

**INTERGOVERNMENTAL AGREEMENT**  
**Regarding**  
**EcoNorthwest's Investigation of Tax Abatement Programs**

This Intergovernmental Agreement ("Agreement"), dated this \_\_\_\_ day of April, 2010 ("Effective Date"), is made and entered into by and between the **Portland Development Commission** ("PDC"), the **Portland Housing Bureau** ("PHB"), and **Multnomah County** ("MC").

**RECITALS**

1. PDC and the PHB oversee five tax abatement programs, each with distinct target populations, geographic locations and goals. The underlying goal for each program is to encourage sustainable community development. Abatement programs currently operating are:
  - a. Non-profit low income housing (program operated since 1985)
  - b. New multiple unit housing ("NMUH") (program operated since 1975)
  - c. Single family new construction (program operated since 1990)
  - d. Transit oriented development ("TOD") (program operated since 1996)
  - e. Residential rehabilitation (rental portion of program operated since 1975; owner rehabilitation portion of program operated since 1990)
2. In response to a 2008 City Auditor's report, PDC, PHB and MC desire to collectively reassess the justification, value and outcomes for the five abatement programs.
3. PDC has an existing contract with Economic Consultants Oregon, LTD, d/b/a EcoNorthwest ("EcoNorthwest"), and has determined together with PHB and MC that EcoNorthwest's expertise enables it to perform the investigations and make policy recommendations that will be used to update and refine the portfolio of abatement programs to better align program goals and outcomes.
4. EcoNorthwest has estimated a budget amount of \$55,000.00 for completing the work.
5. PDC, PHB and MC have agreed to share the cost of the work between them. PDC, PHB, and MC desire to enter into this Agreement to designate the breakdown of costs between them and the method of reimbursement.

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Now, therefore, the parties agree as follows:

## **AGREEMENT**

### **THE PROJECT**

**A.** PDC, PHB and MC together desire that four basic questions about the programs be investigated, including:

1. What is the desired outcome from the tax abatement programs?
2. What drove implementation of the programs available in Multnomah County?
3. How is the current portfolio of programs being utilized, and what impacts do the programs have on governments' budgets?
4. How well are the programs achieving their stated goals?

The investigation is described in detail in the attached flexible services work order scope of work (Exhibit A).

**B.** Of the total \$55,000.00 cost of the work, PDC shall pay \$30,000.00; MC shall pay \$12,500.00; and PHB shall pay \$12,500.00.

**C.** PDC will pay each invoice upon receipt from EcoNorthwest and will separately invoice PHB and MC for their respective shares after PDC's portion has been paid in full.

### **GENERAL**

**A.** The following are the individuals assigned to administer this Agreement:

**For PDC:**

Keith Witcosky  
Portland Development Commission  
222 NW 5th Avenue  
Portland, OR 97209

**For PHB:**

Kate Allen or Jacob Fox  
Portland Housing Bureau  
421 SW 6th Avenue, Suite 500  
Portland, Oregon 97204

**For MC:**

Marissa Madrigal or designee  
Multnomah County  
501 SE Hawthorne Blvd, Ste 500  
Portland, Oregon 97214

- B. Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of Oregon. Any suit for enforcement shall occur, if in the state courts, in the Multnomah County Circuit Court, or if the action must be brought in federal courts, in the United States District Court for the District of Oregon.
- C. Assignment.** No party shall assign or transfer any interest in this Agreement without the prior written approval of the other parties. This Agreement shall bind and inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns.
- D. Relationship of Parties.** The parties intend that the relationship created by this Agreement is that of independent contracting parties. No party hereto shall be deemed an agent, partner, joint venture, or related entity of another party by reason of this Agreement.
- E. Counterparts.** This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one agreement binding on the parties, notwithstanding that the parties are not signatories to the same counterpart.

Signature Page Follows

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the date first set forth above, by their duly authorized representatives.

CITY OF PORTLAND, ACTING BY AND THROUGH THE PORTLAND  
DEVELOPMENT COMMISSION

By: \_\_\_\_\_  
Bruce A. Warner, Executive Director

Date: \_\_\_\_\_

Approved as to Legal Sufficiency:

By: \_\_\_\_\_  
Michael Grieser, PDC Assistant General Counsel

CITY OF PORTLAND

By: \_\_\_\_\_  
Margaret Van Vliet, Director  
Portland Housing Bureau

Date: \_\_\_\_\_

Approved as to Legal Sufficiency

By: \_\_\_\_\_  
Legal Counsel

MULTNOMAH COUNTY, OREGON

By: \_\_\_\_\_  
Jeff Cogen, Chair

Date: \_\_\_\_\_

Approved as to Legal Sufficiency:

AGNES SOWLE, COUNTY ATTORNEY FOR  
MULTNOMAH COUNTY

By: \_\_\_\_\_  
Deputy County Attorney

**SAMPLE – DO NOT EXECUTE**

**EXHIBIT A**

**FLEXIBLE SERVICES WORK ORDER  
SCOPE OF WORK  
For**

**Contract #207038  
Economic Consultants Oregon, LTD d/b/a EcoNorthwest  
PDC Residential Tax Abatement Evaluation**

**I. Description of Project:**

Under this Flexible Services Work Order (this "Work Order"), Economic Consultants Oregon, LTD d/b/a EcoNorthwest (or "Contractor") agrees to suggest policy recommendations for updating the portfolio of available abatement programs to better align goals and outcomes for the Portland Development Commission, the Portland Housing Bureau, and Multnomah County. The Portland Development Commission (PDC), in conjunction with other City Bureaus, oversees five distinct tax abatement programs, each with distinct target populations, geographies, and goals, but every program seeks to encourage what could be broadly defined as "sustainable community development." The abatement programs now in operation are:

1. Non-profit low income housing
2. New multiple unit housing (NМУH)
3. Single family new construction
4. Transit oriented development (TOD)
5. Residential rehabilitation

Although the tax abatements are not new programs, the current fiscal situation of local governments and renewed political interest have given the Portland Housing Bureau (PHB), Multnomah County and PDC cause to revisit the justification, value, and outcomes for the abatements. In this scope of work, Contractor shall perform research that will provide the PDC, the City and Multnomah County with a broader context for evaluating these programs and a better understanding about their impacts. Four central questions drive the investigation described for the tasks below:

1. Why do local governments provide tax relief through residential property tax abatements? (What is the desired outcome?)
2. What drove implementation of the programs available in Multnomah County?
3. How is the current portfolio of programs used, and how does it impact agencies' budgets? (Is policy of equal or higher priority than competing budgetary priorities?)

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4. How well do the programs achieve stated goals?

- Is it an effective tool?
- Is the benefit substantial enough to have the desired outcome?
- Does policy reward for what developers would do anyway (the but-for test)?

Four project components that address these questions are described below. Throughout the analysis, Contractor shall quantify impacts on selected target populations (e.g., households at various income levels) where possible. Contractor shall work with representatives from PDC, PHB and Multnomah County Chair Wheeler's Office (the "Team") to refine the scope to ensure the research meets their collective needs.

## **II. Tasks, Activities, Deliverables and Timeframe:**

Contractor shall complete all work no later than the expiration date of this Work Order and in accordance with the agreed-upon work schedule. Contractor's specific tasks and activities to be performed under this Work Order include:

### **A. Environmental scan of local residential tax abatement programs**

A clear, concise presentation of why current programs were implemented and the current goals with respect to residential housing is critical to proposals for better-aligned policy. Task A will address this need by providing high-level overview of local tax abatement program goals and implementation. The research will result in a document that summarizes: (1) the economic and equity arguments used to justify residential tax abatement, (2) the role of tax abatement within a broader economic development context, and (3) local program implementation and the extent to which tax-abated projects address stated program goals. Consultant will base the implementation summary largely on PDC/PHB's 2008 and 2009 annual report and relevant findings from the 2008 City Auditor Report. This summary will discuss program detail, such as the take-up rate of optional program components, to the extent that additional program data are readily available.

Task A will address the second key question with a local focus on the genesis of PDC's current portfolio of programs. Contractor shall conduct interviews with representatives from PDC, PHB, Multnomah County, and possibly other stakeholders to develop a clear picture about why specific programs were implemented, and perceptions about the extent to which the programs have succeeded. Broadly, Contractor understands key program goals to include housing affordability, home ownership, and walkability (living near public transportation, green-space, work, etc.), goals that could be described as fostering sustainability. However, program priorities and economic realities have shifted over time for each of these programs. The focus groups will address this topic as well.

Deliverable: Memorandum that summarizes findings from the environmental scan.

Estimated cost: \$10,000

## **B. Task Abatement project case studies**

To understand the practical implementation of the tax abatement programs, Contractor shall perform a second task that includes a focused investigation of at least one representative project from each of the abatement program. Contractor shall use PDC/PHB's 2008 and 2009 annual report and the City Auditor Report as the basis for the investigation, but will work with the Team to identify appropriate candidate projects for each case study. Each study will include: (1) an interview with project stakeholders, (2) a financial analysis of the project including an estimate of the subsidy amount over time provided by the abatement, and (3) sensitivity analysis and implications of the analysis assuming the estimated subsidy is representative of other projects receiving abatements under the same program.

Deliverable: Memorandum that presents findings from the case studies.

Estimated cost: \$17,000 (for five case studies)

## **C. Quantitative analysis of tax abatement programs**

The Task B case studies provide information about program implementation, but do not address a key question of interest to policymakers. Namely, how would local development have been different without the tax abatement programs? Answering this question presents significant analytic challenges, as it requires quantification of an alternate reality with no tax abatement. Nonetheless, a statistical analysis of available data may provide credible estimates for the net benefits delivered by the abatement programs. For example, a geographically detailed analysis could suggest whether trends of residential construction and home sales in areas eligible for abatement differed from those in other regions. Related analysis based on eligibility criteria other than geography (e.g., home value) could strengthen the analysis.

The Task A literature review will help develop the specific analytic approach. Contractor shall work with the Team to develop necessary data sources.

Deliverable: Technical memorandum describing the quantitative analysis and the implication of our findings.

Estimated cost: \$18,000

## **D. Policy recommendations**

The research conducted for the first four tasks will provide a comprehensive look at existing residential tax abatement programs. In Task D, Contractor will synthesize their findings to produce a set of policy recommendations that would update the tax abatement programs to better align programs with goals. This will also be done in the context of the voluntary and intentional investments represented by jurisdictions agreeing to participate in these programs.



Deliverable: Memorandum describing the policy recommendations suggested by Contractor evaluation.

Estimated cost: \$10,000

***Deliverable(s):***

Deliverables (or Work Products) Contractor shall provide PDC for the tasks and activities described in this section include:

<b>WORK ORDER SCHEDULE</b>	
<b>Tasks, Activities and Deliverables</b>	<b>Estimate Performance Period / Deliverable Due Date</b>
Memorandum that summarizes findings from the environmental scan	May 17, 2010
Memorandum that presents findings from the case studies.	June 8, 2010
Technical memorandum describing the quantitative analysis and the implication of our findings.	June 21, 2010
Memorandum describing the policy recommendations	June 28, 2010
Work Order Expiration Date	August 1, 2010

### **III. COST OF SERVICES**

In consideration of the satisfactory performance of services Contractor agrees to provide PDC under this Work Order, PDC agrees to pay Contractor a sum not to exceed FIFTY-FIVE THOUSAND AND 00/100 DOLLARS (\$55,000.00) for all work completed herein. Contractor must adhere to billing rates established in the Flexible Services contract covering the Work Order.

- A. **Contractor Hourly Rate Schedule.** This project is anticipated to require the following hours to be billed at rates per hour listed below. The cost for the work performed by the Contractor shall not exceed \$55,000

<b>HOURLY RATE SCHEDULE: ECONorthwest</b>			
<b>Position Title</b>	<b>Hourly Rate</b>	<b>Hours Estimated</b>	<b>Subtotal</b>
Principal/Sr. Policy analyst (Tapogna)	\$170	32	\$5,440.00
Sr. Economist (Dyke)	\$125	114	\$14,250.00
Sr. Planner (Juntunen)	\$120	116	\$13,900.00
Administrative (Carver)	\$50	18	\$900.00
Analyst/Senior analyst/Economist	\$65-90	280	\$20,510.00
<b>Total</b>			<b>\$55,000.00</b>

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- B. **Not-To-Exceed Amount.** The total not-to-exceed amount for the work order shall be \$55,000.00 and is delineated as follows:

CONTRACTOR	\$55,000.00
SUBCONTRACTOR	\$0
Reimbursable Expenses	\$0
<b>Not-To-Exceed (NTE) Total</b>	<b>\$55,000.00</b>

The budget anticipates that Contractor will submit each draft deliverable to the Team and incorporate feedback on the draft into a final version within one week of receiving a single set of consolidated comments from the Team. Where possible, Contractor will conduct work on different tasks in parallel. The timing of the deliverables will be determined in consultation with the Team.

Payment of the foregoing fees constitutes full and complete compensation to Contractor for performing the work required by this Work Order (inclusive of all reimbursable expenses under this Work Order). Payment of the full compensation to the Contractor shall not excuse the Contractor from completing the Scope of Work described herein.

#### IV. BILLING AND PAYMENT PROCEDURE

The Contractor shall submit to the Portland Development Commission for payment an itemized invoice in a form and in sufficient detail to determine the work performed for the amount requested. Invoices submitted by the Contractor shall be prepared in such a way as to make it easy for PDC to determine if the hourly rates billed correlate with Exhibit A – Fee Schedule of the Flexible Services Contract. At a minimum, submitted invoices shall include:

- Invoice date
- Date or date range worked
- Personnel job classification or title exactly how it is written in Exhibit A – Fee Schedule
- Correlating billing rate exactly how it is written in Exhibit A – Fee Schedule
- Number of hours worked
- A brief description of work performed or tasks completed
- Any approved reimbursable expenses

Contractor shall submit invoices for work to include subcontractor hours and applicable rates for the work performed. PDC will review the invoices to ensure billing rates do not exceed the fee schedule approved by the PDC Project Manager. Contractor shall be liable for adjusting and resubmitting invoices if it is found that the subcontractor rates exceed the amounts listed in the work order. Contractor shall be liable for crediting PDC for any hourly rates that were billed higher than the rates approved by the PDC Project Manager.

PDC reserves the right to reject and refuse payment of any invoice delivered either more than 60 days following the date on which the final work product is accepted by PDC, or more than 60 days following the expiration date of this Work Order.

**V. WORK PRODUCT REQUIREMENTS**

Any document provided to PDC under this Work Order should be in electronic format on CD, DVD, and/or e-mail. Contractor will also provide three (3) hard copies of any documents when requested by PDC.

Unless otherwise stated above, all dates are firm and are subject to change only upon mutual written agreement between PDC Project Manager and Contractor.

EcoNorthwest

Contractor's Acknowledgement:

\_\_\_\_\_  
Signature and Print Name

\_\_\_\_\_  
Date