



CITY OF
PORTLAND, OREGON

**OFFICIAL
MINUTES**

A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS **1st DAY OF SEPTEMBER, 2004** AT 9:30 A.M.

THOSE PRESENT WERE: Mayor Katz, Presiding; Commissioners Francesconi, Leonard, Saltzman and Sten, 5.

Commissioner Leonard arrived at 9:39 a.m.
Commissioner Saltzman arrived at 9:39 a.m.

At 9:50 a.m., Council recessed.
At 10:31 a.m., Council reconvened.
Commissioner Francesconi arrived at 10:32
Commissioner Leonard arrived at 10:33

OFFICERS IN ATTENDANCE: Susan Parsons, Acting Clerk of the Council; Harry Auerbach, Chief Deputy City Attorney; and Officer Curtis Chinn, Sergeant at Arms.

On a Y-5 roll call the Consent Agenda was adopted.

COMMUNICATIONS	
1029 Request of Richard L. Koenig to address Council regarding update on the war against public right to use the streets (Communication)	PLACED ON FILE
1030 Request of Pavel Goberman to address Council to offer himself as a contractor with federal, state and local governments (Communication)	PLACED ON FILE
1031 Request of Charles E. Long to address Council regarding promoting economic development through tourism (Communication)	PLACED ON FILE
TIME CERTAINS	
1032 TIME CERTAIN: 9:30 AM – Adopt new Federal Emergency Management Agency floodplain maps (Ordinance introduced by Commissioner Leonard; amend Code Chapter 24.50)	PASSED TO SECOND READING SEPTEMBER 8, 2004 AT 9:30 AM
1033 TIME CERTAIN: 10:30 AM – Adopt changes to the New Multiple-Unit Housing property tax exemption program (Ordinance introduced by Mayor Katz; amend Code Chapter 3.104)	PASSED TO SECOND READING SEPTEMBER 8, 2004 AT 9:30 AM

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CONSENT AGENDA – NO DISCUSSION	
Mayor Vera Katz	
1034 Adopt City Accounting Administrative Rules (Resolution) (Y-5)	36248
1035 Pay claim of LaVonne Lambert (Ordinance) (Y-5)	178707
*1036 Pay claim of Robert Westlund (Ordinance) (Y-5)	178708
*1037 Approve an Intergovernmental Agreement with Washington County for the distribution of equipment, supplies and services procured as a result of Urban Area Security Initiative Grant awards (Ordinance) (Y-5)	178709
*1038 Approve an Intergovernmental Agreement with Clark County for the distribution of equipment, supplies and services procured as a result of Urban Area Security Initiative Grant awards (Ordinance) (Y-5)	178710
*1039 Apply for a grant from the U.S. Department of Justice, National Institute of Justice, under the Solving Cold Cases with DNA program (Ordinance) (Y-5)	178711
Commissioner Jim Francesconi	
1040 Accept project submittals for the 2007-08 Transportation Enhancement Program process (Resolution) (Y-5)	36249
Commissioner Dan Saltzman	
*1041 Authorize an agreement with Friends of Zenger Farm for work on the Watershed Education Center Project (Ordinance) (Y-5)	178712
*1042 Authorize an Intergovernmental Agreement between the Bureau of Environmental Services and Portland Development Commission for the improvement of communities and environments (Ordinance) (Y-5)	178713
Commissioner Erik Sten	

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<p>*1043 Authorize subrecipient contract with Portland Housing Center, Inc. for \$107,242 for homebuyer education and counseling services and provide for payment (Ordinance) (Y-5)</p>	<p>178714</p>
<p>REGULAR AGENDA</p>	
<p>1044 Approve local improvement district proceedings and adopt Resolution of Intent for the Portland Mall Revitalization Local Improvement District to extend light rail services on the Fifth and Sixth Avenues in downtown Portland (Resolution introduced by Mayor Katz, and Commissioners Francesconi and Sten; replace Resolution No. 36244)</p> <p>Motion to remove the exemption for condominiums from the I.i.d.: Moved by Commissioner Saltzman and seconded by Commissioner Leonard. (Y-2, N-3 Mayor Katz, Commissioners Francesconi and Sten) Motion Fails</p> <p>Motion to add clause Be it further resolved that future I.i.d.'s will include condominium owners: Moved by Commissioner Francesconi and seconded by Commissioner Leonard. Gaveled down by Mayor after hearing no objections. (Y-4, N-1 Commissioner Leonard)</p>	<p>36250 AS AMENDED</p>
<p>Mayor Vera Katz</p>	
<p>*1045 Accept award of \$65,019 from FY 2004 Law Enforcement Terrorism Prevention Program funds from the Office of Domestic Preparedness administered by the Criminal Justice Services Division for personal protective equipment (Ordinance) (Y-5)</p>	<p>178715</p>
<p>*1046 Accept award of \$35,100 from FY 2004 Citizen Corp Program funds from the Office of Domestic Preparedness administered by the Criminal Justice Services Division to enhance the involvement of volunteers (Ordinance) (Y-5)</p>	<p>178716</p>

<p style="text-align: center;">Commissioner Dan Saltzman</p> <p>1047 Limit annual water and sewer utility license fee payments to the General Fund to \$16,993,474 until those fee payments equal 5% of gross revenues at which point they will increase to equal 5% of gross revenues; direct the Office of Cable Communications and Franchise Management to establish a consistent fee structure for all utilities operating in the City (Second Reading Agenda 1027; amend Code Chapter 7.14)</p> <p>Motion to direct next year the bureau of environmental services and bureau of waterworks to reduce their expenditures by at least an amount equal to what would be produced from limiting this franchise fee today.: Moved by Commissioner Francesconi and seconded by Commissioner Leonard.</p> <p>(Y-2, N-3 Commissioners Leonard, Saltzman and Sten) Motion Fails (Y-3, N-2 Mayor Katz, Commissioner Francesconi) Ordinance Passes</p>	<p style="text-align: center;">178717 AS AMENDED</p>

At 11:40 a.m., Council adjourned.

GARY BLACKMER
Auditor of the City of Portland

By Susan Parsons
Acting Clerk of the Council

For a discussion of agenda items, please consult the following Closed Caption file.

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WEDNESDAY, 2:00 PM, SEPTEMBER 1, 2004

**DUE TO LACK OF AN AGENDA
THERE WAS NO MEETING**

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Closed Caption File of Portland City Council Meeting

This file was produced through the closed captioning process for the televised City Council broadcast.

Key: ***** means unidentified speaker.

SEPTEMBER 1, 2004 9:30 AM

[Roll call taken]

Katz: Let's start with communications. 1029.

Item 1029.

Richard Koenig: They lost my award against technology this morning. Don't have my printouts for us. Richard Koenig, southeast Portland. I'd like to make a couple of thank-yous right off the bat. I've got the new Oregon vehicle code, thanks to the public, your support is appreciated for these new ones here. In this brand-new volume we still have the reflection of legislation that we can attribute to the help of our police commissioner, Vera Katz. When she was the speaker of the house she signed off on this one. It's an update of the language, the definition of highway, and it was meant to clarify the law rather than to change it, meaning it had always been this, but this is to clarify it. Highway means every publicway, road, street, thoroughfare and place, including bridges, viaducts, and other structures within the boundaries of this state open, used, or intended for use of the general public for vehicles, for vehicular traffic, as a matter of right, distinguished from the privilege of motor vehicle operators. Thank you for helping insert the word "open" in that revision and the phrase "as a matter of right" to clarify that the public has the right, commissioner. I'd like to also thank Mr. Auerbach. Mr. Auerbach, the city attorney, chief deputy city attorney, has begun to dialogue in regard to this. He wrote a nice two-pager to me last week, and I hope you folks have had a chance to read my response to him. He didn't -- we haven't finished the exchange at all, of course. As you can tell from my response. However, he's getting closer and I think that as long as we're engaging in dialogue, that's good. I'd like to give you the bad news before I read one more passage out of here. Commander -- traffic commander of the Portland police bureau, Michael Garvey, has disgraced the police bureau again by failing to respond in a timely way to a demand for his authority to regulate the public or their automobiles. Now you would think that somebody in a responsible position like Commander Garvey would know what he's doing and could send that if he had it. I think that speaks loudly to the issue, right? Commissioner Sten, would you agree with that? We do have a competent traffic commander over there? Anyway, now the --

Katz: Excuse me, one second.

Koenig: 10 minutes?

Katz: You don't get 10 minutes.

Parsons: You have one second.

Koenig: We'll get to the authority of Portland to regulate next week. It's in chapter 810, though.

Katz: Ok. Thank you. When are we going to get the sound system fixed?

Parsons: They're still working on it.

Katz: So you're going to hear the egg timer. All right, 1030.

Item 1030.

Pavel Gberman: Thank you for giving me the opportunity to talk. My name is Pavel Gberman. I spoke many times before you. Last time I spoke on may about demand to delete something against me because Washington county refuses to give me conceal weapons permit, but I see you did nothing. Freedom of speech is privilege, but it is useless, useless when ignore this people demand abuse power. Your abuse power. You make me guilty without any court decision. As you

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were, mayor Katz, watching me, something unusual, check police record. I don't know if you pay attention, what people talk to you about it. In Oregon constitution says nothing about any punishment, any accountability of government employee. Now i'm official candidate, write in, candidate for statehouse, district 28. He accepted money from special interest. It's very possible I will be elected state representative, district 28. One more. I gave you couple times proposal about my offer to help federal, state and local government about my fitness program, but you ignore it. It not my problem. I'm going to give you again, I know it's useless, but it's my obligation before this country to perform my duty, of what I could do best for country, therefore i'm going to give again to your city council. So if you have any questions, ask me, but I want to ask you more. I concern about political agenda. So many politician accept money, open accept money. I counted political prostitution, for me surprise. Why our nation accept this as normal? I think when I will be elected state representative, my first agenda will be buy helicopter for beaverton and Portland police to fight crime and improve traffic. It will be save huge amount of money. Do you have any question? Looks like no.

Katz: Thank you.

Goberman: Thank you.

Katz: 1031.

Item 1031.

Charles Long: Thank you, mayor. Where is everybody?

Katz: That's the question I always ask. Thanks for helping me.

Long: Charles long. I live in northeast Portland. I wanted to emphasize the gold mine of opportunity Portland has in developing its tourism industry. Not only for the tourists themselves, but also for the possibility of bringing businessmen to Portland to see the great possibilities of opening a business here or manufacturing plant in the Portland area. When I pass by the Oregon convention center and the rose garden, they are 99% and 44% unoccupied, and we need more tourists to promote more convention business and more activity in that way in Portland. One way is advertising through selected publications. I noticed ashland had a two-page ad in august, "sunset" magazine. And salem, Oregon, also had a colored ad. And Portland should consider advertising in selected publications, such as the travel sections of the "new york times" and the "usa today" and so forth I also suggest that the mayor write a note and put it in the -- the water bill once a year, and with it a brochure to send to friends and acquaintances out of state and invite them to come to Portland. We have a wonderful city and state, and we have a lot of features that no other city has, including the japanese garden and the rose test garden and many other facilities, Oregon historical society and so forth. I think that could promote Portland greatly and I think the city should -- should try to do that. Thank you.

Katz: Thank you, charles. By the way, when the classical chinese garden was built, this idea grew out of that, of tying all the gardens. Ok. Consent, any items to be pulled off the consent? Anybody in the audience wanting to pull off items from the consent calendar? If not, roll call on consent.

Francesconi: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Sten:** Aye.

Katz: Mayor votes aye. [gavel pounded] all right, 1032.

Item 1032.

Leonard: We have representatives of b.d.s. Here to explain some of the reasons and incentives that we have to adopt these new fema floodplain maps they've produced for us. These are good changes that allow us to be in compliance with fema regulations. Go right ready.

Ann Kohler, Bureau of Development Services: Ann kohler, b.d.s. Mayor, commissioners, i'm here as the manager who oversees the actual implementation of the floodplain regulations for development in Portland and here to advocate for passage of this ordinance because it has such a broad, sweeping impact to our citizens. In order for our citizens to continue to receive the benefits of floodplain insurance and in fact a 20% reduction in their premiums for floodplain insurance we

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need to adopt these floodplain amendments to the maps. These are a compilation of amendments that have occurred over a long period of time. Actually our friends in b.e.s. Requested fema to update these maps back in 1998. And we've had quite a bit of public process involved in these amendments since that time. You, in fact, as a council voted on the johnson creek early adoption of those floodplain amendments last year during which there was quite a lot of public participation. There's nothing changing in what you took action on in johnson creek last year. This is simply an editorial compilation. With that i'm going to introduce lori graham, also with b.d.s. And will talk to you with a bit more specificity about these maps.

Lori Graham, Bureau of Development Services: For the record, lori graham, bureau of development services, code services division. Good morning to you all. As ann indicated, this journey began six years ago when it was requested that fema make revisions to the map and create a new set of maps that would reflect all of those areas of the city that have been annexed into the city from Multnomah county since the last revision which occurred in 1982. Quite a few areas have come in since that time. On april 19 of this year we received notification from fema that they had completed their process, and that the new maps would become effective october 19 of this year. In order to remain participating in the national floodplain program, which allows citizens of our city to maintain flood insurance, get new flood insurance, receive the 20% reduction as our -- because of our participation in the community rating system program, we must adopt those maps and have them effective by the october 19 date which is why I come before you at this time. The new maps accurately reflect and revise the flood hazard areas. The areas of the map are the ones this council took action on in june of 2003 when they adopted the revisions to the planning bureau's johnson creek floodplain basin district. There are no new changes from that, from those maps. They revised the nomenclature used. They will become zone a.e. The use of the nomenclature does not necessarily affect the areas themselves. They're just calling them something different. What this allows us to do as ann indicated is continue participation in the national flood insurance program, allow our citizens continue to get the 20% reduction in flood premiums, allow for those people in Multnomah county to get that 20% reduction, too, those areas that were annexed in, and provides better customer service by providing regulatory consistency throughout the city. There's some fairly severe consequences for not adopting maps. Participation in the flood insurance program falls -- drops. The rating -- the reduction of flood insurance that we'd get from the rating system goes away with the inability to reenact that for two years, until after we adopt the new maps. One of the biggest hits is that the federal government will prohibit loans generated by or secured by federal agencies such as v.a. Loans for the development of acquiring of and construction on properties located in the flood areas. And if we had a flood event and a presidential disaster was claimed for the flood event, if we have not adopted these we will not get any funding to help rebuild those areas of our city.

Katz: Thank you. Questions? Ok. Anybody else want to testify? Do we have anybody signed up.

Moore: We don't have anybody signed up.

Katz: Ok. This passes on to second, then.

Francesconi: Thanks for your work.

Katz: 1033.

Moore: And 1033 is the 10:30 time certain.

Katz: Right, ok. We have about 40 minutes. So for those of you who still think there needs to be work on an item or two, you've got about 40 minutes to work on it. All right, we'll take a recess until 10:30. [gavel pounded]

Katz: Do you want to call the roll? [roll call taken]

Katz: Thank you. All right, let's take 1033.

Item 1033.

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Barbara Sack, Planning Bureau: I'm Barbara Sack from the planning bureau. This is Rick Michaelson, the vice president of the planning commission, and he's going to talk about the planning commission's recommendation. First of all --

Katz: Grab the mike.

Sack: Ok. First of all, today I was just going to give you some background on the tax exemption programs. I have a powerpoint coming up. Ok? Ok. The planning commission's recommendation relates to two of the city's tax exemption programs. The single family new construction program and the new multiple unit housing program. These two programs are available only in certain designated areas of the city. This is the single family new construction program. And both programs are a 10-year tax exemption on the improvement value of a property, but not the land. The land is still taxed. The single family new construction program and home buyer opportunity areas was adopted in 1990 to promote the construction of new single family houses in distressed areas of north, northeast, and east Portland. In the 1980's, there was disinvestment in certain Portland neighborhoods and housing abandonment, and this program was adopted to try to spur the construction of new single family houses in those neighborhoods. Under this program, the home buyer is the recipient of the tax exemption. There have been over 2,000 housing units assisted by this program since 1992. The problem with the program is that it's now inactive because of the failure of the 2003 Oregon legislature to extend the sunset date of the program in the state statutes. All of the city's tax exemption programs are enabled by state statutes, and although the city lobbied in favor of extending the sunset date, it was unable to do this. So this will be important in the next session. The new multiple unit housing program is available in the central city and in all Portland's urban renewal areas. This program was adopted in 1975 to provide an incentive for the construction of more multifamily housing in Portland's downtown. In the 1970's, Portland's downtown was in trouble. It had lost almost half of its housing units between 1950 and 1970. It had air quality problems. And downtown businesses were losing business to the suburban shopping malls. So the 1972 downtown plan was a revitalization plan for downtown Portland. And this program was meant to implement the housing and neighborhood goal of that plan. When this program was adopted, there was no affordability requirement placed on rental housing projects, because at that time almost all the housing in the downtown was low income and the city wanted to see some middle income housing built, as well as preserve its affordable housing in the downtown, and even wanted to see some high income housing built. So that in the downtown we would have a full residential community. There was a cap, however, on condominium projects, its tie to the f.h.a. Maximum mortgage limit, so it goes up every year. This year it's \$180,000. And there's also a limit on buyer incomes, if you prefer taking advantage of the tax exemptions that are homeowners. This slide just gives you an idea of the contribution of the new multiple unit housing program to the downtown housing supply. There's about 17,000 housing units in the central city. Most of those -- a majority of those are rental housing units. If you look at the line which shows rental housing units, about 4900 units have taken advantage of the new multiple unit housing program since the 1970's. There's only been about 95 units that have -- that were built without a tax exemption in the central city. Most of these were in Goose Hollow. There's another about 2,000 housing units that have been built using the 19profit tax exemption program, or built by the housing authority of Portland or built as student housing. So in all there's been about 7,000 new housing units built in the downtown since the 1970's. In terms of owner-occupied units, only about 110 units have -- condominium units have been able to take advantage of this program. That could be due in part to the cap on the price. There's been about 3,000 new condominium units built. These aren't eligible for city tax exemption programs. There's a state historic preservation program for units that are the result of a conversion of a historic building. The old warehouses in the river district. And we estimate these may be about 300 of these. There's been at least 3,000 new owner-occupied units built or converted in the downtown. These figures are from p.d.c.'s housing inventory in 2002. So

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the numbers are probably even higher now. As you can see, Portland has been a success in terms of getting new housing development in its central city. And the success the city has had in attracting new housing to particularly place like the river district and now the downtown and to a certain extent the Lloyd district has prompted some questions to be raised about the new multiple unit tax exemption program. Planning commission has been debating whether the public benefits list is current. Currently under the program you have to provide at least one public benefit off the public benefits list in the code to get the exemption. There's also been questions about, in a place like the river district, where there's such a robust housing market, whether you need the program there. So there's been actually a conversation going on about this for several years. However, last summer city council asked for a review of the city tax exemption programs, and this was prompted by about a half a dozen market rate rental projects coming to council, requesting tax exemptions. This winter and spring, there were -- there were some work sessions held between the -- the first ones held between city council, the planning commission, and the Portland development commission. And the second was held between the Portland development commission and the planning commission. The new multiple unit housing program is the only program that needs to have hearings on tax exemption requests before three public bodies. The Portland development commission, the planning commission, and the city council. The Portland development commission makes a determination whether or not the tax exemption is needed for the financial feasibility of a project. They then make their recommendation to the planning commission. The planning commission looks at the consistency of the project with city plans and policies, and also looks at the scope and nature of the public benefit. It's the planning commission that determines whether the public benefit that's being provided by the project warrants the tax exemption. Then it goes to city council for a hearing on all issues. During the work sessions staff prepared -- p.d.c. And planning commission staff prepared a proposal for discussion. Then planning commission staff prepared a proposal that -- in June -- that proposed an affordability requirement for rental housing projects in a revised public benefit list. There were two -- there were two planning commission hearings held in June on this, and on July 13 planning commission made their decision. So now we're going to present the planning commission's recommendation. I'm just going to briefly go over the recommendation and Rick is going to talk about the planning commission's thinking. Ok. The first recommendation is to advocate for the reactivation of the single family new construction program. I explained this program expired. This has been a popular and helpful program. We would like to see it reactivated. Also the planning commission pointed out that the sunset date for the new multiple unit housing program is 2006 in the state statutes, and that we also, at the next session of the legislature, ought to be looking at getting this state extended, because that will be the session where we would need to do it. These tax exemption programs are usually authorized for 10 years, and then they have to be reauthorized with a sunset date extended. The second recommendation is to change the requirements of the new multiple unit housing program. The first -- ok, the first recommendation is to add an affordability requirement for rental housing projects over 15 units in size. And the affordability requirement would be 15% of the units would be affordable to households at or below 80% median family income. These units have to have been rented to the households that were in that -- within that income range. The next recommendation is to require an additional public benefit from a revised public benefit list. This is the revised public benefit list. Some items are left over from the old public benefit list. Open spaces, daycare, and permanent dedications for public use. Four, five and six are new public benefits that the planning commission has added to the -- has added to the public list. And then finally there's a -- in option four, considering a public benefit that's not on the list, and this might be useful if someone is providing something like block 14, the developer was going to help construct a streetcar stop. That might be considered a public benefit, although that's not something on the list. These are the options that are deleted. The first one is sort of a general option that talks about rental rates. The second one is --

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basically covers things like fitness center, public meeting rooms, facilities supporting the arts, facilities for the handicapped. There's now a.d.a. Regulations not in place in the 1970's. And lastly, considering ground floor commercial, a public benefit was eliminated. The last recommendation is that the program be reviewed every five years. Central city housing markets change rapidly. So the planning commission thought it was a good idea to review this program every five years. And in order to do that we were going to collect information from tax exemption recipients on their projects, so that we had some data by which to evaluate the program. And I just want -- lastly, I just wanted to say that the city of seattle and city of eugene have similar programs to ours, and they both recently revised their program requirements. So this is something, I think, that -- that happens with cities that use these downtown multifamily programs. Next i'm going to turn this over to rick.

Rick Michaelson, Vice President, Planning Commission: Thank you, barbara. I'm rick michaelson, speaking to you as vice president of the planning commission. I think if you look at the length of our transmittal letter, four pages instead of the usual two paragraphs, you get a sense of how important this is to us, how much work we in the community have done on it. This has been one of those really fun projects. It's intellectually challenging, great staff support from the planning bureau and public development commission, and all of the public testimony we heard about, this was constructive, bringing in new ideas and alternatives. So it was a very intellectually stimulating process.

Francesconi: You deserve a fun project.

Michaelson: We do. We really enjoyed this one. I think the recommendations we bring to you today are solid and important. And i'll go through why we made them. The first, as you'll see in the letter, is to start working on the re-authorization of this program now. It will expire between the 2005 and 2007 legislative sessions, but we also think we need a head start to look at whether we need changes in state legislation and not just a re-authorization as is. We haven't examined that issue, but advise getting ahead of the curve and making sure that this is an important part of the city's legislative agenda in the next session. The second requirement that we support strongly is the adding of the affordability requirement to the program. Presently the major public benefit of this program is that we are producing housing units in areas where we would not have in the past. It's a community development, urban development, strategic program, with additional public benefits. We feel, and p.d.c. Has demonstrated through their research, that the program is now strong enough to add a second public benefit to all of these, which is affordability. It will not affect the pro formas of the project significantly. It will not require that additional city funds be provided into it at the 15% level. So we set that -- that as a goal without requiring more subsidies in it. Thirdly we updated the benefits list. Our strategy in this was threefold. One, eliminate as public benefits things that are already required by code. Didn't seem right to give people a benefit for something they had to do. Two, eliminate things that would be difficult to enforce in the long term, that were procedural and would require monitoring. For instance, the requirement for meeting rooms. Meeting rooms are very easily converted to other uses, and there's no ability to enforce that throughout the duration of the project. So we concentrated on physical attributes of the project, that once they're in place would need no continuing monitoring, or things that would require a covenant with the nonprofit or the city, which would be enforced that way and be self-enforcing,stead of having to go back and look at them. We also were very pleased to add a leed probably for environmentally sustainable buildings in here. We think it's time to do that. Our fourth recommendation is to do monitoring. I know there was a lot of discussion about what kind of reporting property owners should do on the projects, whether they should be second-guessed on the pro formas they did, and we drew a line that said we need appropriate data to evaluate whether this program works or not, how it works, and whether the benefits provided to future projects are necessary. The lack of data about this program is serious and needs to be rectified in the best ways

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to require developers to submit minimal information. You'll see some -- you'll probably hear testimony asking for additional affordability requirements or additional benefits to the changes to the program. We didn't support any of those at this point. And I think it's partially because we don't have the data to justify them and didn't want to do things to complicate the program unless they were sure and were needed.

Katz: An example.

Michaelson: A proposed additional benefit -- additional affordability requirement, units in your building, that are renting for more than 150% of median income. We don't -- there isn't sufficient data to demonstrate that would add additional units. The data we have says that the market for rentals at 150% of median income or higher is so slim that it's not going to produce enough units to be worth butting up the program. The data we have is most people, when they hit 250% of median income are home buyers, not renters, except for a very small group of people, and therefore to complicate the program in a way that we didn't think was going to produce enough units, shouldn't be done at this time. If we had the continuing data to say, gee, maybe this makes sense, we might have looked at it more seriously. The other issue, at the 150% of median income issue is if you're a developer and proposing units at 150%, 160% of median, it's just as easy to propose them as 145% of median. The project will pencil out the same, avoid the requirements. So we don't think practically that requirement would go into effect. We're very supportive of the program. We'll stick around in case there's questions after public testimony. We urge your passage and will continue to work on the program.

Katz: Questions? The whole concept really is to make those public benefits a little bit narrower. You drive those decisions to true public benefits as opposed to things we really might consider and might want.

Michaelson: Yeah. We felt a lot of projects were just putting a list of things in them because they needed to do to get through the program without really having a sense that those were the right things. We narrowed it to a list that we feel comfortable with. Any of the projects, there's public benefit to it.

Katz: Thank you.

Michaelson: Thank you.

Katz: If there's no questions, let's open it up to public testimony.

*****: Good morning.

Katz: Good morning.

Corrine Paulson, League of Women Voters: My name is corinne paulson, and i'm testifying on behalf of the league of women voters in Portland. The league supports the use of tax abatements to encourage the development of low and middle income housing where the market does not provide for them. In the past, we've questioned the necessity of the abatements for market rate housing and appreciate the city's efforts in updating this program. In light of the changing housing market and the city's constrained budget, it's imperative that subsidies are targeted in a way that fill an identified need and go only to projects that need them to succeed. The planning commission's recommendations on the new multiunit housing program are a welcome update. The league strongly supports their recommendations of adding the requirement of affordable units to projects receiving the abatement. In our view property tax abatements should only go to projects that need them and only for as long as necessary. We're pleased council has directed staff to explore ways to achieve that goal. The city should continue to set a rate of return threshold at the time of application and consider using the more accurate figures available rather than pro formas. Additional projects should be required to report periodically on rate of return and depending on the level of success the abatement should be terminated or gradually phased out. It ought to be possible to design a program that offers the needed reassurance to lenders, but provides the flexibility of ending the abatement if a project can succeed without the indirect subsidy. We'd like to suggest

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another item for future consideration -- explore extension of the tax extension incentive to include owners of existing, non-subsidized low income housing to preserve affordability. Oregon statute allows this type of incentive in and in consideration of the city's ongoing struggle to maintain its affordable housing stock this tool should be considered for future inclusion. Once again, thank you for considering the update of this program to better reflect current conditions. Thank you.

Katz: Thank you.

Patrick Gortmaker, Old Town/Chinatown Neighborhood Association: Good morning. Patrick Gortmaker, cochair of the land use review committee for the old town/chinatown neighborhood association and the visions committee. Madame mayor, commissioners, this new program has been a huge success in old town/chinatown. We've completed three new affordable housing developments and one affordable condominium promises. None of these would have been possible without the tax abatement program. It is good to review and modify these types of programs to ensure that they continue to meet the policy goals for which they were created, focusing on the changes to this program recommended by the planning commission, I would like to make some comments on how they may impact our neighborhood and its future development. The new affordability requirement for rental housing projects at 15% of the units, 80% m.f.i., each of our affordable projects in our neighborhood already meet this new requirement. However, as I look at the future of our neighborhood and the potential of all the development that remains to be done, I feel that this requirement may achieve unintended consequences such that only affordable housing will be able to be developed in our neighborhood. Our goal is to achieve true diversification, and currently only the projects at 80% or below are receiving the subsidies today. That will not always be the case. As we begin to focus on the lack of work force housing available in our neighborhood, between 120% and 150%, and even true market rate housing in our neighborhood, these types of projects won't be eligible for the tax abatement under the new requirements. If these projects do not have access to tax abatement, we fear they will not be realized, especially in old town/china town. There must be a way to consider the housing goals of each neighborhood, and if the goals have been met for the 80% and below, then allowing this tax abatement for other income brackets over the 80% m.f.i. Should still be an option. Perhaps it's still the option under the public benefits list stating other public benefits approved by planning commission and the city council. The program is important to our neighborhood. It's contributed to our successes. We want to ensure that this continues as our neighborhood continues to improve and becomes more desirable. Economic diversity will be a key to our neighborhood's success, so providing the most diverse housing will indeed be a requirement. Just one quick comment. Rick Michaelson talked about the data between 120% and 150%. We own and developed fifth avenue court apartments in old town/china town, and I have statistics that I could provide, of the individuals that we turn away that half our units are between 60% and 120%, which we call our market housing down there. The individuals between 120% and 160% that we turn away, because they do not income qualify. So I'd like you to keep that in consideration.

Katz: Thank you. Thank you. Further testimony?

*******:** That's all.

Katz: Rick, Corinne mentioned the possibility of considering at some future date, or currently, or just the notion that you might want to extend it to current properties that keep affordability. Did you talk through that?

Michaelson: We've had some discussions about the imbalance of this program causes because it is an incentive for new projects.

Katz: New projects.

Michaelson: Existing low affordable housing doesn't have it. It's an issue worth looking at. I don't know whether it means extending this program to include existing housing or extending this

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program to include existing program that does special things or changing the boundaries of how this program works, but I think it's a real imbalance.

Katz: Is that something that the commission is planning to look at?

Michaelson: I don't think it's in our work program. We're hoping it's one of those things, if you do initiate discussions about what should be in the legislative session about this tax program, I would see that and recapturing other things as appropriate.

Katz: That could be in her work program, though. [laughter] maybe not yours, but hers.

Michaelson: Well, i'm sure it will be in mine in some form or another.

Katz: Yeah. I think it makes good sense. I'd love you to do a little bit of work on it and come back so that existing rental properties get the same benefits.

Michaelson: It may start out as a program that would allow the extension of the benefits beyond the first term. There's a big problem with these programs, these buildings falling out of the program at the end of 10 years.

Katz: Ok. Further questions? If not, this passes on to second.

Parsons: Mayor, we have one more person that would like to speak.

Katz: Ok. Come on up.

Beth Kaye, Housing and Community Development Commission: Madame mayor, members of the city council, my name is beth kaye, and i'm the staff person for the housing and community development commission. The housing and community development commission devoted several meetings and a great deal of time to this new multifamily housing tax abatement, and I believe you've all received a letter from hcdc setting forth our goals. I wanted to speak to the specific question that the mayor raised about extending this program to housing that already exists. Hcdc considered this issue, and decided it would not be good public policy to extend the program to housing that already exists for this reason -- the way a tax abatement works, of course, is that it's forgone revenue. And currently the properties that are being developed for the new housing are not producing revenue, and so foregoing the revenue for 10 years is not really such a loss, and then it comes online and boosts the income. But if you extended this program to -- to housing that already existed, it would mean taking property taxes out of the county and city coffers for a period of time, and for the 10-year term of the abatement and at a time when the city and the county are both lacking for general fund, and particularly when the county is lacking for service dollars to help low-income people remain in housing. We thought that that was not a good idea. So I wanted to just let you know about that piece of analysis that we did. Thank you.

Katz: Ok. Passes on to second. Let's get to the regular --

Francesconi: Before you do that, I wanted to make one comment, rick. And that is adding the provision about 20% of the rental units have been three or more bedrooms, that's a very good thing, because we need more larger family units as part of our supporting our schools and everything else. So that's a very good addition. I don't know who did it, but that was great.

Item 1044.

Katz: 1044. There's been further conversation on the issue that we had before the council on the issue of do we cover condo units, housing units, nonprofit units, for extending the l.i.d. And charging against the l.i.d. There's been some conversations with both tri-met and commissioners and my office with regard to that, commissioner Francesconi, commissioner Sten, and some changes. So why don't you share with us where we are.

Brant Williams, Director, Office of Transportation: That's correct. Thank you, mayor. Brant williams, director of Portland office of transportation. Before you is the next edition of the resolution of the intent to form the l.i.d. For the Portland mall. As you'll recall, you passed the resolution on august 11, and that was resolution number 36244. This will replace that resolution. There's two significant changes associated with this.

Katz: Let me ask you a technical question. Do we need to table the previous resolution?

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Harry Auerbach, Sr. Deputy City Attorney: No. It already had passed. No. It's done.

Williams: That's correct.

Katz: Ok, all right, go ahead.

Williams: So this would replace that.

Katz: Ok.

Williams: Two major changes due to conversations that we've had, like you said, mayor, with council members and concerns raised by tri-met. Those two changes are to exempt single-family residences and also to provide an opt-out option for properties with affordable rents. And affordable rents are defined as all those properties with rents that are 60% or less of the area median income, or properties that are subject to affordable requirements and offer between 60% and 80% of the area median income. Everything else associated with the previous notice of intent is a resolution of intent is the same as the previous one, and we are looking now at the l.i.d. Formation hearing being october 6 instead of september 29, so it's pushed back one week.

Katz: Ok. Questions? All right. Let's open it up for public testimony on.

Katz: No testimony. All right. Go ahead.

Saltzman: What did we end up doing with condominiums and affordable rentals?

Williams: So the resolution before you would exempt all condominiums, essentially all owner-occupied residences. And there's approximately 1800 of those in the -- within the l.i.d. District. Affordable housing would -- there would be an opt-out option, opt-out clause, where they would submit to us a request to opt out, because we don't know which ones are affordable and which ones aren't. So they would request us to, and if they meet those requirements of 60%, if they're -- if they don't have the affordability requirement, or if they're between 60% and 80% and have the affordability requirement, then they could opt out those units from the l.i.d.

Saltzman: Well, I guess -- I guess it was my understanding we were also going to have a provision in here that would state this would be the last l.i.d. That would not include condominiums, and if that's not in there I guess I would be interested in including that in there. I think that's ample sound policy why owner-occupied property downtown should be subject to l.i.d.'s. I understood the reason we removed them this time was a perception that there was not adequate notice. And in order to avoid this conundrum every time we try to do this, i'd be interested in adding language saying this would be the last l.i.d. We would form that would not include owner-occupied condominiums, if there's any other sense of the council to do that.

Francesconi: I'm fine with that.

Leonard: I would supported that one vote ago.

Saltzman: One vote ago?

Leonard: So it would apply today.

Saltzman: Since we've taken them out -- or -- so you'd be comfortable with removing it altogether, the exemption for --

Leonard: I cannot vote for it, an exemption, on the condominiums.

Saltzman: Oh, I see. Well, I could be there, too.

Katz: This is where we were originally.

Saltzman: I'll offer a motion to restrict removal language that removes owner-occupied condominiums from the exemption of the l.i.d.

Leonard: Second.

Katz: Wait, wait. Hold on for a second. I'll take the motion in a minute. Tri-met, come on up. You had something to do with this.

Neil McFarland: Madame mayor, members of the council, neil mcfarland with tri-met. Happy to answer any questions, but our view is that there were some very significant procedural issues that adding in the condominiums would add to the l.i.d. Formation at this stage of the game. And our concern is, of course, is the timeline and process of federal funding that will bring on the order of

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\$400 million in federal funds to this region. And if we are in a position where we complicate the formation of the l.i.d. And the notification issues, we believe that we would begin to raise some questions about the actual commitment of the funding for the project, which is very important to get into FTA hands as early as possible this fall.

Leonard: What is that notification requirement?

McFarland: We'd be updating the new start submittal that we submitted to the f.t.a. It was due august 20.

Leonard: I'm asking what the notification requirement was. What would it, if you were designing it, this -- this new proposal, what is the typical notification requirement?

McFarland: Well, actually there may be a better answer to that from brant, but my answer would be that we would start -- have started with an informal notification to all the property owners.

Leonard: I understand that. I'm asking for time lines. What are the dates, the actual days that are required?

Williams: For the l.i.d., we need to provide 21 days' notice prior to the l.i.d. Formation.

Leonard: And had we done that, then that would have satisfied the concern about a lack of notification?

Williams: Actually, we haven't reached that time period yet. We're planning on notifying all the properties who will be included in the l.i.d. On september 8. And that will be 28 days.

Leonard: And then why is there a notification requirement concern?

McFarland: The notion is that the l.i.d. Is actually -- while this is a formally a council-initiated l.i.d., we've also worked very closely with the property owners within the boundaries to fashion an l.i.d. That would be acceptable.

Leonard: Ok, I understand. I'm just asking about the technical issue of time lines.

Williams: Yes. The only formal requirement is to provide notice 21 days prior to the formation hearing, which is currently scheduled for october 6.

Leonard: Then how does -- how does this violate that timeline, if we were to notice them now, that we were going to go to include them, how does that violate the timeline?

McFarland: It does not violate that.

*******:** Thank you.

Saltzman: If I can read between the lines, I think what tri-met is saying, there will be more noise about forming this l.i.d. We'll see that noise on october -- or whenever we have to openly approve that.

McFarland: There's actually two issues.

Saltzman: If we believe there's a policy principle that condominiums should be in the l.i.d., we should stick by our principle. There will be more noise, but that's the process.

McFarland: Commissioner, there's actually two issues that -- that the noise could be an issue. The other one is actually -- and doug oblitz referred to this when he was presenting in front of the council the two previous times, is that there's a lot of administrative work that goes into dealing with all the properties. We have a lot of condo owners in the l.i.d. And that's a lot of notification to provide, with very minimal benefit to the project from a funding standpoint.

Francesconi: I would just add that --

Saltzman: What is all the administrative work involved in notification?

Williams: It's getting all the right properties, working with the city auditor's office to make sure we provide the proper notice. We need to make sure that it's accurate. If it's inaccurate, there's potential for the actual notice to be reconsidered, and it just creates much more risk with the project. And given all the other properties that we're dealing with, all the other commercial and other rental properties, there's -- this is one of the largest l.i.d.'s we've pulled together in a long time. It might be the largest ever. So we just have some real concern about trying to meet that time frame.

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Saltzman: You just said there's 1800, so we know -- I assume our tax records can tell us who owns those properties.

Williams: Yes. And we have to go through all those tax records.

Saltzman: That doesn't sound very intractable to me. I guess i'm at a loss.

Williams: It's just one of the concerns we had in moving forward. It puts more risk on the project in meeting those time lines.

Saltzman: The l.i.d. Hearing is scheduled for october 26 you said?

Williams: October 6.

Saltzman: October 6.

Katz: Ok. Thanks.

Leonard: I want you to know that I promised commissioner Francesconi that I would restrain myself, and I have. [laughter]

Katz: There's some -- there's a motion that i'll accept now to see if there's enough support. Could you restate the motion?

Saltzman: The motion was to remove the exemption for condominiums from the l.i.d.

Leonard: Second.

Katz: As of today? But there is a second. Roll call.

Francesconi: Should this motion fail, i'm going to offer the following -- i'm going to amend the resolution on the floor. That was on the floor before. Be it further resolved that future l.i.d.'s will include condominium owners.

Katz: How do you vote on this one?

Francesconi: No.

Katz: Ok.

Leonard: Aye. **Saltzman:** Aye. **Sten:** No.

Katz: Mayor votes no. [gavel pounded] motion fails.

Francesconi: Now I have an amendment.

Katz: Go ahead.

Francesconi: To add to the resolution that's back in front of us the last -- the end of it. I just wrote it out in longhand here.

Katz: Go ahead.

Francesconi: Be it further resolved that future l.i.d.'s will include condominium owners.

Katz: Do I hear a second?

Leonard: Second.

Katz: Any objections?

Williams: Could I comment?

Katz: Sure.

Williams: I'd ask for maybe a small revision in that language, that as we proceed into l.i.d.'s, we pursue including condos, because you don't want to tie your hands for future l.i.d.'s. There may be no benefit to condos, and you want to have the opportunity to not include condos for a particular --

Francesconi: But I want it to be a presumption that --

Williams: That it would be included.

Francesconi: So we don't get in this situation again.

Williams: Right. But the blanket statement that they would be included, I don't think you want to tie your hands that they would be automatically included.

Leonard: I'm comfortable tying my hands with that.

Sten: Our hands aren't tied. We could pull them out.

Francesconi: Yeah, that's what they can do.

Katz: I do agree with you, but they're right, we can pull it out and change it.

Francesconi: Nice try, though. You're doing your job in warning us all right.

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Katz: There was a second. Any objections? Hearing none, so ordered. [gavel pounded] since we have amended this for the third time, second time, is there any additional testimony on just the issues we amended? It passes to second. Oh, it's a resolution. Sorry. Roll call on the resolution, as amended.

Francesconi: The advantage of this is now we've pulled out the low income. There's a way to get out of this, which is fair. We're not going to charge them at all. Secondly we've given clear notice to the future, as to what our intent is regarding condominium owners, which is also the right thing to do. Third is we haven't jeopardized the federal funding in order to make this very important project happen. Aye.

Leonard: I cannot support the resolution given that I think it's -- it is not credible, not have the ability to timely notify condo owners. No.

Saltzman: Well, philosophically, as I said, I believe that condos should be included in this l.i.d., but i'm comfortable with more or less the amendment by commissioner Francesconi that certainly says from here on out they will be, although our hands aren't absolutely tied to that. As a policy principle, I believe there's no reason why they shouldn't be in this one, or future l.i.d.'s, that affect the downtown area. Aye.

Sten: As a policy principle, I think it should be in there. it's a pragmatic vote that we need to move through this, given the funding cycles. The last hearing, where they were going to charge the low income and not condos, was one of the things that was thrown around. Next time around, condos should be given the history that they have not been in, I just think, as much as I'd like to see it in there, we're not going to pull it off and meet the federal deadline, so I vote aye.

Katz: Mayor votes aye. [gavel pounded] ok, 1045. 1045 and 1046.

Items 1045 and 1046.

Miguel Ascarrunz, Director, Portland Office of Emergency Management: Good morning, mayor Katz, councilmembers. We'll take both together. For the record, director of poem. With me today is Rachel Jacky, community services manager for the agency. We're pleased to bring to council for your approval two grant awards to improve the city's homeland security and emergency preparedness. At your March 3, 2004 meeting, you approved that poem coordinate the city's application for homeland security grants. The law enforcement grant award totals \$65,019 for the purchase of personal protective for Portland police officers and non-sworn police personnel. The goal is to equip every police officer with a basic level of protective equipment, such as masks and filter masks respirators in the event of a terrorist incident involving weapons of mass destruction. The citizen core grant award totals \$35,100 for the creation of the citizen corp program. It will assist poem to develop and implement a plan for the community to engage all citizens and homeland security, community emergency preparedness and family safety. This initiative will also establish key partnerships in preparedness with several impacted bureaus, including police, fire, the office of neighborhood involvement, as well as other governmental and nongovernmental organizations. We plan to could kick this off at a future council meeting and will provide you with more details at that time. It is important to note that in addition to these grant awards, we'll be returning soon to request council acceptance of an additional grant award for other city bureau homeland security needs, including parks and water security, b.t.s. Cybersecurity, boec communications, planning needs, poem planning needs, communications and technology needs, and additional police and fire bureau equipment needs. Finally i'd like to thank poem and city bureaus for their hard work in prioritizing needs and completing the tedious grant application process. So at this point we'll take -- my staff and I are available to take any questions from council.

Katz: Did you want to add anything?

Rachel Jacky, Portland Office of Emergency Management: Unless you have questions, mayor.

Katz: Questions?

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Saltzman: So this first grant for police to get personal protective gear, does it do it? Does it get all of our police gear?

Ascarrunz: Not at all, commissioner Saltzman. We do expect the additional \$1.75 million to address some additional police bureau needs. There are also training needs that will be requested through future homeland security grants as soon as the federal budget 2005 is approved, we expect almost a doubling in homeland security dollars coming to the Portland metropolitan area.

Saltzman: So the total price tag for getting every police officer this personal protective gear would be on the order of \$2 million? Is that what you're telling me?

Ascarrunz: The initial grant request that the police put together, that included infrastructure security needs, in addition to equipment needs, was approximately \$2 million. However, that -- again, that included physical infrastructure needs. I don't have the breakdown as to the equipment part of it.

Saltzman: I guess later on I'd be interested in just finding out what that number is, if you can get that.

*****: Ok.

Katz: Until we get all this money, I ask you not to seek either a republican or democratic convention site here in Portland.

Saltzman: Or the olympics.

Katz: Or the olympics. [laughter]

Ascarrunz: I would like to add, mayor, that we recently did receive some additional good news. Every bit helps, of course. The fema region 10 director promised us an additional \$5,000 -- not really grant award, but a contribution or donation to the city to enhance our citizen corp program. So we'll be coming to council soon on that as well.

Katz: Good. You've done a good job. We created you at the appropriate time.

*****: Yes.

Katz: Ok. Further testimony? Roll call on 1045.

Francesconi: Good work. Aye. **Leonard:** Aye. **Saltzman:** Good work. Aye. **Sten:** Aye.

Katz: Mayor votes aye. [gavel pounded] 1046.

Francesconi: Aye. **Leonard:** Aye. **Saltzman:** Aye. **Sten:** Aye.

Katz: Mayor votes aye. [gavel pounded] all right. 1047.

Item 1047.

Katz: This is a second reading, and if --

Saltzman: Third reading.

Katz: Well, third, but for technical purposes it's up for a vote today unless there's other amendments.

Francesconi: I guess I'm the only one with an amendment here. So I have an amendment. I distributed it earlier. Basically what it does is to take the equivalent amount out of the water and sewer rates from those bureaus next year in a process between omf and the bureaus. That's my proposed amendment.

Katz: In other words, make the reductions in those two bureaus to then reduce the rates?

Francesconi: Yes.

Katz: Ok.

Sten: Not reduce the franchise fee?

Francesconi: Right, until we have that done a different way, but it doesn't say that. Until we know where the cuts are --

Leonard: So I understand what you're proposing, you're also deleting the requirement that the office of cable and franchise come back with a consistent fee package proposal.

Francesconi: That shouldn't be deleted.

Leonard: It is.

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Francesconi: I don't want to delete that. I'm fine with that. That shouldn't have been deleted.

Katz: Why don't you identify where that is.

Leonard: It's on that first paragraph, the line through the language.

Katz: Direct the office of cable --

Francesconi: Well, aren't you doing that anyway? I mean, it's being done anyway. So I guess I need to know if it's being done anyway. Is it being done anyway?

Leonard: We've been doing it for months.

Francesconi: Ok. If you're working on it already, i'm fine leaving it in, so not deleting it.

Sten: The franchise fee would not be reduced under this proposal?

Francesconi: That's correct.

Katz: Is there a second?

Leonard: I'll second for discussion purposes only.

Katz: Ok, for discussion purposes -- well, we'll vote on it in a minute.

Leonard: Right. Dan wanted to say something.

Katz: One second. Anybody want to testify when we get to it? I just need to know how long we're going to -- you want to testify. Already, go ahead.

Saltzman: I'd like to speak against the amendment, in support again of the present proposal in front of us. Let me just hand these out to you. This is on the overhead. Water bureau and environmental services bureau are working very hard to reduce our costs. The proposal to limit the franchise fee is one more way to reduce water and sewer ratepayer costs. And I think this amendment before us needs to be examined in that context, to look at the franchise fee, if you see that what i've given you shows the average annual change in all the various revenue streams in the city over the last 10 years, clearly the franchise fee is growing at 9% a year, faster than anything, almost evident special appropriations. So I think that clearly if we're going to start dampening future rate increases, the proposal in front of us to cap the franchise fee at \$17 million a year until it reaches 5%, and then it will stay at 5%, gets us clearly and directly and sends it to rate relief. As I said last week, and the week before, it should save about \$5 million over five years for water ratepayers. About \$156 million over 15 years for sewer ratepayers. I think that's real money that people can bank on. The water and sewer bureaus will continue to control their budgets, and under the -- you know, they are scrutinized by the public utility review board, which has testified in support of this amendment. They're scrutinized by every member of city council as a council and individually. So I think the proposal we have in front of us is the real way to get rate relief in a clear, unambiguous manner. It does have the general fund impact. I believe that's why we need to do it now, so people preparing our budget for next year can take that into account. I think this amendment doesn't really accomplish any rate relief, simply says what we all try to do, keep your budgets down. I would urge a no vote on this amendment.

Katz: Did you want to testify?

Kent Crayford: Thank you for the opportunity. Mayor Katz, commissioners, my name is kent crayford, director of the Portland water users coalition. We haven't seen this amendment, so I can't give you kind of a full response as to our opinion on it. I will say, though, we do support the amendment on the table that was offered by commissioner leonard last week to commissioner Saltzman's original proposal. And we hope you support that today.

Katz: Ok. So basically you haven't seen it, you can't support it, but you support what the council did last week?

Crayford: Exactly, yeah.

Katz: Ok, roll call on the amendment.

Francesconi: Well, first of all, the amendment directs next year the bureau of environmental services, bureau of waterworks, reduce their expenditures by at least an amount equal to what would be produced from limiting this franchise fee today. That's what it directs. And so the idea is

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that we need to share the pain among all the bureaus, especially those that set the rates, in order to reduce the rates. And this will produce more than pennies for the ratepayers directly, which is what our objective is here. That's number one. Number two is I am open, and in fact, even proposed an alternative when this hearing began to bring utility franchise fee down. The problem that we have is we have to be honest with the public about how we're going to pay for it. And my proposal does that. The proposal in front of us takes \$3.5 million from the general fund and doesn't say how we're going to pay for it to the citizens. It's pretty interesting to read --and chilling-- to read this metro cover on Sunday about Gresham and their fire districts and what they're trying to do as to how to figure out how to maintain fire service in Gresham. And I understand we need rate relief, and that's why I proposed direct rate relief. But I also know it would need police, fire and parks to service our business community and our city. So when we're going to cut the franchise fee let's do it during the budget discussion, when we have an honest tradeoff, and a time we just saw a map showing about how we have to increase fire protection to take \$3.5 million without saying where the money's coming from is not responsible. So I tried to craft something that directs immediate rate relief in a way that protects essential city services. Aye.

Leonard: I agree precisely with what commissioner Francesconi just said wholeheartedly agree. I also agree with commissioner Saltzman's stated concern that the utility franchise fees on water and sewer rates are too high. The problem I have -- have been having in the last week, notwithstanding the fact that the proposal we'll be voting on is language I crafted, is that it is an approach that I find very uncomfortable in the city, and I've been here almost two years, and I think I'm having a sense now, better, of how we craft and propose public policy in the city. I'm not terribly impressed, to be quite frank. It is a hodgepodge approach. And notwithstanding by support of what commissioner Francesconi has said, and what commissioner Saltzman is trying to do, it is not a holistic approach. And frankly not one that I'm accustomed to in the budgeting process. I'm trying to somehow figure out how to balance my concern for the approach to implement what commissioner Saltzman wants to do, while being very mindful of the issues commissioner Francesconi is raising. Frankly, I'm not doing a good job at it, because I don't like doing things this way. So I guess on this -- on this proposal, to be somewhat consistent with my concerns, I'm going to not support it, but hope to have a further discussion of what commissioner Francesconi is proposing and hopefully marry that with what commissioner Saltzman is proposing in this larger discussion of utility franchise fees in the next 60 days or so. No.

Saltzman: The other shortcoming of this amendment is the limit on the franchise fee that I've proposed is beyond -- it's a multiyear approach. This is simply a one-year directive to reduce water and sewer's budgets by \$3.5 million. That doesn't provide long-term relief. The real rate relief under my proposal kicks in the outgoing years. So this is really -- you know, it's -- it's nothing. So I will oppose that and continue to support the original proposal that we send a clear, decisive message, that we hear the concerns of ratepayers and act today to limit the franchise fee. No.

Sten: I'll be brief. You know, I think I've been very clear for many, many years, it's tough, because we're doing balancing priorities, but, you know, I don't think with the sewer mandate on us and the over billion dollars in place, that anybody ever anticipated that the amount of money that would come from -- it's mostly sewer. I mean, water's there as well, but for sewer payers to fund the general fund is even close to the ballpark of what it's been. I think this chart is right, 9% annual growth, a very regressive tax. There's a lot of good process points made. I don't actually agree with all of them. I think the council is in session year-round to make policy. And we have to take those issues both as they come from the community and as the commissioners time them, whoever in charge. It's a policy decision what rate to charge at. The amalgamation of a whole ton of policy decision gives us a general fund balance later in the year, affected by the various levies that other jurisdictions put in place, if the school district votes for a bond, we have compression, it changes our general fund dramatically. If businesses move in Portland, it goes up, it goes down. Once the

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sum of those policy decisions, both private sector and public come before us, we make the decision in the budget process. I don't find this particularly unusual. I understand commissioner Francesconi's argument. I think, though, you're doing the same thing to water and b.e.s. With your amendment, which you say is wrong, which is to order cuts without specificity. If you show me it can be done and the problem is water and sewer just aren't making those cuts, I find your amendment much more compelling, otherwise I think it's just kind of moving the ball. No.

Katz: Let me share with you the realities of preparing the budget. Every general fund in the last four years has taken cuts. The council -- I also recommend that the enterprise bureaus take the same percentage cut. Council has not looked kindly to that notion. And so consequently we take a very hard look at the rates. And sometimes the rates reflect reductions in operations. Most of the time it's reductions in infrastructure. So it's very critical that when you make this policy recommendation, when we come in with the budget framework, that the enterprise bureaus take the same percentage of cuts the general fund bureaus have to take and not exempt them. And what we're going to do now is reduce utility franchise fees and maybe not take a look as hard as we need to look at the rate structure. The rate structure will continue to go up and you may end up -- and may end up where you really are today. And again, as I said, the general fund bureaus over the years have taken the percentage of the cuts. So i'm going to support commissioner Francesconi's amendment. [gavel pounded] motion fails. Ok, we are at a point now, unless I hear any other amendments, to take a vote on this. Roll call.

Francesconi: Well, again, i'll be brief, but first I want to start out by saying that believe it or not I really think two things, I think commissioner Saltzman really is concerned about the rates, and is working to cut them, and -- so I want to say that. But the reason i'm still a little surprised at what just happened on the amendment, because commissioner Saltzman himself just said that he thought we could find \$3.5 million worth of savings in the bureau during his comments. Well, then let's do it, because the goal is to lower the rates. If you take it out now, it does last over time. So that's the approach we should take. And when it comes to, you know, if other revenue shows up or when we go through the budget process, that's the time, because then we can measure the impact on other central city services. That's the way we should proceed. So I vote no.

Leonard: This is probably been the most troubling vote for me since i've been here. I think i've succeeded in angering two of my colleagues on both sides of this issue.

Francesconi: No, i'm not angry.

Leonard: And I refer back to my previous comments, in that I am -- you know, have this larger concern that we make decisions in this -- as we heard described -- silo form of government that are in fact decisions that don't interact well with other policy choices we make at the council, notwithstanding what commissioner Sten said earlier. I wished we approached these issues more holistically. And on the subject of franchise fees, I think there's a lot of work we need to do to improve how we apply those. And including what commissioner Saltzman has proposed. Notwithstanding that I made this amendment, i'm very troubled by it, because I do not think that we can afford to lose the amount of money that is at stake here from the general fund to fund basic services, fire and police particularly. Having said that, and wrestling with this, including up through this morning and the discussions i've had up till now, you know, what I don't want to do is - - is cause inadvertently this discussion to be side tracked because of what some might think are me going back on something I may have said. So i'm going to cautiously, reluctantly support this, only because I believe that the council in its better judgment, when we bring this fuller package back in 60 days or so, will take into account what commissioner Francesconi has said, because frankly his package will include his concerns, will take into account commissioner Saltzman's issue of reducing the franchise fees, but also will balance that with increased revenue. Aye.

Saltzman: Well, i'm not insensitive obviously to the impacts of the general fund, and I think that, you know, the silo mentality ends at this table. We all sit at the top of the silos. That's why we're

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here. We make policy decision. This is a policy decision. Once we make it, it gets incorporated into how we do business from here on out. I believe this is a wise one. We'll look at other things -- other proposals as commissioner Leonard will come back to us with, and make those decisions as they come before us, too. This is the most clear, unambiguous way to tell ratepayers, that we hear them, we get the message, and we're taking a small, but significant step toward dampening future rate increases. Aye.

Sten: I think this is a hard vote. It is difficult. And I thought about different ways. It comes down to me to having, been in charge of the utilities for some time, that this is something that's needed to be done for quite some time. We weren't able to do it as a community when there was money there. And there's never an easy time to do it. I think it just gets harder next year. And I think that, you know, our form of government, the commissioner does have to come in and look at each of those bureaus, but ultimately the council makes that decision. In this case I think we've had a wide range of arguments that all had real validity to them from each of the people, so I think it's the different points of view being debated and it looks like a 3-2 vote, but I think we need to do this, as tough as it's going to be. Aye.

Katz: I will recommend before I leave, in the framework of the next budget, that the enterprise bureaus take the same percentage reductions as the general fund bureaus. We'll see where the council ends up on that particular question. One of the other disturbing parts of the decision today -- commissioner Saltzman has flagged this. It is not a new issue. The problem is it didn't come in in the context of the budget that we just finished. And that's a real problem. And that's one of the things I think that's probably troubling commissioner Leonard, that we are able, as individual councilmembers, to come in with budget requests at any time off budget. You can't -- you can't deal with the logical progression of expenditures over the year if those are the ground rules that everybody plays by. And so today we got an off budget of \$3.5 million. Tomorrow there will be another off budget item for \$2 million, whatever the number is, and unfortunately the councilmembers have to deal with that individually and not know where that money's going to come from when we put the next budget together, especially general funds, which is police, fire and parks. The goal is admirable, there's no question about it. The timing is dreadful. The amendments that should have passed didn't. But we'll proceed and we'll come with budget reductions, assuming the revenue picture stays as grim as it is today. No. [gavel pounded] ok, everybody, we stand adjourned until next week.

At 11:40 a.m., Council adjourned.