



February 20, 2024

Portland Public School Board
501 North Dixon Street
Portland, OR 97227

Re: Agenda Item 2 – Resolution No. 6861

Dear School Board members,

Cascade Policy Institute is a nonprofit policy research organization based in Portland. Since our founding in 1991, Cascade has worked for increased educational opportunities for all Oregon children. Many of our supporters are Portland residents who have helped pay for PPS operations for years.

I am writing to encourage you to table Resolution No. 6861, and reconsider your entire approach towards the disposition of the PEC site.

The proposed action would prevent the Board from testing the market for selling this asset.

Transferring the PEC property to a preferred buyer without seeking other offers would be a violation of your *fiduciary duty* to PPS families. While Section 1 of the Resolution requires that the proposed transaction meet or exceed the “appraised value” of the PEC site, that is not the same as seeking the highest and best offer.

This is an important distinction. Market prices are often at variance with the fundamentals underlying an asset. Appraisals provide a best guess, but actual offers reveal what people are willing to pay.

With regard to the PEC, the concern is that if you enter into exclusive negotiations with one interested buyer, you may not get the best price, to the detriment of the families you serve. Without competitive bidding, you’ll never even know what you left on the table.

AVT downplays that possibility by referring to their conceptual offer as “the only cost-neutral relocation outcome available to PPS.” Elsewhere, they claim that there are “limited-to-no alternative buyers” for the PEC site.

This is simply posturing. In any negotiation, as soon as a party claims that you have no other option, that’s a sign that you ***definitely have other options***. Don’t make a rookie mistake.



Of course, it's true that you would have a challenge attracting other offers right now, because PPS previously agreed to give AVT the right of first offer/first refusal. That means other potential buyers will not be willing to undertake the expensive due diligence that would be necessary to even make a competitive offer on this complex urban site.

Therefore, if you want to attract other bidders, you need to reverse the decision the Board made when it approved Resolution No. 6303.

In this regard I call to your attention the planning currently underway by Metro to rebuild or replace Keller Auditorium. As of February 6, Metro was considering a proposal to rehabilitate Keller, along with possibilities for building new performing arts theaters at two different sites.

Taxpayers will likely benefit from having choices. PPS families also deserve to have choices.

Deciding to forego competitive bidding could potentially alienate voters at the same time PPS is seeking the renewal of an operating levy.

PPS has become highly reliant on both operating levies and construction bond measures. Success in asking voters to tax themselves depends on how much credibility the Board has as a competent financial manager. In recent years the Board has given voters many reasons to question that competence. Specifically:

- In December 2023 PPS agreed to a contract with PAT that it knew would be unsustainable. Now the district is facing cuts of some \$30 million in the next budget cycle.
- As part of that contract, PPS agreed to pay the striking teachers full pay and benefits for November, when they weren't even teaching.
- During much of 2023 the PPS construction team has struggled to address the massive cost overruns associated with preliminary plans for the Jefferson High School rebuild. That issue is far from resolved.
- In 2022, PPS worked with Gov. Kate Brown to secure \$120 million from the legislature to build a new middle school, on the grounds that the planned expansion of I-5 would create unacceptable air quality impacts at Harriett Tubman. The lack of due diligence associated with that request is reflected by the following facts: (1) air quality is likely to **improve near Tubman** under all scenarios, according to two separate studies conducted by ODOT; and (2) PPS has not been able to find an acceptable site for a new school. In addition, it now appears that \$120 million will not be enough.
- In late 2020, as PPS was wrapping up plans for its school construction bond measure, the Board was approached by Albina Vision Trust with a proposal for a Center for Black Student Excellence. The arbitrary number of \$60 million was agreed upon, and added to

the bond measure with virtually no analysis. Here we are in 2024, and no one at PPS can even explain what the CBSE will be or how the \$60 million will be spent.

This is not an exhaustive list of concerns. PPS is facing many credibility problems when it comes to financial management, and agreeing to a non-competitive agreement with AVT at this juncture may squander what little political capital the Board has left.

Conclusion

There is no crisis requiring the Board to act now on the PEC. It's an issue that has been discussed for a long time. I suggest a better sequencing would be to get through the next budget cycle and the levy vote, and then turn your attention to the PEC.

Since PPS student enrollment is expected to continue shrinking over the next 10 years, it may be that further delay will help the district identify an existing school building that could be renovated to become a smaller central office, allowing the District to sell off PEC without substantial relocation costs.

All options should be considered, not just the one before you.

Sincerely,

John A. Charles, Jr.
President & CEO

