

A. Amend 6.06.020 D. as follows:

- D. "CPI-W" means the Consumer Price Index for Urban Wage Earners and Clerical Workers for Portland-Salem, OR-WA, not seasonally adjusted, as published semi-annually by the United States Bureau of Labor Statistics. Effective January 1, 2018, "CPI-W means the Consumer Price Index for Urban Wage Earners and Clerical Workers for West – Size Class A, not seasonally adjusted, as published by the United States Bureau of Labor Statistics;

B. Add following Sections to Chapter 6.06

6.06.310 Central Eastside Industrial District.

A. The Central Eastside Industrial District is that area within the boundaries formed by:

1. Northern Boundary: The south side of I-84 between the Willamette River and east side of SE 12th Avenue;
2. Southern Boundary: SE Division Place, north side between I-99 and Willamette River; SE Division Street, including the properties on the south side between SE Grand and SE 10th Avenues; both sides between SE 10th and SE 12th Avenues; and SE Hawthorne, including the properties on the south side between SE 10th and SE 11th Avenues, and north side between SE 11th and SE 12th Avenues;
3. Eastern Boundary: SE 10th Avenue, west side between SE Hawthorne Blvd and SE Division Street; SE 12th Avenue, west side between I-84 and SE Stark Street; including the properties on the east side between SE Stark Street and SE Hawthorn Blvd; I-99, west side between SE Division Place and SE Division Street; and
4. Western Boundary: Willamette River, between I-84 and north side of SE Division Place.

B. The District shall also include the properties immediately on both sides of SE Division Street between SE 10th and SE 12th Avenues and the area within the west side of SE 12th Ave between SE Division Street and SE Ivon Street.

C. The District Shall also include the property at 1401 SE Morrison Street.

6.06.320 Central Eastside Industrial District Fee Rates for Engaging in Property Management Activities.

A. Except as set out in Subsection B. of this Section, the fee established by this Chapter for management of business and residential property in the Central Eastside

Industrial District for a license year will be the sum of the following amounts, computed separately in relation to each such property within the District as to which the licensee is engaged in property management activities:

1. \$.45 (cents) per \$1,000 of assessed value of improvements as of July 1, 2017;
2. Plus \$3.50 per 290 square feet of improvements less parking structures(s) as of July 1 2017;
3. Plus \$.02 (cents) per square foot of land as of July 1, 2017.
4. Plus the total of the amounts determined under Subsections A.1. through A.3. multiplied by a 2.3 percent annual escalator for license years commencing on or after July 1, 2020.

B. In relation to business and residential property other than exempt residential property where physical changes to the property on or after July 1, 2017 have resulted in an increase or decrease in square footage of improvements, as compared to the square footage as of July 1, 2017, the fee established by this Chapter, for management of such property in the Central Eastside Industrial District in a license year, will be as provided in this Subsection:

1. During the period between the date the City Bureau of Development Services issues an authorization, documentable by written documentation, to occupy the improvements, or during the period between 180 days after the date the Bureau of Development Services issues such an authorization to occupy any portion of the improvements that was not occupied while the physical changes were being made, and the date of beginning of the license year following the first property tax assessment year in which the assessment roll reflects the physical changes, the fee otherwise payable during the period will be adjusted to the following amount, prorated based on the number of days of the period in the applicable license year:
 - a. The amount determined under Subsection A.1., plus \$.45 (cents) per \$1,000 of the cost of the physical changes, as determined from the City Bureau of Development Services records of all building permits issued authorizing or in association with the physical changes;
 - b. Plus the amount determined under Subsection A.2., plus \$3.50 per 290 additional square feet of improvements, resulting from the physical changes, as determined from the City Bureau of Development Services records of building permits issued authorizing or in association with the physical changes;
 - c. Plus the amount determined under Subsection A.3.

2. Beginning with the license year following the first property tax assessment year in which the assessment roll reflects the physical changes, the fee will be:
 - a. \$.45 (cents) per \$1,000 of assessed value of improvements for the first property tax assessment year in which the assessment roll reflects the physical changes or would reflect the changes were the property not assessed by the Oregon Department of Revenue;
 - b. Plus \$3.50 per 290 square feet of improvements, as of July 1 of the first property tax assessment year in which the assessment roll reflects the physical changes or would reflect the changes were the property not assessed by the Oregon Department of Revenue;
 - c. Plus the amount set out in Subsection A.3.;
 - d. Plus the total of the amounts determined under Subsections B.2.a. through B.2.c. multiplied by a 2.3 percent annual escalator for the license years commencing on or after July 1, 2020.
- C. In computing the fee as provided in Subsection A. or B.:
1. In relation to real property within the Central Eastside Industrial District as to which a licensee is engaged in property management activities, where the property in part is exempt residential property or religious organization property or,
 2. In relation to persons generally exempt from the license requirements of this Chapter under Section 6.06.050 but where the exemption does not apply to property management activities in relation to part of the property they manage, the fee in relation to property management activities as to such real property will be the fee computed as though management of the entire property were subject to the fee multiplied by a fraction, the numerator of which is the square footage of the area in which the licensee is engaged in property management activities subject to the fee (including land or improvements, as applicable) and the denominator of which is the square footage of the entire real property parcel (including land or improvements, as applicable).
 3. In relation to property within the District as to which there is more than one property manager for a given property, the fee for each property manager will be calculated as follows:
 - a. Each property manager's fee will first be computed as though the property manager was subject to the fee for the entire property. That amount will then be multiplied by a fraction, the numerator of which is the square footage of the area for which the property manager is engaged in property management activities subject to the fee

(including land or improvements, as applicable), and the denominator of which is the square footage of the entire real property parcel (including land or improvements, as applicable); and

- b. If there are common area improvements in a property subject to Subsection a. above, then in computing square footage of each property manager's improvements, such square footage will be deemed to include an allocated portion of the common area improvements. The allocated portion of common area improvements will be determined by multiplying the square footage of common are improvements by a fraction, the numerator of which is the square footage of the property improvements subject to this fee for each district manager, and the denominator of which is the square footage of all improvements on the property less the square footage of the common area improvements.
- D. The Central Eastside Industrial District license requirements will not apply to exempt property. For purposes of this Section, "exempt property" means exempt property as defined in subsection 6.06.020 I. and also means exempt residential property. For purposes of this Section, "exempt residential property" means a dwelling unit as defined in Chapter 33.910 of this Code that is owner-occupied and has its own separate water service.
 - E. The Central Eastside Industrial District license fee requirement will be reduced by 50 percent per license year for non profit organizations organized under section 501 of the U.S. Tax Code.
 - F. The Central Eastside Industrial District license fee requirement will be reduced by 50 percent per license year for low income housing. For purposes of this Subsection, low income housing is dwelling units available for rent at rates that are considered affordable, under federal affordability standards in effect on July 1, 1997, to persons earning 60 percent or less of the Portland region median income as identified in the records of Metro as of July 1 of each year.
 - G. For purposes of this Section 6.06.320 only, the terms "square feet of improvements" and "square footage of improvements" will not include:
 - 1. Surface and structured parking lot area;
 - 2. Landscaped area;
 - 3. Unenclosed sidewalk, plaza, and courtyard area; and
 - 4. Below grade area unless improved for occupancy by employees or tenants.

6.06.330 Revisions to License Fee Year Schedule.

Notwithstanding that Sections 6.06.010 through 6.06.180 are based on a license fee year of October 1, through September 30, the license fee year for the Central Eastside Industrial

District will be July 1, through June 30, with the first license fee year to commence July 1 2019. Therefore, the due dates set out in Sections 6.06.010 through 6.06.180, for purposes of the Central Eastside Industrial District, will be July 1 and February 1 except that the August 1 date set out in Section 6.06.090 will be May 1st. Any other dates are also changed to provide at least 30 days notice before a due date and may be clarified by the Revenue Division in a written policy.

6.06.340 Central Eastside Industrial District Periodic Sunset Review.

During the license year ending 2022 and each tenth year thereafter, the City Council will conduct a public hearing or hearings to determine whether the Central Eastside Industrial District property management license fee should be terminated. Prior to the first such hearing in the license year ending 2022 and in each tenth year thereafter, the City will mail notice of the hearing to the then current Central Eastside Industrial District licensees under this Chapter.

6.06.350 Central Eastside Industrial District Early Termination.

If the City Council, on or before June 30, of any license fee year, receives written objections signed in that license fee year by licensees responsible for more than 33 percent of the total revenues generated from the Central Eastside Industrial District property management license fee during that year, then the license fee for the Central Eastside Industrial District will be terminated as of June 30 of that license fee year.

6.06.360 Request That Annual Central Eastside Industrial District Escalator Be Lowered.

- A. The Central Eastside Industrial District contractor's Board of Directors may recommend that the annual 2.3 percent escalator adjustment be set to an amount lower than 2.3 percent for a particular license year.
1. The Board must pass a resolution during a regular board meeting and submit the resolution, any minutes from the meeting and the results of the vote to the Revenue Division no later than March 10th. The resolution must contain the following information:
 - a. The reason why the Board is requesting the annual escalator adjustment be set at a rate that is lower than 2.3 percent;
 - b. What the Board recommends as the appropriate escalator amount for the license year;
 - c. The impact on the upcoming budget that will result if a lower escalator adjustment is made, specifically as it relates to contract employee wages and contract service levels; and
 - d. The impact to District services.
 2. The Revenue Division will review the information from the Central Eastside Industrial District contractor's Board of Directors and evaluate

impacts to contract employee wages to ensure wages for these employees do not decrease inappropriately as a result of a lower escalator adjustment. The Revenue Division will make a recommendation to City Council if a lower escalator adjustment is warranted for the upcoming license year.

3. City Council must approve a lower escalator adjustment prior to April 1st.
 4. An approved lower escalator adjustment will apply to the next license year that begins on July 1st.
- B.** City Council's approval to decrease the annual escalator for any given year has no effect on future years, and the District contractor's Board must follow the process outlined in Subsection A.1. of this Section for each year it wishes to recommend a rate lower than the prescribed 2.3 percent escalator.

**CENTRAL EASTSIDE INDUSTRIAL DISTRICT
ENHANCED SERVICE DISTRICT
Revenue Division Staff Review of Level of Support**

January 29, 2019

Background

The Central Eastside Industrial Council (CEIC) has been working to establish a new Enhanced Service District (ESD) in the City of Portland. ESDs generally provide supplemental security, cleaning and other services in a defined geographical boundary. These services are paid for by property management license fees paid for by property managers with the geographical boundaries of the ESD. Examples of existing ESDs include the Downtown Clean & Safe and Go Lloyd districts. The boundaries of the proposed ESD are:¹

- A.** The Central Eastside Industrial District is that area within the boundaries formed by:
- 1.** Northern Boundary: The south side of I-84 between the Willamette River and east side of SE 12th Avenue;
 - 2.** Southern Boundary: SE Division Place, north side between I-99 and Willamette River; SE Division Street, including the properties on the south side between SE Grand and SE 10th Avenues; both sides between SE 10th and SE 12th Avenues; and SE Hawthorne, including the properties on the south side between SE 10th and SE 11th Avenues, and north side between SE 11th and SE 12th Avenues;
 - 3.** Eastern Boundary: SE 10th Avenue, west side between SE Hawthorne Blvd and SE Division Street; SE 12th Avenue, west side between I-84 and SE Stark Street; including the properties on the east side between SE Stark Street and SE Hawthorn Blvd; I-99, west side between SE Division Place and SE Division Street; and
 - 4.** Western Boundary: Willamette River, between I-84 and north side of SE Division Place.
- B.** The District shall also include the properties immediately on both sides of SE Division Street between SE 10th and SE 12th Avenues.
- C.** The District Shall also include the property at 1401 SE Morrison Street.

While ESDs are not required to work exactly alike, the way existing districts work is that, annually if

¹ The boundaries of the proposed district are shown in Exhibits A, B, C, and D.

property managers representing 33% or more of total ESD assessments remonstrate (that is, state in writing they want the ESD dissolved), the district is dissolved. While the City Code does not prescribe a specific level of affirmative support to create a district, one obvious threshold is 67%, a level that demonstrates dissolution lacks support. That said, the City Council is free to implement an ESD with any level of support it deems appropriate.

This review was conducted to verify the level of support within the proposed CEIC ESD. Support letters and information were provided to the Revenue Division by CEIC and reviewed for accuracy and completeness. Our findings follow.

Level of Support for Creation of ESD

In total, there are 1,155 properties in the proposed ESD with total estimated assessments of \$1,217,159. Of these 1,155 properties, in the first year, 389 properties representing between \$593,833 and \$653,218 in assessments affirmatively support creation of the CEIC ESD. This translates to a current level of support between 48.79% and 53.65%.² These properties are managed by 97 property managers. Because the proposed ESD is experiencing very rapid build-out of numerous properties, it is reasonable to consider not only the level of current support, but also anticipated near-term future support from new properties coming online in 2020 and 2021. Table 1, below, illustrates the current level of support for 2019, and the projected support for 2020 and 2021.

Table 1. ESD Level of Support, 2019-2021³

	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
	2019		2020		2021	
Total Support	\$ 593,833	\$ 653,218	\$ 742,422	\$ 813,156	\$ 785,555	\$ 843,641
Total District	\$ 1,217,159	\$ 1,217,645	\$ 1,364,935	\$ 1,377,583	\$ 1,408,068	\$ 1,408,068
Support %	48.79%	53.65%	54.39%	59.03%	55.79%	59.91%

Level of Opposition to Creation of ESD

Of the 1,155 properties included in the district, fifty (50) properties are currently in firm opposition to the creation of the ESD. These properties comprise an estimated total assessment of \$76,568, or 6.3% of total assessments. CEIC indicated to the Revenue Division that all properties in the proposed ESD received notification of the proposal; it appears that affirmative opposition to the ESD is quite low.

Unresponsive Property Managers

Of the 1,155 properties included in the district, a total of 705 properties were unresponsive to either

² Levels of support are presented in ranges because some district payors that support the district are unable to sign the support letter at this time due to contractual, legal or other reason. However, at the very least, these figures represent the intentions of the property managers in the district, with a degree of variance to reflect the payors that state they desire the district and welcome the fee but are unable to sign for such reasons right now. In total, there are five properties which fall into this category.

³ Including no support at all. City Council has the independent authority to establish ESDs, although in the past it has relied upon property managers to build and demonstrate support.

mailings or other requests to discuss the ESD. The total assessment value of these 705 properties is currently \$488,259. This equates to approximately 40.1% of the total ESD assessment, in year one.

Conclusions

The level of support for the ESD is below 67%, the amount needed to ensure it will not immediately dissolve following 33% remonstrance as discussed above. The level of current support is around 50% with increasing support anticipated in 2020 and 2021 as additional properties come online. Based on this information and the relatively low number of properties in affirmative opposition, the Revenue Division believes the risk of ESD dissolution is low, especially after property managers experience the benefits of the ESD.

EXHIBIT A (The entire district)

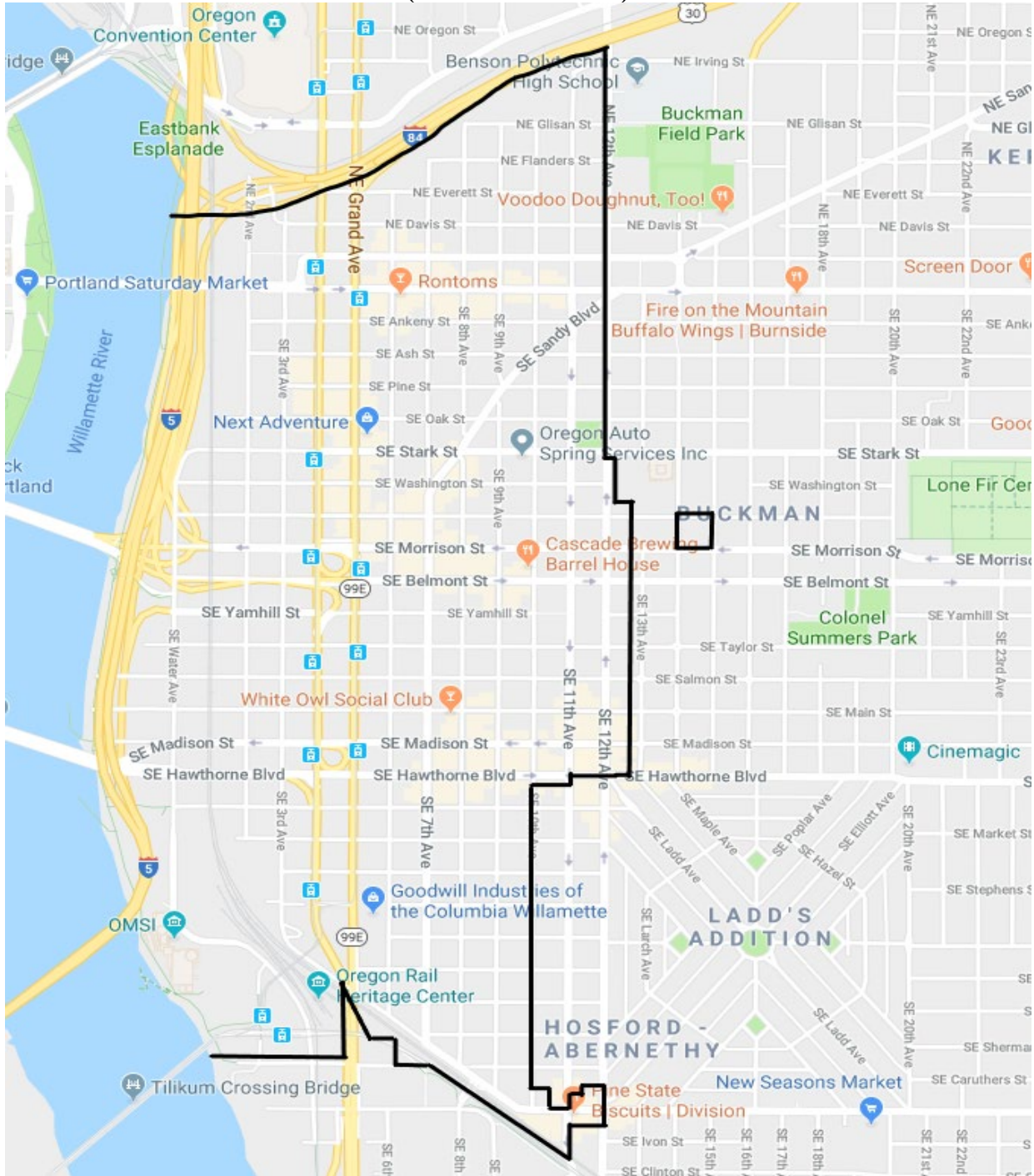


EXHIBIT B (The most SE corner of the district)

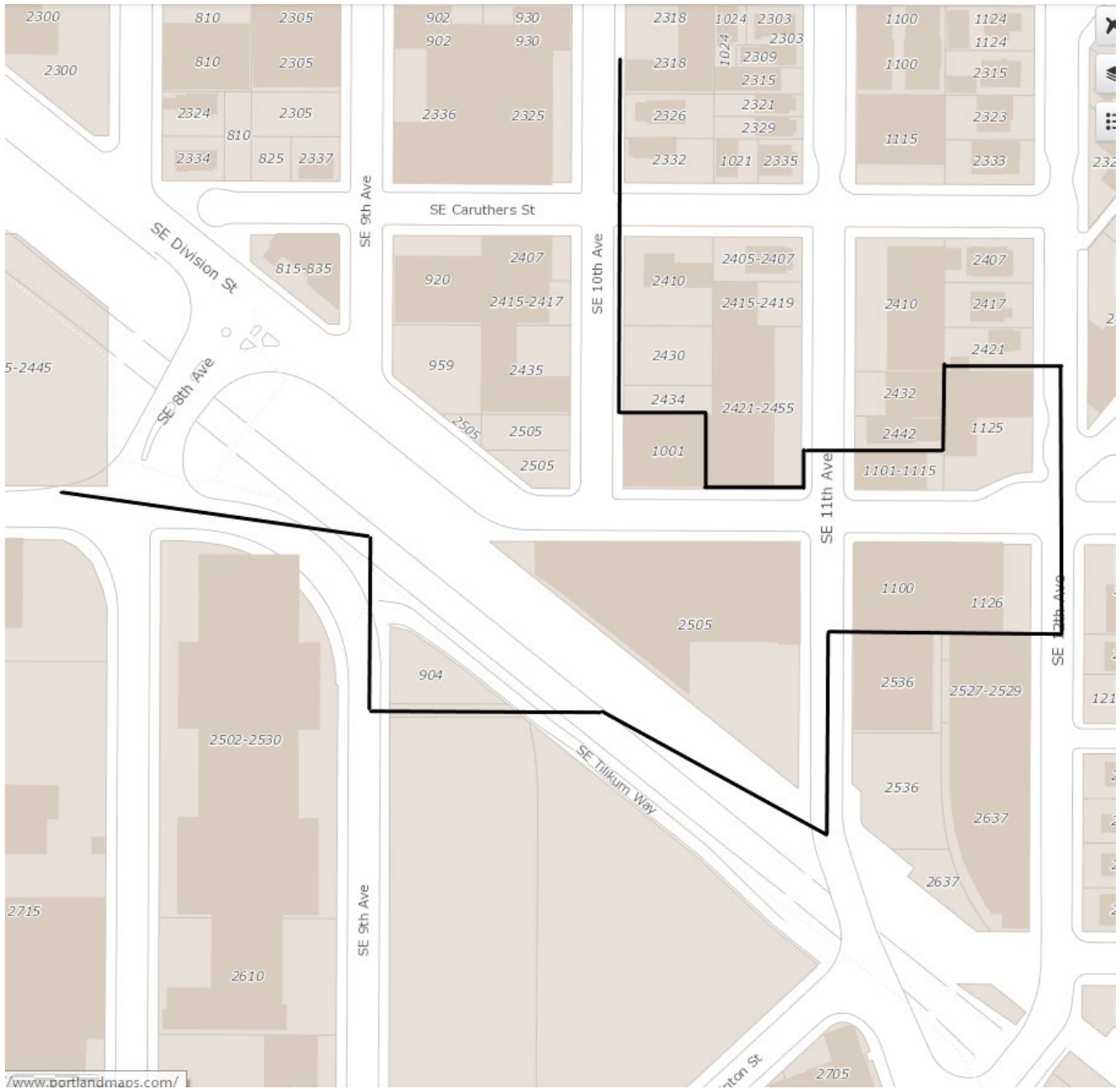


Exhibit C (The Hawthorne Corner)

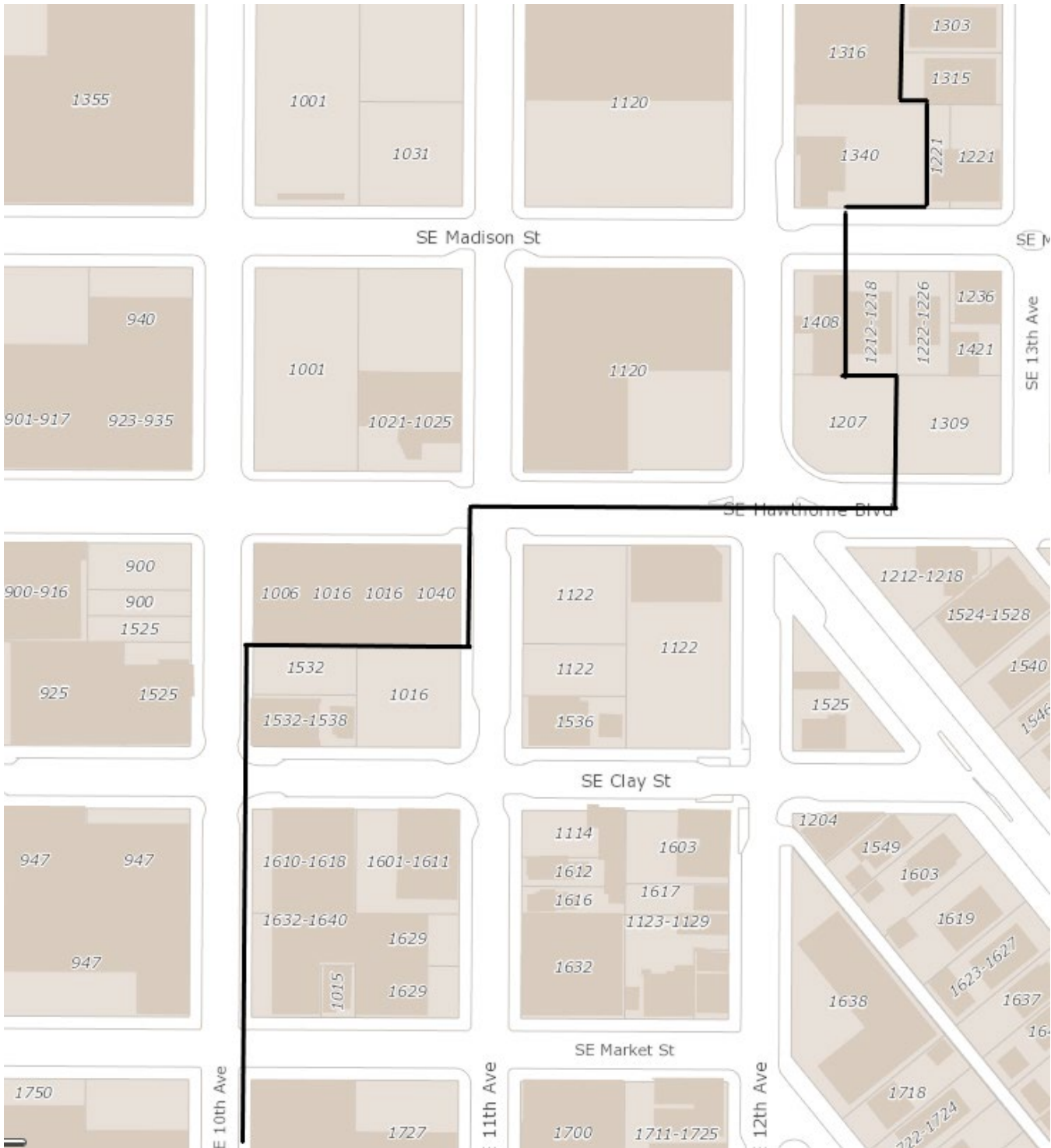


Exhibit D (The Grand & Division Corner)

