

Exhibit D



Steve
Novick
Commissioner

Memorandum

186504

Date: March 12, 2014

Leah Treat
Director

To: Mayor Charlie Hales
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman

From: Kathryn Levine, Development/Streetcar
Bureau of Transportation

Re: Amendment to Item #243 for Council Hearing Date - March 12, 2014

Assess benefited properties for improvements in the Portland Streetcar Loop Extension
Local Improvement District (Hearing; Ordinance; C-10025)

The existing Exhibit D is a one-page placeholder. The purpose of this amendment is to add the detailed narrative summary of objections and staff responses to Exhibit D of the Ordinance.

Exhibit D

Summary of Objections

Assess benefited properties for improvements in the Portland Streetcar Loop Extension Local Improvement District (Hearing; Ordinance, C-10025)

The City Council considered objections made by owners of specially benefitted property and adopts this summary of objections and findings, as set forth in this Exhibit D.

I. Summary

Notices of the March 12, 2014 final assessment hearing were mailed to owners of specially benefited property within the LID on February 6, 2014. The deadline to submit written objections was at 5:00 p.m. on March 5, 2014.

Twenty written objections representing owners of properties in the local improvement district were received by the filing deadline. Two additional written objections were received by March

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7, 2014 and are included here. Total objections represent 4.4% of the total assessment in the LID.

II. Specific Responses to Objections

- A. Filed by: Linda Rawlings, President, Automotive Products, Inc.
 Proposed Final Assessment: \$10,050
 2007 Estimated Assessment: \$10,050
 Site Address: 1700 SE GRAND AVE

Reason for Remonstrance: Property owner sent a copy of their August 8, 2007 letter expressing concerns that the benefit accrues to Northwest Portland not the Eastside; wonders if other projects within the City assessed property owners; concerned about gentrification; and wonders if a higher priority should be given to the bridges.

Response: The benefits of the streetcar is to both the east and west sides of the River with the improved access going both ways, but with the greatest new benefit to the Eastside. LID assessments have a long, tradition in Portland, both for providing neighborhood streets and sidewalks, as well as for larger capital projects, including the street improvements at the Convention Center and transit and street improvements for the Portland Mall and for all previous streetcar projects. Regarding gentrification, the streetcar project proposes no changes to existing zoning. The project will support and facilitate the highest density development along the MLK/Grand corridor where the zoning supports such efforts. The vast majority of the funds to build the streetcar are limited in their use and cannot be used for general roadway or bridge projects.

- B. Filed by: Brad Fowler, General Manager, Central Eastside Investors #1, LLC
 Proposed Final Assessment: ~~\$87,723~~ \$43,861 Corrected
 2007 Estimated Assessment: \$0
 Site Address: 111 NE 6TH AVE

Reason for Objection: Original support for the LID was based on the assessment methodology and estimated assessment provided in 2007. The proposed final assessment has increased by more than \$75,000. Long after formation of the LID, we chose to improve our property – it was never discussed or disclosed that the final assessment would change based on additional improvements or redevelopment. Development projects that are underway, but not yet completed, will not be assessed an amount comparable to our assessment. It should have been disclosed that estimated assessments could shift unfavorably as other properties lose value. Under what legal authority can the City reapportion the LID costs and alter the assessment methodology?

Response: The City is acting under Title 17 of the City Code. In 2007, Exhibit C of Ordinance No. 181265 included the following statement:

The real market values, uses and land areas used in computing the assessment will be based on the real market value, use and area for each property contained in the Multnomah County Assessor's records at the time of the final assessment (or on a professional estimate in cases where such data are not available from the County records). The final assessment will be made after the Project is complete, currently scheduled for late 2010 or 2011.

Subsequent to filing the above objection, the property owner questioned the property classification of Commercial rather than Residential. It was determined that there was an error in the identification of the property's classification. The proposed final assessment on this property has been corrected.

Exhibit C should be corrected to show a proposed final assessment of \$43,861 for property id #R645281.

C. Filed by: Gary Coe, Coe Properties LLC
 Proposed Final Assessment: \$15,879
 2007 Estimated Assessment: \$15,865
 Site Address: 125 SE CLAY ST
 120 SE CLAY ST

Reason for Objection: The LID is an imposition on small business. No customers or employees have ever been on the trolley. The trolley is a competitor to our transportation business. The LID boundary is arbitrary and businesses just a few blocks away are not being assessed.

Response: The benefit of the Streetcar is to the property. The distances from the Streetcar line designated as Zones A or B are based on the experience of previous Streetcar LIDs that clearly show greater benefit to properties within 200 feet of the line. Additionally, studies have been published showing that the benefits of rail transit can have a reach of at least 1/4 mile or 1,320 feet. There is a special benefit to the properties within the LID boundaries as opposed to the rest of the City based on their proximity to the Streetcar.

D. Filed by: Helen Yu, Associate General Counsel,
 Goodwill Industries of the Columbia Willamette
 Proposed Final Assessment: \$100,608
 2007 Estimated Assessment: \$96,187
 Site Address: Properties not identified in letter. Assumed to be the following:
 1718 SE 6TH AVE
 616 SE HARRISON ST
 611 SE HARRISON ST
 1943 WI/ SE 6TH AVE
 1943 SE 6TH AVE
 1943 WI/ SE 6TH AVE
 1943 WI/ SE 6TH AVE
 2017 SE 6TH AVE

1943 W/ SE 6TH AVE
 616 E/ SE HARRISON ST
 1831 W/ SE 6TH AVE
 1831 W/ SE 6TH AVE
 1831 W/ SE 6TH AVE
 1831 W/ SE 6TH AVE
 1831 W/ SE 6TH AVE
 1718 W/ SE 6TH AVE

Reason for Objection: GICW has not been able to verify that it has been properly assessed based on the adopted LID assessment methodology and maintains that questions regarding the accuracy of the assessment values exist.

Response: Information, as requested, on the adopted methodology and proposed adjustment was sent to a GICW representative via e-mail on February 20th. Staff has asked for contact information for the GICW representative who signed the objection letter with an offer to provide additional information.

- E. Filed by: Sarah Stevenson, Executive Director, Innovative Housing, Inc.
 Proposed Final Assessment: \$16,070
 2007 Estimated Assessment: \$14,456
 Site Address: 519-535 SE MORRISON ST

Reason for Objection: Property owner is a nonprofit, affordable housing developer. This apartment building serves chronic homeless individuals and others and rent is restricted for 60 years. The \$16,070 LID assessment is more than they can afford to pay. With restrictions, they cannot realize any benefit from increased RMV and request a waiver or significant reduction.

Response: The apportionment of assessments within the LID boundaries is the same for profit and non-profit property owners. The basis for the apportionment of assessments in LIDs is based on the special benefit that the property derives from the capital improvements, now and in the future. The assessment is a one-time only fee and the City will offer financing of the final assessments as a way to help mitigate a property owner's obligation.

- F. Filed by: James C. Morton, Managing Member, Edy, Morton & Edy, LLC
 Proposed Final Assessment: \$37,004
 2007 Estimated Assessment: \$21,600
 Site Address: 1305-1337 SE M L KING BLVD

Reason for Objection: They were presented with revised assessment methodology for the first time on Friday, February 28th. More time is needed to study the changes. A 60 day postponement is requested.

Response: Notice of the proposed final assessment was mailed on February 6, 2014. This notice described the RMV methodology calculations and proposed adjustment. Portland Streetcar staff is continuing to meet with concerned property owners and provide additional information to address questions about both the adopted methodology as well as the adjustment proposed within this Ordinance. The public improvements have been completed. Postponing the assessment increases borrowing costs to the public.

- G. Filed by: Julie Bennett, Member, Grand & Salmon, LLC
 Proposed Final Assessment: \$22,222
 2007 Estimated Assessment: \$6,046
 Site Address: 512 SE SALMON ST

Reason for Objection: Property owner objects to 368% increase in assessment, which they believe is grossly disproportionate to other property owners in the LID. The LID assessment methodology is flawed because it penalizes owners who have a high RMV increase just prior to assessment. Property owner proposes a different adjustment methodology. Suggests assessment rate should be higher in the Lloyd District. Requests review of their assessment and that an equitable adjustment be made.

Response: The Real Market Value (RMV) data from County shows an increase from \$758,250 to \$3,074,640. With the proposed adjustment to the LID assessment methodology, the property assessment is based upon an adjusted RMV of \$2,839,065. The property owner should have been notified annually through tax statements from the County of RMV changes; and offered the opportunity to appeal them. The assessment methodology is consistent across the entire LID area, including both the Lloyd District and the Central Eastside.

- H. Filed by: Kevin Howard of Kevin Howard Real Estate
 Proposed Final Assessment: \$23,524
 2007 Estimated Assessment: \$17,337
 Site Address: 109 SE ALDER ST
 215 SE MORRISON ST

Reason for Objection: Property owner submitted two letters of objection stating that there is no financial benefit for a storage facility to have a streetcar passing by, noting that there is already adequate access from downtown, and indicating opposition to the idea of the streetcar when originally proposed. Property owner identified the financial burden this LID assessment brings to a historic property.

Response: The apportionment of assessments in this LID is based on the special benefit that the property derives from the capital improvements, now and in the future. The assessment is a one-time only fee and the City will offer financing of the final assessments as a way to help mitigate a property owner's obligation.

- I. Filed by: Lawrence Taylor
 Proposed Final Assessment: \$727
 2007 Estimated Assessment: \$839
 Site Address: 533 NE HOLLADAY ST, UN 709

Reason for Objection: Property owner was unaware of intent to fund streetcar from adjacent properties. Streetcar provides no service and does not add value. Assessment should be placed upon all residents of Portland.

Response: The current or previous property owner was notified at the formation of the LID in 2007 including the estimated assessment and the methodology for deriving the final assessment. All legal requirements for notification have been followed. There is a special benefit to the properties within the LID boundaries, as opposed to the rest of the City and County, based on their proximity to Streetcar. The LID assessment is not a property tax, but a one-time fee on benefitting owners of property. It is not an on-going commitment and the City will offer financing of the final assessments to help mitigate a property owner's obligation.

- J. Filed by: Lynn K. Munson, The Shogren Building
 Proposed Final Assessment: \$9,911
 2007 Estimated Assessment: \$7,850
 Site Address: 1225 SE GRAND AVE

Reason for Objection: The property owner has spoken with their business tenants who noted not a single Streetcar riding customer stopped in or purchased their products. Sees no increase in store traffic, sales, or employee ridership. Based upon significant amounts of property taxes, business income tax and business license taxes, they are requesting a 2/3rd reduction in the amount of the final assessment. Suggests increasing amounts to be paid by companies in Zone B, Streetcar Riders and Lloyd Center owners.

Response: The apportionment of assessments in this LID is based on the special benefit that the property derives from the capital improvements, now and in the future. The assessment is not a tax, but a one-time assessment on owners of property to help pay the capital cost of the public improvement. At the time of billing for the final assessment, the City will provide options for financing payments. The assessment methodology is consistent across the entire LID area, including both the Lloyd District and the Central Eastside.

- K. Filed by: Michael Bollinger, Partner, BBB Enterprises, LLC
 Proposed Final Assessment: \$4,443
 2007 Estimated Assessment: \$8,031
 Site Address: SE M L KING BLVD

Reason for Objection: The smallest of their four tax lots has a proposed assessment of \$8,886; however, this property is zoned Open Space and has a Morrison Bridge off-ramp on it. They are requesting a reduction in the assessment amount.

Response: The adopted assessment methodology provides that the total assessment is distributed among property owners in relation to their Real Market Values as determined by the County Assessor's office; proximity to the Streetcar alignment (Zones A and B); and use (Commercial, Industrial and Residential); but not less than an alternative minimum land area assessment of \$0.60/SF. No exemption or adjustment was included in the adopted methodology for Open Space (OS) zoning which significantly limits the use and development potential of the property. Accordingly, it is recommended that in this and two other accounts in the OS zone be reduced as for residential development.

Exhibit C should be corrected to show a proposed final assessment of \$4,443 for property #R150090; \$900 for property #R150092; and \$825 for property #R150093.

- L. Filed by: Dan K. Pitman, Pitman Properties
 Proposed Final Assessment: ~~\$27,736~~ \$18,582 Corrected
 2007 Estimated Assessment: \$20,952
 Site Address: 1610-1670 SE 3RD AVE
 1637 SE M L KING BLVD
 SWC/ CLAY & SE M L KING BLVD

Reason for Objection: Property owner is objecting to proposed final assessment based on the classification of the properties as commercial, when they are in fact industrial.

Response: There was an error in the identification of the properties classification on these three parcels in Block 42 Stephens Addition which are zoned industrial and are in Portland's Comprehensive Plan Industrial Sanctuary. The proposed final assessment on those properties has been corrected.

Exhibit C should be corrected to show a proposed final assessment of \$12,392 for property id #R275790, \$3,216 for R275791, and \$2,974 for R275792.

- M. Filed by: Fares Rustom, Owner, Portland Management Properties, LLC,
 Broadway Toyota, Broadway Kia
 Proposed Final Assessment: \$189,818
 2007 Estimated Assessment: \$184,619
 Site Address: Properties not identified in letter. Assumed to be the following:
 206 WI/ NE SAN RAFAEL ST
 206 NE SAN RAFAEL ST
 206 WI/ NE SAN RAFAEL ST
 55 NE BROADWAY
 20 NE HANCOCK ST
 SWC/ 1ST & NE BROADWAY
 51 E/ NE WEIDLER ST

51 NE WEIDLER ST
 51 N/ NE WEIDLER ST
 SEC/ VICTORIA & NE BROADWAY
 55 WI/ NE BROADWAY
 55 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 1601 NE M L KING BLVD
 307 NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY
 307 WI/ NE BROADWAY

Reason for Objection: Property owner disagrees with assessed values and notes that some lots are vacant and or do not front on Broadway or Weidler Streets where Streetcar travels. Property owner receives no benefit from Streetcar; customers do not utilize it. Owner persevered and cooperated through Streetcar construction. Cost of business continues to escalate and this assessment only adds on to an already difficult business climate.

Response: The apportionment of assessments in this LID is based on the special benefit that the property derives from the capital improvements, now and in the future. The assessment is not a tax, but a one-time assessment on owners of property to help pay the capital cost of the public improvement. At the time of billing for the final assessment, the City will provide options for payments to be financed over time.

N. Filed by: Robert and Connie Hunt
 Proposed Final Assessment: \$9,958
 2007 Estimated Assessment: \$7,792
 Site Address: 721-727 SE GRAND AVE
 SE MORRISON ST

Reason for Objection: Property owner submitted two letters of objection; one as an owner, one as a lessee. As a property owner, they suffered through construction of Grand Avenue and Morrison, which subjected their lessee to loss of business and financial hardship. They have considered selling their property and commercial realtors have told them that their RMV is unrealistic and far too high. The Owner is requesting a lower apportionment of LID assessment.

Response: The apportionment of assessments in this LID is based on the special benefit that the property derives from the capital improvements, now and in the future. The assessment is not a

tax, but a one-time assessment on owners of property to help pay the capital cost of the public improvement. At the time of billing for the final assessment, the City will provide options for payments to be financed over time to help with cash flow issues.

In regard to the second letter, only property owners have standing to file an objection to the proposed assessment. The second letter of objection is written for a parcel owned by the City of Portland and leased to the Hunts.

- O. Filed by: Barry D. Schlesinger, StarTerra, LLC
 Proposed Final Assessment: \$27,002
 2007 Estimated Assessment: \$4,187
 Site Address: 233 NE HOLLADAY ST
 1006 NE 2ND AVE

Reason for Objection: Property owner submitted two letters, the first indicating that they no longer owned one of the properties, 1035 NE MLK Jr. Blvd, for which they received notice. In the second letter, the property owner objects to the proposed final assessment on two parcels they do own because it represents an increase in value of 28% over the 2007 estimated assessment. There is no evidence to suggest that real estate values are significantly higher than the 2007 peaks, much less 28% higher.

Response: In regard to the two properties, one is a new lot created through a lot line adjustment process. The proposed final assessment is \$22,258. No corresponding 2007 estimated assessment exists for this parcel. For the second parcel, the 2007 estimated assessment amount was \$4,187. The proposed final assessment is \$4,744. Both proposed final assessments were calculated using the adopted assessment methodology, with an RMV adjustment applied to the latter.

- P. Filed by: David J. Petersen, TonkonTorp, LLP on behalf of PH Properties, LLC
 Proposed Final Assessment: \$98,632
 2007 Estimated Assessment: \$82,959
 Site Address: 1441 NE 2ND AVE

Reason for Objection: Property owner objects to the assessment as it penalizes owners that have invested in significant improvements to their property during the recent economic downturn. In some cases, the particular improvements on a parcel are not the sort that will benefit from proximity to streetcar. Suggests a methodology solely based on land values or reverting to 2007 RMVs.

Response: The adopted assessment methodology provides that the total assessment is distributed among property owners in relation to their Real Market Values as determined by the County Assessor's office; proximity to the Streetcar alignment (Zones A and B); and use (Commercial, Industrial and Residential); but not less than an alternative minimum land area assessment of \$0.60/SF with these established at the time of final assessment. The proposed

RMV adjustment is meant to more equitably distribute the assessment burden in accordance with the special benefits contemplated when the LID was formed in 2007.

- Q. Filed by: Vince Powell, Powell Motors
 Proposed Final Assessment: \$10,800
 2007 Estimated Assessment: \$10,800
 Site Address: 226 NE GRAND AVE

Reason for Objection: This family business has been in Portland for over 80 years. Believes that the City's interest is in bringing new businesses to Portland rather than remembering existing businesses. Will never see concrete measurable results that help my business because Streetcar passes by. Construction was difficult; now, we are supposed to contribute more. Suggests reducing assessments to all property owners by 25% if you are taxing us greater than the \$15,000,000.

Response: The Portland Streetcar Loop Extension LID was formed to fund improvements in a maximum amount of \$15 million. The proposed final assessment is for no more than \$15 million. The apportionment of assessments in this LID is based on the special benefit that the property derives from the capital improvements, now and in the future. The assessment is not a tax, but a one-time assessment on owners of property to help pay the capital cost of the public improvement. At the time of billing for the final assessment, the City will provide options for financing.

- R. Filed by: Glenn R. McClish, Belmont & Morrison, LLC
 Proposed Final Assessment: \$17,913
 2007 Estimated Assessment: \$4,020
 Site Address: 122 SE MORRISON ST

Reason for Objection: Property owner formally protests the adoption of the current apportionment. In 2010, they purchased the property for \$2.8 million and while they have done some seismic upgrades and other improvements, the amount of the proposed final assessment, even with the RMV adjustment, makes no sense to them.

Response: The Real Market Value (RMV) data from County Assessor's records shows an increase from \$1,475,700 to \$7,274,140. The property owner should have been notified annually through tax statements from the County of RMV changes; and offered the opportunity to appeal them. With the proposed adjustment to the LID assessment methodology, the property assessment is based upon an adjusted RMV of \$6,831,430. The assessment methodology is consistent across the entire LID area, including both the Lloyd District and the Central Eastside.

- S. Filed by: Joe Blatner, Stark & Sandy Bldg.
 Proposed Final Assessment: \$1,727
 2007 Estimated Assessment: \$1,728
 Site Address: 737 SE SANDY BLVD

Reason for Objection: Property owner feels this is excessive given that their major tenant H-H Auto live in Vancouver, WA. They pay plenty of taxes, and it is difficult to keep tenants, yet these costs have to be passed on. None of their clients live where Max or Streetcar would be helpful. They are several blocks from Streetcar and have spaces available which are hard to fill.

Response: The apportionment of assessments in this LID is based on the special benefit that the property derives from the capital improvements, now and in the future. The assessment is not a tax, but a one-time assessment on owners of property to help pay the capital cost of the public improvement. At the time of billing for the final assessment, the City will provide options for payments to be financed overtime to help with cash flow issues.

III. Findings and Recommendation

The LID has provided public improvements for the special benefit of properties within the Portland Streetcar Loop Extension Local Improvement District. It is recommended that City Council overrule these objections and approve and adopt the assessment roll contained in Exhibit C to this Ordinance with the corrections specified above.