

January 7, 2025

Mr. Eddie Wang
Chair, PPS Board
501 N. Dixon Street
Portland, OR 97227

Re: January 7 meeting, Agenda item #9, Resolution 7038

Dear Chair Wang:

I have watched or attended every PPS bond planning meeting since January 2024. Based on the limited information provided to date, I believe Resolution 7038 is unlikely to be approved by voters.

The process by which the Board has arrived at this point has been deeply flawed. There has been no stakeholder advisory committee, and few opportunities for public comment.

From January to June of last year, the size of the bond changed every month, nearly doubling in cost. Then it was chopped down in November and December in order to align with polling data, with no reference to any defensible cost methodology.

It's stunning that after a year-long discussion of Jefferson, Wells and Cleveland, where the cost estimate per school consistently ranged from \$435 million to \$491 million, the staff now puts forth a generic list of "Modernizations" totaling only \$1.15 billion, inclusive of these schools plus unnamed elementary and middle schools.

In the words of tennis great John McEnroe, "You cannot be serious!"

The 2019 audit by Sjoberg Evashenk confirmed that the 2017 bond estimates were misrepresented to the Board by staff. I fear that the appropriate lessons have not been learned from that experience.

Since the statutory deadline for approving a bond measure is February 28th, I suggest you move this measure **back to committee**, with direction to return with a proposal limited to the following parameters:

- Construction funding for Ida B. Wells and Cleveland high schools, with budgets roughly pegged to the inflation-adjusted cost of Lincoln high school in PPS and Beaverton high school in the BSD
- Approximately \$79 million for athletic field improvements, as described in the current proposal



There should be no funding for curriculum or technology, and no additional support for Jefferson, as it was fully funded in the 2020 bond.

To address other needs such as “deferred maintenance,” PPS should seek a legally defensible way to reallocate the \$60 million in the 2020 bond that was set aside for the never-launched CBSE. The Board should also consider reclaiming some or all of the \$55 million in contingency funding assigned to Jefferson, by reducing the size of the school to accommodate 800 students.

In the pages that follow, I offer a detailed critique of the bond proposal, as well as related real estate projects that PPS has mismanaged. The picture that emerges is of a school board with a serious credibility problem. I hope you will agree that PPS needs to regain voter trust and that a short list of popular, high-impact projects for the May bond vote would be better than a long and costly list of amorphous projects that Board members themselves are having trouble understanding.

Why does PPS have a credibility problem?

Underperformance on previous bond commitments

2017 bond

In any campaign seeking approval of a General Obligation bond, the municipality is explicitly counting on its track record to persuade voters to approve additional taxes. This is often expressed by the campaign slogan, “Promises made, promises kept.”

PPS can’t use that phrase.

In 2017, the cost estimates approved by the PPS Board were artificially low, in order to fit with polling data. According to your outside auditors:

Initial cost estimates used to develop the 2017 bond were supported by professional estimates and empirical data. However, the final cost estimate figures presented to the Board were based on assumptions that were too low and a formal documentation methodology did not exist to substantiate cost factors that were lower than market conditions at that time.

In total, former Office of School Modernization (OSM) executive leadership reduced initial total project cost estimates proposed by OSM operational staff by nearly \$100 million without a documented method, rationale, or explanation.

The consultants found similar problems related to forecasting for health and safety projects:

PPS executive leadership presented three separate options for the pool of health and safety projects ranging from \$100 million to \$200 million. However,

we could not find a rationale or documentation to support the various funding options at the \$100 million, \$150 million, or \$200 million levels.

As these problems came to light, PPS Board members were publicly humiliated. According to *Willamette Week* coverage at the time:

Board members Amy Kohnstamm and Rita Moore both used the word “delusional,” when comparing what Portland Public schools staff discussed internally and what voters ultimately saw as a bond package last May.

Moore told fellow board members she is worried in a district that struggles to build trust with parents and voters, lowballing the bond projects is a big problem. “This is putting in jeopardy the long-range plan for PPS facilities renovation for the next 50 years.”

2020 bond

The headliner project of this \$1.2 billion bond was the \$311 million rebuild of Jefferson High School. By 2022 the cost estimate had grown to \$366 million, with \$55 million in bond contingency funds approved by the Board. At the April 2024 Board meeting, the budget was revised again to \$491 million.

In December the budget was back down to \$366 million again, after Superintendent Armstrong declared that no school in American history had ever cost \$491 million and there was no reason for it to happen now in Portland. Yet during all of 2024, no detailed cost estimates were ever shared with the public.

Even more damaging to the Board’s credibility is the fact that the new Jefferson is being planned for 1,700 students, even though current enrollment is only 459. There haven’t been more than 1,000 students at Jefferson during the past 25 years, and the district itself is forecasting declining enrollment for the next decade.

The 2020 Concept Plan for JHS wisely suggested that the new school be built in two phases – the first phase to accommodate 800 students, and the second phase taking care of additional growth if necessary. That plan never gained support from the Board.

Where will the 1,700 students come from? In 2022 the Board decided that the “dual-zone” option now enjoyed by many NE Portland students – allowing them to choose either Jefferson, McDaniel, Grant, or Roosevelt, depending on their location – would have to be rescinded. PPS staff have been directed to come up with a plan for this by 2027, and presumably it will be implemented by the Board in 2028 or beyond.

But 79% of students who attended Jefferson feeder schools in the NE Portland neighborhood don’t attend Jefferson. They attend another school, and this pattern has been true for years.

The notion that future Board members will be willing to turn all of those students into conscripts just to rationalize the decision to overbuild the new Jefferson is not very plausible.

Former Board member Andrew Scott was vocal on several occasions about how unpopular this will be, and was adamant that the Board needs to hold firm to its decision to take away school choice. The truth is that current Board members cannot bind future Board members.

The JHS design team is now deep into the costly permitting process for a new Jefferson, and with every day that passes the district gets further locked into the embarrassing likelihood that taxpayers will pay \$500 million or more for a school that will sit mostly empty. This is in addition to the fact that the newly opened Benson HS was also built for 1,700 students, but only has 869 currently enrolled.

Cleveland HS only has 1,425 students, and this is likely to drop closer to 1,000 over the next decade. But Cleveland is also being planned for 1,700, in the name of “equity.”

There appears to be no learning going on at PPS. The Board keeps making the same mistakes over and over, apparently believing that taxpayer support is infinite.

PPS failure to build the Center for Black Student Excellence

On July 28, 2020, the PPS Board adopted Resolution 6150, related to the November bond measure. The resolution stated, in part:

The modernization of Jefferson High School and the community-inspired Center for Black Student Excellence, as a physically built environment, and as a designated hub for culturally responsive education, immediate and long-term plans, and culturally specific partnerships to advance Black student achievement in PPS.

Together, the Center for Black Student Excellence and the Jefferson High School modernization will rally students, families, and community stakeholders to develop a coherent set of strategies that will positively impact student achievement and outcomes while affirming Black student identity, and will include promoting and supporting culturally responsive/sustaining teaching and learning, from cradle to career. These two investments towards the schools in the heart of what was once the Albina community, will serve as a concrete—literally and figuratively--investment in our Black communities.

In September 2020, the Multnomah County Tax Supervising and Conservation Commission held a public hearing to review the ballot measure. When commissioners asked for a “fuller picture” of what construction projects would be undertaken for the Center for Black Student Excellence project, neither the PPS board nor its staff had any idea what the project would look like or what it would accomplish.

Dan Jung, PPS chief operating officer, gave the following response:

The CBSE is different from some of the other scopes of work that are in this and past bonds in that the scope is yet to be defined in many ways. It's not a specific site, it's not a specific building. So the emphasis is on the community engagement and on the planning, and that effort will deliver the capital improvements that support this undertaking.

It's easy to quantify a roof project, for example. But on something like this, that will emerge from engagement and involvement, it is just too early for the district to identify exactly what that department will look like and cost.

Given the vagueness of this response, it's useful to know where the idea came from. It appears to have been first publicly introduced at a June 25, 2020, PPS "Town Hall" regarding the bond measure. The initial presentation by PPS board members and staff made no mention of the Center.

Several "breakout sessions" followed the initial presentation, with input from community members. In one of these sessions, Albina Vision Trust board chair Rukaiyah Adams urged PPS to move away from talk about supporting the Black community and towards action in the form of "community investments."

Ms. Adams moved through a slide show for a "Center for Black Excellence" which she described as a "distributed" set of buildings and services throughout the Albina Neighborhood:

[W]e'd like to create a Center for Black Excellence with a distributed model based on schools that are in lower Albina. At a high level we want you to imagine that Black and brown boys in particular are not criminalized from infancy but encouraged to be excellent. That we displace the school to prison pipeline with an intentional early pre-K through college pipeline toward excellence. . . . [E]nvision a Center for Black Excellence that would be anchored by Jefferson High School, KairosPDX at Humboldt Elementary School, Harriet Tubman Middle School, and connect with those schools the community based organizations that provide the wraparound services to the youth and their families to enable success . . .

[W]e would like to present the idea of the PPS headquarters becoming a children's quarter where in the life of children the role of children and all their needs and their lives are focused. . . . [W]e think that the Black United Fund would be an important part of anchoring the Center for Black Excellence.

The point of the Center would be to create an intentional and comprehensive learning infrastructure in Albina anchored at Jefferson, in order to unify and elevate Black learning from pre-K through higher education.

When asked whether there was any financial analysis of the anticipated costs for the Center, Ms. Adams indicated that no analysis had been performed and offered a range of \$50 million to \$100 million as the amount necessary for a “not insubstantial” investment in the Center.

By the time the PPS Board met for a work session on July 9, 2020, \$60 million had been added to the bond for the CBSE. During the meeting, PPS board member Scott Bailey remarked that the \$60 million price tag was equivalent to the cost of building “two K-5s or at least a very good middle school” and that the ambiguity of where and how the money would be spent “causes me some heartburn.”

His request for clarification prompted a wide range of responses from his colleagues on the board, along with chief operating officer Dan Jung and chief engagement officer Jonathan Garcia.

Mr. Jung said the \$60 million was designated for “planning and design of what the future project and scope looks like. A lot of it will need to be defined through that planning process, but the intention is to show a significant investment.”

PPS Board member Andrew Scott admitted, “\$60 million dollars is less defined intentionally because we’re going to be talking to the community about exactly what that Center for Black Student Excellence will look like.”

But he also noted the \$60 million would include some construction costs. He advised the board should be “very clear with the public on this,” that “it is not just planning design and preconstruction – there is funding in there that would be involved for actual capital costs.”

After the PPS board work session, Mr. Jung produced a memo summarizing the anticipated spending on the bond measure. The memo included a breakdown of proposed spending related to the Center under the bond measure, including:

- \$2 million for Conceptual Design
- \$14 million for Master Design Plan
- \$2 million for Community Engagement and Administration
- \$42 million for Construction and Implementation of Phase I

At a League of Women Voters forum on the bond measure, PPS board member Rita Moore was asked, “How many students are expected to be served by the Center and how are they expected to be served since the bond measure doesn't fund staffing?”

Ms. Moore could not answer the question.

In November 2020, district voters approved the PPS bond measure which included a \$60 million appropriation for the CBSE. In June 2021, the Multnomah County Tax Supervising and Conservation Commission held a public hearing on the draft PPS budget for FY 2021-22, which included \$6.4 million in expenses for the CBSE. One of the commissioners asked what specific

achievements PPS expected to achieve with that spending. Dani Ledezma, senior advisor on racial equity and social justice at PPS, indicated that at the end of the year PPS would produce a master plan for the Center with “programmatically elements” and a “responsive physical space.”

His answer was in stark contrast to the bond budget published by Mr. Jung in July 2020 which showed approximately \$16 million in anticipated costs for conceptual design and a master plan.

In fact, the online calendar for CBSE shows that during 2021 there were no public engagement events, which means little progress could have been expected toward a master plan.

In 2022 there were only three public outreach events, all held in December.

Engagement hit its peak in 2023, when there were 81 public involvement events. These were held at certain PPS facilities as well as outside venues including Albina Vision Trust and Self-Enhancement, Inc. The target audiences included NE Portland students, teachers, Black clergy, Black parents, and occasionally the broader public.

On May 7 there was a large community event held at the historic Alberta House in NE Portland. This was touted as “the Big Reveal,” a moment when the thousands of person-hours of engagement would be distilled to a Master Design, a proposed operating plan, and a schedule for construction for the CBSE.

I attended this meeting and was shocked to discover that the total content consisted of hundreds of historic artifacts on display, some fact-free Power Point handouts, and a few consultants roaming the room. There was no formal presentation.

After 2023 the entire CBSE planning process evidently shut down. There were no public outreach events during 2024, and none are scheduled for 2025.

The problem all along has been the one identified by Andrew Scott in 2020, which is that Oregon law requires bond funds to be spent on building things, not just talking about them. Article XI, Sect. 11 L of the Oregon Constitution specifies that bond proceeds be used only for capital costs. The Constitution defines “capital costs” as costs of land and other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair.

ORS 328.205 further specifies that bond funds may be used only to:

- (1) acquire, construct, reconstruct, improve, repair, equip or furnish a school buildings
- (2) acquire or to improve real and personal property to be used for district purposes
- (3) remove or contain asbestos
- (4) fund the payment of outstanding debts
- (5) provide for the payment of debt

Nothing in either the state constitution or ORS 328.205 explicitly allows bond funds to be used for community engagement, planning, or design. Because engagement is ephemeral and plans can be changed at any time, they have no meaningful “useful life.”

As such, spending bond funds on these activities would likely violate the Oregon Constitution and ORS 328.205.

The PPS Bond Accountability Committee (BAC) seems to understand this, because none of the 84 public outreach meetings held in 2022 and 2023 were ever billed to the bond fund. The latest spreadsheets from the BAC show that all of the \$60 million approved by voters for the CBSE remains unspent.

Roughly \$424,000 has been spent on various CBSE activities, but that money came from sources other than the bond fund.

At the December Audit Committee meeting, staff submitted a document to the Board titled **“Bond Performance Audit Recommendation Implementation Plan.”** Sjoberg Evashenk had flagged four specific problems with 2020 bond spending related to the CBSE, and staff prepared a response matrix. The responses are entirely process-driven, written in bureaucratic jargon, with deadlines stretching out to December 2025. Excerpts include:

- “The CBSE has developed a revised implementation schedule, incorporating realistic timelines, interim milestones, and specific tasks to ensure timely progress, aligning with Audit Recommendation 8.” Anticipated date of implementation: September 2025
- “OSM to develop workplans, schedules, and conceptual cost opinions for three options for development of the CBSE facility.” Implementation date: February 2025
- “The CBSE has developed a robust project management plan to track and monitor project progress, including baseline and revised schedules, budgets, and delivery goals, aligning with Audit Recommendation 10. This plan is currently pending approval from Deborah Kafoury and other senior staff.” Implementation date: December 2025

Despite this underwhelming performance over a four-year period, the CBSE team seems determined to secure even more bond money. As recently as June 2024, the sample bond budget showed a request for \$62 million in the 2025 bond, for a combined category of “CBSE + K-5 Learning Lab.”

While this line item had been eliminated by November, the fact that it was included at any stage of bond planning is troubling.

The \$60 million approved by voters for the CBSE concept appears to be an orphan within the PPS budget. Year after year it sits there unspent, because state law prohibits the Board from spending the money for another purpose. Board members should be discussing this issue with bond counsel right now.

Harrison Park cost overruns

According to the auditor's report presented to the PPS board in December, the 2020 Bond budget for Harrison Park MS was \$4.4 million. The actual expenditures turned out to be \$42.7 million.

Non-compensability of curriculum and technology projects

In 2012 and 2017, the PPS bond measures focused on durable capital improvements to school facilities. In 2020, the Board decided to bond for various curriculum and technology expenditures, which pushed the limit of what Oregon law allows.

Approximately \$37.7 million in curriculum and technology costs initially billed to the bond fund were later deemed to be non-compensable. Some of those costs were shifted to allowable categories, but according to the Sjoberg Evashenk Final Report, misspending of bond funds required the District to spend \$23.7 million out of the General Fund to make up the difference.

Bond funds also paid for 80,831 laptop computers, including 172 for administrators, 438 for support staff, 3,737 for teachers, and 76,484 for students. In 2022, when many of these devices were presumably purchased, PPS only had 45,497 students, including those in charters and alternative schools (assuming they benefited). Why was it deemed necessary to buy 1.7 digital devices per student?

This is relevant because the district proposes buying all new laptops again in the 2025 bond, arguing that the ones bought three years ago are obsolete, damaged or lost.

At the December meeting, Audit Committee Chair Patte Sullivan noted that categories such as curriculum and technology upgrades should be paid for out of the General Fund. Dr. Armstrong agreed, but claimed now was not the time to make a change because the GF had insufficient resources.

Unfortunately, the problem will not be easier to solve in the future. The proposed 2025 bond budgets \$242 million for "educational and technology improvements." But some of these are intangible assets not eligible for bond funds, and many will not even be needed for 5-10 years.

PPS should begin paying for these purchases from the General Fund, not general obligation bonds.

Broken promises to the State Legislature regarding Harriett Tubman Middle School

In June of 2022 the State Legislature appropriated \$120 million to pay for relocation of Tubman MS, due to the alleged air pollution problems associated with a planned construction of two auxiliary lanes on a nearby stretch of I-5. Today the District still has the funds, but has not rebuilt or moved the school.

In fact, a five-volume due diligence study performed after receipt of the funds showed that there are no viable sites within the neighborhood to build a new school. The study also showed that even if a site could be found, construction would likely cost \$66 million more than the \$120 million appropriated by the legislature.

The most basic problem is that PPS never provided a rigorous analysis demonstrating the need to move the middle school in the first place. Without any serious thought, the Board embraced the narrative of highway opponents that the auxiliary lanes would result in harm to students or nearby residents. These assertions were thoroughly rebutted by ODOT and its outside peer review group on two separate occasions, as part of the Environmental Impact Assessment performed for the Rose Quarter/I-5 project.

Contrary to popular perception, the air quality analysis showed that under all scenarios the air quality near Tubman MS would likely **improve by 2025**, and that the improvement would be slightly higher if the auxiliary lanes were built.

In a May 2021 meeting with the PPS Board, ODOT project director Megan Channel said, “What we know through our analysis and our environmental peer review is that the project does not have a negative impact on Harriet Tubman Middle School and the project will improve air quality in the vicinity of the school.”

Various PPS Board members expressed doubts about these claims, but if the District ever filed a serious critique of the ODOT peer review study, it is not available in the public record.

When ODOT refused to budge on the air quality issue, PPS and other local critics switched their arguments to much more amorphous issues of “climate justice” or “racial reparations,” which are generally not solvable by a single institution through one project.

Furthermore, the decision to build auxiliary lanes on I-5 was made by ODOT in 2010, a fact known to PPS when it allocated some \$15 million to modernize Tubman six years later, including the installation of one of the best air filtration systems of any school in the country. When Tubman reopened in 2018, press accounts described an overwhelmingly positive response from teachers, students and community members to the school upgrades.

It appears that the only reason for PPS opposition to the auxiliary lanes, and subsequent demands that the State pay for a complete relocation of Tubman MS, is that Albina Vision Trust publicly opposed the RQ/I-5 project through an email to the Governor’s office on June 30, 2020.

According to a story that same day in *Willamette Week*, the email from AVT’s Winta Yohannes set off a chain reaction in which Portland City Commissioner Chloe Eudaley, Multnomah County Chair Jessica Vega Peterson, and Metro President Lynn Peterson all withdrew their support for the RQ/I-5 project based on the AVT opposition.

But none of those organizations ever made the case that the two ODOT peer-review panels had made mistakes in their air quality analysis. They had other agendas to promote, especially regarding the idea of creating new air rights above part of I-5 by constructing a lid capable of supporting 3-story structures.

In August 2021, Gov. Kate Brown sided with lid proponents, insisting that ODOT change its design and roughly doubling the cost of the project. Her decision was based on the social justice arguments regarding future development rights, not motor vehicle emissions.

Ironically, Albina Vision Trust is now an enthusiastic partner of ODOT on the RQ/I-5 project. The reason is that the Oregon Transportation Commission unanimously approved a resolution last March establishing a workplan for the two organizations to explore options for the highway cover governance and future ownership of surplus lands associated with the project. The goal is to determine if AVT can have access and rights to future development, and if not, to determine "what law and regulatory changes are needed to provide AVT with those rights."

Thus, the restorative justice arguments have prevailed to the benefit of parties outside of PPS, while the school district is in the embarrassing position of having the \$120 million it demanded with no viable plan to spend it.

An iteration of the 2025 bond published in June showed inclusion of \$66 million more for the Tubman relocation. That request was withdrawn by November, but the fact remains: over the past four years, PPS has made multiple mistakes related to the highway and Tubman MS. The District criticized ODOT about its air quality without providing its own analysis; demanded \$120 million from the State without conducting due diligence about alternative locations; and currently has no plan for spending any of the \$120 million.

Breach of fiduciary duty by PPS Board members related to the sale of Prophet Education Center

PPS has been discussing the potential sale of the District's headquarters site, known as the Matthew Prophet Education Center (PEC), for many years, but has never made a serious attempt to market the property. However, in April 2018, PPS received an unsolicited offer for the 10.5-acre parcel from the Portland Diamond Project (PDP), a private group hoping to build a baseball stadium as part of its efforts to attract a Major League Baseball (MLB) franchise for Portland.

The letter was from Macadam Forbes Commercial Services on behalf of Trammell Crow, and addressed to PPS Superintendent Guadalupe Guerrero, as a "Letter of Intent to Purchase the BESC" (as it was then known). Although later it was revealed that the "end user" was to be the Portland Diamond Project, that name is never referenced in the letter. Trammell Crow is referred to as the "development partner" on the project.

The letter included the following information:

The inclusion of a master developer will allow for a more complete approach relative to the Buyer's and neighborhood's goals of incorporating the Albina Vision objectives into the Master Planning of this site. In particular, the Buyer anticipates acquiring additional properties in the immediate area and adding additional workforce housing, retail and employment opportunities within the project."

The offer was for "the greater of the Appraised value of the property or \$80 million."

The Buyer offered to pay cash upon closing, as well as property located at 8000 North Tillamook Street for use by PPS as a new headquarters site. That property included a 220,000 SF building. In addition to the property contribution, the Buyer offered to "complete improvement required for Seller's occupancy and secure any fixtures/furniture/equipment already in the facility for Seller's use."

Future plans for the site were described as:

"Buyer and end user are interested in creating a partnership agreement with Seller relative to further ongoing contributions to PPS's mission. At Seller's election, Buyer and end user would endeavor to create a longer-term contribution plan to Seller's facilities, fields, gymnasiums, etc and create additional educational, recreational, and employment opportunities between the District's constituents and the Buyer's future business venture."

"Buyer is able to design and build any additional facilities needed by Seller to accommodate the move-out of BESC (i.e., warehouse space to storage and trade work). If desired by Seller, Buyer would consider contributing this property as consideration to Seller to be delivered at or after the closing."

Superintendent Guerrero replied in a letter dated April 27, 2018. He stated in part:

"The PPS Board of Education and I share the responsibility to uphold the highest standard for any possible transaction of District real estate, and we intend to do so with full integrity and transparency. At the direction of the Board of Education, the District administration is developing a comprehensive process for any potential sale of the property and a timeline that will allow interested parties to participate. More information about this non-exclusive process will be released in the coming weeks."

"The Board of Education and District administration are committed to any proposed real estate transaction delivering a maximum return on the BESC property to support our mission."

The property located at 8000 NE Tillamook had an assessed tax value of \$27 million. Thus, the total cash value of the PDP proposal was at least \$107 million, in addition to the potential for

renovations at the Tillamook property and long-term contributions to the District for improvements to school playgrounds and other facilities.

Despite the potential of this unsolicited offer, Albina Vision Trust immediately criticized it. As noted in an interview with AVT Board Chair Rukaiyah Adams by *Willamette Week* that was published on May 2, 2018:

From the minute the Diamond Project announced its bid for school district headquarters, Adams threw cold water on the idea. Most recently, she told a *Portland Business Journal* breakfast: “What I would like for them is to pursue one of the other locations and I could put my weight behind it. That site to me is just a no-go.”

Despite the fact that AVT was a new organization with few assets and no track record in real estate development, they had influential board members and attractive design drawings of possible development. Their opposition created major hurdles for PDP.

PPS did little to pursue the opportunity from PDP, and allowed the negative comments from AVT to dominate public perception. On November 7, 2018, PDP threw in the towel. They issued the following statement:

Portland Diamond Project (PDP) today announced it has formally retracted its offer to purchase Portland Public Schools (PPS)’s Robert W. Blanchard Education Service Center, the building that currently houses the school district’s leadership and administration offices.

“Although we were initially drawn to this property for its close-in location, access to transportation and its potential to be transformative to the east bank of the Willamette, it became apparent to us that the Albina Vision Trust’s board of directors has a long-range plan for the building and the immediate area that will serve the overall community in a very meaningful way,” PDP founder and CEO Craig Cheek said.

“Albina Vision’s focus on diversity and social equity is aligned with our mission, and we are putting our full support behind it.”

In April of this year, Portland Diamond Project had put offers on PPS’s Blanchard ESC building and ESCO’s Northwest Portland headquarters, which was subsequently sold to a group of private real estate investors.

“We believe the PPS site was not the right place for a baseball stadium given the opportunities it offers to help create a new and diverse neighborhood,” Albina Vision Trust board member Gregg Kantor said. “So we are pleased with their decision and believe it is the right one for our community.”

In covering the PDP announcement, *The Oregonian* quoted this statement from Superintendent Guadalupe Guerrero:

“Our core mission remains focused on providing all of our students in Portland Public Schools with an excellent educational experience,” Guerrero said in a statement. “Our centrally located headquarters is a highly attractive site for potential future development, and we will continue to evaluate any future opportunities that support our school system’s goals and better serves our community.”

That promise was never kept. On May 25, 2021, the PPS Board approved Resolution 6303 eliminating all market competition for the PEC:

Therefore, be it resolved that the Board:

A. Authorizes the Superintendent to enter into an agreement with Albina Vision Trust, granting AVT a right of first offer on its lower Albina Blanchard Educational Service Center property.

B. Authorizes the Superintendent to amend the lease between PPS and Multnomah County to subordinate the County’s purchase rights to Albina Vision Trust, if AVT acquires any such rights. The School Board thanks Multnomah County and its Board of Commissioners for its partnership and for generously agreeing to this amendment.

C. Stands firmly behind the Albina vision, a community-led reinvention and transformation of the 94-acres of lower Albina, from which thousands of primarily Black residents were forcibly displaced over decades of urban renewal. In this effort, we will stand shoulder to shoulder with the AVT and the Black community, to develop a youth-centered community in lower Albina that creates opportunities for Portland’s next generation of Black people to learn, build wealth and reclaim home. This reinvention of the Albina neighborhood would also allow for intentional design for the safety of Black and brown children in the urban environment while at the same time providing the housing and community stability that supports education.

D. Stands strongly in its commitment to authentically listen, learn and partner with our community’s Black elders and listen to our Black youth to address the cultural and institutional racism that has existed in our system since its inception. This includes Black-led organizations and community based organizations accountable to Portland’s Black community.

E. Commits to affirming our community’s long-held belief to lead with a robust Racial Equity and Social Justice agenda to center the lived experiences of our

Black students, families, educators, and staff in our actions, decisions, and words.

Passage of this Resolution set the stage for AVT to take control of the PEC property. On March 12, 2024, PPS approved Resolution 6861, which:

Authorizes and directs the Superintendent or designee to establish a timeline not exceeding 12 months from the date of this Resolution for the identification of a New Headquarters site and a New Warehouse site to acquire on, among other terms, an all-in cost-neutral-to-PPS basis in series of transactions that includes a transaction with AVT for its acquisition of 10.5-acre PEC that meets or exceeds the appraised value of the PEC site, all which, must be approved by the Board.

With these two Resolutions as leverage, AVT persuaded the Oregon Legislature in March 2024 to include an appropriation of \$25 million within SB 1530 to purchase and redevelop the PEC site for high-density housing.

It now appears that the 12-month deadline of Res. 6861 will not be met, and PPS is struggling to define key terms in the negotiations. This was inevitable. Any transaction has a buyer and a seller, and they have conflicting goals. AVT has persuaded PPS that this conflict can be solved by abandoning the promise stated by Superintendent Guerrero of “maximum return on the BESC property to support our mission,” and replacing it with an offer that is “cost-neutral” to PPS.

The conflict cannot be solved. AVT admitted as such in a January 2024 interview with the *Portland Business Journal*. AVT has proposed that PPS relocate its headquarters to downtown Portland as part of the sale of property to AVT, and when asked, “What do you consider a reasonable price to pay for a downtown building?”, Winta Yohannes replied, “I don’t know that we’d want to negotiate against ourselves.”

Exactly.

AVT is a private organization seeking to maximize its own benefit. Although the PDP explicitly offered to partner with AVT to incorporate their goals into the baseball stadium project, using private rather than taxpayer dollars, AVT rejected the offer. It wanted sole possession of the site.

AVT is not answerable to the public. The elected school board members are, and the “public” includes taxpayers all over the city, not just in the Albina neighborhood. If PPS continues down this path, it will be impossible for Board members to carry out their fiduciary duties.

At the June 2024 PPS meeting with the Multnomah County Tax Supervision and Conservation Commission regarding the draft FY 2024-25 budget, Board member Herman Greene gave the following response to questions about the steadily diminishing ending fund balance for PPS:

School districts are businesses. They don't make money. We don't have anything that we can sell, that we can create an income from.

Barring having something like that that can create an income, we're left with what you decide we're worth. And then we have to figure out how to make that work.

That's all you're going to get. So then we have to rob Peter to pay Paul, but at the end of the day it's just not enough.

It's certainly true that school districts are a business. It's also true that most of the time, districts don't have anything they can sell. But sometimes they do.

PPS has a valuable piece of property that generated an unsolicited offer of over \$107 million in 2018. The District should have established a process to vet that offer and invite other offers, as promised by the Superintendent.

Instead, PPS decided to let a private organization negotiate on both sides of the table for the property, creating a conflict of interest. The problem cannot be solved unless PPS terminates the agreement with AVT and markets the property with the goal of maximum return for district beneficiaries.

In the context of the 2025 bond, this sends a simple message: the Board doesn't understand its fiduciary duty with respect to current assets, so voters should not approve another bond to give the Board even more.

PPS school modernization projects are significantly more expensive than those managed by other school districts

As I mentioned in my testimony last June to the F&O committee, the Sherwood school district finished construction on the largest high school in Oregon just three years ago, with a project budget of \$186 million. The Beaverton school district broke ground on a new high school last June with a budget of \$253 million.

Yet the budgets for the remaining three high schools for PPS as of June were \$435 million for Ida B. Wells, \$450 million for Cleveland, and \$491 million for Jefferson. As I asked rhetorically at the time, "What is it that school boards in Beaverton and Sherwood know that you don't?"

To the district's credit, apparently a consultant was retained sometime after June to look into these disparities. During November, PPS indicated that the consultant report would be available by the end of 2024 or in January 2025. I'm not aware that the report has been published, but having this report in hand would be a basic part of due diligence on the part of board members.

Since the deadline for approving a bond referral is February 28, why is the Board planning to vote on January 7 without having read the report it commissioned?

While it's somewhat reassuring that Superintendent Armstrong addressed this issue at the December meeting and pledged to spend not more than \$366 million per school for the three remaining projects, she provided no rationale or methodology to explain how the Jefferson budget was now back to \$366 million when the process of raising it to \$491 in early 2024 was well documented and painful for all parties.

To make matters worse, the bond budget up for public comment on January 7 now shows no individual school budgets at all. There is simply a single number, \$1.15 billion, for the three high schools, plus unnamed "Elementary and Middle Schools."

In other words, district voters will have no idea what they will be approving. This is reminiscent of the 2017 bond budget fiasco, except on a much grander scale. In that case, the deliberate lowballing by staff was approximately \$98 million. The potential cost overruns with the 2025 budget are likely to be far higher, but impossible to predict given the vague wording of bond documents.

The cost implications of the Board's "climate" policy are unknown but likely material

In May 2022, the Board adopted a policy ostensibly aimed at reducing "climate change." Among other things, the new policy mandated that all new construction be free of any fossil fuel use. The intent of advocates was to get natural gas out of school buildings and force new construction to be all-electric.

Prior to adoption, the Board never discussed what the marginal cost would be of compliance. When a revised budget for Jefferson HS of \$491 million was unveiled in March 2024, the question was raised specifically by Director Brim-Edwards, since the original budget approved by voters had been \$311 million. No answer was provided at that meeting, nor has an answer been provided since, despite repeated requests by Cascade Policy Institute.

Given the skyrocketing electricity rate increases that have been approved in the past two years, this question needs to be answered before the Board asks voters to finance three new high schools.

PPS needs to resist unfunded mandates from the state regarding Green Energy Technology

I have raised this issue previously in some detail so I will not repeat myself. To summarize, the modernization team contemplates spending roughly \$21 million to build solar arrays at Jefferson, Wells and Cleveland, in order to comply with the state's Green Energy Technology (GET) requirement that was adopted in 2007. None of those projects will be cost-effective, as the time required for the projects to pay for themselves will run far beyond the useful life of the equipment.

Multiple school districts have already informed the Oregon Department of Energy that they will not comply with these costly mandates. To my knowledge those districts have not suffered any penalties as a result.

If PPS wants district voters to approve the largest bond measure in state history, it needs to send a message that it will resist costly mandates from the state that make no economic sense. The GET requirements should be ignored in future PPS construction, unless engineering calculations show that projects will pay for themselves in 20 years or less.

The bond proposal has had no meaningful stakeholder engagement over the past 12 months

This issue has already been flagged by Director Brim-Edwards. The norm in any bond development process is to create a formal advisory group early on, and use that process to put together a vetted list of projects that are likely to garner voter approval. That simply has not been done, and now it's too late.

What will be the likely cost of debt service on the bonds?

In previous board discussions, financial consultants have provided many scenarios for how much debt service might be incurred for bond sales. In general, a larger principal amount paid off over a longer period of time results in higher debt service payments.

Based on those worksheets, it seems likely that debt service payments on the May bond proposal are likely to reach about 95% of the principal. This will impose heavy burdens on future Board members, who will see debt service payments limiting their budgeting options.

The original long-range bond plan adopted by the Board in 2012 envisioned a series of relatively small bond packages with short periods of debt service, such as 8-12 years. Now the Board is envisioning a possible 30-year payoff for a very large principal. Both of these issues require more discussion before the public votes in May.

If the total debt obligation (principal plus interest) is actually \$3.5 billion rather than \$1.8 billion, that is something voters should be aware of.

The risks to taxpayers of General Obligation bonds are poorly understood

While most voters probably understand that a General Obligation (GO) bond is a debt instrument, and that they will have to pay property taxes to pay off the debt, these liabilities are generally downplayed by municipal sellers of bonds. Voters are usually assured that an affirmative vote on the measure "will not raise taxes," which is misleading since lengthening the duration of a tax necessary to pay off new bond debt is obviously an increase in taxes even if the rate itself remains the same.

Voters are also generally told that debt service will cost an estimated amount per year, with the implication being that the forecasted total is the limit of an individual taxpayer's liability. This is

incorrect. Rather than being a ceiling on tax liability, the estimated yearly taxes are more of a floor. There may not even be a ceiling.

The Oregon School Boards Association (OSBA) has produced a very helpful bond manual that explains important terms and procedures related to the issuance and retirement of GO bonds. On page 19 the manual makes an important point that needs to be raised for the benefit of both PPS Board members and the public:

General obligation bonds issued by Oregon municipalities are secured by the issuer's ability to levy an additional property tax which is **unlimited in rate or amount**, not subject to Oregon constitutional tax limits, on **all taxable property** within its jurisdiction to repay the bond's debt service [emphasis added].

The phrase "unlimited in rate or amount" should make Board members think very seriously about their fiduciary duty to voters. A GO bond is the ultimate "blank check." If taxpayers vote to approve a bond measure, voters are placing a great deal of trust in the district governing board to protect them from fraud or malfeasance that could potentially bankrupt taxpayers.

Are Portland School Board members worthy of this trust? The issues raised in this letter suggest that the District has a credibility problem that should be addressed soon.

Sincerely,

A handwritten signature in blue ink that reads "John A. Charles Jr". The signature is written in a cursive style.

John A. Charles, Jr.
President & CEO