,500 officials are shooting for now.

They never panned out. The latest effort seems more certain.

"We are actually very, very close to being able to talk about our first sanctioned camp," Alpert says, meaning the first organized camp under Hales' months-old policies.

But there's an unavoidable question that permeates all of these plans: Even if they survive legal challenges, how long will new pod camps be around? After all, Hales is only in office for another eight months. Ted Wheeler, the person most likely to replace him according to what little polling we've seen, has repeatedly voiced misgivings about temporary camps.

"I don't think they're compassionate," Wheeler said at a KATU-sponsored mayoral forum on Monday.

The Mercury Says: Vote YES on Measure 26-173 (Gas Tax)

*By the Mercury Endorsement Strike Force
May 6, 2016*

THERE'S SO MUCH ANGER and mistrust around transportation cash in this city, but the fact is, nothing substantial has been done to help fix Portland's deteriorating roads in decades. The mercurial street fee Mayor Hales and Commissioner Novick tabled in early 2015 got a lot of people upset, but the needs it sought to address are real.

You can grouse all you want about misplaced priorities during prior administrations—you're right to do so, in fact. But those needs will still exist.

That's why we support the gas tax that Novick and a coalition of active transportation activists, business types, and developers are now pushing.

Ballot Measure 26-173 would institute a 10-cent-per-gallon tax on gas bought in Portland. It would last four years and it's expected to bring in about \$16 million annually. Of that yearly money, 56 percent—or \$9 million—would go toward repairing Portland streets. The remaining chunk would go to safety projects like creating sidewalks in East Portland, crosswalk improvements, bike lanes, and so on.

There's a catch, to some: Portland's road repair backlog requires somewhere between \$100 million and \$200 million a year for a decade to fix. Given that, you'll hear criticisms that the gas tax doesn't devote enough—or all—of its potential revenue to roads. It's an easy argument, but it's also flawed: Portland lacks adequate money to complete safety projects, too, and the never-ending string of road injuries and deaths in East Portland speaks more to outstanding needs than the deepest pothole.

Another argument, from Paul Romain, the head lobbyist for the state's fuel industry (and a professional foe of local gas taxes), is that the tax would put Portland gas stations out of business—specifically, those on the outskirts of the city. We asked how many stations he thought would close. He couldn't say. Could he offer data from other cities where a local gas tax has had that effect? Romain could not.

Romain's other big argument—that the city needs to look at all of its finances, and make absolutely sure there's not a dime out of place before enacting new revenue measures—comes off as something of a ruse. The City Club of Portland recently took that look, and found any meaningful reshuffling of funds toward roads would cause drastic cuts elsewhere.

Romain says he doesn't trust that, and he wants to see a lengthy audit done in public. It'd be an easier argument to listen to if it weren't coming from an industry that has opposed—and had a hand in killing—every effort to find road funding locally over the last decade.

No, this gas tax is not a magic bullet for perfect Portland roads, and it will take more revenue sources to completely fix everything. But overall, it's worth it. We can't afford to remain stagnant on this issue and let our streets continue to crumble.

The longer we wait to act, the costlier it'll be to fix. Do the right thing and vote yes on Measure 26-173.

The Portland Business Journal

Rift between Mayor Charlie Hales and the Portland Business Alliance widens

By Suzanne Stevens

May 6, 2016

Mayor Charlie Hales and the Portland Business Alliance have locked horns twice over the past three weeks.

The latest clash came on May 2, when Hales announced his budget. The spending plan includes a proposal to raise the Business License Fee by 0.3 percent to pay for programs to address public safety, homelessness and affordable housing.

The PBA was quick to denounce the proposal.

With Portland's general fund at a record high, the PBA argued that increasing the fee made no sense when there was new money available. A smarter option would be to look internally and reprioritize spending, said PBA President and CEO Sandra McDonough in a statement at the time.

The PBA wasn't the only critic of Hales' proposal, but with 1,900 members who collectively employ more than 300,000 workers, its opinions carry considerable weight.

The rift over the business tax comes three weeks after the PBA joined with the Building Owners and Managers Association of Oregon, the Cartlandia cart pod and other business groups to sue Hales over his controversial policy that allows groups of up to six people to legally camp overnight on city sidewalks and unused city property.

"I don't believe in camps. Let's be clear. Camping is not a solution," Hales told the Business Journal this week. "But let's see (looks at clock), it's 5:57 p.m. There will be 1,800 people sleeping outside tonight in Portland. Where should they sleep? That's why we're opening shelter beds as fast as we can."

The city hopes to open a shelter in a secondary building at the former Washington High School in Southeast Portland.

While it's not unusual for business groups and elected officials to be at odds, the relationship between Portland's most powerful business group and Hales has become particularly fractious. City council member Dan Saltzman told the Oregonian that he thought Hales was "frankly, trying to get at PBA," with his proposal to raise the Business License Fee. "Obviously, the relationship soured there a long time ago."

When asked about the rift, McDonough said that a lack of communication on the mayor's part is at the root of the problem.

"When you come up with a proposal like (the business tax), and it's popped up very quickly, and other members of council haven't had a chance to look at it, (it's a problem)," she said.

"Typically you build a support base in the community. You don't bring up a new program and not talk to the sector that is most impacted by it. ...He did not call us."

McDonough said she has not had a meeting with Hales since September. That's a significant change from PBA's relationship with past mayors.

"We met monthly with Mayor Katz, with Mayor Potter, with Mayor Adams," said McDonough.

"Communication with this mayor has not been regular, which has been frustrating for us. (Hales has cancelled) many of our meetings, and then, frankly, they stopped."

When asked whether he has an adversarial relationship with the PBA, Hales, the subject of this week's PBJ Interview, said "I have no permanent adversaries in politics.

"I'm open to anyone who has a solution. I haven't heard any solutions from the PBA. I've heard only complaints," Hales said. "I asked them to raise money for youth homelessness and all I can see so far is that they've raised money for billboards and lawsuits. I'm looking for constructive partners with ideas on how to make progress. Those partners can be anyone, but I certainly don't have patience for anyone who has only complaints."

Hales pointed to homelessness as a major point of contention.

"My vehement disagreement with the PBA is that to say that the solution to homelessness is enforcement is ludicrous. Enforcement is a portion of the solution, but we need to be able to (say), 'You can't sleep here but...' If it's 'just move along,' that's not a solution."

"Mayor Hales should be reading what we're saying," countered McDonough, who said the PBA has been offering solutions and investing in programs to address homelessness for years. She said her group has even consulted with its members to identify properties that could be used as shelters.

"(PBA Board Chair) Mitch Honecker, the founder of New Avenues for Youth, has been involved in homelessness for years. I'm on their board. When Bud Clark Commons was built, we advocated for that. We spent \$1.5 million in contracts with Central City Concern to help put homeless people back to work."

As for raising money for homeless youth, McDonough said Hales did ask, but he offered no plan.

"He just dropped that on us. As an elected leader, you are supposed to create a vision and a plan and put that on the table. Then we can move forward together."

Of course, the relationship between Hales and the PBA will only continue for another few months. Hales isn't running for reelection. But given the aggressive agenda he's been pushing, we may see more flare ups between the mayor and the PBA as we wind through 2016.