

March 5, 2008

The Honorable Dan Saltzman  
City of Portland  
1221 SW Fourth Ave., Rm. 230  
Portland, OR 97204

Dear Commissioner Saltzman:

The Portland Business Alliance has participated in the Park Systems Development Charge (SDC) Advisory Group for well over a year. During that time, significant effort went into creating a methodology to fairly impose the city's first non-residential Park SDC. We understand that parks play a role in the city's quality of life and business environment and acknowledge a nexus exists between both residential and employment growth and parks usage. The Alliance, however, cannot support the existing proposal for a 75% recovery rate through a new, non-residential Park SDC. In addition, we are concerned with the soundness of the methodology and the reliability of the analysis given the changes and corrections to the model that have been identified in the last couple of months.

After the City Council hearing in December, parks staff was directed to review the methodology and return to Council with a refined proposal. Since that time, we have worked with parks staff to suggest modifications that would lessen the negative impact of this new fee on businesses. One suggestion that we appreciate having been incorporated into the current proposal is that the fee be assessed only on new development or expansions that increase floor area. Excluding change of use not only makes the SDC easier to administer, it also mitigates some of the impacts of the charge, particularly on small businesses.

While assessing the charge only on new development is helpful, it does not address our critical concern regarding the proposed recovery rate. Due to significant increases in construction costs, statewide property tax limitations and diminishing federal assistance for infrastructure, SDCs have been increasingly used by local jurisdictions to fund expansion for public services, such as transportation, sewer, water, parks and schools. Our concern is with the cumulative effect of these and other fees and charges, which impact business competitiveness and the economic feasibility of development.

Although there is a nexus between non-residential development and parks that is recognized by the courts, there must also be a nexus between the amount of fees and charges and the market's ability to bear these costs.

Commissioner Dan Saltzman  
Page 2

Currently, the rents that can be achieved within the central city, which are in the range of \$28 per square foot, often cannot support construction costs, which are about \$35 per square foot. If Portland is to remain the region's employment center, this disparity in the cost structure must be addressed.

Individually, no single fee or tax, including the proposed extension of the parks SDC to non-residential development, will tip the scale to make a development or business expansion unfeasible; however, they collectively contribute to an environment that discourages development for employment purposes. These costs then trickle down to individual businesses through increased rents; those that are least able to absorb these increased costs are our local, independent businesses.

Further, these increased costs not only impact commercial and industrial development and businesses, but also housing affordability. Increasingly, home ownership is out of reach, not only for those in the lowest income level, but also for middle-income, workforce housing opportunities. This proposal will raise the bar even higher, making affordable housing less available.

Thank you for the opportunity to comment. The Alliance supports parks, but cannot support such a large recovery rate as is proposed in the form of a new non-residential Park SDC.

Sincerely,

Sandra McDonough  
President & CEO

cc: Mayor Potter  
Commissioner Adams  
Commissioner Leonard  
Commissioner Sten