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PLANNING & URBAN DESIGN

PORTLAND ENHANCED SERVICES DISTRICT PROGRAM ASSESSMENT & RECOMMENDATIONS

Council Review Report with Public Comments Integrated — 1/29/24

The City of Portland contracted with BDS Planning & Urban Design, Inc.¹ to assess the City's Enhanced Services District (ESD) program and make recommendations for its improvement, including responding to the findings of the 2020 audit.

EXECUTIVE SUMMARY

ASSESSMENT

- Portland's ESD program began as an industry-leading national model, but after 35 years it needs to **renew its vision, clarify its mission, and sharpen its operations**.
- Central Portland today is experiencing a **crisis of confidence** related to public safety, public drug use, remote work, office and retail vacancy, and low foot traffic.
- In response to concerns about public safety and limited police resources, Portland's ESDs currently deploy **disproportionate resources** toward clean and safe activities in comparison to other traditional ESD activities such as marketing, communications, public space activation, economic development, and physical improvements.
- Portland has **3 operating ESDs**: Downtown Clean & Safe (annual assessment: \$5-8 million); Lloyd (\$6-750,000); Central Eastside Together (\$1.4-1.5 million).
- The city's **ESD oversight** program evolved largely in response to neighborhood-initiated efforts by the ESDs themselves, currently offers little guidance in forming an ESD, and its operating requirements on the existing ESDs are not aligned with national best practices.
- In response to concerns from some businesses, community members and ESD ratepayers, the City Auditor's office conducted an **ESD program audit** in August of 2020, which posed many questions and suggested several corrective actions. These included inadequate City oversight on services, formation, or governance in the districts; ESD

¹ BDS Planning & Urban Design, Inc. (BDS Planning) was founded in 2009 by Brian Douglas Scott, Ph.D. to build consensus and unlikely coalitions around complex issues. The firm specializes in inclusive process, consensus facilitation, organizational development, and place management with specialized expertise in assessment districts like Portland's ESDs. Mr. Scott's work with these districts began with Oregon's state enabling legislation for Economic Improvement Districts in 1985 and includes planning, formation, and operations of scores of districts in a dozen states. This includes considerable work with the initial downtown Portland district from 1988 through 2000. BDS Partner Andrés Mantilla spent many years at the City of Seattle, including several years managing its analogous Business Improvement District program for that city's Office of Economic Development. Project Manager, Jennie Kovalcik, has worked for several place management districts in both Washington and Michigan.

services needing to be supplemental to (not replacements for) basic City responsibilities; and decisions about ESD services being made opaquely by ratepayers rather than by public officials. The audit's findings were met with some controversy, including concerns from the ESDs themselves about the accuracy and balance of the audit's findings.

- Each of the three operating ESDs has a different **assessment mechanism**, with both Downtown Clean & Safe and Lloyd using fixed-in-time property data that no longer reflects current conditions and is becoming less readily available.

RECOMMENDATIONS

Place management districts like Portland's ESD's add proven value to urban environments, providing a wide variety of services, including leadership; economic development; policy and advocacy; public space management; planning and design; as well as marketing, communications, and events as a public-private partnership with local governments. Portland should **sustain and expand its ESD program** at the same time it works to improve both the city's oversight and individual ESD accountability and operations.

It is our recommendation that the city should:

- develop consistent **guidelines** for formation, renewal, and/or expansion of ESDs.
- develop and maintain an **ESD "handbook"** for use by existing and proposed ESDs and others.
- meet their **baseline service agreement** per their contract with the ESDs.
- consider recommending or requiring that ESD assessments be based on a specific list of **publicly available metrics** to increase transparency and consistency.
- require **data transparency** in assessment calculations, so ratepayers can confirm assessment amounts for themselves.
- continue to include **residential properties including condominiums and rental units** in ESD assessments, considering a per-unit maximum (either citywide or district by district).
- modify its guidelines on **ESD subcontracting** practices to give the ESDs more flexibility to work with small local firms.
- establish guidelines on **ESD governance, transparency, and representation** requirements. [brighter line between ESD boards and management assoc. boards]
- continue to charge **consistent assessment collection fees** across all ESDs.
- identify **internal city roles** and biannually convene ESD-related agencies to compare information and update best practices and policies.
- develop and sustain a strong **economic development collaboration** with Prosper Portland, the ESDs, and the larger business community.
- facilitate strong **collaboration among the ESDs** on shared priorities and individual best practices.
- continue to encourage increased coordination and communication of roles and responsibilities between downtown **Clean & Safe** and the **Portland Mall Management Incorporated (PMMI)**.

- encourage coordination and reporting relationships with some of the **private security contractors** who are supporting businesses in and/or nearby to the ESDs.
- encourage an **inclusive and culturally sensitive** approach to ESD formation, governance, and programs affirming the city’s citywide racial equity goals.

ASSESSMENT

NATIONAL & HISTORICAL CONTEXT

Portland’s Enhanced Services District program began in the late 1980s and matured in the 1990s, which was a time when Portland enjoyed a national reputation as a model for downtown revitalization, vitality, and livability. Similarly, Portland’s first ESD was widely respected as a national model as an outstanding place management program.

The ESD now known as Downtown Clean & Safe began in 1988 as an “Economic Improvement District” that was created by the Association for Portland Progress following state legislation (ORS 223.112). Along with the Grand Central Partnership in New York City, the downtown Portland Economic Improvement District was one of the first large (more than \$1 million annually) “place management districts” nationally. The place management industry has grown substantially since then, with thousands of similar districts operating in every state and around the world.

The industry consists of 4,000+ place management organizations globally with 2,500 in North America employing 100,000 people and paying \$3 billion in wages. On average, each organization provides \$1.2 million in services in their districts to help businesses thrive and to make the district a great place for workers, residents, and visitors.

— International Downtown Association (downtown.org)

Downtown Portland’s initial district was modified in 1991 and again in 1994 in response to new statewide property tax limitations (Ballot Measure 5). The 1994 ordinance created the current structure of Enhanced Services Districts as fees on property management rather than assessments on property. Three such districts operate today.

In the early 2000s, the Association for Portland Progress merged with the Portland Metropolitan Chamber of Commerce to form the Portland Business Alliance, which continues to operate the Downtown Clean & Safe District. Recently, the Portland Business Alliance rebranded as the Portland Metro Chamber.

Today, Portland is in a much different place than it was at the end of the 20th century. The city still enjoys a national reputation for its eclectic character and progressive values (“where young people go to retire.” Once a model of the national place management industry, Portland no longer leads on these same issues on the national stage.

CENTRAL PORTLAND TODAY

Central Portland is experiencing a crisis of confidence related to public safety, public drug use, remote work, office and retail vacancy, and low foot traffic.

Community and business concerns about public safety coupled with limited police resources have caused the ESDs to place a disproportionate amount of attention and budgets toward clean and

safe activities in comparison to other common place management activities such as marketing and communications, public space activation, economic development, and physical improvements.

The Oregon Business Council recently identified Central Portland as a top priority partnering with Governor Tina Kotek to convening the Portland Central City Taskforce. If the business community, State of Oregon, and City of Portland all prioritize Central Portland, the ESDs are remarkably well positioned to be part of the solution and the city should encourage everyone to align their efforts particularly as partners in a visible recovery, revitalization, and activation of public spaces and in bringing additional retail investment into downtown.

ESD PROGRAMS

Today, Portland has three operating Enhanced Services Districts: Downtown Clean & Safe, Lloyd ESD, and Central Eastside Together.

Downtown Clean & Safe was initially formed in 1988, most recently renewed in 2021, and has an annual assessment of \$5-8 million. Since 2001, Downtown Clean & Safe has contracted with Portland Business Alliance (PBA), now Portland Metro Chamber, as its service delivery agency. The Clean & Safe Board operates separately from the Portland Metro Chamber board and is tasked with program and budget monitoring of ESD ratepayer funds.

Downtown Clean & Safe programs include:

- Cleaning
- Safety
- Community health outreach
- Crow abatement
- Business support development
- Holiday lighting

Lloyd ESD was formed in 2001 and successfully renewed in 2023, with an annual assessment of \$0.6-0.7 million. Lloyd operates largely as a volunteer-led organization, with most ESD funds going to subcontractors (Go Lloyd for transportation management; ECO District; landscape maintenance; and others). Administration is by a part-time paid manager.

Lloyd ESD programs include:

- Go Lloyd transportation management
- Lloyd EcoDistrict
- Trash collection
- Neighborhood/community association
- Holladay Street landscaping
- Neighborhood advocacy & promotion

Central Eastside Together was formed in 2019 and has an annual assessment of \$1.4-1.5 million. Central Eastside Together is a program of the Central Eastside Industrial Council, which has had considerable staff and board turnover in the short time since its inception in 2019. The

program is also challenged with a large geographic footprint in comparison to its less than \$2 million budget.

Central Eastside Together programs include:

- Cleaning
- Graffiti removal
- Safety
- Mural preservation & development
- District enhancement

CITY GOVERNMENT ESD OVERSIGHT

The city's ESD oversight program evolved largely in response to neighborhood-initiated efforts by the ESDs themselves. The City of Portland currently offers little guidance in forming an ESD, and its operating requirements on the existing ESDs are not aligned with national best practices.

In response to concerns from some businesses, community members and ESD ratepayers, the City Auditor's office conducted an ESD program audit in August of 2020, which posed many questions and suggested several corrective actions. The audit's findings were met with some controversy, including concerns from the ESDs themselves about the accuracy and balance of the audit's findings. Both city ESD supervisors and the ESDs themselves expressed concerns about the audit's findings.

Conducted in August 2020, the Portland City Auditor found that the city provides little oversight to the privately funded public services provided by the Enhanced Services Districts. The report states that once funds are authorized, the city has taken a 'hands-off approach to the districts.' Notable concerns included:

- Little city oversight on services, formation, or governance in the districts;
- Services being provided through Enhanced Services Districts should be supplemental to those already provided by the city (not replacements for city responsibilities);
- Only those that pay into the districts decide which services to fund and how to manage them.

From the perspective of many businesses and property owners, the ESDs are beneficial and necessary because ESD services respond to ratepayer dissatisfaction with the level of service provided by the city or county. There is also a presumed benefit to community members from the enhanced services.

However, some community members have expressed concerns, including privately funded "police-like activities," especially when "security, enforcement, and management of public spaces are decided by one paying sector of the community without the city's oversight and public input;"

The Auditor suggested a review of the districts' purpose and the city's responsibility, including revisiting the district agreements.

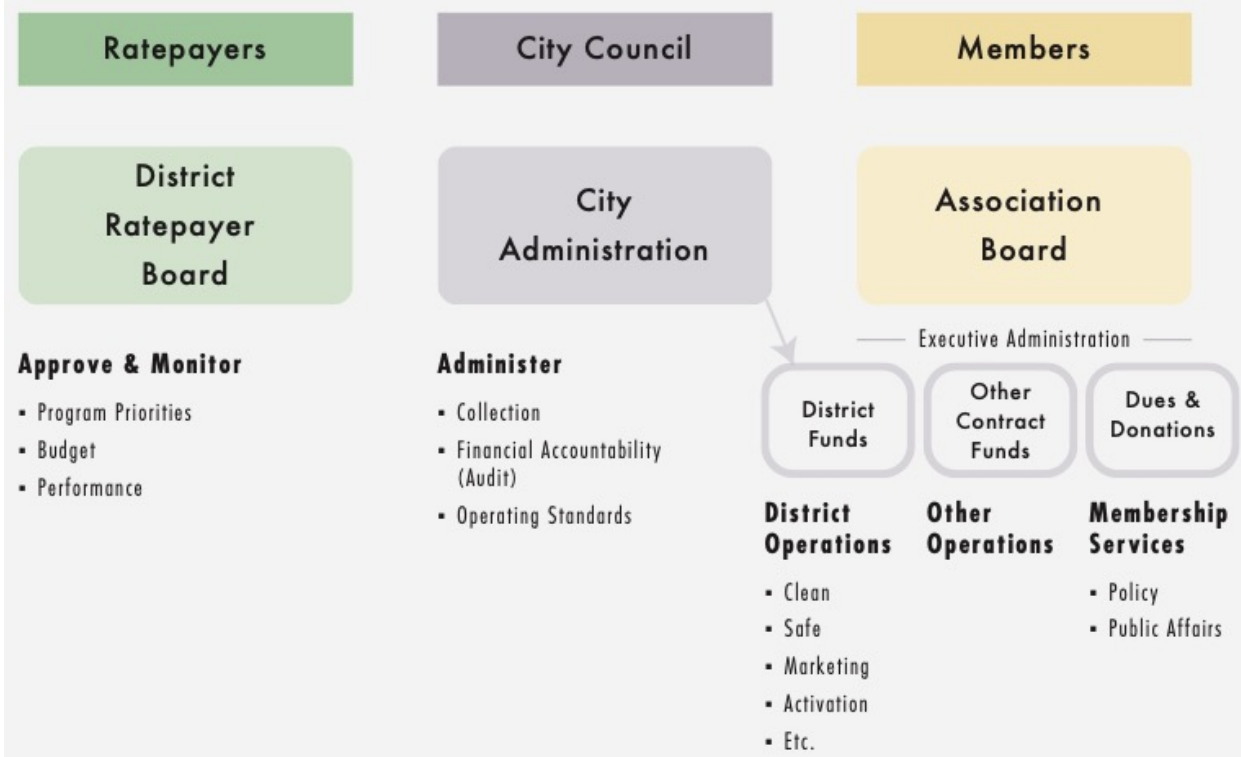
The city created an ESD Coordinator position in response to the audit. The position was filled in 2021 but became vacant in September 2022. It was filled again in October 2023. This 3rd party Assessment & Recommendations is informed by and responds to several of the Auditor's suggestions. We believe that a well-resourced and supported ESD Coordinator is essential to providing necessary oversight and guidance.

ESD GOVERNANCE

In all cases, the ESD assessments are a city-imposed charge for the privilege of operating a property within the district. These fees help pay for enhanced services that are supplemental to basic city services for the benefit of the operators and users of the properties within the districts.

The services to be provided, total budgets, and assessment methodology are determined by the ratepayers themselves through an ESD organization. These ESD Organizations contract with a District Management Association to operate the programs (i.e., Downtown Clean & Safe, Inc. and the Portland Metro Chamber; Lloyd ESD and Go Lloyd; Central Eastside Together and Central Eastside Industrial Council).

This structure is by design and in line with national best practices in which those closest to the day-to-day needs of the district are making the decisions about how the services are prioritized and deployed as illustrated by the diagram below of a typical place management organizational structure. As shown, a ratepayer board oversees program priorities, budget, and performance as managed by an operating entity, which is often a nonprofit association. The city's role is to administer assessment collections, financial accountability, and operating standards. Notably, the nonprofit association administers place management (ESD) operations separately from any other programs that they might provide. Other programs might be contracted services that are similar to ESD operations (but paid for by entities beyond the ESD boundaries, or they could be public affairs or advocacy activities funded by membership dues, donations, and/or other sources.



At the same time, there are notable concerns about the selection process for ESD board composition, as well as the transparency of the board selection process and the board operations. Others seek more transparency between the ESD and the program management organizations, which are contracting out services. Some ESD ratepayers voiced concern of not being well or proportionately represented on ESD boards.

ESD ASSESSMENT METHODOLOGY

Each of the three operating ESDs has its own assessment calculation methodology, as developed by the ESD organization itself, in consultation with the City’s Revenue Division staff, and enacted by the City Council.

When originally enacted in 1994, the Downtown Clean & Safe ESD assessment mechanism was based on the value of property improvements, square footage of improvements, and passenger elevator capacity. The district has been renewed several times since then, and many current assessments are based on the original 1994 improvement value, which is then inflated by the change in the Consumer Price Index since 1994. When there have been changes to the size of the improvements (i.e., through additions to the building or redevelopment), the improvement value calculation is replaced with square footage of improvements. Over time, this has become more complex as properties change, which was exacerbated when the 1994 Multnomah County Assessor’s data became unavailable digitally, but rather only on microfiche.

Similarly, the Lloyd District's assessment calculation methodology is based on 2010 Assessor's data, with various manipulations related to property changes since then. The 2010 data is still available digitally but will likely move to an archival format (i.e., microfiche) at some point.

Another challenge with the ESD assessment calculation methodologies is their complexity and the inaccessibility of the data used for their calculation. All the information is in the public domain, but comes from multiple sources (i.e., Multnomah County Assessor; State of Oregon Department of Consumer & Business Services Building Codes Division; etc.). Additionally, various adjustments for inflation and property changes have led to quite complex formulas.

ESD COLLECTION FEES

Each ESD should continue paying the city the same percentage (2%) administration fee for calculating, collecting, disbursing, and reporting ESD assessments.

The city also assesses an annual fee that is roughly equivalent to 1% to help pay for the city's ESD coordinator position. This covers approximately 50% of the cost of that position; the remainder comes from the city's General Fund.

RECOMMENDATIONS

THE VALUE OF ESDS TO PORTLAND

As noted earlier, the place management industry today consists of 4,000+ organizations globally with 2,500 in North America (downtown.org). These place management organizations are most typically funded by mandatory assessments on properties and/or tenants of properties within defined districts in center cities and other compact and mixed-use districts.

Portland was an early-adopter of this form of public-private partnership to care for its downtown. Since then, the industry has grown, evolved, and matured, with these public-private organizations becoming central to the growth, development, preservation, vitality, and equity of urban districts throughout the world. Many cities throughout Oregon have similar districts (e.g., Eugene, Bend, McMinnville). [Seattle](#) has eleven such districts; [San Francisco](#) has seventeen; [Los Angeles](#) and [San Diego](#) each have more than thirty; [Washington, DC](#) has eleven; and [New York City](#) has seventy-six.

Place management districts like Portland's ESDs add proven value to urban environments, providing a wide variety of services, including leadership; economic development; policy and advocacy; public space management; planning and design; as well as marketing, communications, and events as a public-private partnership with local governments. This \$3 billion industry employing more than 100,000 people has matured into an integral and sophisticated part of the civic ecosystem in most American cities. The International Downtown Association is the membership organization for professional place management leaders worldwide, connecting them with knowledge, research, public policies, and professional certification for creating prosperous city centers, neighborhood districts, and livable urban places for all.

Portland should sustain and expand its ESD program at the same time it works to improve both the city's oversight and individual ESD operations. The city and the individual ESDs should also actively engage with the international place management industry to ensure that Portland's ESDs keep up with industry best practices.

CITY OVERSIGHT OF ESDS

ESD GUIDELINES

The City of Portland should develop a set of ESD guidelines for the formation, operation, renewal, expansion, and dissolution of these districts. Topics to be covered in these guidelines should include:

- **Formation:** Steps, key considerations, and best practices in forming a new ESD, including:
 - **Support & Outreach:** Community and ratepayer outreach to build support
 - **Boundaries:** Forming boundaries to reflect services and benefits
 - **Organizational Structure:** Governance; board composition; board member selection; roles of ESD board and management association board; staff leadership roles
 - **Management:** Meeting format, agendas, and minutes; ratepayer and public communications; annual meetings; annual reports
 - **Programs & Services:** Relationship to basic city responsibilities; reporting
 - **Assessment Methodology:** Transparency; assessments commensurate with benefits
 - **Ratepayers:** Types and classes; representation
 - **Duration:** Setting a duration for the district
 - **Inclusive and culturally sensitive:** The city should encourage an inclusive and culturally sensitive approach to ESD formation, governance, and programs to meet the needs of the diverse residents and stakeholders that they serve, taking guidance from the [City of Portland's Core Values Resolution and the Citywide Racial Equity Principles](#)
- **City Support for ESDs:** How the city works to support and coordinate the work of ESDs
 - **Relevant Bureaus:** Name bureaus and divisions who interact with ESDs
 - **Convening:** Regular (e.g., semi-annual) convening of all bureaus who work with ESDs
 - **Tracking:** Ensuring that baseline service agreements are followed
- **Modification:** Procedure for initiating and completing a modification to an existing ESD
- **Reporting & Evaluation:** Requirements and suggestions for reporting to the city, ratepayers, City Council, and the public, including an annual report and annual meeting; this should include an easily accessible feedback form available to all stakeholders
- **Disestablishment:** Procedure for initiating and completing a disestablishment of an ESD
- **Collections:** The city's process of assessment calculations and collections.

ESD HANDBOOK

The city should also develop and maintain an ESD "handbook" on its website for use by existing and proposed ESDs and others. The handbook should clarify city requirements and guidelines, as well as highlight existing ESD programs and accomplishments. It should be updated regularly by the city's ESD Coordinator to reflect changes in programs, services, and other related topics.

ESD COLLECTION FEES

As noted earlier, the city has also been charging the various ESDs different administrative collection fee rates, but this has been rectified. The city should continue charging all ESDs the same administrative fee rate.

INTERNAL CITY ROLES

The city should identify internal city roles and biannually convene ESD-related agencies to compare information and update best practices and policies. These meetings could be tied to data reporting requirements currently expected of agencies.

ESD ASSESSMENT CALCULATION METHODOLOGY**DATA TRANSPARENCY**

The city should require data transparency in assessment calculations, so ratepayers can confirm assessment amounts for themselves. As such the city should require ESD assessments to be based on readily available public information and encourage the districts to use assessment formulas that are as simple and easily understood as possible. Individual assessments should reflect the benefits received and be easily replicable by anyone who is inclined to look up the numbers. To support this, the city could identify a handful of publicly available metrics to use for ESD assessment calculations. Likely metrics include land area (square feet or acres) of property parcels, size of improvements (building square feet), value of improvements, all of which are available from the Multnomah County Assessor or PortlandMaps.Com.

Additionally, use of “elevator capacity” as an assessment metric should be phased out. It is a reasonable basis for equitable assessments, but this information is hard to locate, and the formulas related to elevator capacity that are currently in use by Downtown Clean & Safe are hard to follow. This can lead to confusion and a perception that data transparency is lacking.

DATA CURRENCY

The city should also require that assessments be based on current information (at least at the time of ESD renewal). That is, the practice of making assessments based on a multiplier of the original metrics from initial formation should not be allowed. At least at the time of renewal (every five years), all metrics should be current-year data.

PHASED CHANGES

One challenge with any change in assessment mechanisms is that some existing ratepayers will pay more, and some will pay less when compared to the existing mechanism. This could present grounds for some resistance to proposed changes. To mitigate this issue, the city and ESDs may prefer to phase such a change to take effect over several years.

RESIDENTIAL ASSESSMENTS

When the place management industry emerged during the 1970s and 1980s, residential uses within central business districts were far less common than they are today. As a result, place management districts (like Portland’s ESDs) were largely designed to serve commercial uses. For

example, cleaning crews were deployed in early morning hours so that workers and shoppers would be greeted by a tidy streetscape when they arrived.

In the last few decades, however, urban centers have become more popular as places to live, work and shop. This is true for Central Portland and in main streets throughout the city. In response, place management districts have adapted their services and governance to be more responsive to residents. For example, many districts now have evening crews providing cleaning, security, and programming when residents and visitors are enjoying the urban environment after work.

Correspondingly, many place management districts—including in Portland—now also assess residential properties. This varies city-to-city and state-to-state and even district-to-district within the same city. Based on our experiences with hundreds of districts in a dozen states, BDS Planning recommends that Portland should continue to include multi-family residential properties — both rental residential and residential condominiums — in ESD assessments. This also means that residential properties – renters and condo owners – should be represented in ESD governance.

At the same time, it is increasingly a national best practice to limit residential assessments to reflect the differential value of residential properties, as well as the differential load such properties put on ESD operations.

As an illustration, when a commercial building and a residential building of the same size are adjacent to each other, the residential building will be more valuable. This is because of all the finishes inherent in a residential facility. Additionally, a 1,000 square foot residence will likely have one or two people living in it, while a 1,000 square foot office will have 4-7 people working in it; more people create more need for ESD services. As such, many cities limit residential assessments for place management districts; many do this with a per-unit maximum assessment. The city may want to suggest a reduced rate for residential uses, which could either be done as a citywide policy or individually by district. As examples:

- Residential assessments in downtown Seattle’s Metropolitan Improvement District are limited to \$195/unit/year (equivalent to \$16.25/month)²
- In the Ballard Improvement Area in northwest Seattle, residential assessments are limited to \$130/unit/year (equivalent to \$10.83/month)
- In downtown Philadelphia’s Center City Districts, residential assessments are half of commercial assessments.

² In both the Seattle districts mentioned here, residential assessments are limited or capped. This means that residential assessments are calculated at the same rate as commercial properties, but IF that amount is more than the per-unit cap, then the per-unit cap becomes the determining factor.

ESD GOVERNANCE

As indicated in the Auditor's report, the city should establish guidelines and/or requirements for ESD governance, transparency, and representation.

GOVERNANCE

As noted earlier, ESD organizations contract with a District Management Association to operate their programs. This is logical and by design but can also be confusing. Following best practices, the city should encourage the ESDs and their management associations to be highly transparent about contracting and reporting relationships and specifically how the management associations are taking direction from the ESD boards about budgets, programs, and priorities. Additionally, the management associations should not be dictating ESD priorities, but rather carrying out ESD directives. It is important for budgets to be clear, especially when ESD funds are being used for executive or senior level salaries. There should be clear services being delivered for all ESD funds, with appropriate management fees.

REPRESENTATION

All ESD ratepayers should have proportionate and reasonable representation on ESD governance boards. This means that all types and sizes of ratepayers are represented on ESD boards. This should be embedded in the city's ESD guidelines, into individual ESD ordinances, and into the operating bylaws of the ESDs themselves. Specifically, ratepayers in different areas of an ESD should be represented, as well as ratepayers with different uses (e.g., office, hotel, rental residential, homeownership residential, services, nonprofits, etc.), sizes of buildings, sizes of assessments, and so forth.

Board member selection should also be transparent and with ratepayer input. Best practices include direct elections with all ratepayers voting, or at least a nominating process that is open to all ratepayers, with clear timelines and procedures for making a nomination or voting.

TRANSPARENCY

To align with industry best practices, the city should require all ESDs to be transparent in both governance and operations. Ratepayers should not only know how their representatives are selected, but also what decisions they are making and when.

Most place management districts post their board meeting agendas ahead of time to ratepayers. Similarly, the minutes for board meetings are generally available to the public and/or to ratepayers. ESD budgets should be readily available. Annual reports of accomplishments, milestones, finances, and governance should also be easily available to the public.

Not all place management districts open their board meetings to all ratepayers, but many do. Meetings that are more open do require clear rules about when folks who are not on the board can speak, but this is readily handled (not unlike a public meeting of elected officials). The city should provide meeting templates or other assistance if needed to meet these requirements.

Most place management districts hold an annual meeting that is open to all ratepayers with opportunities to ask questions and make suggestions. Many of these have a board election as part of the annual meeting, often with a recommended slate of board members, but generally with opportunities for others to be elected as well.

ESD OPERATIONS

REPORTING

The city has recently been more explicit about reporting requirements for the ESDs, which is good. At minimum, ESDs should report their revenue and expenditures related to the service items in the city ordinance creating them. They should also report board members and ratepayer representation, as well as the board member selection process. It is also common for place management districts to document their service outputs, which can be very impressive (e.g., amount of litter and graffiti removed; number of service referrals for those in need; public assistance provided; attendance at events, etc.).

The city currently requires ESDs to make an annual report at a City Council meeting. This is a common practice with similar districts nationally, but many cities do not require it. Other common reporting requirements are for an annual meeting open to all ratepayers, a written report to City Council, and/or public meeting reporting on a less frequent or as requested basis. As such, Portland may want to limit its reporting requirements as part of the program upgrades recommended here.

TRACKING

As part of the ESD formation, the city has entered into baseline service agreements with the ESDs. These agreements represent the important commitments from the city to maintain basic services in these districts. These agreements should be continued, tracked, reported on, and updated with close collaboration between the city ESD Coordinator and ESD staff.

SUBCONTRACTING

The city should reconsider its guidelines for ESD procurement and subcontracting practices. The city's recent requirement that the ESDs follow the city's Sustainable Procurement Policy — especially requiring labor peace agreements — is making it difficult for ESDs with limited budgets to find local contractors who can comply with the city's requirements. A quick sampling of half a dozen place management districts around the country turned up no comparable requirements.

COORDINATION & COLLABORATION

CITY COORDINATION

Going beyond a contractual relationship on providing clean and safe services, the city should establish a practice of strong economic development collaboration between the ESDs, Prosper Portland, and the larger business community. Moreover, ESDs should be important stakeholders in downtown and economic recovery efforts and revitalization initiatives.

With the city's coming internal reorganization, the ESD program should be in the Community and Economic Development service cluster and reporting to the same Deputy City Administrator as other economic development activities. This is important so that the ESDs are not perceived as "clean and safe providers only." Nationally, clean and safe services do use up considerable budget for place management organizations, but advocacy for and implementation of other economic activation activities (e.g., small business support, public space activation, marketing, common area maintenance, etc.) is equally important.

ESD COLLABORATION

The city should also facilitate strong collaboration among the ESDs on shared priorities and individual best practices. In many cities, place management districts have formed their own organization to promote idea-sharing and collaboration. Excellent examples include the DC BID Council and California Downtown Association.

PORTLAND MALL MANAGEMENT INCORPORATED

The city should require increased coordination and reporting between Downtown Clean & Safe and the Portland Mall Management Incorporated (PMMI). Due to the proximity of these zones, there is, at times, some confusion about who is doing what. This is exacerbated because both organizations use the same subcontractors for some services. The city also uses those same subcontractors related to its parking garages and other facilities, which can create further confusion.

It is in everyone's interest for these interrelated services to be coordinated and clearly reported to avoid duplication and ensure that all resources are used efficiently.

PRIVATE SECURITY CONTRACTORS

The city should also encourage coordination and reporting relationships between the ESDs and the private security contractors who are supporting businesses in and/or nearby to the ESDs. These are private operators working for private businesses, so the city's ability to require anything is limited, but again it is in everyone's interest to be sure that services are coordinated and communicating with each other for cost-effectiveness and overall impact.

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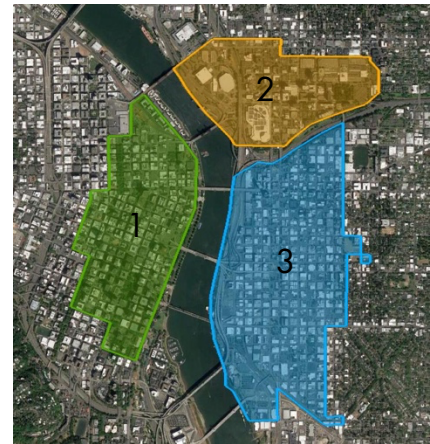
APPENDIX A: PORTLAND'S: ENHANCED SERVICE DISTRICTS (ESDs)

OVERVIEW OF ESDs

ESDs are funded by a property management license fee which is collected annually by the City. The license fee requires "any person or entity engaged in property management activities within each district to purchase a license fee to carry out such activities" (Overview slide deck, 4). ESDs are governed by City Code Chapter 6.06.

Currently, the City has three ESDs that collectively represent a significant part of the City's core: Downtown Portland Clean & Safe, Lloyd District, and Central Eastside Industrial District. The license fee generally applies to business and residential properties, but the inclusion of types of business and residential properties varies by district. Likewise, the license fee calculation formula and rates vary by district.

The following sections provide more detailed information on each district's existing license fee calculation formula and rates.



1) CLEAN & SAFE ESD

Fee Formula: Who Pays?

Non-Exempt	Discounted	Exempt
Business Property ^a	Affordable Residential Rental Property	Owner Occupied Residential with its Own Water Supply
Government Property		Mass Shelters
Residential Rental Property		Religious Organizations ^b
Residential Condominium Property		
NOTES:		
a. Includes business condominium properties.		
b. Exemption applies to such organizations, but not for property used for profit-making purposes (e.g., retail, permitted parking).		

FEE FORMULA INPUTS AND RATES BY PROPERTY USE

Businesses

The property management license fee for businesses is calculated by adding together each of the seven inputs listed below (i.e., the fee represents the *sum* of the inputs).

Input	Rate & Calculation
1 Property Value of Improvements ¹	Improved Value x Rate (\$0.87) / \$1,000
2 Square Footage of Improvements and Land ²	Square Footage x Rate (\$5.52) / 290
3 Elevator Capacity (lbs.)	Elevator Capacity (lbs.) x Rate (\$0.46)
4 Surcharge or Discount Based on Value of Improvements ³	Top 50: Subtotal (inputs 1-3) + (Subtotal x 2.5%) Top 51 st – 150 th : Subtotal – (Subtotal x 2.5%)
5 Surcharge on Subtotal (1-4)	Subtotal (inputs 1-4) + (Subtotal x 15%)

6	Inflation Adjuster for Years 2001 - 2011	Subtotal (inputs 1-5) + (Subtotal x 20.03%)
7	Consumer Price Index ⁴ (CPI)	Subtotal (inputs 1-5) + (CPI x Subtotal)
NOTES:		
<p>1. Per \$1,000 of improved value. <u>See further explanation in the section "Calculation of Property Improved Value".</u></p> <p>2. Per 290 sq ft of improvements and land.</p> <p>3. If the value of improvements is in the top 50 of all business properties, then a surcharge applies to such property; if between top 51st – 150th, then a discount applies. No adjustment is applied to properties whose value is below top 150th.</p> <p>4. Cumulative Consumer Price Index (CPI) after 2011.</p>		

Residential Property

The property management license fee for residential property is calculated by adding together each of the six inputs listed below (i.e., the fee represents the *sum* of the inputs).

Input		Rate & Calculation
1	Property Value of Improvements ¹	Improved Value x Rate (\$0.87) / \$1,000
2	Square Footage of Improvements and Land ²	Square Footage x Rate (\$5.52) / 725
3	Elevator Capacity (lbs.)	Elevator Capacity (lbs.) x Rate (\$0.46)
4	Surcharge on Subtotal (1-3)	Subtotal (inputs 1-3) + (Subtotal x 15%)
5	Inflation Adjuster for Years 2001 - 2011	Subtotal (inputs 1-4) + (Subtotal x 20.03%)
6	Consumer Price Index ³ (CPI)	Subtotal (inputs 1-5) + (CPI x Subtotal)
NOTES:		
<p>1. Per \$1,000 of improved value. <u>See further explanation in the section "Calculation of Property Improved Value".</u></p> <p>2. Per 725 sq ft of improvements and land.</p> <p>3. Cumulative Consumer Price Index (CPI) after 2011.</p>		

Calculation of Property Improved Value

Value of improvements is calculated based on most recent year where a *change* in the sum square footage of improvements and land or in elevator capacity is recorded. The following table summarizes the appropriate calculation based on the timeframe in which the improvement took place.

Timeframe	Calculation
Before July 1, 1994	Assessed value for 1993-94 tax year
July 1, 1994 – July 1, 1997	Assessed value for 1996-97 tax year, discounted by 8.8%
July 1, 1997 – July 1, 2001	<p>Change Occurs Before January 1:</p> <p>Assessed value for the most recent change prior to July 1, 1997 + cost of the physical changes¹ – (subtotal x 8.8%) + 2.9%²</p> <p><u>Change Occurs After January 1:</u></p> <p>Assessed value (first year that reflects the change) – (Assessed value x 8.8%) + (Assessed value x 2.9%)³</p>
July 1, 2001 or After	<p><u>If Change Does Not Result in a New Building:</u></p> <p>Assessed value based on appropriate timeframe (prior to July 1, 2001) and calculation x square footage of new improvements / square footage of improvements prior to July 1, 2001</p> <p><u>If Change Does Result in a New Building⁴:</u></p> <p>For business properties: square footage of improvements x \$73</p> <p>For residential properties: square footage of improvements x \$68</p>
<p>NOTES:</p> <ol style="list-style-type: none"> 1. Cost as determined by the building permit records. 2. An additional 2.9% for each year between the 1996-97 assessment year and the first year the assessment roll reflects the occupancy authorization date. 3. An additional 2.9% for each year between the 1996-97 assessment year the first year that reflect the change. 4. Defined as the value of improvements being more than 50% of the assessed value prior to the change, per permit records. 	

Affordable Residential Rental Property

Category		Rate & Calculation
1	Low Income Housing ¹	Nonprofit or Gov’t Owned: Units x Rate (\$20) All Other Entities: Units x Rate (\$44)
2	Single Room Occupancy Housing	
3	Subsidized Housing	

NOTES:
1. 60% or less of the Portland region median income as calculated annually by Metro (the region’s MPO).

Mixed-Use Properties

The total fee is calculated by adding together the applicable subtotals: business property, residential property, or affordable residential rental property.

Category		Calculation
1	Business Property	Business Formula (entire property) x Square Footage of Business / Total Square Footage (improvements)
2	Residential Property	Residential Formula (entire property) x Square Footage of Residential / Total Square Footage (improvements)
3	Affordable Residential Rental Property	Apply base rates of Affordable Residential Formula

Additional Program: Lighting & Amenities¹

Input		Rate & Calculation
1	Square Footage of Improvements or Land ²	Square Footage x Rate (\$0.01401)
2	Inflation Adjuster for Years 2001 - 2011	Subtotal (input 1) + (Subtotal x 20.03%)
3	Consumer Price Index ³ (CPI)	Subtotal (input 1) + (CPI x Subtotal)
<p>NOTES:</p> <ol style="list-style-type: none"> 1. Applies only to business use of properties. 2. Square footage of land for parking lots. 3. Cumulative Consumer Price Index (CPI) after 2011. 		

2) LLOYD ESD

FEE FORMULA: WHO PAYS?

The following table summarizes the types of property owners within the ESD that are subject to the property license fee; “Non-Exempt” types are subject to the fee, while “Exempt” types are not subject to the fee.

Non-Exempt	Exempt
Business Property ^a	Subsidized Housing ^b
Government Property	Low Income Housing ^c (60% or less of median income)
Residential Rental Property	Owner Occupied Residential with its Own Water Supply
Residential Condominium Property	Mass Shelters
	Religious Organizations ^d
<p>NOTES:</p> <p>a. Includes business condominium properties.</p> <p>b. Includes Section 8 housing, state college housing, and nonprofit owned housing funding via grants and charitable giving.</p> <p>c. 60% or less of the Portland region median income as calculated annually by Metro (the region’s MPO).</p> <p>d. Exemption applies to such organizations, but not for property used for profit-making purposes (e.g., retail, permitted parking).</p>	

FEE FORMULA INPUTS & RATES

(RATES BASED ON PROPOSED ORDINANCE AS OF DECEMBER 2023)

The property management license fee is calculated by adding together each of the four inputs listed below (i.e., the fee represents the *sum* of the inputs).

Input	Rate & Calculation
1 Property Value of Improvements ¹	Improved Value x Rate (\$0.45) / \$1,000
2 Square Footage of Improvements ²	Square Footage x Rate (\$3.50) / 290
3 Land Square Footage ³	Square Footage x Rate (\$0.022)
4 Annual Escalator ⁴	Subtotal (inputs 1-3) + (Annual Escalator (2.3%) x Subtotal)

NOTES:

1. Per \$1,000 of improved value as of 2010.
2. Per 290 sq ft of improvements as of 2010.
3. The rate for Land SF will increase by two cents each subsequent year until it reaches \$.03 in 2028.
4. Annual escalator starting 2015 (based on 10-year average of Portland's CPI). For license year beginning February 1, 2024 only, the total escalator will increase to 12.3%.

Other Considerations in Fee Formula

- Total Fee Ceilings for Property Managers: For license year beginning February 1, 2024, the total fee is not to exceed \$45,000 annually for non-residential properties; the fee ceiling will increase by \$1,250 each subsequent year until it reaches \$50,000 in 2028. Non-exempt residentially zoned properties, however, are not to exceed \$11,000 annually.
- New Buildings or Construction: value and square footage of improvements is based on the first year such changes are recorded. Proration may apply to the license fee in the first license year.
- Special Cases: specific calculations (based on square footage) are in place to account for properties with multiple owners, properties with common area improvements, and properties with exempt property uses.

3) CENTRAL EASTSIDE ESD

FEE FORMULA: WHO PAYS?

Non-Exempt	Discounted (50%)	Exempt
Business Property ^a	501 Nonprofits	Owner Occupied Residential with its Own Water Supply
Government Property	Low Income Housing ^b (60% or less of median income)	Mass Shelters
Residential Rental Property		Religious Organizations ^c
Residential Condominium Property		

NOTES:

a. Includes business condominium properties.

b. 60% or less of the Portland region median income as calculated annually by Metro (the region’s MPO).

c. Exemption applies to such organizations, but not for property used for profit-making purposes (e.g., retail, permitted parking).

FEE FORMULA INPUTS & RATES

The property management license fee is calculated by adding together each of the four inputs listed below (i.e., the fee represents the *sum* of the inputs).

Input	Rate & Calculation
1 Property Value of Improvements ¹	Improved Value x Rate (\$0.45) / \$1,000
2 Square Footage of Improvements ²	Square Footage x Rate (\$3.50) / 290
3 Land Square Footage	Square Footage x Rate (\$0.020)
4 Annual Escalator ³	Subtotal (inputs 1,2,3) + (Annual Escalator (2.3%) x Subtotal)

NOTES:

1. Per \$1,000 of improved value as of 2017.
2. Per 290 sq ft of improvements as of 2017.
3. Annual escalator starting 2020 (based on 10-year average of Portland’s CPI).

OTHER CONSIDERATIONS IN FEE FORMULA

- New Buildings or Construction: value and square footage of improvements is based on the first year such changes are recorded.
- Special Cases: specific calculations (based on square footage) are in place to account for properties with multiple owners, properties with common area improvements, and properties with exempt property uses.

DATA SOURCES FOR LICENSE FEE FORMULA

The City’s Revenue Division is responsible for identifying those engaged in property management in each of the three districts; moreover, it is responsible for calculating the corresponding license fee for properties within a district, mailing license fee notices to properties, and collecting the license fees.

The table below summarizes the various data sources used in the license fee formulas of the ESDs, as well as describes the level of data accessibility to the public based on BDS’ user experience.

Data Input	Source by Code	Data Access (public)	Notes
Value of Improvements	Multnomah County Assessment Roll	Challenging	No historical dataset by parcel available. Able to access Tax Year 2024 data via the County’s ArcGIS REST services; however, tax data related to RMV and MAV is omitted.
Square Footage	Multnomah County Office of	Challenging	Able to access Tax Year 2024 data via

	Assessment and Taxation		the County’s ArcGIS REST services.
Elevator Capacity	Building Codes Division of the Oregon Dept. of Consumer and Business Services	Unsuccessful	
CPI	U.S. Bureau of Labor Statistics	Successful	
Additional Square FT of Improvements	City Bureau of Development Services	Unsuccessful	Information is retrieved from building permit application records
Cost of Physical Change	City Bureau of Development Services	Unsuccessful	Information is retrieved from building permit application records.

BDS

PLANNING & URBAN DESIGN

APPENDIX B:

PORTLAND'S: ENHANCED SERVICE DISTRICTS (ESDs)

SCOTT ROBERTSON

1. Page 13 states that *"Since users along 5th and 6th Avenues pay into both PMMI and Downtown Clean & Safe, there is, at times, some confusion about who is doing what."* I agree with the confusion part, but I don't think it is technically correct that the users on 5th and 6th pay into PMMI. PMMI is funded primarily by TriMet and PBOT, with some funding coming from PSU and Clean & Safe. The TriMet and PBOT money is taxpayer money, but it comes from the tax base citywide and I'm not sure there is a way to calculate the exact assessment by individual.
2. Page 11 states that *" Additionally, the management associations should not be dictating ESD priorities, but rather carrying out ESD directives."* In light of this I find it strange that the position of Executive Director at Clean & Safe is 80% funded by Clean & Safe and 20% funded by the management association (in this case the Portland Metro Chamber/PBA). The ESD should be giving direction to the management organization, and not the other way around, and I am not sure that a cost sharing of staff between the organizations meets this goal.

Here is some context to that last comment:

PMMI has contracted with the PBA to utilize the same cleaning and security contractors as Clean and Safe. This provides for a lot of collaboration, flexibility, and a sharing of resources that is of large benefit to PMMI. The PBA charges a 3% fee to manage this contract and that is fine. But from the point of view of PMMI, it would be much more transparent for PMMI to contract directly with Clean and Safe, and as far as I am being told so far the PBA won't allow it. I wonder if this practice of sharing staff is common with other ESD's and ESD management associations?

PMMI is going through a 5-year IGA renewal process now and we are looking at some contracting and funding changes going forward. We plan to meet with Clean and Safe and the PBA to discuss early next year, and I would look forward to picking your brain on some of the issues after that meeting.

CANDEE WILSON

As a condominium owner, aka homeowner and ratepayer in an ESD (Clean and Safe), I would like to submit comment on the 2020 Audit by BDS Planning.

Of course, much of what they determined is precisely why condo owners are strongly objecting to being forced to pay for something which we have no say in its use. Clean and Safe, the ESD in which I live, has been anything but transparent in their use of funds. For many years condo owners had no representation even though we were ratepayers. As ratepayers, we are, in effect, paying double for services that the city should be providing through taxes that we pay, but isn't. And finally, condo/homeowners, are being penalized simply because of the way water is delivered to our units. We are no less a homeowner than someone that owns a single-family residence. Yet, because we have a community water system, we have to pay into our ESD but single-family homeowners do not. This seems both arbitrary and discriminatory. A further onus upon us is the incomprehensible way rates are calculated as was also noted by the Audit.

For these reasons and many more, I would like to propose that the following change be adopted:

Condominium unit owners be exempt from paying into their ESD.

At the very least, inclusion in the ESD should be optional, left to an HOA Board of Directors to decide - not the City of Portland.

BROOKE CABATIC

Hello Devin,

In regards to BDS's audit and recommendations, I am writing in support of their recommendations. I would like to highlight 2 of their recommendations that I feel strongly would make a tremendous impact on CET's ability to operate effectively and efficiently and create a more positive outcome for our stakeholders and district users.

1. I am in agreement that the City should clearly outline its basic services and ensure those services are provided so ESDs can complement those and do more for the users of the districts.
2. I am in support of the city changing its guidelines for ESD's requirement to abide by the same City subcontracting practices. While the city does have oversight of the ESD's, the ESDs are their own entity. Restricting the ESD's to the city's

guidelines limits the ESDs ability to hire a local security contractor that would be locally invested.

MARTHA DAGHLIAN

I wanted to email to share my thoughts in response to the ESD Audit. As a commercial tenant of a building within the Central Eastside district and a homeowner just outside its Eastern boundary, I have little confidence in the ESD program as it is currently structured. In my view, it seems to exist mainly to serve large business interests and follow along with lobbying pressure to privatize what should be public services, with public accountability and oversight.

I have looked at the findings of the audit by BDS (and I regularly receive meeting minutes from Central Eastside Together) and I basically agree with [Sisters of the Road's position on ESDs](#). I would like to see ESDs done away with entirely and I'd like to see the city step up and take responsibility for the holistic health of our entire community, rather than allowing these "nonprofits" (which are really run by the business interests around town) to hire private police forces and harass anyone they deem undesirable without the ability to offer comprehensive support. I do NOT feel that our neighborhood is safer or healthier because of our ESD, which is run by Central Eastside Together. I DO feel that the city is missing the big picture by continuing to utilize ESDs.

Of course, the city doesn't inspire a lot of confidence either, especially in light of [the news that nobody has been keeping track of what happens to folks whose camps are swept!](#) I understand city government is complex and in transition and that there are political and financial interests at play, but I think it's not too much to ask that the city of Portland at least show some human decency and try to do better by everyone who lives here, not just the rich campaign donors who seem to shape so much policy behind the scenes. (I see this happening with the ridiculous City Arts Office too, but that's a different topic.) I expect our city to demonstrate more care and to not waste everyone's money and ruin the chances to improve long-term outcomes by failing to follow through on the most basic reporting standards.

Anyway, thank you for reading my email, I hope it has some impact on the conversation about what to do moving forward!

JEREMY SALMON

This is just a short missive responding to the recent audit of the ESD program. Based on the audit and other responses, I find it necessary to support the ending of the Clean & Safe Program. The program targets homeless folks, has no accountability for how it spends its funds, and uses public monies for tasks and services that property owners or business operators might not even want (but can't opt out of).

There are better ways to spend both this funding, as well as everyone's time and energies. End the Clean & Safe program.

Thank You,

Jeremy Salmon

NE Portland

CAIO PEIXOTO

I demand that the City of Portland end the EDSs (enhanced services districts) initiatives. These public-private partnerships only serve those in the private sector. Instead, the city government should do what is best for the PEOPLE of Portland. We are the reason the city exists, and not the capitalists in the PBA.

Instead of EDSs, we the people of Portland, deserve well-funded public services subsidised by progressive taxation onto those who can afford - and are ultimately responsible for most problems facing our city.

SOFIA ZARFAS

Hi, I'm a constituent living in 97206.

I would like this initiative to end- period.

In lieu of this, I would like to see increased accountability of spending and city oversight of the program. I want increased accountability in Portland ESDs to end the corruption in our business districts.

Sofia Zarfaz

ANNI CABECKSTANY

Hi,

it is time for Portland to rein in the ESDs. They need more oversight and accountability. They need clear mandates. They should not be providing services that the City should provide (like street cleaning) but instead supplement what the City does. They are supposed to be an economic force, not a police force.

ESDs have too much power in the city, in particular Clean & Safe. Plus, Clean & Safe is abusing its power and oppressing and hassling homeless folks. It is time to clean up Clean & Safe and wipe out the corruption.

Overall, make the ESDs more democratic and fair. Don't overly burden social services agencies and nonprofits. Give businesses the opportunity to opt out.

The Portland Enhanced Service Districts Program Assessment and Recommendations is a good place to start to change the City code.

Someone in the City government needs to oversee the ESDs. Both businesses and the public need a clear understanding of what the ESDs can and cannot do. Businesses and the public need to know who to turn to in City government if/when things are not done appropriately by the ESDs.

ESDs cannot be trusted to govern themselves. They need supervision and boundaries.

thanks

annie capestany

97202

JOHN GIACOPPE

Dear Devin Reynolds,

I am writing to comment on the draft report of the Enhanced Service District Assessment and Recommendations released a few days ago. I'm a resident of Portland, living just south of Mount Tabor off of Division. I am a member of the Democratic Socialists of America and a transportation advocate.

I have read through the audit, paying close attention to the questions it sought to ask, and I'm deeply concerned that the authors were more interested in finding support for ESDs

than they were in investigating places they could improve. It is perfectly understandable that the city would seek to improve the ESD system before it scuttles it - but a report recommending "support and expansion" of a program without significant changes following a damning audit is highly questionable to me. Its recommendations seek to move full speed ahead with the system as it is now, with only minor changes to spending allocations, rather than the systemic level of oversight that we need to develop - and which the audit suggested.

I believe that this assessment has a fundamental flaw in its analysis that undermines its conclusions. This analysis seriously underestimates the conflict of interest that poorly-monitored public-private partnerships create. Anytime a private company is taking control of a public service, in any capacity, there should be close examination happening on an annual basis to ensure the service is being provided in a way that meets the needs and desires of the residents, and that the service is being provided at least in part to *all* residents. The service that these districts provide should be held to the same level of scrutiny as the work of our own local government, with the same level of public input.

The ESD model, as written and currently implemented, is a carryover from 90's neoliberalism. It overtrusts corporations and business interests with public space, assuming that they will find the most profit in administering the extra services to the public's satisfaction. Such faith is naive. The 2020 audit clearly showed that two ESD service districts, the Lloyd District and Downtown Clean and Safe district, favor improvements and services that will bring in more business and will result in more leased retail space, rather longer-term capital improvements in neighborhoods. They also have a history of self-dealing salary money and administration fees to the downtown business lobby, now known as Portland Metro Chamber, as "administrators" of the cleaning service, in effect creating a political machine. As of today, the larger the contract for Downtown Clean and Safe, the more money Portland Metro Chamber has to spend on influencing local politics. Reporting in Willamette Week back in February 2021 exposed this, but little has changed. The ESDs, as currently administered, have served their own ends before the most urgent or desired goals of the community. This conflict of interest needs to be addressed by fundamental changes to the ESD program, centering around stronger public involvement in planning and stronger accountability for their budget. Your 2020 audit recommended these changes, and I believe the historical evidence strongly supports their conclusions. ESD leaders have spoken out, claiming that the backlash is an "outside agenda" and promising closer community ties. Please listen to history, not to promises.

The goal of an ESD is to make delivery of a small set of desired additional services feasible by allowing private contracting. The communities that choose to use one should

be guaranteed by City code oversight of, and input into, the allocation of that tax money. Further, the funneling of administrative duties through a political lobby should be prohibited. I am not a policy analyst, and I will not pretend to know exactly what these guarantees should demand and how they should be worded to give appropriate jurisdiction to the appropriate city departments. But I do know that community members should have the right to weigh in on how any tax is being spent, no matter who administers it. More importantly, they should not have their money spent to further a private party's political ambitions. That's not what they voted for.

Again, I ask you - listen to your auditors. Don't move too fast to close this issue at the expense of Portland's communities, particularly our struggling downtown. We have seen that stronger community involvement can lead to ESDs with significantly greater public approval - namely, the Central Eastside district. Take the time to find the right fixes so that their successes can be repeated throughout the city, and we can have a stronger, safer Portland in the years to come.

Sincerely, John Giacoppe

Resident

JUSTIN SKOLNICK

Mr. Reynolds,

I'm writing to share my thoughts on the assessment and recommendations provided by BDS Planning in response to the Portland City Auditor's report on the City's Enhanced Service Districts (ESDs). I make my comments relative to my understanding of Portland's ESDs in general and the Downtown Clean & Safe ESD in particular. In short, BDS's recommendations are fully inadequate to the problems highlighted by the Auditor and, at best, provide the City with a set of talking points to help officials whip public support for further entangling relationships that the Auditor's report worked to untangle.

BDS's report can hardly be considered a serious response. To pick out only one glaring instance of its low quality: heading a long list of items that advise the City to perform duties the Auditor revealed the City is, for whatever reason, not performing, the opening recommendation that "Portland should **sustain and expand its ESD program**" (emphasis in the original) could not make more clear the firm's bias on the matter. Here and elsewhere, the document seems to suggest the reason why this firm was selected to review the Auditor's report: the return of a document with recommendations, any recommendations at all, allows City officials to 1) assert that the process was followed, 2)

pledge to take its guidance to heart, and 3) move on without actually altering the program's shape, scope, oversight, or accountability mechanisms. BDS's toothless, empty, unenforceable recommendations so closely echo the Auditor's charges as to make a mockery of the original findings. This is again in no way a serious response. BDS's work is unacceptable and are not worth further exploration. The City needs another opinion.

The remainder of my comments concern the ESD program itself, in light of the Auditor's report, given this publication of BSD's recommendations. Contrary to BSD's assessment, it is increasingly hard to see very many Portland residents benefiting at all from the ESD program — it seems instead that these contracts benefit few apart from those who are party to the contracts. It is next to impossible to see any good cause for their renewal. I understand that this assessment is unlikely to reach sympathetic eyes and ears, though I hope an exploration of the Clean & Safe ESD will go a ways towards creating that sympathy.

As a Portland resident of ten years, as a regular and enthusiastic visitor over the ten years prior, and like many residents I've watched with sadness and frustration as the state of downtown Portland deteriorated. The faces are just as beautiful, if not more beautiful now than they were when I first set foot in town. But physical conditions have gotten worse over the same period — strangely, even as other areas in other parts of town have seen marked improvement.

For a while, before I knew much about City government, I wondered if Portland couldn't launch a program to improve sanitation downtown. I imagined something ephemeral and extra, something that did a little more, and within a limited timeframe. I was surprised to learn later on that a program already existed, and that it had existed long before I showed up. Through conversations and research, I learned that Clean & Safe's service area overlaps with almost every part of downtown that was troubling me.

What's more, I learned that Clean & Safe's existence involves what's called an "Enhanced Service District," a program that seemed to intersect with my fleeting idea — "enhanced" seeming to echo the sense of "extra" that I had in mind. My relief was short-lived. Those other parts of town that I found in better shape than downtown *weren't* covered by an ESD ... while this one part of town that was covered by an ESD was in such sore shape. I weighed a few possible reasons why this might be the case. I reckoned that maybe downtown was dirtier than the rest of Portland because it sees more traffic and heavier traffic than other parts of town; but I was here during the pandemic and I visited downtown when crowds were sparse, while those other areas were relatively vibrant; downtown's sanitation problem could not be explained as a simple side effect of greater activity. I considered the possibility that the signs and excess grime and wear might be related to homelessness; but the homeless live in every part of town I travel to,

and the homeless presence downtown was no less noticeable on my first trips to Portland, yet downtown was in worse shape now than it was back then; so the problem could not in good faith be attributed to homelessness. I ran through other possibilities and exhausted them without reaching any obvious conclusion.

And then the obvious reason found me. It's so obvious that it's almost offensive, though it's simple and straightforward, it checks every box, and it suggests a remedy that's clear and correct. The reason that downtown Portland is in such a sad state is that the organization that holds the contract for the ESD is bad at its job. Downtown Clean & Safe fails to deliver results in line with the promise of its name.

When an organization with a mission and a zone as focused as Clean & Safe's fails to meet its mission in the zone of its operation, that organization is a failure. Simple as that. The staff and board of Clean & Safe have failed as managers of the ESD contract with the City. The ESD's sanitation subcontractors have failed to manage their employees in ways that would effectively clean the service area, and the Clean & Safe organization has failed to provide adequate oversight of the subcontractors to ensure a job well done. This much is apparent on sight. As the program's 2020 audit revealed, the City of Portland is also failing to deliver on its contractual obligation to oversee Clean & Safe's management of the ESD. Top to bottom, the word for Clean & Safe is *failure*.

In light of its failure, common sense and responsible governance should dictate the discontinuation of the relationship between the City and Clean & Safe. To a reasonable mind, the City's renewal of the relationship, with its annual value of over \$5 million, should be considered beyond irresponsible. Renewal in the face of the evidence of the program's failure would amount to squandering taxpayer money. The poor performance of Clean & Safe provides sufficient ground for terminating the City's relationship with the organization.

It would be bad enough for Portland City Council to even consider renewing this contract, given Clean & Safe's failure to live up to its half of the deal (and setting aside the City's failure to live up to its own half). The possibility of a renewal is rendered magnitudes worse by the Auditor's discovery that Clean & Safe revenues furnish a substantial share of the financial compensation of the staff of Portland's most active lobbying organization, the Portland Business Alliance. Clean & Safe pays almost 50% of the salaries of PBA President Andrew Hoan and VP Jon Isaacs, lobbyists whose names and faces appeared in the halls and inboxes of City officials nearly every business day across the last four quarters.

The auditor's revelation pushes the nature of the ESD contract into extremely stark light. In this light, one begins to glimpse the possibility that Clean & Safe's failure to provide

adequate sanitation services is actually a feature of its existence. Its purpose as an organization might not be the one set out in the contract. With an understanding of the eventual destination of district fees, it becomes uncomfortably clear that, by intention or ignorance, the City of Portland indirectly subsidizes the lobbying activities of the City's most prolific lobbyists.

In other words, through the Clean & Safe contract, Portland officials effectively give their blessing to (and to some extent participate in) the dismantling of the democratic basis of City government.

Anti-democratic is neither inflammatory nor an inappropriate description of PBA activities. These activities are familiar to the organizers of every local effort aimed at shoring up public programs or legal protections or alleviating the suffering of the City's poorest and most vulnerable residents. Backed by district ratepayer money, PBA representatives file suit to block grassroots ballot initiatives and saturate local media with spin and innuendo to sculpt electoral outcomes, among many other efforts. It is true that many groups participate in the political life of the city; the PBA is unique in having created a feedback loop through a custom, convoluted City-backed tax-like scheme. I have no reason to believe their efforts would grind to a halt if this revenue stream were to dry up. But City Council members, through their support of this funding mechanism for PBA efforts, implicate themselves in these efforts to defeat, deflect, upend, and usurp the good effects of any public leaning in the popular vote.

This side of the Auditor's report, with so much knowledge about the workings of Downtown Clean & Safe now in the public domain, Portland City Council members have no good reason not to let the ESD contract expire. Clean & Safe fails to keep downtown clean, its finances give strong whiffs of ulterior motives, and its staff's regular interjections into City functions and processes, public discourse, and popular sentiments are well known. Portland and its residents are worse off for the existence of this contract — we lose much and gain nothing in return. There may well be reasons to renew this contract and to allow the City's relationship with Clean & Safe to continue, though none of these reasons serve any but the most cynical construal of the public good. City Council is as wrong to support the ESD as they are wrong to entertain proposed remedies that fall laughably short of addressing the Auditor's concerns about ESDs in general and about Clean & Safe in particular. The BDS report is inadequate and should be discarded. The people of this city deserve a serious assessment.

Thank you.

Justin Skolnick

97211

LOUISE ROMAN

As a condominium owner, aka homeowner and ratepayer in an ESD (Clean and Safe), I would like to submit comment on the 2020 Audit by BDS Planning. I live and work in two condos on the Portland Open Space Sequence (POSS) located on the very southern edge of the downtown ESD. While the C+S ESD boundary seems highly arbitrary, the ESD audit underscores more troublesome features of the ratepayer assessment.

- 1) Condos are privately owned and as such already pay property taxes like those levied on single family residences. We self-organize as COA BODs, and we are non-profits. As clusters of higher density ownership, we are higher contributors to urban vitality and sustainability than single family homes. Yet single family residences are exempt from the ESD ratepayer assessment placed on condo 'homes.'
- 2) Condo ratepayers have no official standing on the governance structures that dispense the money accrued via the ratepayer assessments: the Clean and Safe BOD or, in fact, on the Portland Business Alliance (aka Chamber). Records of the proceedings of these entities are opaque. So, the ratepayer assessment on condos constitutes 'taxation without representation'.

On the experiential level the argument has been made that condo ratepayers get so many benefits from their location in 'downtown': urban vibrancy and variety, proximity to transit and cultural assets; therefore, condo owners should willingly pay the ratepayer special assessment.

Really? Those of us who have not left, cannot afford to leave, or still want to live within the DT C+S ESD are already paying higher condo fees to hire additional cleaning and security services in an effort to maintain property values. Be assured I have watched, though never seen immediately around my condos, C+S workers doing their jobs in the downtown **business** core. Their work provides some aspiration in these tough times that 'the center will hold'.

That said, condo ratepayers are private homeowners, not businesses. Condo homeowners paying twice for basic services in 'the city that works' does not work.

Louise Roman

111 SW Harrison St

19D+B

Portland. OR 97201

BRICE SUPRENANT

I am writing today to provide feedback on Portland's ESD audit. Given there is no accountability to how clean and safe spends its funds I am asking for increased transparency, city oversight of programing, and ending corruption in our business districts. Clean and safe does not give me a sense of safety. They cause irreparable harm to our houseless community, they privately fund the police, and have no oversight and all of this is completely unacceptable.

JENNIFER SHASSERRE

Just hoping to put in my two cents, as a former small business owner (15 years), recent PSU graduate ('23), and longtime Portlander.

- 1) Clean and Safe, as operated by the PBA, allows for undue influence by an activist chamber of commerce with narrow (property) interests.
- 2) While I am in support of taxes (fees in this case), I think they should be invested in PUBLIC services, creating high quality jobs, instead of the low paying/high stress jobs that C&S provides (doing away with labor peace agreements will only exacerbate this problem). Privatization of public space and service is *how we got here*, expanding the practice is not the solution.
- 3) The current fee structure is undemocratic.
- 4) In my view, transparency and good governance have never been a priority for this program, and the recommendations do not (as I understand them) create real policy around accountability. Meetings should be open to the public, as this program pertains to public space/use.
- 5) Clean and Safe should be subject to independent evaluation, (which is not what I would consider the BDS review). In the past, the PBA would distribute a survey (written by them and obviously slanted) with a <10% response rate and present it to the council as evidence of their "success". That's not real evaluation and not real data, and for those of us who care about "data driven policy" it's fairly insulting.

As an observer of the city and this program, I do not have high hopes that this review process will lead to the kind of reforms needed to address the findings of the (award winning!) audit. However, I appreciate your efforts to gather input, short notice as it is.

Best,

Jennifer Shasserre

LENNY BORER

I am the Chair of the HOA of the Portland Plaza in downtown Portland and therefore a homeowner and taxpayer to the Clean and Safe ESD.

I am strongly opposed to the consultant's recommendation that condominium owners should be the only owner occupied residences mandated to continue paying into Clean and Safe. This is an unfair tax on us that we cannot deduct and a service we neither need nor want.

I support the objections provided to the City by the consortium of downtown condominiums involved since the Audit's release in 2020. I also worked on this issue 10 years ago when it was before the City Council and strongly opposed it then.

I propose that condo owners be made exempt from paying into the ESD as all owner-occupied residences were from 1988 -2010.

ERIC FARLEY

Devin,

I live in downtown Portland in a condominium. I'm a homeowner and ratepayer in the Clean and Safe Enhanced Service District (ESD). I'm also the only resident on the Clean and Safe Board. Following are my comments on the recommendations made by consultant BDS Planning in response to the City's 2020 Audit of ESDs.

My comments in **bold** address specific recommendations from the BDS assessment copied below in "quotes."

"In response to concerns about public safety and limited police resources, Portland's ESDs currently deploy disproportionate resources toward clean and safe activities."

Comment: Portland must meet its committed service levels. One example is street sweeping, critical for a clean downtown. The City of Portland is not meeting its commitment for many basic services which is the cause for this finding and results in ESDs focusing so much effort on clean and safe activities.

"The city should continue to include residential properties including condominiums in ESD assessments, considering a per-unit maximum (either citywide or district by district)."

Comment: #1 At a minimum, Portland should immediately cap per unit condominium assessments inline with the best practices noted. Any condominiums paying less than the cap should stay the same. #2. Portland should reconsider its inclusion of condominiums.

Why? Some condominiums in Downtown Portland are paying 6X the \$120 annual capped rate referenced in the best practice examples of Ballard (Seattle) and Washington DC. Although not pointed out in this assessment, many Business Improvement Districts across the US do not include condominiums, a practice consistent with not including private residences.

"The city should encourage coordination and reporting relationships with some of the private security contractors who are supporting businesses in and/or nearby to the ESDs"

Comment: Portland should coordinate and utilize the available information provided by downtown business security cameras to better target police response, increase efficiency for the under staffed Portland Police and increase both conviction rates and the ability to charge repeat offenders. This will improve Downtown Portland security and takes advantage of the legwork and plan already developed by Downtown Portland Clean and Safe.

Eric Farley

1414 SW 3rd Avenue

JEFF BANCROFT

My wife and I are downtown condominium owners and ratepayers into the Clean and Safe Enhanced Service District (ESD). We would like to submit comment on recommendations made by consultant BDS Planning in response to the City's 2020 Audit of ESDs.

We disagree with the consultant's recommendation that condominium owners should be the only owner-occupied residences mandated to continue to pay into the Enhanced Service Districts.

We support objections provided to the City by the consortium of downtown condominiums involved since the Audit's release in 2020. We propose that condominium owners be made exempt from paying into their Enhanced Service District as all owner-occupied residences were from 1988.

Sincerely,

Jeff and Gloria Bancroft

Portland Plaza

1500 SW 5th Avenue Unit 1105

Portland OR 97201

DARIN BRISKMAN

Hello, Devin!

As an owner-resident of a condominium in the Clean & Safe ESD, I'd like to add my feedback on the program.

Including condominiums in this ESD, where we are obligated to pay fees in addition to already-high property taxes, yet are excluded from the Portland Business Alliance which governs the ESD, seems a violation of equity. Our City Code states, "Administrators implement policies in good faith as equitably and economically as possible"; the Clean & Safe ESD use of extensive "taxation without representation" is both inequitable and places an additional economic burden on a group of citizens who choose to live downtown.

Please remove condominiums from the funding mechanism of this ESD.

Thanks for listening, and thanks for your service to our city!

Darin Briskman

darin@cherokeerose.com

503.442.1566

ALYSSA VITALE

Devin,

I am writing to express concern about the City of Portland's Enhanced Services District (ESD) audit response process, including the draft recommendations that BDS Planning developed for the ESD program. **The draft recommendations, and the response process more generally, ignore a history of significant public pushback to ESDs.** Additionally, **the recommendations do not go far enough in requiring transparency and accountability from the private organizations that operate ESDs.**

The City Auditor's 2020 report on ESDs found that Portland had limited oversight of its ESDs and zero guidelines for ESD formation or governance, which results in overpolicing and prevents community members from monitoring or having a say in ESD activities (<https://www.portlandoregon.gov/auditservices/article/764910>).

In 2021, I was one of hundreds of concerned citizens who wrote letters to Portland City Council requesting a pause on the Clean & Safe contract renewal. I witnessed a 3-hour City Council meeting (<https://www.youtube.com/live/h7Yeda7ULI8>) in which virtually every public comment spoke *against* the contract renewal. I also attended public engagement sessions held by the previous ESD coordinator, Shawn Campbell, where many community members raised concerns about ESDs—not only their governance, but whether they should exist at all. **The voices of these community members do not appear in BDS Planning's draft report or recommendations.** Furthermore, the public comment process for BDS Planning's draft recommendations occurred over the 2023-2024 holiday season, had little publicity, and was very rushed — all factors that will minimize public engagement. Considering these factors, and that the previous ESD coordinator was let go after earnestly engaging the public (<https://www.wweek.com/news/city/2022/08/17/city-of-portlands-enhanced-service-district-liaison-departs/>), I have concerns that the City is intentionally avoiding gathering public feedback about ESDs.

Additionally, the BDS Planning recommendations do not go far enough in requiring transparency and accountability from ESDs. **Of particular concern is Portland Metro Chamber's management of the Downtown Clean & Safe ESD.** Public institutions are ratepayers into Clean & Safe, meaning **taxpayer money funds the ESD. Yet the public does not have access to detailed budgets, governance, or decisionmaking of the ESD.** Per the Clean & Safe contract (<https://www.portland.gov/omf/documents/2021-clean-and-safe-contract-1/download>), the ESD funds significant portions of Portland Metro

Chamber's executive salaries, including 50% of its chief lobbyist's salary and 45% of its president's salary. Additionally, Clean & Safe pays \$26,000 per year to sit on the Portland Metro Chamber board (<https://www.wweek.com/news/2021/02/17/a-controversial-private-cleaning-and-security-nonprofit-is-supposed-to-make-downtown-sparkle-but-where-is-the-money-really-going/>).

Since public funds are used for ESDs, the City must demand public transparency into ESD budgets and decisionmaking as well as opportunities for the public to serve on ESD governing boards.

The lack of oversight on ESDs is particularly concerning because, according to city lobbying data, Portland Metro Chamber (AKA Portland Business Alliance) is City Council's most prolific lobbyist (<https://bigblinkpdx.org/>). **City Council's reluctance to require accountability and transparency from their biggest lobbyist raises serious ethical questions, especially regarding our current Mayor and City Council members, three of whom are now running for Mayor.**

A final note on the BDS Planning recommendations: The firm's bias in favor of ESDs did not leave room to consider whether ESDs should exist at all. **Rather than investing in private organizations and ESDs to serve as middle men, the City should invest in public institutions to provide critical services like sanitation and behavioral and mental health.**

With ESDs, organizations like Portland Metro Chamber siphon away thousands of dollars that could be spent on critical public services to line the pockets of executives. The City should consider instead investing in robust public services, which would provide union jobs to people in our community and inherently require public transparency and accountability.

Thank you,

Alyssa Vitale

Portland, OR

ROY ABRAMOWITZ

Dear Devin,

I am a condominium unit owner in a City of Portland downtown residential condominium, specifically, the Portland Plaza on SW Market and 5th Avenue. I am also a ratepayer into the City's Clean and Safe Enhanced Service District (ESD). I would like to submit

comments on recommendations made by the consultant BDS Planning in response to the City of Portland's 2020 audit of ESD's.

I respectfully object to and disagree with the consultant's recommendation that condominium owners should be the only owner-occupied residences mandated to continue to pay annually into the Clean and Safe ESD. The City increased the Clean and Safe fee by over 7% on October 1, 2023. As Chair of our condo owner's Association Budget and Finance Committee, we continually strive to keep our condo dues reasonable yet responsive to the needs of our Association. The Clean and Safe fee now represents the 7th largest line item in our budget.

I support objections provided to the City by the consortium of downtown condominiums involved since the Audit's release in 2020. I propose that condominium unit owners be exempt from paying into the City's Clean and Safe ESD as all owner-occupied residences were from 1988 through 2010.

Thank you for your consideration.

Roy Abramowitz

Portland Plaza Condominium, UNit #505

Carpe Diem – IMH

LYDIA KIESLING

Hello,

I am writing to register my objections to the ESD program, a program that circumvents the role of local government, avoids transparency at all costs, and gives an outside role to the Portland Metro Chamber/Business Alliance in city affairs. Audits and reporting have revealed ESD to be an opaque and poorly-run protection racket that has done nothing to meaningfully improve the lives of marginalized Portlanders OR make our streets safer and more appealing to pedestrians or local businesses. The city should not be outsourcing its responsibilities to these districts. At the very least, this program needs significantly more oversight.

Thank you,

Lydia Kiesling

SUSAN LIENHART

As a downtown condominium owner paying into the Clean and Safe Enhanced Service District (ESD). I am submitting my comment on recommendations made by consultant BDS Planning in response to the City's 2020 Audit of ESDs.

I strongly disagree with the consultant's recommendation that condominium owners should continue and be the only owner-occupied residences mandated to pay into the Clean and Safe District.

I support objections provided to the City by the consortium of downtown condominiums involved since the Audit's release in 2020. I support the proposal that condominium owners be exempt from paying into their Enhanced Service District as are other owner-occupied residences.

Susan J Lienhart

The Portland Plaza

1500 SW 5th Ave #1701

Portland OR 97201

CHRIS VAN RENSBURG

Devin,

I am a board member at the NPL (North Park Lofts) condo building, situated at the corner of NW 8th Ave and NW Everett. Being right on the border between the Pearl District and Old Town, and having a Central City Concern location right next to me (in the form of the historic Golden West Building), I can say that I have just about seen it all in the past tumultuous four years since I moved to Portland from the somewhat sleepy (and virtually crime free) Bay Area suburb of Foster City back in 2020.

I am an owner of two units in the NPL building, one of which is being used as my art studio. I also own a unit in the Harrison West building, over by the PSU side of town, where I am housing my mother in her golden years. As such, I am contributing to Downtown Portland Clean and Safe via three HOA fees. Considering what I am paying, I wish that I could say that Downtown Portland Clean and Safe was actually effective in keeping downtown Portland clean and safe. It is not. Fundamentally, I don't think the ESD model is up to the task of confronting the huge challenges that the city has faced and,

largely, still is facing. Furthermore, I think that the mission of the ESDs is fundamentally wrong and off track, which I elaborate upon in my comments below.

Here are my comments on the BDS recommendations on the Portland ESDs...

"Place management districts like Portland's ESD's add proven value to urban environments, providing a wide variety of services, including leadership; economic development; policy and advocacy; public space management; planning and design; as well as marketing, communications, and events as a public-private partnership with local governments. Portland should sustain and expand its ESD program at the same time it works to improve both the city's oversight and individual ESD operations."

I specifically **DO NOT** agree with the recommendation that the ESD program should be expanded at this time. It is sufficient to sustain the ESD program while this approach and rate assessment are given further consideration and review. There are serious issues with the current model, and the city shouldn't, in my view, entrench this model by doubling down with any expansion.

"The city should develop guidelines for formation, renewal, and/or expansion of ESDs"

Once again, this recommendation reflects inherent bias by the authors of the assessment that the ESD program should be proliferated and expanded. I **DO NOT** believe we need to invest in encouraging new and/or expanded ESDs to address issues that could be better addressed through other approaches.

"The city should consider recommending or requiring that ESD assessments be based on a specific list of publicly available metrics to increase transparency and consistency.

The city should require data transparency in assessment calculations, so ratepayers can confirm assessment amounts for themselves."

These seem reasonable, and I support these recommendations.

"The city should continue to include residential properties including condominiums in ESD assessments, considering a per-unit maximum (either citywide or district by district)."

I **firmly disagree** that residential properties, including condominiums, should pay towards ESD assessments. In fact, I believe that the ESDs should be renamed as BIDs (Business Improvement Districts), which is a more common model and nomenclature, and that these BIDs should focus on improving the conditions and environment in which businesses operate in the zones covered by the BIDs, and that only businesses should contribute towards the assessments, and that the assessments should be ideally based upon an estimated / computed **economic benefit** to the benefiting businesses, with businesses that

have higher revenue and receive greater economic benefit contributing more towards the improvement fund.

That said, since such a counter-proposal may not fly, and since residential properties may still be included in the assessment for now, I support specifically the part of the recommendation regarding adopting a **per-unit maximum**. I would also argue that single family home residential properties should then no longer be exempted from the assessment.- this is fundamentally indefensible and unfair to condo owners.

All the remaining recommendations seem fairly uncontroversial, assuming the city sticks with an ESD model, but most of these recommendations would also be equally applicable if the city decided to shift towards a business-focused BID model, where the expected results and deliverables of the BIDs would be expected / required to be economically measurable.

To summarize my own personal recommendations, as a **counter** to those of the assessment by BDS...

- the ESDs should be renamed / reframed as BIDs (Business Improvement Districts)
- the BIDs should focus on efforts aimed specifically at improving the environment for businesses operating within the district zones
- residential properties SHOULD NOT be assessed and should NOT be required to contribute to the BID funds
- the BIDs should NOT take over responsibility for cleaning and safety from city agencies or bureaus, but some portion of BID funds could be directed to paying existing local government services for additional or higher frequency of cleaning and security
- BIDs should be measured based upon results achieved in actually IMPROVING business in the districts - therefore, their funds per each new budget year should be proportional to business revenue and economic activity in the districts for the prior year, so that there is a virtuous positive feedback mechanism that rewards the BIDs for delivering on their stated mission. A base level of assessment can be maintained, so that a BID never becomes underfunded during down years / recessions.
- businesses should be assessed based upon the degree to which they economically benefit from the activities of the BIDs and the improvements that they produce (i.e. increasing foot traffic, attracting people to planned events, improved word of mouth from positive experiences leading to increased sales, etc.).
- businesses should also be assessed based upon the degree to which they may contribute to problems that incur costs to the BIDs (e.g., business like fast food

restaurants that may increase trash overflow nearby, or businesses, like bars and nightclubs, that attract certain illicit activity that may require additional security or policing patrols)

- the BIDs should invest in understanding the factors that are negatively impacting the business environment within the districts and engage in targeted advocacy in policy making - at the city, county, state, and national level - to effect changes that ameliorate those negative factors over time (business taxation, homelessness policies, substance use policies, laws regarding retail theft, etc.) and lead to an improved environment for businesses in the district zones

Fundamentally, city residents who are property owners should not pay to improve the environment for businesses. Freeing up money by eliminating this rate burden on those living within the BIDs will lead to more disposable income available to be spent at the local businesses. Business activity is economically measurable, whereas vague ideas like quality of life are hard to measure.

There's no good way to measure how a property owner benefits from a hopefully cleaner and safer neighborhood. Whereas, if BID efforts to improve the environment for businesses are effective, they lead to increased business activity and higher taxable business revenue, which is measurable and quantifiable. Success of a BID that is focused on achieving an impact on business can be measured. What works can be continued and even scaled up, and what doesn't work to improve business can be ditched.

So, in my view: **out with ESD, and in with BID.**

MARION MCNAMARA

Marion McNamara

University Park Condominiums

1500 SW Park Ave

Response to the Portland Enhanced Services District Program Assessment and Recommendations

As a condominium owner and HOA board member in the Downtown Clean and Safe District, I have participated in discussions about the Downtown Clean & Safe ESD with members of my HOA community and with Board Members and residents of other condominium buildings in and outside of the ESD. I have carefully read the BDS Draft

Review and have responded to their recommendations below. Please contact me if you need more info.

I strongly support the following recommendations found on Page 2 of the BDS Draft Report. I believe that adopting and following through on all these recommendations would support transparency and fairness.

- **The city should develop guidelines for formation, renewal, and/or expansion of ESDs.**

To this recommendation I would add "formation, renewal, expansion or **contraction** of ESDs."

- **The city should develop and maintain an ESD "handbook" for use by existing and proposed ESDs and others.**
- **The city should consider recommending or requiring that ESD assessments be based on a specific list of publicly available metrics to increase transparency and consistency.**
- **The city should require data transparency in assessment calculations, so ratepayers can confirm assessment amounts for themselves.**
- **The city should establish guidelines on ESD governance, transparency, and representation requirements. [brighter line between ESD boards and management assoc. boards]**
- **The city should identify internal city roles and biannually convene ESD-related agencies to compare information and update best practices and policies.**

I would add to this recommendation that having the city take on increased oversight is important. There are too many organizations involved in the delivery of services and the buck needs to stop with someone at the city who has a clear vision of what the city's responsibilities are and how to keep all the organizations accountable to the city management and the ratepayers.

I do not support the following recommendation:

- **The city should continue to include residential properties including condominiums in ESD assessments, considering a per-unit maximum (either citywide or district by district).**

Residential condominiums are not businesses. They are the private homes for those of us who live there. There are many reasons that the city, instead of adding what is essentially a tax to our already high taxes, might consider how Condominiums benefit to the city. The vibrance of downtowns increases exponentially by having

people living in the downtown core. And as an additional benefit, density is critical to lowering the city's carbon footprint. Most people who live in the downtown core use public transit or bike or walk for most of their transportation needs. Our compact profile allows us to be more energy efficient than free standing houses. The vibrance of downtowns increases exponentially by having people living in the downtown. The past few years have shaken the downtown core of the city. Those of us who are committed to remaining should not be subjected to what is essentially an additional tax. We pay property taxes to the city, just like all the rest of Portland's citizens, and we should not have to pay additional taxes for the privilege of having the streets swept. Although currently most condo owners affected by the ESD would benefit from a flat rate instead of the current assessment method, it remains unfair to ask some homeowner to pay for services that should be provided by the city directly. Nevertheless, a smaller unfair tax would be better than the current high tax.

MIHAI CAPOTA

Dear Enhanced Service District Coordinator Reynolds,

I am a ratepayer for Clean & Safe. I find the current treatment of owner occupied residential properties unfair. Condominiums should not be discriminated compared to residential properties with their own water supply.

Sincerely,

Mihai Capotă

1500 SW 5th Ave Unit 1803

Portland OR 97201

ANITA DAVIDSON

I own a condominium downtown and as such I am a ratepayer into the Downtown Clean and Safe Enhanced Service District (ESD). I am a board member at The Portland Plaza Condominiums. Following are my comments on the BDS draft report dated December 13, 2023, organized by BDS recommendation (bullets).

- Portland should sustain and expand its ESD program at the same time it works to improve both the city's oversight and individual ESD operations.

Comment: It is notably premature to suggest the ESDs expand until the current three are significantly improved. Guidelines for ESD formation do not exist, nor do guidelines for expansion—which should not be allowed merely as boundary creep.

- The city should continue to include residential properties including condominiums in ESD assessments, considering a per-unit maximum (either citywide or district by district).

Comments: [Absolutely, as short-term relief, condominiums which have long paid unreasonable fees should be granted a per-unit maximum](#), and as soon as practical, not waiting for the next renewal cycle in 2026. I suggest \$100 per unit per year as a starting point given how much the highest-paying condominiums have over paid in recent years.

However, this BDS recommendation is misleading; it implies the City already assesses all residential properties when, in fact, single family residences are exempt in all ESDs. Single family homes are exempt while condos are not based solely on means of water service delivery. BDS states elsewhere in its report there is a “presumed benefit to community members from the enhanced services.” When asked how condominiums benefit from ESD services but single family residences do not, the consultant cited downtown challenges as if challenges only exist downtown. The distinction between single-family homeowners and condominium homeowners is unjustified; [condominiums should be returned to exempt status as are all other owner-occupied residences](#).

And while BDS brings valuable experience and exposure to its assessment, saying something is a “national best practice” or “increasingly a national best practice” does not, alone, justify it as policy. Many business and economic improvement districts do not charge owner-occupied residential properties for many of the reasons condominium owners have discussed over the past three years.

Finally, it is a mistake in this recommendation, and elsewhere in the ESD discussions, to lump together owner-occupied residential properties with for-profit residences (apartments, hotels). Condominiums are non-profit entities—just like the non-profit affordable housing properties which are exempt or afforded significantly reduced fees. As non-profit residences, and as individual homeowners, condominium owners cannot join the Portland Business Alliance (PBA) as can apartment and hotel owners. The significance of this is mentioned more under representation, next.

- The city should establish guidelines on ESD governance, transparency, and representation requirements. [brighter line between ESD boards and management assoc. boards]

Comments: In this recommendation, the consultant affirms the City Auditor's findings from 2020, a plus for ratepayers. Later, BDS speaks solely of representation on ESD governance boards. Doing so, BDS fails to discuss a more significant issue of representation brought forward by condominium owners which is this: owner-occupied homeowners—like public property ratepayers and other non-business ratepayers—can never have full representation in ESDs where the ESD is controlled by its management entity. [Condominiums should therefore be exempt as ratepayers](#), reasoning as follows:

1. The PBA is the area's chamber of commerce. Its predecessors created the downtown economic improvement district in 1988. Like other chambers, PBA is a 501(c)6 organization which may lobby for its membership.
2. The City contracts with Clean and Safe to provide enhanced services downtown, and Clean and Safe then subcontracts with PBA for management and administration. Key executive personnel of Clean and Safe and PBA overlap; for example, not only does the Clean and Safe executive director work with the president and CEO of Clean and Safe, he *works for him* at the PBA. In short, Clean and Safe is controlled by the PBA.
3. Homeowners and other non-business entities are excluded from membership in the PBA. Therefore, homeowners can never have fair representation into Clean and Safe because homeowners cannot vote on the leadership, goals and outcomes of PBA as it influences Clean and Safe. Contrast this to school and library districts where ratepayers may not receive direct benefits, but can participate by vote in the districts.
4. Clean and Safe funds 25 to 50 percent of numerous key PBA salaries and benefits in addition to staff and program costs of Clean and Safe. Again, the number one priority of the PBA is to its membership of businesses; those additional personnel may well lobby for positions and persons about which excluded ratepayers—homeowners, public taxpayers, non-profits—may disagree.
5. Clean and Safe and the PBA each do significant and beneficial work—the latter in particular for its membership. However, to presume all goals of the ESD and its management organization match and benefit all ratepayers, as BDS states, is not grounded in fact. For example, the PBA has lobbied against a sales tax which homeowners might support as a way to decrease their property tax burden.
6. The First Amendment prohibits compelling people to hand over money to a private organization that can use it for political speech. The First Amendment also protects the right of citizens to freely associate, or not. Mandating homeowners, including condominiums—and to some extent other non-business entities and the entire taxpaying public—to help fund a lobbying organization may well violate Constitutional rights.

7. This larger issue of representation cannot be solved by the City or the ESD granting a slot for all types of ratepayers on the ESD governance board. [I suggest along with other condominium owners that as owner-occupied residences who are excluded from membership in the controlling organization, we should be returned to exempt status as held from 1988-2010.](#)
 - The city should identify internal city roles and biannually convene ESD-related agencies to compare information and update best practices and policies.

Comment: This is one of the most beneficial recommendations provided by the consultant; we hope it is promptly implemented.

- The city should require continued and increased coordination and reporting between downtown Clean & Safe and the Portland Mall Management Incorporated (PMMI).

Comment: This is a significant recommendation, with risk of being missed for the additional complexity it adds. PMMI is a publicly-funded entity also involved in downtown cleaning and safety that may, or might overlap or duplicate ESD services because it hires the PBA for management and administration. My concern is that the recommendation is not broad enough. And later, the report is not clear that PMMI is funded through City and TriMet general funds (taxpayers). [This could be improved as follows: the City, in coordination with TriMet, should ensure more coordination and reporting between Clean and Safe and PMMI, and also with City stakeholders \(e.g., Office of Management and Finance and Portland Bureau of Transportation\), ESD ratepayers, and public taxpayers.](#)

Thank you for this opportunity to comment.

Anita Davidson

1500 SW 5th Ave Unit 2206, Portland, 97201

FORREST PERKINS

Hi Devin,

I am writing to express concern with the cities current relationship with Enhanced Service Districts. My understanding is you are taking public comment for a hearing tomorrow.

I want to mention that I work for a large company in the Pearl District and regularly am around the North Park blocks commuting from East Portland and walking around to get

lunch. I'm not one to freak out just cause there's a homeless person sleeping on a sidewalk or an empty shop front and I do think the downtown is busier and more pleasant than a few years back. But I was blown away, and not surprised from what I see, to hear that the city of Portland does not have a sanitation department. I understand ESD's are supposed to fill that role but that is not what I see when I work downtown. I have made a list further diving into what I hope you will consider.

- All ratepayers, including the public as taxpayers, have a right to transparent information about ESDs, particularly their budgets and governance. Public resources are used to collect ESD fees, and public institutions are ratepayers in ESDs. The public should have clear insight into how ESDs operate, who governs them, and what services they offer in addition to detailed budget information.
- The people of Portland deserve fair, transparent, and public processes when the City contracts with external organizations.
- Portland officials should not bend to the will of corporate lobbyists.
- The City must invest in public institutions — not private organizations — to carry out essential public services, including sanitation and behavioral and mental health services.
- The PBA has failed to deliver a clean or safe downtown, despite receiving millions of dollars each year to do just that. Time and again, the public has demanded the City invest in functional programs like Portland Street Response.

Thank you!

Forrest Perkins

LAUREN ARMONY

Dear Devin Reynolds,

I am writing as a representative of Sisters of the Road to express our concerns regarding the City of Portland's Enhanced Services District (ESD) audit response process, including the recommendations offered by BDS Planning.

Sisters of the Road is a nonprofit organization located in the Clean & Safe District. Our mission is to alleviate the hunger of isolation in an atmosphere of nonviolence and gentle personalism that nurtures the whole individual, while seeking systemic solutions that reach the roots of homelessness and poverty in an attempt to end them.

In reading the City Auditor's 2020 report on ESDs, we were alarmed at how much ESDs operated in public space, in our neighborhood, with impunity. In alignment with our

mission, we have advocated for a fair and transparent ESD audit response process for the past three years. As new ratepayers, we have dire concerns that our fees will pay into the very system that criminalizes our community and further entrenches them in the violence of poverty.

Our three core concerns:

1. This audit response process was not transparent, and the contractors hired to evaluate the program were biased towards maintaining ESDs in the city.
2. ESDs will continue to disparately criminalize people experiencing mental health crises and houselessness within their districts.
3. The recommendations presented by BDS planning will not resolve the corruption described by the 2020 report from the City Auditor regarding governance and transparency of operations.

Although we were consulted by BDS Planning during their assessment period, we are alarmed that there has been no other opportunity for public input aside from their poorly advertised presentation on December 12th, 2023. We were heavily involved in the public listening sessions held by previous ESD Coordinator, Shawn Campbell, and, by contrast, encouraged by his transparency and the number of public meetings held to receive feedback.

We are still perturbed that Campbell's contract was discontinued so close to his projected report back date to city council, and that this delayed the audit response process by more than a year. There has been no transparency as to why Campbell left his position, and that you, Devin, were even hired. We are grateful that the City Auditor's office took it upon themselves to update us so that we could STAY involved in the process.

Additionally, we question the ethics of hiring a firm that has a vested interest in maintaining and creating business improvement districts. Although not a direct conflict of interest, it begs the question as to whether they could offer an unbiased evaluation of our city's need for these programs to exist, even with significant public pressure to dissolve them.

From 2016-2020, unhoused residents accounted for over half arrests made in Portland. Their charges were primarily nonviolent, survival crimes. That same data showed that people are 20 times more likely to experience criminalization in Downtown Clean & Safe versus other areas of the city.

Social determinants of health state that people need economic stability, education access and quality, health care access and quality, healthy neighborhoods and built environments, and rich community contexts to thrive. Hyper-surveillance has not made our

neighborhood any healthier or safer, but further entrenched vulnerable individuals in the cycle of incarceration and poverty.

25% of ratepayers in Downtown Clean & Safe are either public or nonprofit entities. These funds are used for programming we have no voting power on, and to subsidize the salaries of Portland Metro Chamber executives. We take no issue in using our funds to contribute to the health and safety of our local community. However, allowing the use of tax dollars to fund private programming and lobbying activities raises serious ethical concerns that will not be ameliorated by suggestions presented by BDS Planning.

Before asking for better ESDs, we need exceptional:

- Public utilities,
- Transportation,
- Sanitation,
- Education,
- Social services, and
- Transparent public processes that ensure accountability for those they serve.

Sincerely,

Lauren Armony

Systemic Change Director Sisters of the Road

JANNA TESSMAN

It is disgustingly corrupt that a chamber of commerce is using public administrative resources to collect what amounts to a tax without representation from government offices and non profit orgs then using that money to lobby for corporate interests.

MARY KING

Hello,

I am writing to express my dismay at the extremely limited and unrepresentative response to Portland's audit of ESDs written by BDS Planning and Urban Design.

I don't see any recognition in their report of

- a) the significant opposition to ESD's expressed in public testimony and comments during the audit process.
- b) the downside of the privatization of essential city services including (over) policing and insufficiently trained people interacting with unsheltered residents, many of whom are suffering from mental illness and/or addiction,
- c) the apparent corruption in awarding a lucrative contract to an organization - the Portland Business Alliance, dba the Portland Metro Council - that regularly lobbies the City on behalf of big business interests and through its PAC plays a very active and malign role in local politics,
- d) the use of that contract to pay a significant proportion of the salaries of that lobbying organization;
- e) the lack of oversight and accountability of the Portland Business Alliance's work, and
- f) the use of public dollars to pay an excessive amount for services better provided by the City itself, and without any route for taxpayer influence on, or even knowledge of, the particulars of PBA's ESD activities.

I expect better from the City of Portland.

Yours,

Mary King

FRANN MICHEL

Greetings, Devin Reynolds,

I am very dissatisfied that the city has taken so much time and spent more money on the BDS consultancy that is telling us nothing new that is useful.

We need public transparency and accountability. We should not weaken the City's commitment to labor rights. Stop funneling taxpayer money to private interests.

What is **useful** is already stated in the recommendations of the [2020 auditor's report](#) (p 7). The city needs to ensure that district services are equitable, and that governance is inclusive and transparent. As the 2020 report noted, the lack of City oversight enables the Portland Business Alliance to shield its budget and activities from public scrutiny.

To address these problems, the auditor made three recommendations.

1. Review the status of Enhanced Service Districts, their purposes, and the City's responsibility for them, then potentially propose City Code to manage ESD formation, allowed scope of activities in public spaces, governance, and reporting;
2. Revise agreements with each ESD to align with code changes;
3. Develop a process for City oversight of ESD contracts, including a dedicated liaison and public reporting of ESD activities, including law enforcement and security activities to City Council and the public.

What is **new** in the [report from BDS services](#)—a company biased in favor of ESDs, since their business makes money by consulting on “establishing, managing, and renewing Place Management Districts”—is a denial of extant [public opposition](#) to ESDs (expressed in the public outreach sessions accomplished by [Shawn Campbell](#)), and, contrary to public will, a call to sustain and expand these districts and to undermine the rights of workers by getting rid of the labor peace agreement. **I do not think that ESDs should exist, but if they do, the workers need to be protected and unionized** (as they are).

The draft recommendations do not meaningfully address concerns about transparency and accountability. While the report mentions the need for transparency with ratepayers, it ignores the *need for transparency and accountability to the public*.

This is a problem not only because ESD services directly impact the public, since many services occur on public streets and sidewalks, but also because many ESD zones include publicly owned buildings, meaning public institutions are ESD ratepayers, and taxpayer money subsidizes some ESD services.

City taxpayers—including those of us not within ESD boundaries—are in effect subsidizing the Portland Business Alliance/Portland Metro Chamber's exorbitant salaries and lobbying efforts. Portland Metro Chamber lobbies City Council [over seven times more often](#) than the next most prolific lobbyist, even though they have also been [fined for failing to disclose lobbying meetings](#) with City officials. Portland needs leaders who do not bend to the will of corporate lobbyists.

Needed services—including sanitation and behavioral and mental health services—should be equitably, transparently, and publicly funded, not privatized.

If ESDs exist, they must be subject to public transparency and held publicly accountable for their actions. PBA has failed to deliver a clean or safe downtown, despite receiving millions of dollars each year to do just that. Time and again, the public has demanded the City invest in functional programs like Portland Street Response.

All ratepayers, including the public as taxpayers, have a right to transparent information about ESDs, particularly their budgets and governance. Public resources are used to collect ESD fees, and public institutions are ratepayers in ESDs. The people of Portland deserve fair, transparent, and public processes when the City contracts with external organizations. The public should have clear insight into how ESDs operate, who governs them, and what services they offer in addition to detailed budget information.

Sincerely,

Frann Michel, Ph.D.

Portland, 97214

fmichel@willamette.edu

January 15, 2024

Devin Reynolds
Enhanced Services District Coordinator
City of Portland
Office of Management and Finance

Dear Mr. Reynolds,

Thank you for the opportunity to provide public comment on the Assessment and Recommendations document provided by BDS Planning and Urban Design (BDS) to the City of Portland regarding the City's Enhanced Service District (ESD) program.

This Assessment and Recommendations document is informed by and also responds to the suggestions made by the City Auditor in 2020. While it may be helpful that the document provided by BDS resurfaces points that were made in the 4-year old Audit, the document does not adequately address the many significant problems associated with the structure and implementation of the city's ESD program. The broad strokes outlined in the BDS document miss critical details that, left unaddressed, will plague the effectiveness, transparency, and trustworthiness of the program. Specifically, this letter will discuss the significant and serious issues of sizable public subsidy of private interests, inadequate oversight, mismanagement of funds, taxation without representation, convoluted subcontracting, and conflicts of interest. Ultimately, the comments in this letter are offered in pursuit of a city that is more efficient, effective, accountable, representative, and responsive.

BACKGROUND

In August 2020, the City Auditor released an Enhanced Services District (ESD) audit entitled "[Enhanced service districts: City provides little oversight of privately funded public services](#)." This audit recommended that the City "review the district's purpose and the City's responsibility, and revisit the district agreements. If the districts continue to provide services in public spaces, the City should develop guidelines for district formation, governance, and management that ensures public input, transparency and accountability by the districts and their service providers."

On December 12th, 2023—approximately 40 months after the audit release— the City invited Portlanders to an "Enhanced Service District Audit Response Information Session." This session was run by [BDS Planning & Urban Design](#) (BDS), a Seattle-based company that the City engaged to complete the audit response, and the Office of Management & Finance

(OMF) which employs an Enhanced Service District Coordinator. [Audio from that meeting can be found here.](#)

SIZABLE PUBLIC SUBSIDY FOR PRIVATE ORGANIZATION

“The city should develop guidelines for formation, renewal, and/or expansion of ESDs.”–Portland Enhanced Services District Program Assessment and Recommendations, BDS Planning and Urban Design, p. 2.

In the approximately 40 months since the audit was released, ratepayers have paid approximately \$20 million to fund Downtown Portland Clean & Safe (“Clean and Safe”). According to research utilizing publicly available documents, approximately 20% of that \$20 million – roughly \$4 million – comes from public agencies that are funded by taxpayers. An additional approximate 10% comes from private residences and nonprofit organizations. Most of these nonprofits have a mission to serve economically marginalized communities. With the exception of one representative from one of the residential homeowners associations, none of this segment of ratepayers that comprise 30% of the total revenue of the district have representation on Clean and Safe board of directors. Additional concerns about governance will be addressed later in this letter.

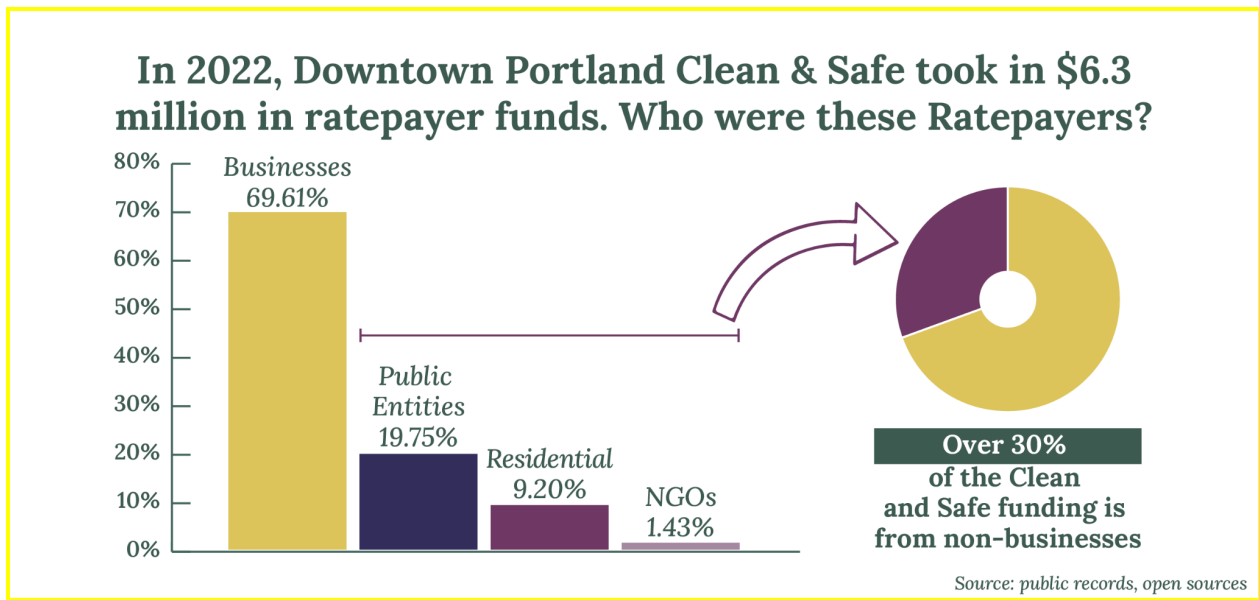


Figure 1. Ratepayers for Downtown Portland Clean & Safe.

Taxpayer funded agencies and organizations that serve Portland's economically marginalized communities are required to pay into Clean & Safe

City of Portland

Multnomah County

Prosper Portland

Housing Authority of Portland

Portland State University

Portland Community College



Source: public records, open sources

Figure 2. Taxpayer-funded agencies and nonprofits that are Clean & Safe ratepayers.

In addition to the ratepayer revenue sources shown above, there are other notable features of the Clean and Safe revenue base:

- Additional revenue beyond what is cited above to Clean & Safe comes indirectly from federal, state and local agencies via their rent payments to their landlord. These tenants have significant leases in downtown buildings: General Services Administration, State of Oregon, Oregon Department of Justice, Multnomah County, US Postal Service, Oregon Health and Sciences University and the City of Portland itself. Although the payments to Clean and Safe may not come directly from those agencies, these agencies have sizable office space in buildings managed by private parties that pay the ESD assessment.

In other words, when private businesses pay into the ESD, it may appear that the ESD is primarily funded by private parties that chose to tax themselves when establishing the ESD **when in fact, the funds to pay those dues are collected in the form of rent from tenants, including taxpayer-funded agencies.**

- A similar point can be made about the large numbers of nongovernmental organizations that are tenants of large commercial buildings managed by private parties within the Clean and Safe district. While it's not possible to estimate the dollar value of the rents those NGOs pay to commercial landlords throughout the ESD, it is factual that they have no representation in ESD governance, a topic that will be discussed more below.

INADEQUATE OVERSIGHT

“The City of Portland currently offers little guidance in forming an ESD, and its operating requirements on the existing ESDs are not aligned with national best practices.” –Portland Enhanced Services District Program Assessment and Recommendations, BDS Planning and Urban Design, p. 1.

The BDS Assessment and Recommendations document reiterates the fact that the City of Portland “currently offers little guidance in forming an ESD, and its operating requirements on the existing ESDs are not aligned with national best practices.” While many of BDS’s recommendations do not specify which best practices they are referencing, there are several practices that warrant attention.

As highlighted in the 2020 Audit, the City has extremely limited oversight of the ESD revenues. The Audit stated that the City does not complete its required oversight of Clean and Safe in the following ways:

- The City does not review the Annual Budget
- The City does not review the annual scope of work
- The City does not monitor the use of funds via audit
- The City does not conduct financial and performance audits
- The City does not review security officer complaints, investigations
- The City does not review districts’ subcontracts

As the 2020 Audit also pointed out, the City provides no guidelines for district formation or governance. As a result, districts are governed by a “board of volunteers who make decisions on how to allocate funding and enter into contracts for services.”

FUNDS MISMANAGEMENT

“It is also important for budgets to be clear, especially when ESD funds are being used for executive salaries. There should be clear services being delivered for all ESD funds, with appropriate management fees.”–Portland Enhanced Services District Program Assessment and Recommendations, BDS Planning and Urban Design, p. 11.

In their public meeting on December 12, BDS pointed out that it is common practice for Enhanced Services Districts to contract with a District Management Association. The focus of this section will be on the relationship between Clean and Safe with its Direct

Management Association, the Portland Business Alliance/Portland Metro Chamber (PBA). As the City seeks to align ESD requirements with national best practices, there are some features about this specific relationship worth evaluating. It is relevant to highlight for current and future City Commissioners that Portland voters have continually supported policies and programs that move the city in a direction that is more efficient, effective, accountable, representative and responsive.

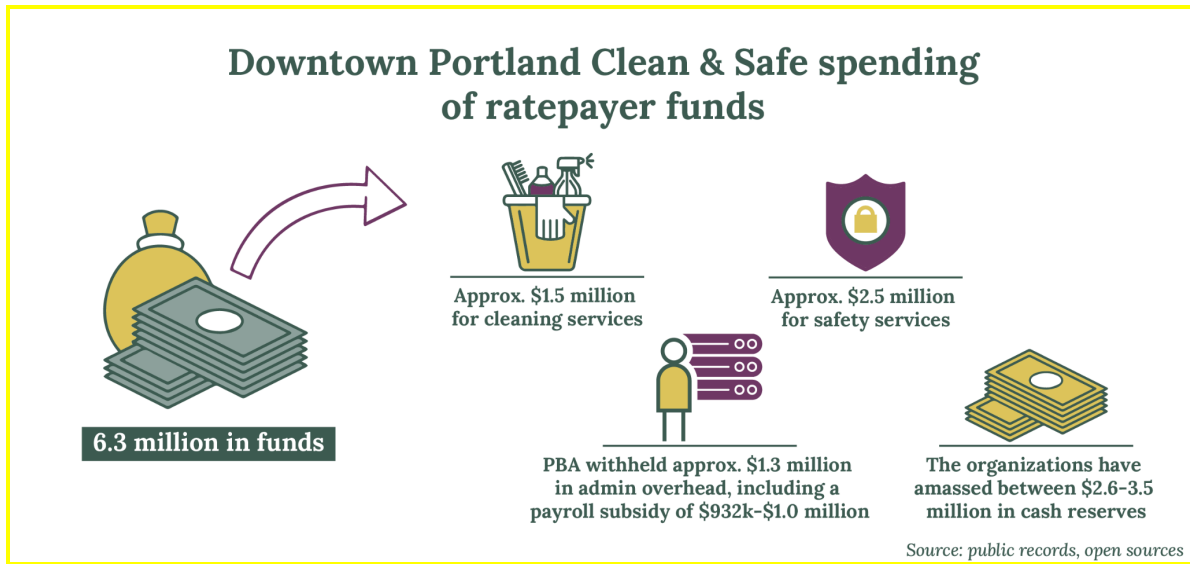


Figure 3. Spending of Clean and Safe Funds.

Specifically, as the ESD Coordinator considers ways to operationalize BDS's recommendations, the following features of the current management arrangement should be considered in the context of national best practices:

- **The current management structure is inefficient.** Only approximately 63% of the revenues are spent on cleaning and safety services.
- **Overhead is disproportionate.** For context, a cursory review of City contracts with community-based organizations reveals administrative overhead caps in the 10% range, but PBA takes more than twice that with 21.7 % for overhead.
- **The payroll subsidy for PBA executives is significant.** According to 990s, PBA takes \$932K-1 million of ratepayer fees for payroll, nearly 17% of the entire budget. Approximately 45-50% of PBA's executive salaries are paid for by this public contract.

In short, is it considered best practice for District Management Associations to spend a disproportionate amount on overhead and payroll with respect to its stated mission and in contrast to typical City contracts?

Inadequate and unnecessarily confusing reporting exacerbate the problems of funds mismanagement, making it more difficult for the city to provide adequate oversight. On June 21, 2022, a staff presentation to the Director of the Office of Management and Finance (OMF), Michael Jordan, contained the following observations:

“The financial audit reports information differently than the C&S budget and spending reports, with the total expenses and revenues matching, but the details of those calculations not matching.

The biggest difference between the two reports is staffing and operating expenses being divided amongst the various programs in the financial audit rather than being measured separately.

Not all programs from the budget and spending reports are included in the financial audit, and some of the programs on the financial audit are not reported as programs on the budget and spending reports.

What is the purpose of having the financial audit, which is available to the public, be setup in a significantly different manner?”

Mismanagement of funds is also reflected in the inclusion of “shared expenses” like office space and personnel. In the presentation to Michael Jordan on June 21, 2022, it was noted that:

*“Sharing of costs such as office space and related operating costs is based upon total share of personnel. In 2022 C&S covered 55% of these shared costs. All personnel are PBA employees. **C&S does not have voice in hiring, review, or termination of employees. Neither C&S or PBA track hours to differentiate between the time each employee spends doing work for C&S or PBA.** Unknown where estimates come from. PBA does regularly focus in on comparison of total compensation to similar jobs in the Portland area. Not including three nearly full-time C&S employees, estimated PBA annually receives \$750,000 from C&S for personnel and office space. PBA revenue from dues and other income sources estimated at \$1.8 million” (emphasis added).*

It is important to highlight the fact that the Executive Director of Clean and Safe also serves as a Vice President of PBA and reports only to the CEO of the PBA, although Clean and Safe contributes over 50% of the overall revenue of the combined budgets of the two organizations. According to budget documents from 2020, Clean and Safe’s budget was

\$5,410,000 and the combined budget of PBA and C&S was \$9,920,000, which reveals that Clean and Safe contributed 54% of the revenues of the combined organization.

In effect, PBA directly subsidizes their executives and operations with funds from revenues obtained via their contract with Clean and Safe, revenues that are collected from not only private businesses but also public entities, non-profit organizations, and homeowner's associations that do not have a say in day-to-day operations.

According to public records obtained via a public records request, Clean and Safe also subsidizes PBA via the following indirect mechanisms:

- **A fee of \$26,000 per year** payable to PBA for the Clean and Safe Executive Director's seat on the PBA's Board of Directors.
- **An additional membership fee of \$27,280 per year** for the Clean and Safe Chair to sit on PBA's Executive Committee.

The city should establish guidelines on ESD governance, transparency, and representation requirements. In 2022:



PBA received approx. \$750,000 from C&S for personnel and office space. However, C&S does not have voice in hiring, review, or termination of employees.



Neither C&S or PBA tracked hours to differentiate between the time each employee spends doing work for C&S or PBA.



There was no breakdown of the share of operating expenses or costs paid between PBA and C&S.

Source: Open Source Intelligence

Figure 4. Need for guidelines on governance, transparency, and representation.

TAXATION WITHOUT REPRESENTATION

“All ESD ratepayers should have proportionate and reasonable representation on ESD governance boards. This means that all types and sizes of ratepayers are represented on ESD boards. This should be embedded in the city’s ESD guidelines, into individual ESD ordinance, and into the operative bylaws of the ESDs themselves.”—Portland Enhanced Services District Program Assessment and Recommendations, BDS Planning and Urban Design, p. 11.

The BDS Assessment and Recommendations document highlights the importance of “proportionate and reasonable representation on ESD governance boards” and emphasizes the need to embed a requirement for all types and sizes of ratepayers in ESD guidelines, individual ordinances, and operating bylaws. These recommended changes would address a significant fault in the current governance structure of Clean and Safe, which lacks transparency and equitable representation.

In documents obtained through a public records request, former City staff charged with conducting a response to the 2020 Audit noted in their presentation to OMF leader Michael Jordan on June 21, 2022:

“Ratepayers (direct and indirect) and the general public have historically had few to no avenues to connect to C&S, learn more about it, or to provide input.

The board meets in closed meetings and items such as agendas, minutes, and even bylaws are not publicly available. Some materials are now available through the City, but even that is based upon specific public information requests.

Little to no information has been made publicly available regarding budgets and spending, program effectiveness, contracting, ratepayers, etc. Some materials are available through the City, but even then, mostly through public information requests.

Outside of those who serve on the board, ratepayers and the public have no voice in the district other than testimony related to City Council actions.

The board is self-selecting with recruitment based largely upon word of mouth, mutual acquaintances, and direct outreach by employees of the PBA.

No controls exist to ensure that all ratepayers have a relatively equal opportunity to serve on the board. No controls exist either to ensure the voices of different stakeholder groups are included on the board.

The board and PBA employees have openly discussed in board meetings the need to ensure new board members are in alignment with the status quo.”

In short, the Clean and Safe board operates behind closed doors, does not hold open elections, and does not ensure equitable representation of ratepayers. Currently, there is

no direct representation for the roughly 30% of ESD ratepayers on the Clean and Safe board itself, with the exception of one person who represents a single downtown homeowner association. That individual represents himself and his board and is not accountable to the other homeowner associations.

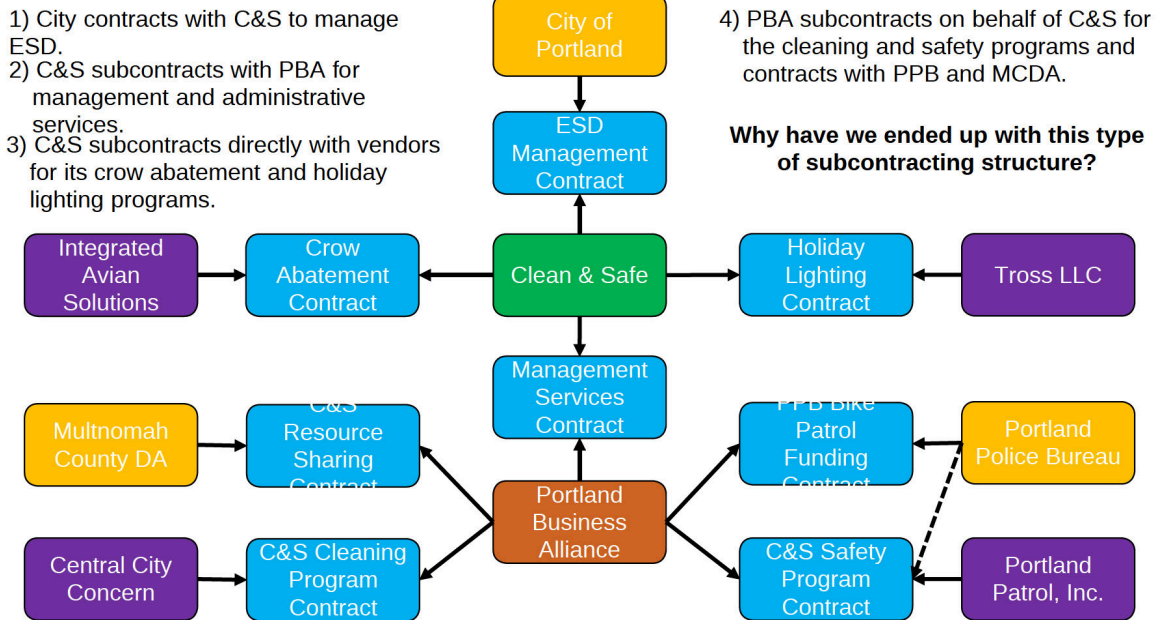
CONVOLUTED SUBCONTRACTING

“Following best practices, the city should encourage the ESDs and their management associations to be highly transparent about contracting and reporting relationships and how the management associations are taking direction from the ESD boards about budgets, programs, and priorities.”

--Portland Enhanced Services District Program Assessment and Recommendations, BDS Planning and Urban Design, p. 11.

In the same June 21, 2022 communication to OMF Director Michael Jordan, former City staff noted “convoluted subcontracting” and outlined the problems in the following slide, obtained through a public records request.

Clean & Safe Contract – Convoluted Subcontracting



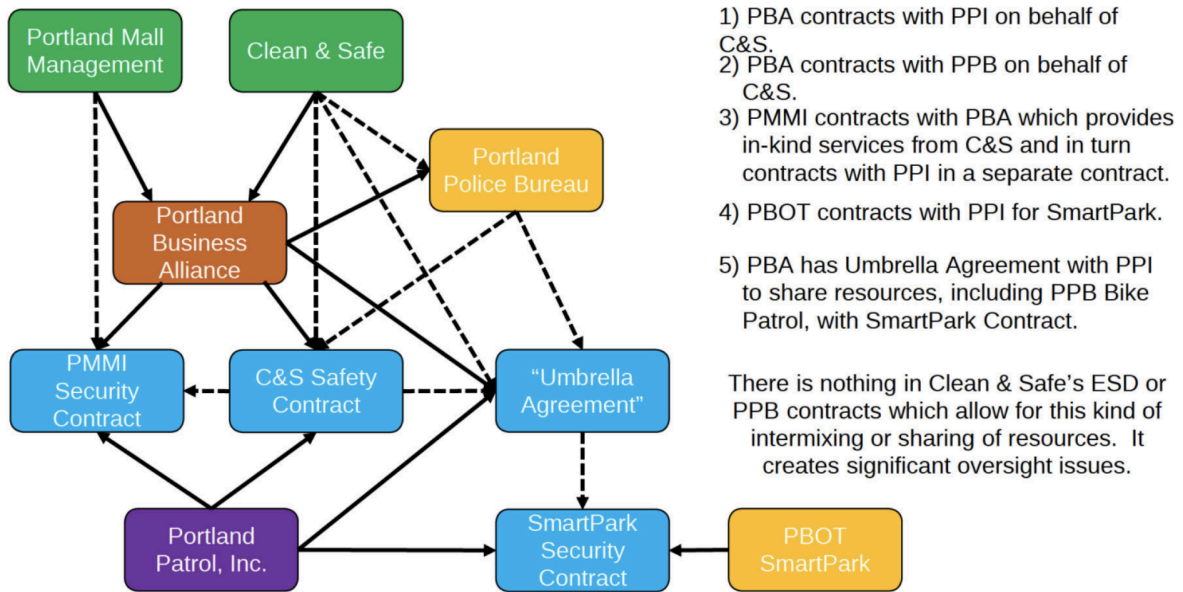
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Figure 5. Convoluted Subcontracting.

This slide details the complicated array of contracts and subcontracts between the city, Clean and Safe, and a variety of public and private entities. It is important to emphasize that the staffer asks the salient question in the slide itself: **“Why have we ended up with this type of subcontracting structure?”**

In the next slide, also obtained via public records request, the former staffer again highlights the convoluted nature of the contract relationships.

Downtown Safety Contracts – Current Structure



- 1) PBA contracts with PPI on behalf of C&S.
 - 2) PBA contracts with PPB on behalf of C&S.
 - 3) PMMI contracts with PBA which provides in-kind services from C&S and in turn contracts with PPI in a separate contract.
 - 4) PBOT contracts with PPI for SmartPark.
 - 5) PBA has Umbrella Agreement with PPI to share resources, including PPB Bike Patrol, with SmartPark Contract.
- There is nothing in Clean & Safe's ESD or PPB contracts which allow for this kind of intermixing or sharing of resources. It creates significant oversight issues.

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Figure 6. Current Structure of Contracts.

The Figure 6 slide concludes, **“There is nothing in Clean and Safe’s ESD or PPB contract which allows for this kind of intermixing or sharing of resources. It creates significant oversight issues.”**

Earlier in the same presentation to Michael Jordan, the question was posed: **“Why does subcontracted program money need to pass through the PBA for what is essentially an administrative services agreement?”**

Indeed, the need for a legend to decipher the complicated contractual relationships illustrates the inefficiency and likely mismanagement of funds within the current arrangement. Unfortunately, BDS does not provide specific recommendations to address this issue, indicating only that “the city should encourage the ESDs and their management associations to be highly transparent about contracting and reporting relationships” (page

11). As the former city staffer points out, subcontracting is, in itself, problematic and inefficient.

CONFLICTS OF INTEREST

“Additionally, management associations should not be dictating ESD priorities, but rather carrying out ESD directives.” --Portland Enhanced Services District Program Assessment and Recommendations, BDS Planning and Urban Design, p. 11.

The Downtown Retail Development Program should be commended for its hard work supporting downtown retailers. It is clear that the team is 100% committed to creative marketing, activation, and promotion to support our struggling retailers and restaurants.

In contrast, the bulk of the work conducted with Clean and Safe ratepayer dollars for economic development is advocacy for the economic development and advocacy goals of the Portland Business Alliance’s top paying dues members to its 501(c)(6). As recently as 2020/21, there were very clear disputes between the boards of PBA and Clean and Safe (as highlighted in the attached document) about the desire of Clean and Safe to carry out its own directives.

The PBA has a long history of advocating against the priorities of the taxpayer-funded agencies and nonprofits who are required to pay into the District. Due to the governance and transparency matters addressed above, there is currently no mechanism for these ratepayers to have *their* economic interests represented by the very individuals whose salaries they are subsidizing.

The BDS Assessment and Recommendation document does not acknowledge these possible conflicts of interest. Instead, they issue only a blanket recommendation that **“The city should develop and sustain strong economic collaboration with Prosper Portland, the ESDs, and the larger business community”** (page 2).

This BDS recommendation errantly assumes that there is an economic development agenda that is common to the diversity of businesses, public agencies, residential property owners and nonprofits that all contribute to the Clean and Safe rate base. This BDS recommendation does not take into account that the policy objectives of PBA’s top dues paying members whose interests determine the policy agenda of the PBA may differ considerably from those of the small businesses, public agencies and NGOs who are required to pay into Clean and Safe either directly through an assessment or indirectly through their rent.

The conflict of interest enabled by the relationship between PBA and Clean and Safe is most evident in the contract that allows for significant payroll subsidy of PBA executives for its “Downtown Economic Development Program” (business and economic development) including:

- President and CEO - 45%
- VP, Government Affairs 50%
- Senior Director, Communications - 30%
- Senior Director, Finance and Operations - 45%

What is not currently specified and should be considered as part of the **ESD Handbook recommended by BDS as well as future iterations of this contract** is a requirement that economic development advocacy done with Clean and Safe ratepayer dollars should be in the interests of the broader base of ratepayers, not the narrower interests of the members of the 501(c)(6). As part of this process, the ESD Coordinator should be tasked with determining what percentage of ratepayers are actually members of the Portland Business Alliance and then developing a mechanism for all ratepayers to have their economic development and other policy objectives advocated for by the staff who are paid by their ESD dues.

As part of their list of recommendations, BDS does mention that “management associations should not be dictating ESD priorities, but rather carrying out ESD directives” (page 11). Unfortunately, BDS does not provide guidance about how to avoid conflicts of interest that shut out other stakeholders and ratepayers.

Thank you for the opportunity to offer this letter in the context of a public comment period.

Sincerely,



Ashley Henry