

The Oregonian

Extra spending means Portland faces \$4 million budget gap, early forecast says

By Jessica Floum

December 16, 2016

A series of investments in police pay and housing could force Portland to cut programs for the first time in three years, according to a budget forecast released Friday by the city's budget office.

Even with record revenue overall, the forecast said, the city must cut \$4 million from ongoing expenses, or raise more money, to balance its budget over the next five years.

The budget office said city commissioners have approved \$12.3 million in new spending for next year without finding "other reductions" to offset the outlay. Assuming the forecast holds steady, that means the city would have only \$486 million to pay for \$490 million in expenses.

"Absent other policy decisions, we estimate the city would have had \$8.3 million in additional ongoing resources" for the fiscal year that starts July 1, the forecast said.

More than half of the spending comes from a new contract with the Portland Police Association, the city's rank-and-file police union. It's expected to increase ongoing spending by \$6.6 million once fully in place. The council signed the deal in part to raise police salaries in hopes of retaining and recruiting cops.

The council also set aside millions of dollars for homelessness and housing programs.

The housing bureau will contribute an additional \$3.5 million for homelessness work in conjunction with Multnomah County. And a proposed tax exemption for affordable housing, also called inclusionary housing, is expected to cost \$1 million in property tax revenues over five years -- a number that could grow.

Additionally, the city's general fund will pick up \$1 million in costs for the Independent Police Review Division. The council also agreed to revive public campaign financing, which could cost up to \$1.2 million starting next year.

The hit would be worse, the budget office said, without a controversial new business license surtax on chief executive pay pushed by Commissioner Steve Novick. That's added \$2.5 million to the forecast.

Solving the budget gap will fall to a new council next year led by Mayor-elect Ted Wheeler. Wheeler, replacing Mayor Charlie Hales, will be joined by Commissioner-elect Chloe Eudaly, a housing activist and bookstore owner who ousted Novick.

In a bright spot, the city's record revenue growth means there's also a one-time surplus of almost \$19 million. Half of that must be spent on maintaining or replacing infrastructure, according to city policy. But the rest can be spent as the council chooses.

The report attributed revenue growth largely to an influx of wealthy, educated residents.

But even that came with a note of caution.

"Many of the problems facing the city - high housing prices and speculative real estate investment, homelessness and economic displacement," the forecast said, "are a byproduct of this robust growth."

For Hales and Portland City Council, vanity trumps police reform: Editorial Agenda 2016

*By The Oregonian Editorial Board
December 17, 2016*

Portland Mayor Charlie Hales has had many opportunities this year to show his commitment to the police reforms settlement between the city and the federal justice department.

He could have regularly attended meetings of the Community Oversight Advisory Board, the citizens' group that has struggled with fulfilling its charge to assess compliance with the settlement. He could have developed a new police complaint process when public outcry tanked the city's first proposal. And he could have modeled accountability and honesty by putting his then-police chief Larry O'Dea on leave the moment he learned O'Dea accidentally shot a friend.

Hales did none of these. Rather, Hales is squandering his remaining time as Portland's one-term mayor by leading an ego-fueled challenge to the authority of the federal judge overseeing the settlement. As The Oregonian/OregonLive's Maxine Bernstein reported, Hales and the rest of the council recently voted to appeal an order from U.S. District Judge Michael Simon that requires the city to report next month on progress it has made toward revamping the community oversight board.

As judge's orders go, that's not particularly onerous. In fact, it's a smart idea considering the city failed to take action sooner to shore up the oversight board, whose members have long complained of a lack of support, resources, training and even interest by top city leaders. As former state senator Avel Gordly, a member of the oversight committee, told The Oregonian Editorial Board in June, "There's nothing that signals this work is a priority for the mayor and the chief."

Yet, Hales and company bristle at the notion that the judge is requiring an update on fixes to a portion of the settlement that the city had previously crowed about. They argue that calling a hearing outside of annual status conferences is beyond his authority in overseeing a settlement between two parties.

However, the city's legal tantrum will likely gain nothing for Portland. The justice department, for one thing, supports requiring the city to report back. And a previous order by Simon - that the city agreed to - plainly references his authority to call annual status conferences "or otherwise as may be directed by the Court." The justice department even italicized that phrase in a filing stating that the judge has the authority to do exactly what he is doing.

There seems to be a personal motivation to the legal challenge that is entirely inappropriate for public action. Hales noted that Simon was the same judge who struck down his unconstitutional practice of excluding members of the public from council meetings for month-long stretches

based on past disruptions. In addition, Hales and other commissioners believe Simon should have sanctioned a man who made insensitive comments about one of the city's attorneys in the annual hearing in October.

Simon, Hales declared at the council meeting, "has lost credibility and standing in terms of being an impartial body."

It was a classic Hales moment: Imperious and clueless, all at the same time.

When it comes to "lost credibility," Hales owns the title. Hales, the police commissioner, did nothing after O'Dea told him he was under criminal investigation for shooting his friend. Rather than place his chief on administrative leave or notify the Independent Police Review division so investigators could conduct their own personnel inquiry, Hales sat on the information until confronted by reporters four weeks later. Even then, as O'Dea retired, he decried the media for "smearing" the chief.

Hales never got what police reform meant. But it's disappointing to see the others, including Commissioner Amanda Fritz who has been the most involved in the community oversight board, support Hales' hysterics. While they made noises about just wanting to clarify the rules, they fail to see the message that such a pointless action sends to the community: The vanity of Portland leaders comes first.

"There's a bigger picture here," Rev. Dr. LeRoy Haynes, who has long worked for police reform in Portland, said at the council meeting. "We're in critical times and dangerous times. And the city of Portland needs confidence that the city leadership is not stalling on implementing the settlement agreement."

Unfortunately, his message was lost on the City Council, which seems more bent on trying to show Simon who's boss. The commissioners should try to remember that the answer to that question is the public.

The Portland Tribune

Council continues busy year-end schedule Wednesday

By Jim Redden

December 18, 2016

The City Council continues its busy schedule to complete major decisions by the end of the year this coming week. It is only set to meet on Wednesday and not on three days, like last week, however.

Mayor Charlie Hales and Commissioner Steve Novick will be replaced on Jan. 1 by Mayor-elect Ted Wheeler and Commissioner-elect Chloe Eudaly.

Before Hales and Novick leave, they will have the opportunity to vote to implement much of the Comprehensive Plan update that the council has spent years working on. The state-required update is intended to guide how Portland will grow over the next 20 years, when it is expected to add 123,000 new households.

Also on Wednesday's agenda is a final vote on the Inclusionary Housing program sponsored by Commissioner Dan Saltzman, who is in charge of the Portland Housing Bureau. As allowed by the 2016 Oregon Legislature, it would require developers to include an increasing number of less-expensive units in their multi-family developments. Saltzman says state-mandated incentive in the program will offset revenue that will be lost because of the lower-priced units. Some developers argue the incentives are not strong enough and the program could slow multi-family construction in the future.

A final vote is also scheduled on a series of changes in the city's regulation of medical and recreational marijuana. One change would allow the delivery of recreational marijuana by couriers. The changes are submitted by Commissioner Amanda Fritz, who oversees the Office of Neighborhood Involvement, which regulates marijuana businesses in the city.

The council will also consider changes to the Transient Lodging Tax Code intended to increase the regulation of so-called "sharing economy" rentals, such as those arranged through Airbnb. The changes address ambiguities in the current regulations identified in U.S. District Court proceedings against another short-term rental facilitator, HomeAway Inc. The changes are expected to increase lodging tax revenue to the city but reduce the amount currently being collected in fines.

You can read the full agenda at <http://www.portlandoregon.gov/auditor/article/620464>.

Forecast: Council spending money faster than it comes in

By Jim Redden

December 16, 2016

Although city revenues are growing at a record pace, the Portland City Council has approved so much new unfunded spending recently, it must either cut \$4 million in ongoing programs or raise that much more to balance the budget over the next five years.

That is the conclusion of the General Fund Forecast for the next five year released late Friday by the City Budget Office. It predicts that revenues will continue to increase because of the improving economy, but not enough to pay for all the new programs the council has recently authorized in a flurry of end-of-the-year votes.

"Absent other policy decisions, we estimate the City would have had \$8.3 million in additional ongoing resources in FY 2017-18," the forecast says.

But, according to the forecast, "over the last few months the City has pledged \$12.3 million in additional ongoing spending beginning next year that has not been offset with other reductions. As a result, the City will need to cut \$4 million in ongoing programs to balance the five-year forecast."

The forecast says the additional unfunded spending commitments include:

- \$6.6 million for a new contract with the Portland Police Association approved in October once it is fully implemented.
- A \$3.5 million increase in the Portland Housing Bureau's intergovernmental agreement with Multnomah County to provide homeless services.

- \$1.2 million for a new public campaign financing program approved by the council this week.
- Although not an appropriation, \$1 million in reduced revenues from fee waivers to support affordable housing in a new Inclusion Housing program expected to be approved next week.
- \$2 million for other, relatively small changes.

In contrast, the council only increased anticipated revenue above projected growth levels by \$1.5 million by phasing in a business income tax surcharge on companies which pay their CEO's more than 100 times the median wage of their workers.

The forecast says the potential \$4 million gap is largely a result of Portland's popularity.

"Many of the problems facing the City — high housing prices and speculative real estate investment, homelessness and economic displacement — are a byproduct of this robust growth," the forecast says.

The forecast also found the city will have an addition \$18.8 million in one-time revenues not available for existing programs or the fiscal year 2017-2018 budget that begins on July 1, 2017.

You can read the forecast at [here](#).

Daily Journal of Commerce

City Council passes trio of environmental policies

*By Garrett Andrews
December 16, 2016*

The Portland City Council unanimously passed a trio of big environmental measures at its latest meeting.

The three were shepherded by Mayor Charlie Hales during his last months in office.

— The first is a measure banning the construction of new fossil fuel terminals. In addition, the expansion of existing terminals will be limited to 10 percent of existing capacity, and only permitted when environmental retrofits are triggered.

The move is intended to discourage the transport of fossil fuels along Portland's roads, railways and adjacent waterways.

More than 700 people submitted comments to the city, most supporting a ban.

A number of business interests opposed it, including the Columbia Pacific Building Trades Council, the Port of Portland, Western States Petroleum Association and NW Natural.

"I want to thank the activists in our community who have called us to our conscience on this issue," said Hales.

There were 11 terminals as of 2014, according to the Bureau of Planning and Sustainability.

— The council passed a law requiring the disclosure of energy performance ratings for homes listed for sale.

Last year, the council passed a similar requirement for commercial buildings.

“Every home owner wants to reduce their energy costs, and most want to reduce their carbon footprint,” said Commissioner Steve Novick. “Having a mechanism where people are aware when buying a property of what its energy consumption is gives them an opportunity.”

The Home Builders Association of Portland provided testimony in hearings asking that new construction be exempted from the policy, due to the adequacy of current building codes. In the end, though, an exemption was not written into the policy.

Commissioner Nick Fish said he would propose additional notification rules next year addressing toxic materials in residential properties.

— Commissioners voted unanimously to ramp up efforts to electrify vehicles around Portland, through adoption of the 2017 Portland Electric Vehicle Strategy. The plan aims to reduce carbon emissions from transportation sector, which represent 40 percent of the city’s overall carbon emissions.

The strategy involves adding charging infrastructure around the city and increasing the number of electric vehicles in the city’s sedan fleet, from 20 percent to 30. Other recommended actions include making it easier to add charging stations to private property, exploring the electrification of some Biketown bike-share bicycles, and adding provisions to construction projects that trigger the Portland Development Commission’s Green Building Policy.

Commissioner Fish offered an amendment to favor local electric vehicle vendors over outside businesses as “aggressively” as possible.

The city’s previous electric vehicle strategy was adopted in 2010 in anticipation of the release of the Nissan Leaf.

The Portland Business Journal

Portland Mayor Charlie Hales defends CEO pay tax, says a 'progressive city' attracts business

*By Pete Danko
December 19, 2016*

Mayor Charlie Hales defended Portland’s first-in-the-nation tax on excessive pay, saying income inequality was among a number of issues where cities could galvanize change.

At the same time, the mayor rejected the notion that such progressive measures scare off business.

“I think it’s been asked and answered that a progressive city that lives its values and produces a very high quality of life by what we do and how we do it attracts economic growth,” he said. “It’s happening.”

Hales addressed the issue in an hour-long interview with the Business Journal this past Friday, just a bit over two weeks before his mayoral tenure ends on Jan. 1, when Ted Wheeler will be sworn into office.

The CEO pay tax, passed early this month, made headlines around the nation. Locally, the Portland Business Alliance called it “an empty gesture,” and a Wheeler spokesman said the mayor-elect was reviewing the tax, “including how it might be implemented.”

Hales said, “If only Portland does this, maybe it will be mostly symbolic,” but he held out hope that it could spark a movement.

“Economic inequality, environmental leadership, social justice, sick leave, minimum wage, ban the box — those efforts are being led by the cities, Portland among them,” he said.

With “the national government inert or maybe even hostile” on such issues, Hales said, “the work is being done in cities, and (the CEO pay tax) is very consistent with that.”

Hales said charges that the tax would be perceived as anti-business were familiar. He compared it to the city’s decision to reject a proposal by the Canadian company Pembina to build a propane export terminal at the Port of Portland.

“We heard the same thing about Pembina, and meanwhile GuideSpark, Under Armour, Zoomcare, Zapproved — the list goes on and on and on of companies that have relocated to Portland in the last four years,” Hales said.

“We’ve had booming job growth and an incredibly tight office market because companies that were based in the suburbs are moving to Portland. Companies that want to expand are coming here.”