

The Oregonian

Portland Finances Get an 'F' Grade for Hidden Debt; City Officials Disagree

By Jessica Floum

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Portland is among the seven major U.S. cities with the most staggering loads of debt per capita, according to a report issued Wednesday by a Chicago-based government finance think tank, Truth in Accounting.

The Rose City received an 'F' grade for its \$4.4 billion worth of debt, most of it for capital projects and unfunded employee pensions. Authors of Wednesday's report divided cities' debt by the count of taxpayers and found Portland's would each have to pay \$21,400 to retire the city's debt.

By that metric, Portland ranked 70th among 75 cities.

Portland Debt Manager Eric Johansen told The Oregonian/OregonLive in an email that the report failed to consider Portland's unique voter-approved pay-as-you go tax levy that covers its Portland Fire and Disability Fund. An independent analysis of the levy in June 2016 found that it fully covers future benefits under "a wide range of most likely scenarios."

"As a result, the Truth in Accounting 'report' is highly misleading and does not fairly present the city's financial position," Johansen said.

Portland ranked above Dallas, San Francisco, Philadelphia, Chicago and New York City and one notch below Oakland. Each of the seven cities received F grades from the firm.

The top grades went to Irvine, Calif; Stockton, Calif.; Lincoln, Neb.; Charlotte, and Aurora, Colo. The study called them "sunshine cities" for spending within their means.

Stockton's low debt level has a novel cause: The city filed for Chapter 9 bankruptcy protection in 2013. The Northern California city faced a "staggering debt burden," the study says. But because creditors agreed to debt relief, "Stockton now has more than enough assets to pay its bills."

Truth in Accounting advocates for local and state governments to disclose more than what generally accepted accounting principles require and to estimate more conservatively how much they will earn on their pension investments.

Investment returns are way up this year at the Oregon Public Employees Retirement Fund, but that won't have much impact on looming cost increases designed to bail out the system's \$25 billion funding deficit.

The think tank's study analyzed 75 cities' comprehensive annual financial reports from 2016 for its Financial State of the Cities report and determined that 64 of them did not have enough money to pay all of their bills.

Almost all of the cities, the report argues, have financial problems "driven by runaway entitlement obligations in the form of pension benefits." It asserts that city officials have hidden "significant amounts of that retirement debt from its balance sheets."

"This means that to balance the budget, elected officials have not included the true costs of the government in their budget calculations and have pushed costs onto future taxpayers," the report says.

Portland frequently gets questions about a mismatch between its assets and liabilities and city finance officials are able to explain it to anyone interested in understanding it, city debt manager Johansen said. The think tank never reached out to the city, he said.

Johansen said rating agencies regularly review Portland's financial policies. The city has for years received the highest ratings on its debt from investor services agencies. Moody's Investors Services gave the city the highest Aaa rating on \$471 million of outstanding limited tax bonds. Its unlimited tax general obligation bonds and lien water revenue bonds already had the Aaa rating.

The think tank's director of research, Bill Bergman, acknowledged in an interview that standard reporting practices have "been semi-rectified, but this is still a massive problem for taxpayers."

"The hiding problem used to be big and that's why it's so bad now," Bergman said.

"Portland is one of many municipalities that have chosen to follow the rules when they could've provided supplemental information and should've," he said.

Proposed Foster Homeless Shelter Brings Beds, Controversy to Hard-Hit Southeast Portland

*By Molly Harbarger
February 24, 2018*

Andrew Cecka sees homeless people all around his Foster-Powell-area neighborhood. In the past few years, he says, he's seen more and more of them sleeping and storing their possessions in residential areas just off Foster, the community's main four-lane road.

He wants more services, more shelter, more attention paid to the Southeast Portland homeless population.

He just doesn't want that to happen at the site of a former grocery store at Foster and SE 61st Avenue, where the Joint Office of Homeless Services plans to shelter up to 120 people. Critics say it's too close to a school, to homes, to daycares and other elements of their neighborhood.

"At this point, I'm 100 percent for a shelter in the neighborhood and 100 percent against the shelter at that location, personally," said Cecka, who is the chairman of the Mt. Scott-Arleta Neighborhood Association, which has not taken an official stance.

The Joint Office of Homeless Services, which is funded and led by the city of Portland and Multnomah County, opened about 650 shelter beds in 2016. But some of those, such as the 200-person Hansen Shelter at Northeast 122nd Avenue and Northeast Glisan Street, are in buildings that were old and crumbling when the shelter opened. With that many people living in them each day, the shelter can't stay in that location for long, shelter operators say.

So the Joint Office is now identifying buildings that could last longer and have room for more services than just a place to sleep. The proposed Foster shelter is part of that push.

Portland Mayor Ted Wheeler and Multnomah County Chairwoman Deborah Kafoury have repeatedly voiced their support for the new Foster Road shelter and met with residents multiple times. County Commissioner Jessica Vega Pederson has also participated since the site is her district.

The Multnomah County board will meet Thursday to discuss signing a lease to occupy the shelter, which would cost between \$1 and \$1.21 per square foot over a 10-year lease. The county would have two options to extend the lease with Winson International LLC by five years.

The 13,000-square-foot space would house up to 130 people -- with bathrooms, kitchen space and other living necessities -- as well as room for case workers and housing liaisons to meet with shelter occupants, according to a spokesman for the Joint Office.

The Hansen Shelter is slated to close, but the proposed Foster shelter and others like it are not intended to be a one-for-one replacement. Agency spokesman Denis Theriault said some Hansen residents may be moved to the Foster shelter, but the Joint Office and shelter operator nonprofit Transition Projects want to draw many of the residents from neighborhoods that surround Foster.

The people who stay at the shelter will be able to access it 24 hours a day and bring in their pets. They don't have to be sober or drug-free, but they won't be allowed to use drugs or alcohol inside the facility.

The Joint Office and Transition Projects plan to carry out a new model of outreach, in which officials will meet with neighborhood leaders from Mt. Scott-Arleta neighborhood, Foster-Powell, Brentwood-Darlington and Creston-Kenilworth on a steering committee to solicit feedback, set rules and garner support, Theriault said.

However, community leaders are more focused on the fight over the site.

Within a mile of the shelter site lies a community center, a library and several bus lines. A Walmart, Portland Community College, a workforce training center and other retail services on Southeast 82nd Avenue are all less than two miles away.

Far closer, within a two-minute walk, is Mt. Scott Learning Center, an alternative high school.

Tom DeJardin, the school's executive director, sent Wheeler a letter that said his 160 students have encountered vandalism, threats, theft and garbage strewn around the school from homeless people in the area.

"Ultimately, that is what this will come down to -- whether the city and the shelter operator can ensure the safety of our students and community members and whether they can preserve a neighborhood working hard to thrive," DeJardin said.

A Dec. 18 neighborhood meeting packed a 150-person room, with many more waiting outside. Anti-shelter activists from Lents and other areas joined with people who will shop, live and commute past the building each day.

Other residents have been vocal proponents. Former progressive mayoral candidate Sarah Iannorone, a Mt. Scott-Arleta resident, has used her social media presence to promote the shelter and organized a rally in favor.

Graffiti artists who put up flyers in the area have at times painted opponents of the shelter as hateful and NIMBYs.

The tenor of the conversation makes it a minefield for those on the fence.

"I would rather have people sleeping inside the building than outside it," said Chelsea Power, chairwoman of the Brentwood-Darlington Neighborhood Association. "We have 22 percent of the city's unhoused neighbors here in our region. That's what it boils down to for me."

She added the caveat that she wants Transition Projects to bar any registered sex offenders because of the proposed shelter's proximity to schools.

Since she moved to her Brentwood home three years ago, the issue of homeless people's interaction with housed neighbors has dominated conversation in the area.

Although the city and Multnomah County are devoting unprecedented levels of money and staffing to lessening the effects on homeless and housed people alike, the two groups' coexistence remains uneasy in most neighborhoods where it occurs. Currently, it ranges from a reluctant truce in North Portland's Overlook to a crackdown-induced retreat of homeless from Laurelhurst to a caldron of complaints and mistrust in Lents.

She gets why. Her own home might be too expensive had she bought it just a year and a half later. People move on and off the street as they are roused from nearby camps.

A relative who isn't able to afford a place stays with her family.

"A good portion of my friends are already housing someone who would otherwise be homeless," Power said.

Portland Mayor Plans to Work with Scandal-Plagued Portland Marathon in 2018

By Lizzy Acker
January 23, 2018

Portland Mayor Ted Wheeler will tentatively allow the Portland Marathon to hold a race in 2018, his office confirmed Monday evening, even as the Oregon Department of Justice investigates the organization.

"We are proceeding in 2018 according to the status quo," wrote Wheeler's spokesperson, Michael Cox, in an email Monday.

"Certainly there are concerns about the DOJ's investigation, and its potential impact on the race," Cox added. "Prudence dictates that we continue to explore alternatives."

In 2017, the DOJ opened an investigation into the nonprofit's corporate structure and financial relationships with other businesses owned by Portland Marathon's two board members, Les Smith and Mamie Wheeler.

It was another scandal for an organization that has come under scrutiny in the last few years. In 2016, the race was almost shut down on race day before it began, due to an undistributed part of the safety plan.

At the end of that race, the wrong man was awarded first place. And in the days after the race, a number of runners reported running farther than the standard 26.2 miles, impacting their times and potentially their ability to qualify for the Boston Marathon.

In 2017, fights with the city over course layout and policing led to a delay in the marathon getting a permit to operate. When a permit was approved, several weeks before the event in September, Portland Bureau of Transportation spokesperson Dylan Rivera said, "Normally, special event permits are issued about 30 days before the event. This is a formality for nearly all events, because they are in constant contact with the City and have obtained informal pre-approval more than six months in advance."

"Nothing is normal when it comes to this event," he added.

Willamette Week

A Fight Over The Height of Portland's Skyline is Raging. Who Wins May Determine Whether The City's Housing Crisis Ever Ends.

By Rachel Monahan

January 24, 2018

“What are we coming to? Are we losing our Oregon soul?”

A skyscraper backlash is rising.

Stanley Penkin, a transplanted New Yorker who lives on the fourth floor of Cosmopolitan on the Park, the tallest condo building in the Pearl District, is on the front lines.

He and his wife, Susanne, have a panoramic view: dogs cavorting in the Fields Park, sailboats rolling down the Willamette River, and the graceful arches of the Fremont Bridge.

But soon, if developers and city planners have their way, a 17-story glass-and-concrete tower will partly block Penkin's view of the bridge.

Residents of Pearl District condos fear a new development will block views of the Fremont Bridge from their windows and Fields Park. (Abby Gordon) Residents of Pearl District condos fear a new development will block views of the Fremont Bridge from their windows and Fields Park.

Not if Penkin can stop it.

"The city is so desperate for housing that it's sacrificing the integrity of our city," Penkin says with the distinctive honk of a Bronx native. "Is it just build, build, build to the maximum at any cost?"

For more than a month, Penkin has carried the banner of an emerging rebellion in Portland as president of the Pearl District Neighborhood Association.

His allies? Fellow residents of the 28-story Cosmopolitan who paid up to \$5.4 million (in some cases, more than \$1,000 a square foot) for their condos in a building that opened two years ago. Penkin, who bought his condo in 2016 for a more modest \$866,603, serves as condo board chairman.

Penkin and other Pearl District residents started complaining in October about the new tower, called Fremont Place Apartments. Signatures were gathered. The Portland City Council agreed to re-evaluate the project in February, even though a city panel approved its design in December. Donations started to arrive unsolicited at Penkin's concierge desk to fund the challenge.

Says a Penkin colleague on the board of the neighborhood association, John Hollister, who lives in another Pearl District condo (without a bridge view): "The Fremont Bridge is basically the most expensive piece of art in Portland. I can't imagine a building that big going up in the middle of the city's most expensive painting."

"What are we coming to?" asks Glenn Traeger, a third member of the neighborhood association board. "Are we losing our Oregon soul?"

Aside from the irony of well-heeled rebels fighting towers similar to the ones they live in, these insurgents are also gaining traction.

The City Council faces a decision in March on how high developers may build in the central city.irate residents are packing council chambers and penning op-eds, demanding that the skyline they love stays the same way it's been since, well, at least last year.

"We feel overshadowed by investors and developers," testified Joan Kvitka, who lives on the 18th floor of American Plaza Towers, a Southwest Portland building with views of the Willamette River, and says she supports density but not a plan for taller towers nearby. "We oppose diminishing the nature of our waterfront forever."

If the City Council approves the changes suggested by planners, developers would be allowed to build up to 250 feet higher near Willamette River bridges. Citizens are begging commissioners to amend the planners' proposals so that current views are preserved.

The consequences of this decision will matter not just for Pearl District denizens but for renters from Lents to Linnton and single-family homeowners across the city.

Economists and other experts say the solution to Portland's housing crisis is more housing. In a city, that means raising building heights so more people can live on a single block. The battle over view lines is really a battle over whether rents and home prices across the city will ratchet ever higher or be moderated by the increase in housing units that skyscrapers offer.

Both the fight in the Pearl District and the debate in council chambers raise the same question: How much voice should residents of a neighborhood have in deciding what can be built next door?

"It's people in towers opposing towers," says Tim Davis, a condo owner in Harrison Tower near Portland State University. "It's 'I got mine, no else is allowed.'"

News flash: Portland has a housing shortage. And people keep coming. The metro area will need to produce 13,000 new apartments and houses a year for the next decade, estimates state economist Josh Lehner.

Average rents in Portland have soared in the past six years by more than 30 percent.

To many, the central city and land along the banks of the Willamette offer the greatest opportunity to deal with the housing shortage. "The central city is the best place for increased density and increased housing," says Mayor Ted Wheeler.

That's partly because the central city has the necessary infrastructure: The residences are close to offices, light-rail lines, shops and restaurants and fit with the Portland vision of compact cities.

It also averts fights with residential neighborhoods of single-family homeowners, many of whom would resist the condos and apartments that will have to be built to keep up with demand.

But in the central city, condo owners are now revolting, too.

That resentment burst into the open at the City Council last week.

More than 60 people testified Jan. 18 about the Central City 2035 plan, which will determine which heights are allowed along the waterfront. (The next vote is expected March 7.) The city is proposing to raise height limits near bridges, while lowering heights to protect historic districts.

Many in the audience had something to lose—a view of Mount Hood from their balcony and the property value that comes with it.

A half-dozen of the people testifying were residents of apartment towers along Southwest River Drive, aiming to stop a proposed skyscraper project called the RiverPlace redevelopment, a

concept of eight towers as high as 325 feet, designed in part by legendary Japanese architect Kengo Kuma.

"It reminds me what happened in San Francisco when I lived there in the '60s and the Transamerica Pyramid was built," testified Donner Johnson, a Southwest Portland resident. "[It] pierced the written and unwritten agreements that citizens had about building height. Anyone who has seen San Francisco knows what happened there."

Meanwhile, residents of the 18-story Eliot Tower have tried to restrict development in the West End, near the Portland Art Museum.

Wendy Rahm, who bought a 10th-floor condo more than a decade ago, has repeatedly testified for lowering the height limits in the West End.

"Recent studies indicate millennials also prefer the 'authenticity' of the old to the new," wrote Rahm in an August letter to the City Council advocating height limits lower than the building she currently lives in. "There is a reason we flock to old city centers and villages overseas."

The Portland Downtown Neighborhood Association is staying out of the fight, but its president, Felicia Williams, now a candidate for the City Council, looks on with despair.

"If you can't build tall in downtown, where can you build?" says Williams. "We want housing, housing, housing. The people that live in downtown live in tall buildings."

The fight has taken on a new ferocity as the City Council ponders the Central City 2035 plan. But even if rebellious condo owners lose this battle, they can keep fighting the war on tall buildings.

In fact, the city's system for approving development has guaranteed the war will continue.

When Portlanders want to stop a tall building from blocking their view, they call a lawyer like Jeff Kleinman.

Kleinman, a native of Long Island, N.Y., who moved to Oregon 47 years ago, has been a lawyer in Portland for four decades. He represents local residents who are trying to stop developments.

Neighbors can come with two goals in mind: "They may be seeking to defeat a project, or they may be seeking modifications," he says.

He's representing the Pearl District Neighborhood Association in their effort to stop or modify the Fremont Place Apartments.

For Kleinman's clients to win, he may not need to win an appeal. He just needs to delay a construction project long enough that the developer decides to compromise or loses interest.

Does he use delays to kill construction?

"That's a very good question," he said. He chuckled, and declined to answer further.

The developer of the Fremont Place Apartments doesn't need a height increase in the 2035 plan. The city so far has approved the building as legal under current code.

But neighbors are convinced the project should be smaller. And Portland's system gives them the power to fight for a height reduction on aesthetic or technical grounds even if a building is within the legal heights.

In Portland, the city must approve the design of projects—everything from the materials used to the shape of the building to the way the building appears from the street.

Developers of big projects in the central city must get the approval of a panel of volunteers at the city's Bureau of Development Services.

That process, called design review, in part depends on taste. If it goes smoothly, it takes about two months.

But when the process goes too smoothly to suit critics, Kleinman and other lawyers can challenge a building they object to.

First step: Appeal to the City Council. Not only does the council hear every neighborhood association appeal, it hosts the appeals at no charge. That's because the city recognizes neighborhood associations as key advisers on their areas of the city who need to have an active voice in projects.

"Neighborhood associations are one expert in the process," says Kara Fioravanti, a supervising planner at the Bureau of Development Services. "They know the neighborhood history. They know the neighborhood character."

If that fails, project opponents head to the state Land Use Board of Appeals. Then on to the Oregon Court of Appeals.

That process can hold a project in limbo for years.

In some parts of downtown, opponents of new construction don't even have to bother with appeals.

In those slices of the city—protected as historic districts—developers must go to a board called the Historic Landmarks Commission. And the commission has a reputation for hating height.

Take, for example, the New Omni, a 14-story tower proposed for Northwest 5th Avenue.

The project would include 141 apartments, 10 percent of them priced so that a family of four making \$44,820 a year could afford the rent. But it's in a historic district.

Wayne Trantow, owner of a seventh-floor loft in Old Town Lofts whose balcony overlooks the project, came to testify to the commission in December. He complained that the new building would block his "light and view corridor."

The majority of the commission appeared to agree, encouraging the developer to reduce the scale of the project—to as low as eight stories.

"I was very discouraged," says architect Paul Jeffreys, who designed the New Omni. "There's a huge amount of risk and a lot of work"—and now it's unclear whether it will proceed.

The poster child for the strength of landmarks review is what happened in 2016 to a project slated for a parking lot at Southeast Belmont Street and Grand Avenue in the Central Eastside.

The number of apartments at the Grand Belmont was cut almost in half—from 214 units to 131—after it went through landmarks and design review for a year and a half.

"It's pretty drastic, particularly when we're in a housing crisis," says developer Tim O'Brien, who weighed an appeal to the City Council but decided against it, figuring he would take what he could get.

Stanley Penkin intends to use all the tools at his disposal to rein in the Pearl District construction that could block his Fremont Bridge view.

"We are known in Portland for paying attention to our quality of life," says Penkin, "but development has gotten out of control."

Wheeler says City Hall won't back down in the face of a condo rebellion.

"The hard trade-off we're going to have to make is view versus housing," Wheeler told a resident concerned about preserving views of Mount Hood from Tom McCall Waterfront Park. "I like the view, too. I agree with you it's an iconic view, but I also understand we're in a housing crisis in this city that's going to continue into the foreseeable future."

For now, the City Council's big decision is whether to raise the maximum height of towers on the waterfront. But even if the council approves the height increases in the Central City 2035 plan this spring, those won't be enough, warn housing advocates.

They say if opponents of height are allowed to continue obstructing new construction, the city's housing shortage will only worsen.

Former mayoral candidate and PSU associate program director Sarah Iannarone says neighborhood associations "perpetuate a culture of exclusive NIMBYism."

"It's critical," she says, "that we see our current 'growing pains' as an opportunity to reshape our local planning practices and policies—our local democracy, really."

One simple step: The city could stop funding the cost of neighborhood appeals. If neighbors wanted to challenge a project at the City Council, they would have to put their money where their property values are.

But Wheeler says he's not interested in diminishing the power of neighborhood groups. Instead, City Hall hopes to educate neighborhood associations on the land-use process so they don't tie up City Hall with futile challenges to legal buildings.

"Portland prides itself on process and input," he tells WW. "While I've been very clear that neighborhood associations need to be more open and inclusive, I don't see a reason to blow up the neighborhood association process. I don't think the right answer is to close the door. I think the right answer is to open more doors."

One new Portland resident hopes the city rises to the challenge.

Miles Sisk is 23 years old. He's from Grants Pass, a seventh-generation Oregonian who moved to Portland two years ago. He showed up at City Hall last week to beg for taller buildings.

"A lot of the city folk might not know this, but Portland has served as a beacon of hope and opportunity for my generation of rural Oregonians," says Sisk. "You're not going to hear us talking about heights and views. We're too busy trying to find a spot at the table. We need more housing."

Slowdown in Slabtown

Tom Brenneke wants to build housing in the Northwest Portland neighborhood of Slabtown. Instead, he's in the parking business. That's because more than three years after he agreed to buy property, his planned apartment complex remains delayed by neighbors, with no end in sight.

In fact, Brenneke predicts it may be another three years before he completes construction.

"Six years to deliver is nuts," says Brenneke. "It's ludicrous."

Brenneke is no amateur at pitching and delivering big projects.

He's the developer of Yard, the controversial 21-story building at the east end of the Burnside Bridge, which he sold for a record-breaking \$126.7 million in 2016.

He has close ties to City Hall—and gave \$7,500 to Mayor Ted Wheeler's election campaign.

But despite his résumé and connections, Brenneke's been no match for his Slabtown opponents.

In 2015, Brenneke bought an undeveloped block at Northwest 21st Avenue and Pettygrove Street on the old Con-Way trucking company site. It holds a parking garage and some vacant lots. He had already started the official design process.

He planned 150 units. But neighbors demanded a smaller development and a larger public square, which City Hall had promised through a lengthy master-planning process.

In buying the parcel, Brenneke took on the previous landowner's promise to build that public square, but he says he didn't fully appreciate the challenges.

"The devil's in the details," he says.

For a first proposal, he says, there were roughly 30 meetings with the Northwest District Association over the course of a year before he presented a plan to the design commission.

"They're a powerful group," says Brenneke. "I got convinced that we should work with them."

The neighborhood association, in his telling, backed out of a deal to support requests for variations from the code, in part because they opposed his building being six stories instead of four.

"Solar access into the square is critical," wrote Greg Theisen, the neighborhood association's acting planning chairman in 2016, explaining the neighborhood's opposition.

Karen Karlsson, president of the neighborhood association, says Slabtown residents aren't looking to halt development, just to get what was promised: "We are losing public open space," she says.

Brenneke commissioned new designs. This time, he decided not to compromise. He would build the maximum square footage allowed. He planned 200 units, 40 priced to be affordable for families of four who make \$59,750 a year. And he would build to seven stories instead of six.

The neighborhood opposed his plan again, but he won approval through the design review process.

The neighborhood appealed to City Hall. When they lost again, the neighbors appealed to the state.

The soonest Brenneke expects to complete the project is early 2021.

"The costs to carry a large piece of land like this are huge," he says. "Land acquisition is a risky bet. You can see how an extended process can easily sink a developer."