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CITY OF  
**PORTLAND, OREGON**

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**OFFICIAL  
MINUTES**

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A REGULAR MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS 5<sup>th</sup> DAY OF APRIL, 2000 AT 9:30 A.M.

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

OFFICERS IN ATTENDANCE: Britta Olson, Clerk of the Council; Ben Walters, Senior Deputy City Attorney; and Officer Chuck Bolliger, Sergeant at Arms.

On a Y-4 roll call (Commissioner Hales was late), the Consent Agenda was adopted as follows:

**CONSENT AGENDA - NO DISCUSSION**

- 454** Accept bid of Northside Trucks & Equipment to furnish 35,000 gvw cabs and chassis with dump bodies for \$462,085 (Purchasing Report - Bid No. 99794)

**Disposition:** Accepted Prepare Contract.

- 455** Accept bid of Portland Freightliner to furnish one 18,000 gvw truck cab and chassis with utility service body and hydraulic power source for \$105,012 (Purchasing Report - Bid No. 99795)

**Disposition:** Accepted Prepare Contract.

- 456** Accept bid of Christenson Electric, Inc. to furnish groundwater pump station improvements for \$847,000 (Purchasing Report - Bid No. 99819)

**Disposition:** Accepted Prepare Contract.

- 457** Accept bid of Suburban Ford to furnish five 3/4 ton pickup trucks for \$105,741 (Purchasing Report - Bid No. 99835)

**Disposition:** Accepted Prepare Contract.

- 458** Vacate an alleyway in Block 32, Portsmouth Addition, under certain conditions (Ordinance by Order of Council; C-9971)

**Disposition:** Passed to 2<sup>nd</sup> Reading April 12, 2000 at 9:30 am.

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- 459** Vacate a certain portion of SW Multnomah Boulevard east of SW 24th Avenue, under certain conditions (Ordinance by Order of Council; C-9972)

**Disposition:** Passed to 2<sup>nd</sup> Reading April 12, 2000 at 9:30 am.

**Mayor Vera Katz**

- 460** Authorize an agreement for charitable solicitations campaign services from the Black United Fund of Oregon, Inc. (Ordinance)

**Disposition:** Passed to 2<sup>nd</sup> Reading April 12, 2000 at 9:30 am.

- \*461** Authorize Revenue Bonds to finance various projects (Ordinance)

**Disposition:** Ordinance No. 174307. (Y-4)

- \*462** Retitle Botanic classifications; create the classification and establish the positions of Botanic Specialist I and Botanic Specialist II; create five full-time positions in the Office of Transportation; create the position of Community Relations Assistant in the Police Bureau; and adjust pay grade for Building Inspection Manager in accordance with the Personnel Rules adopted by the City Council (Ordinance)

**Disposition:** Ordinance No. 174308. (Y-4)

- \*463** Authorize the Mayor to enter into an intergovernmental agreement with the State of Oregon, Bureau of Labor and Industries, Apprenticeship and Training Division, to develop a targeted applicant database to support the Workforce Training & Hiring and EEO programs (Ordinance)

**Disposition:** Ordinance No. 174309. (Y-4)

**Commissioner Jim Francesconi**

- \*464** Authorize the purchase of four AP2C chemical warfare agent detectors for the Bureau of Fire, Rescue and Emergency Services and provide for payment (Ordinance)

**Disposition:** Ordinance No. 174310. (Y-4)

- \*465** Amend intergovernmental agreement with Oregon Health Sciences University for an additional \$34,950 (Ordinance; amend Contract No. 30982)

**Disposition:** Ordinance No. 174311. (Y-4)

- \*466** Amend contract with Design Construction NW, Inc. for the Portland Building 4th floor remodel and provide for payment, Project No. 9031 (Ordinance; amend Contract No. 32601)

**Disposition:** Ordinance No. 174312. (Y-4)

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- \*467** Accept the gift of a passenger van from the Pepsi Bottling Group for City programs (Ordinance)

**Disposition:** Ordinance No. 174313. (Y-4)

- \*468** Agreement with the Trust for Public Land and the Oregon Community Foundation for Whitaker Ponds (Ordinance)

**Disposition:** Ordinance No. 174314. (Y-4)

**Commissioner Charlie Hales**

- \*469** Transfer spending authority from the SW 3rd Avenue street lighting project to the direct burial street lighting cable project and the SW 9th/Park street light project (Ordinance)

**Disposition:** Ordinance No. 174315. (Y-4)

**Commissioner Dan Saltzman**

- \*470** Authorize a contract with the lowest responsible bidder for the Tanner Creek stream diversion project, Phases 2 and 5, Project Nos. 5500 and 6638 (Ordinance)

**Disposition:** Ordinance No. 174316. (Y-4)

- \*471** Authorize a purchase order to serve as a contract to S & N Excavation for the NE 53rd and Thompson emergency sewer reconstruction project, Project No. 6802, for \$75,000 and provide for payment (Ordinance)

**Disposition:** Ordinance No. 174317. (Y-4)

**Commissioner Erik Sten**

- 472** Accept and authorize final payment and release retainage to John L. Jersey & Son, Inc. for NE 122nd Ave. and SE Thorburn St. mains package (Report; Contract No. 32245)

**Disposition:** Accepted.

- \*473** Authorize a contract and provide payment for the construction of Columbia South Shore well field water supply wells 35, 36, and 37 and Bull Run test/production well 1 (Ordinance)

**Disposition:** Ordinance No. 174318. (Y-4)

- 474** Authorize an intergovernmental agreement and provide payment for services to enhance and provide maintenance and training for the Portland Water Bureau's Supply and Transmission Model (Ordinance)

**Disposition:** Passed to 2<sup>nd</sup> Reading April 12, 2000 at 9:30 am.

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- \*475** Contract with Northwest Housing Alternatives for \$30,000 to support the development of affordable rental housing and provide for payment (Ordinance)

**Disposition:** Ordinance No. 174319. (Y-4)

- \*476** Amend the omnibus agreement with Multnomah County to increase HOME funds by \$262,050 for housing activities and provide for payment (Ordinance; amend Agreement No. 32761)

**Disposition:** Ordinance No. 174320. (Y-4)

### **REGULAR AGENDA**

- 451** **TIME CERTAIN: 9:30 AM** – Approve naming Brunish Hall in the New Theatre Building of the Portland Center for the Performing Arts (Resolution introduced by Commissioner Saltzman)

**Discussion:** Commissioner Saltzman said Harriet Sherburne would be leaving the Portland Center for the Performing Arts (PCPA) in June and he wanted to publicly thank her for her outstanding service to the Portland arts community.

Harriet Sherburne, Director, PCPA, said this is the tenth anniversary of the New Theatre Building and it is very satisfying to have received two generous donations, from the Newmark and the Brunish families.

**Disposition:** Resolution No. 35874. (Y-4)

- 452** **TIME CERTAIN: 9:45 AM** – Status report on the Combined Sewer Overflow Program (Report introduced by Commissioner Saltzman)

**Discussion:** Dean Marriott, Director, Bureau of Environmental Services (BES), said the Columbia Slough projects are nearing completion and the Willamette River projects are about to get underway. A lot of time and resources has been invested in developing a Clean River Plan, however these combined sewer overflow projects will not be affected by whatever the outcome of that Plan may be. The City needs to address the CSOs and the pollutants reaching our streams. Stormwater is really the problem and the State is about to start a process to set total, maximum daily (waste) loads for the Willamette River. The Endangered Species Act (ESA) also affects these projects. Mr. Marriott noted that after about 1950-1955, separated sewer/stormwater systems were developed. In 1991, the City signed an order with the State to commit to dealing with CSOs. The targets are to remove 99 percent of CSOs in the Columbia Slough by the end of this year and 94 percent CSOs removal from the Willamette by 2011. Substantial expansions to the treatment plant and construction of large diameter tunnels need to be done. All the following projects are completed or about to be completed by the end of the year: sumps in the streets, downspout disconnection, sewer separations in some neighborhoods, large diameter conduit along Columbia Boulevard, new pump station, new additions to the treatment plant and a new outfall to the Columbia River. The Willamette has the same sort of issues. BES has tried to build public support and understanding of what the problems are and how to solve them. BES holds many public meetings, provide fact sheets, construction site tours and citizen committee and work groups.

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Mr. Marriott said in 1992, at the beginning, there was a discharge of 6 billion gallons a year of CSO events, but by the end of this year that figure will be down by 53 percent. The discharge into the Columbia Slough will be cut by 99 percent by the end of this year.

Lee Klingler, Chief Engineer, BES, said the next phase, the Willamette River, will be downtown Portland. The stream diversion projects will take the streams in the West Hills off the CSOs and divert them into storm systems into the River. Finishing the West Willamette projects will cost about \$200 million, close to the cost of the Columbia Slough project. He noted if the streams can be diverted into ponds, wetlands and other natural systems to help filter the water before it is piped to the River. It may be possible to "daylight" some of the streams. A 14 foot-diameter pipe will be coming through the Macadam area to the Ankeny pump station, at the west end of the Burnside Bridge, and that pump station will have to be rebuilt or another constructed. The tunnel will continue into the Northwest industrial area and there will be a new CSO pump station there. From there a pipe will go to the Guilds Lake pump station and then east across the River into the existing Portsmouth tunnel, built in the 1960s.

Mr. Klingler said the Tanner Creek diversion project has a number of phases. He described Phase 5, the tunneling into the Rivergate area and mentioned the fact that W. Burnside Street would need to be closed for two months next Spring or Summer.

Mayor Katz said this may be a good time to look at the traffic on Burnside and in Northwest, with the grant the City received.

Commissioner Hales asked if this work and the downtown streetcar work is being coordinated in order to not tear the streets up twice.

Mr. Klingler said there are opportunities for partnerships and agreements with other entities, such as Portland Development Commissioner (PDC), Bureaus of Parks and Transportation, to look ahead.

Mayor Katz noted that streets will have to be dug up for the new broadband fiber optics. She asked if, as BES began to lay the pipes along the river, they would begin to enhance the riverbanks and to meet the Clean River Plan vision.

Mr. Marriott said the pipes would be laid well back from the riverbanks so there would not be much opportunity for bank restoration. The best opportunities will be restoring the stream watersheds. Regarding daylighting Tanner Creek, he said there is more interest in parks and water features than using the land daylighting would entail.

Felicia Trader, Director, PDC, said Mr. Klingler is being very aggressive about coordinating projects.

Chet Orloff, Director, Oregon Historical Society (OHS), said public communications and education about programs and projects the City is engaged in is important and OHS has been involved.

Nancy Stueber, Vice President of Exhibits, Oregon Museum of Science and Industry (OMSI), said OMSI was also interested in using this as an opportunity for public education, especially the engineering and the soil composition.

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Commissioner Sten said this is the biggest infrastructure project in the history of the State, when it is added all up. The fact that 53 percent of the CSOs are gone is remarkable and people may not realize this progress. There will be a lot of disruption.

Mayor Katz said the Slough was an easier project than the Willamette will be and the Slough is a jewel.

**Disposition:** Accepted. (Y-5)

\*453

**TIME CERTAIN: 10:30 AM** – Amend Memorandum of Understanding with Portland Family Entertainment, LTD (Ordinance introduced by Mayor Katz; amend Contract No. 51188)

**Discussion:** Mayor Katz said Council decided to wait to amend this Memorandum of Understanding (MOU) until there was a sports team. In December, 1999, Portland Family Entertainment (PFE) was given an extension to March, 2000 to find a team and they did.

Tim Grewe, Director, Office of Finance and Administration, said he was a member of the stadium negotiating team. The modified MOU incorporates all prior Council decisions and agreements. The MOU amendment will codify those decisions and forms the basis for redevelopment and operating agreements which will come to Council in the near future. PFE also agreed that throughout the extension to find a team it would cover 100 percent of the cost of pursuing this development. The key elements of the agreement are: PFE must acquire a triple A team and an A league soccer franchise to play at Civic Stadium (accomplished); PFE must acquire an A baseball franchise, the Rockies (accomplished); the stadium will continue to be available for multi-use purposes, including school football, concerts, community events, Portland State University (PSU) football, Rose Festival programs and other civic events; PFE is responsible for cost overruns; guarantee to the City the annual license fee and a percentage of gross and net revenues from the stadium operations and other PFE ventures; create a reserve fund to provide for future capital repairs and improvements, including ADA; and PFE will step aside if a major league baseball team wants to locate in Portland. Mr. Grewe said they expect the revenues from the stadium to be sufficient to cover debt service. In exchange for the use of a lodging tax increase with the lodging industry to pay for the debt, the City has agreed that any excess revenue to the City from the stadium will be used for the early retirement of debt. This is about the best deal throughout the country.

Steve Janik, attorney for the City on the negotiating team, Ball Janik, 101 SW Main, Suite 1100, 97204, said the agreement has the improvement that the City total returns from this deal will have priority over PFE itself receiving them. The prioritization is to give a 20-year projection from PFE, based on their revenue projections which showed the City what it could expect to get in each of the categories of return. The prioritization adds up all the expected returns and creates the City target return, which the City gets before PFE gets anything. The MOU also deals with the City obligation to pay for a portion of some of the architectural services performed to date. The purpose of the Interim Agreement which will be coming to Council in the near future is to clarify the responsibilities between now and the date when all the final documents are complete. The negotiating team is in the process of working on the Operating and Redevelopment Agreements and are making good progress. PFE is in ongoing negotiations with PSU regarding their Fall 2000 football season. There has been significant progress with the Good Neighbor Agreement (GNA). Noise tests have

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been conducted at various locations with the neighborhood representatives in attendance and an agreement has been reached about the levels of noise and it will go to the Noise Review Board.

Commissioner Sten asked how the MOU and GNA go together.

Mr. Janik said the MOU was the framework and requires that before the close there be a GNA approved by Council. Upon closure this MOU will evaporate and the Redevelopment and Operating Agreements will be used, both of which have GNA conditions. The GNA requires that there be a Comprehensive Transportation Management Plan (CTMP), approved by Council.

Mr. Grewe said there was \$150 thousand for traffic mitigation incorporated into the stadium budget.

Mark Gardner, Vice-Chair and CEO, PFE, said the team acquisitions were going very fast and they are on schedule for ground-breaking in June. PFE is prepared to make a substantial financial commitment to the CTMP.

Tim Ramis, attorney for Harsch Investments, said they wanted to clarify to the greatest extent possible the relationship between the GNA/CTMP documents. As this agreement may last as long as 30 years, the MOU and Redevelopment and Operating (R and O) Agreements should have clarifying language to the effect that if there is conflict, the GNA/CTMP prevail. The documents must match.

Mr. Janik said Mr. Ramis is suggesting there is a lack of public input into the MOU and R and O Agreements, which is not the case and will not be the case. There is no conflict between these documents.

Commissioner Saltzman moved to put Mr. Ramis' condition that the GNA/CTMP prevail in the MOU and R and O Agreements. Commissioner Hales seconded.

Mayor Katz said Council took on a project that everyone else stayed away from and the reason is clear.

**Disposition:** Ordinance No. 174321. (Y-5)

**Mayor Vera Katz**

**\*477**

Contract with Campbell DeLong Resources, Inc. for an amount not to exceed \$44,795 to provide data collection and analysis services for a community survey on neighborhood livability and crime (Previous Agenda 441)

**Discussion:** Chief Mark Kroeker said this is an essential part of community policing, which gives good, solid, empirical data to work with. It is a benchmark from year-to-year to see whether or not we are improving in community interests and customer satisfaction.

Commissioner Francesconi asked how this would make a difference to community policing.

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Chief Kroeker said this data is used in forming their Strategic Plan which determines the goals for precinct commanders.

Mayor Katz asked if the Chief would hold the commanders accountable.

Chief Kroeker said that was the whole crux of it and will be a reference in their performance evaluations at the executive levels.

Commissioner Saltzman said there are many strands for public outreach and surveys – such as the Auditor's Office, water and sewer survey, the benchmark survey. He wants a better, more coordinated system for these surveys. He will vote against this item.

Commissioner Sten said, since he was not going to vote for the Police and Auditor's budgets without some cuts, so this may be the place to make them.

Commissioner Francesconi said he will support this because the City has a substantial investment in law enforcement and these kinds of surveys will show if we are connecting with the citizens.

Commissioner Hales said he would like these surveys to be done holistically.

Auditor Gary Blackmer said one of the purposes of his office's Service Efforts and Accomplishments report was to provide a centralized data collection for citizen satisfaction responses on the various bureaus. Some bureaus need more details from the service delivery questions. There is a trade-off between getting the more specific information on a particular service versus the more generalized information.

Commissioner Sten said the question needs to be asked -- what is different about certain City operations based on the fact that lots of money has been spent on surveys. City customer service employees know what people think and it would take a fraction of the money to translate that information into change.

Chief Kroeker said this survey is very important to community policing evolution.

Commissioner Hales said actual victimization information is built-in to policing. He asked how the Chief would change precinct operations based on survey answers.

Chief Kroeker said they would take the information to discussion and community groups, special interest groups, and so forth and ask for feedback on solutions. He said he studied this survey information, he did not just leaf through it.

Auditor Blackmer said, as auditors, they encourage managers to get clear plan objectives, organize and allocate resources, measure what they are doing, evaluate the results and then adjust their plans.

Commissioner Saltzman said he would vote for this. The Chief convinced him

Commissioner Hales noted that not until Council had this kind of frank and open cross examinations of the bureaus' practice of hiring consultants did it change.



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Commissioner Sten said with the cap on property taxes, they have to either cut direct or indirect services and cutting the latter makes more sense.

**Disposition:** Ordinance No. 174322. (Y-5)

Mayor Katz left the meeting. Commissioner Sten, Council President, presided.

**Commissioner Jim Francesconi**

478

Liquor license application for Burger Island, Inc., dba Burger Island, 6921 NE Killingsworth St., New Outlet Restaurant liquor license; Favorable with Restrictions recommendation (Report)

**Discussion:** Mike Sanderson, License Bureau, said this application is for on-premises beer and wine consumption only. This outlet has operated for many years as a hamburger drive-in without alcohol. The owner is applying for the liquor license in order to qualify for video poker machines. The hours would be 10:00 a.m. to 10:00 p.m. The location is commercially zoned and located in a strip mall which has a number of adult-oriented businesses. Some surrounding properties are Villa de Clara Vista apartments and the Hacienda Community Development Corporation. The latter is opposed to this application. To date, the Cully Neighborhood Association has not taken a position on this application. Nearby neighbors are opposed to this application. This area already has a number of existing on-premises licensees. Drugs and Vice and the License Bureau have been asked by the Oregon Liquor Control Commission (OLCC) and District Officers to assist in intervening with many of those nearby licensees. This is a problem area in staff's opinion. Because the types and frequencies of the problems establish a basis to refuse a new liquor license, a new applicant must demonstrate by their operating plan that their license will not contribute to the existing problems. Staff acknowledges that the 10:00 p.m. closing hour meets that condition, however staff recommends that this license have a written restriction to preclude the operation from modifying the operating hours or anything else without Council having the opportunity to oppose such changes.

Officer Bryant Steed, Liquor investigator, Drugs and Vice, Police Bureau, said the Bureau supports the License Bureau recommendations. There are no problems with the applicants' backgrounds.

Commissioner Saltzman asked for clarification about the applicant unilaterally changing these hours or other things.

Mr. Sanderson said unless the OLCC restricts the license to 10:00 p.m., a licensee can change the operating proposal at any time after receiving the license. This is based on staff experience.

Catherine Anderson, Crime Prevention Specialist, said she represents the Hispanic community, although this is not her regular area. There have been meetings and outreach to educate that community on reporting crime and its prevention. People from the Villa de Clara Vista are close to the strip mall and a number are in attendance today. Most are concerned about their children.

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Linda Hoover, Chair, Cully Neighborhood Association, said they were trying to work out a good neighbor agreement with Mr. Desmarais to condition that he would not seek a hard liquor license, hire no dancers and close at 10:00 p.m. Children do loiter around the strip mall and nearly every night the Police are there.

Jose Rivera, Hacienda Community Development Corporation (HCDC), said this intersection was historically a high crime area, but it has been turned around. HCDC is opposed to this license as directly across the street from the applicant there are after-school community programs, English as a Second Language (ESL) classes for children and young adults. In June, 200 feet from applicant's address, a community resource center and a pediatric clinic will open. Children play in the street in this park-deficient area. Mr. Desmarais is affiliated somehow to the Table Lounge, 100 feet away, which already services alcohol.

Commissioner Francesconi asked if Mr. Rivera thinks closing at 10:00 p.m. will be enough.

Mr. Rivera said no because it would still be another place to serve liquor in an area that already has 13 of them.

Luis Polanco said he worked in drug and alcohol abuse programs. He noted that it was very difficult to retrieve a liquor license once it is issued.

Ms. Maria Alvarado said when she first lived in this area 10 years ago, it was pretty awful from the area drug and alcohol abuse. Then family support agencies came into the Cully area to assist residents of the large apartment complexes. She holds classes for abused women as well as classes for children in a building directly across from Burger Island.

Luis Rodriguez said he was unpleasantly surprised to see both the Police and License Bureaus giving a favorable recommendation, which he is opposed to for the children's sake.

Diana (no last name given) and Olga (no last name given), Villa de Clara Vista, spoke in opposition to another liquor license in their area and the bad influence on their children. There are strip clubs in the area, fights and bad behavior already.

Peter Meijer, 2936 NE 66<sup>th</sup> Avenue, Land Use Chair, Roseway Neighborhood Association (RNA), said although this is not his neighborhood the liquor license process affects everyone. He pointed out that a Good Neighbor Agreement (GNA) is non-binding. Neighborhoods often do not come to Council because the City can only "recommend."

Commissioner Francesconi said State legislature has made it even harder for cities to influence the licenses.

Ms. Anderson, responding to the mention that barely-clothed women can be seen by children, noted that one establishment is a juice bar without a liquor license.

Craig Desmarais, applicant, 8025 SE Otty Street, Milwaukie, 97222, said the alcohol service at Burger Island would only be beer or wine with meals and that he is working out a GNA.

James Lloyd, Manager, Cedar Shade Mobile Home Park, 7120 NE Killingsworth, said the problems will not be addressed by closing at 10:00 p.m. as he was nearly stabbed at 7:30 p.m. He noted the neighborhood has been working with the Police and conducting weekly

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James Lloyd, Manager, Cedar Shade Mobile Home Park, 7120 NE Killingsworth, said the problems will not be addressed by closing at 10:00 p.m. as he was nearly stabbed at 7:30 p.m. He noted the neighborhood has been working with the Police and conducting weekly

meetings which has reduced many drug, alcohol and prostitution problems and they do not want that to change for the worse. There is also a Plaid Pantry selling liquor in this area.

Commissioner Francesconi said if the problem were noise, he might be in favor of approval with restrictions. However, this is a problem area already. He moved an unfavorable recommendation. Commissioner Hales seconded.

Commissioner Hales said Council could recommend license denial if the area were saturated, which is the case here, whether or not the applicant is a competent and responsible liquor licensee.

**Disposition:** Unfavorably Recommended. (Y-4)

- \*479** Authorize a grant agreement for Portland to provide training to the Department of State Police, Oregon Emergency Management, for \$1,000 (Ordinance)

**Disposition:** Ordinance No. 174323. (Y-4)

**City Auditor Gary Blackmer**

- 480** Assess benefited property for the cost of constructing speed bumps in the NE 14th Ave/Fremont to Knott speed bump Local Improvement District (Previous Agenda 446; C-9967)

**Disposition:** Ordinance No. 174324. (Y-4)

**Communications**

- 481** Request of Joe Bec to address Council regarding a problem in developing his property (Communication)

**Discussion:** Joe Bec, 6300 SE 111<sup>th</sup>, 97266, said he and his brother want to develop their one-half acre lot on an unimproved road and as a condition of partitioning the property are being required to improve the full frontage of the street, not the one-half street as they believe they were originally told. The neighbor's property is zoned the same but he would benefit without paying his share. Another neighbor recently sold to a developer who was not required to improve the full frontage of that property due to a waiver which would allow him to a Local Improvement District later on.

Commissioner Hales told Mr. Bec to come back to his office to try to work through to some resolution on this.

**Disposition:** Placed On File.

At 12.33 p.m., Council recessed.

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A RECESSED MEETING OF THE COUNCIL OF THE CITY OF PORTLAND,  
OREGON WAS HELD THIS 5<sup>th</sup> DAY OF APRIL, 2000 AT 2:00 P.M.

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

OFFICERS IN ATTENDANCE: Britta Olson, Clerk of the Council; Ruth Spetter, Senior  
Deputy City Attorney; and Chuck Bolliger and (later) Larry Siewert, Sergeant at Arms.

## **REGULAR AGENDA**

### **Mayor Vera Katz**

**483** Adopt and implement the Hollywood and Sandy Plan (Second Reading Agenda 447)

**Discussion:** Gil Kelley, Director, Planning Bureau, said the amendments proposed since the first hearing have been submitted, as well as a change to the Findings on the NE Peerless property to delete the reference to the zone change from commercial to residential.

Debbie Bischoff, Planning Bureau, said this plan is in two volumes, Volume 1 is the long-range division, the Urban Design concept and the Action Plan and Volume 2 is the Code changes. Volume 1: The legend to special features map in Volume 1 was clarified; Appendix F, major intersection design guidelines, reference to the 52<sup>nd</sup> Avenue node have been eliminated; the action item dealing with the 12<sup>th</sup>/Burnside/Sandy intersection study was changed from a 6-10 year to a five-year item; and improvements along Sandy Boulevard that are identified as 6-10 years will change to five years. The Design Commission recommendations will be added to both Volumes 1 and 2. The Comprehensive Plan (CP) and zoning designations for 3308 NE Peerless will change to CN1 zoning. Volume 2: There is a new determination for height transitions between the CS and CO1 zone relating to the south side vs the north side of Tillamook in Hollywood. There is a revised purpose statement for parking maximums allowed in the RX, CS and CF zones in the Plan district. Structured parking is the preferred type of parking in Hollywood and that language has been included.

Jeanne Harrison, Portland Office of Transportation (PDOT), said, in answer to Commissioner Francesconi's question about capping parking, all the parking, structured as well, would be subject to the parking ratios. During an adjustment process, an applicant can ask for an adjustment for what they need without relationship to a specific ratio. As Hollywood is a compact area, structured parking is logical and it is important to have maximum parking ratios because of traffic congestion.

Mr. Kelley said the during adjustment process, staff can ask about the employer's alternative transportation strategies.

Commissioner Hales said the adjustment process works pretty well. It is not a huge hurdle but it is not done everyday either. Parking has been made a little tougher on transit-served plan districts.

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Commissioner Francesconi wants the structured parking cap revisited for consistent, City-wide policy.

Commissioner Sten said he prefers not to have caps on the structured parking since he does not see that lessening parking has ever stopped people driving cars and moving to transit and structured parking is ecologically better. Prevention for this not becoming a Hollywood transit park-and-ride use needs consideration.

Mr. Kelley said, regarding the sloping property at NE 52<sup>nd</sup> with Sandy frontage, the zoning bisects his property but the adjustment process is the place to address this.

Commissioner Sten moved the full package of amendments, along with the substitute language and Commissioner Hales seconded.

Commissioner Francesconi said there are three critical areas to follow through on : 1) businesses and neighborhoods identified the need for an urban park; 2) jobs in the area are needed, which the transit center will help. The Portland Development Commission needs to help with a neighborhood economic strategy, as the whole city cannot become a tax increment district; and 3) transportation improvements.

Commissioner Hales said there have been six excellent neighborhood efforts; the River District, the Belmont District, Hillsdale, Sellwood, Alberta Street and now Hollywood. There was focus on a manageable area, a group of citizens wanted to make a plan for change and public agencies worked with the citizens as a team. There were real, visual examples of what Hollywood would look like for the people living and working there, not just blobs of color on a planning map.

**Disposition:** Ordinance No. 174325 as amended. (Y-5)

**484** Adopt and implement the Hollywood and Sandy Plan (Previous Agenda 448)

**Disposition:** Resolution No. 35875. (Y-5)

**485** Amend City Code, Property Tax Exemption for New Transit Supportive Residential and Mixed Use Development (Second Reading Agenda 449; amend Code Chapter 3.103)

**Disposition:** Ordinance No. 174326. (Y-5)

**482** **TIME CERTAIN: 2:00 PM** – Direct the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY 2000-01 that reflect City Council goals to improve the fairness, controllability and affordability of these rates (Resolution introduced by Commissioners Saltzman and Sten)

**Discussion:** Commissioner Sten said once a city begins to charge for a certain service, over time that becomes the accepted way, with its good and bad sides. The goal he and Commissioner Saltzman have pursued for a year is to find ways to charge for water and sewer to reflect the values they want to encourage and make them fair. It came down to two areas, the service fee charged for water and sewer rates and the stormwater fee. For water and sewer fees, at one end of the spectrum there could be a flat fee for water and people can use whatever they want and the opposite end is no service fee and charge strictly on the

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volume used. With the present high service fee, if small water users save water, they do not see a reduction in the bills. They came up with and studied four options: 1) status quo; 2) reduce the service fee to roughly 30 percent of the present by only charging on tight costs needed for customer service, billing and meter reading – things each account uses equally; 3) to drop the service fee and base fees on usage, although there still will be meter reading and billing costs; and 4) charge differently for different types of customers – but should what water is used for make a difference. Regarding affordability, there is a proposal to expand the low-income assistance program to include non-profits and the Housing Authority. To finance the low-income 30 percent discount, their franchise fee should be reduced from 7.7 percent to 7.5, to not impact the other ratepayers.

Commissioner Sten said the second part of this resolution was to improve the fairness of the stormwater management charge. In certain parts of town, people who do not discharge stormwater into the combined system still pay 100 percent of the fee, while in other parts of town the same people pay zero percent of the fee. The cost of draining stormwater from roads and other public areas is about 65 percent of the fee. There is a proposal for an individual to apply for a 35 percent discount when their property has no discharge and to charge those properties not paying anything presently 65 percent.

The drainage districts use city roads so it makes sense for them to pay some stormwater fees, but the City also uses drainage district services. They will try to cost this out and come to a fair fee. Disconnecting from the system is the cheapest way to deal with the combined sewer overflow (CSO) problem. Another problem is how difficult it is for people to understand their billing. Combining the service charge for both water and sewer would save confusion and changing the description of the stormwater fee on the bill to show the property's use and what is for the public right-of-way.

Commissioner Sten said these changes are a first step toward the goals they have for the system. There is plenty of water available in the system – about 15 percent of what is in the Bull Run is now used. Expanding the Bull Run to provide water to more citizens would cost about \$200- \$300 million. If the users reduced their use by 15 percent, it would be 20-25 years before that money needed to be spent. Saving a gallon of water saves two to three times the cost of that water in the money it takes to process it. There is incredible joint savings to be had by developing programs and pricing signals and valuing the commodities in the right way by the way we price it in terms of saved investment and infrastructure. They want to implement more aggressive conservation programs with big users and residents and switch from a quarterly to a monthly bill.

Commissioner Saltzman said when they began studying this a year ago, the question was how to give individual ratepayers, commercial, industrial or residential, more controllability over their bill by their actions. These rate reforms set up the right signals to conserve. The price of the cost of resources should be from conservation and sustainability principles, based on what is used. He emphasized that this is not an effort to raise new revenue or to shift burdens to business and industry.

David Lane, Director, Office of Neighborhood Involvement, said 14 meetings were scheduled throughout the City in late February and most of March. About 60,000 people were notified in addition to community newspapers and press releases. Citizens supported discounts, more direct control over bills and concern over stormwater.

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Alison Stoll, Central Northeast Neighbors, said many senior citizens attended their meetings and they have major concerns about the rising costs and their control over how much they spend.

Gary Rehmborg, East Side Plating, said his company was 50 years old with five facilities in the city limits, employing 200 people. In the increasingly global economy, it is difficult to pass price increases on to customers. A strategy that increases the cost of business is probably against the long-term health of the City in general. He requested a 50 rather than 70 percent rate. Capital investment as a result of water conservation efforts made their business more productive and competitive in conservation and they would like some options that will help them.

Commissioner Sten said anyone who disconnects from the system will be eligible for the 35 percent and there has been no incentive in the last few years. He sees the next step as helping large users in conservation.

Don McClave, President, Portland Chamber of Commerce, made the point that if user fees, carried to the extreme, were applied to other municipal services, 80 percent of the homeowners who do not have kids in school would not have any portion of their tax devoted to schools. A basic foundation of any community is to share a portion of the costs to provide the availability of services. Hence the concern about shifting the entire thing into the rate base and all those fixed costs. The 30 percent is a good goal, but 50 percent would be more fair, although encouraging conservation is very important. This is not a zero sum gain for business or anyone impacted by it. The weakness in these rates is its impact on business and the lack of recognition that water relates to jobs.

Patrick Wolfe, Portland Public Schools (PPS), said it is a large, tax-supported institution which has pursued resource conservation for over five years. They are continuing to try to disconnect from CSOs and are pleased about the incentives. But, this is a capital-intensive proposition. PPS has actually lowered their sewer use, yet the sewer costs will be 27 percent over the five-year averages. The increases will cost PPS two and one-half teachers. PPS water use has also dropped, as has the cost. There is a disparity between the sewer and water costs.

Kathleen Curtis Dotten, Portland Wastewater Treatment Association, Oregon Metals Industry Council, said both those groups have a large interest in water and sewer services. One of the variables in this issue is the service charge and, despite going from 100 to 30 percent, there should be public discussion about where it should be set. She supports, albeit arbitrarily, the 50 percent. Creating conservation incentives is good for both residences and business. There will be major cost increases for the large users so she suggested phasing in the implementation.

Tony Ellis, Graphics Sciences, said they are a water-based ink manufacturer in the Columbia Corridor. The 30 percent is not a true cost of service and business should not pay cost of service for residential customers – that is not equity. His company was awarded the City's highest award for water conservation in 1998. They had an 80 percent reduction in water use. He proposed discounts for businesses that made significant capital investments in water conservation.



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Matt Cusma, Schnitzer Steel Industries, said the business began in 1908, the core of it being scrap metal recycling and now have many businesses which will be impacted by these rates. Their primary operation is in Rivergate, a riparian property which has paid zero percent for stormwater as it discharges directly to the river. Significant money has been put into their infrastructure to handle their and the up-gradient stormwater as well capital investment into conservation, such as using captured stormwater in a closed system. The fact that conservation will decrease the Water Bureau income, making the rates go up, has not been fully considered.

Commissioner Sten asked the industry groups what is their percentage of gross cost. He cited that .14 is the percentage of overall costs for doing business. For families with a median income, it is 1 percent of their gross and for a family at poverty level it is 4 percent.

Commissioner Saltzman asked Ms. Dotten if any of her members were capturing rainwater for use.

Ms. Dotten said a number have changed their processes, there are a number of closed-loop systems (which are almost becoming a standard) and some also capturing rainwater in that process. She noted that it is not so much the percentage cost of doing business, it is the next increase and the one after that.

Anne Nickle, Columbia Corridor Association, PO Box 55651, 97238, said the same outreach given to neighborhood organizations was not given to the business districts. Although it was not intended, an undue burden has been shifted to the business community. She noted Recommendation 2a, where the rate volumes are shifted within classes and not straight across the board. They strongly support discounts for conservation, but there must be some criteria on managing flows, of pollution reduction or handling stormwater on site. There is no provision to monitor the conditions for the discount.

Duane Powell, Energy Office, Housing Authority of Portland (HAP), 8910 N. Woolsey Avenue, 97203, said they are high water users because of their number of properties. HAP does pay all the water and sewer for their properties.

Commissioner Sten mentioned that, because they are non-profit, they would have a 30 percent reduction.

Howard Horner, 13105 SE Salmon, 97233, East Portland Coalition, said, in the past, the public has been paying the fair share rather than the big users. Regarding the road stormwater costs, the downtown formula does not apply to those areas where residents have invested in sumps and drainage.

Dan Field, Oregon Association of Hospitals, said the Association was a non-profit organization, representing many area hospitals. They believe the method of calculating water and sewer rates and the impact on Portland hospitals is unfair.

Doug Spencer, Director, Regional Physical Plant Services, Providence Health System, said they understand the cost of providing water and sewer services include building and maintaining water supply, sewer treatment and the distribution system and reading meters, processing bills and servicing permits. Every customer generates a demand for these services. Hospitals do use large quantities of water, but actually require less service per unit



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of water. Their preliminary analysis of Option 2.a, modified, appears to increase hospitals cost by as much as 14 percent or more.

Ali Sadri, Oregon Health Sciences University (OHSU), said technology improved major pieces of medical equipment, affecting water use. OHSU has implemented many water conservation changes. Money going into a rate increase cannot be spent on continuing to better their system.

Mr. Spencer said hospitals cannot pass along increasing costs to patients. Medicare and Medicaid together comprise over 50 percent of reimbursement for all Portland hospitals, which are now on an decreasing fixed income. He encouraged adding business affordability to the objectives stated in January, 2000, and trying to achieve revenue neutrality within classes of users.

Jeff Merkley, District 16, Oregon State Representative, said he represents East Portland. During meetings on annexation, there were debates about the sanitary sewers and if East Portland would help pay for the CSO costs. When the area was allowed a 100 percent stormwater discount, it compensated for other, huge costs for the transition into the City. An analysis by a third party is needed to establish the basis of a discount.

Commissioner Saltzman said they were going to obtain independent analysis. The point is to give everyone the same incentive to keep stormwater out of the system.

Commissioner Francesconi asked if stormwater quality needs to be taken care of and if Rep. Merkley will explain the 35 percent to his constituents, if it is passed.

Rep. Merkley said when the East Portland sanitary sewers went in, almost all the groundwater contaminates were industrially related. East Portland is already paying CSO expenses through their sanitary bills and they understood the City would not tax them on the stormwater. If there is an honest and direct dialogue with people about the reasons, that will have a healing impact.

Tomesina Gabrielle, Institutional Facilities Coalition, said regional non-profit hospitals are part of this coalition, as well as two non-profit higher education institutions. She noted the hospitals provide charitable health and mental care from their "revenue" and the colleges retrain the unemployed and partnering with the business community for a workforce. Some of the larger volume users will really have a higher than 10 percent increase. However the rate structure works, she recommends putting the non-profits at the 10 percent increase. Even with increased costs, the non-profits have instituted massive conservation measures. In answer to Commissioner Sten's question about what percentage of their costs were water and sewer, she had just asked Portland Adventist, one of the smaller health-care institutions, and was told it was .3 percent.

Commissioner Sten said the City consultant found the business average to be .14 and the high water users was .3 percent. Low income people are paying upwards to .5 percent of their gross.

Ms. Gabrielle said it would be better if people could look at the whole package and Council waited until September to come back with volume-based rates, a defined service charge and discount for stormwater and conservation measures.

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Steve Brown, Operations Manager for Associated Chemists, 4401 SE Johnson Creek Road, 97222, said his company is a high-volume water user. It has instituted a number of environmentally sound conservation measures at considerable cost. He encourages Council to use discounts for those who have and are practicing conservation.

Mike Jubinville, ESCO Corporation, said in the global market his company serves, the pressure to reduce costs is relentless. These potential changes should be applied equitably across all customer classes.

Ron Burbach, 3407 SE 108<sup>th</sup>, 97266, said he has invested \$30 thousand in swales on his property and is about to invest more than that again, at which point all the water will be 100 percent on-site. He favors discounts to such as he.

Hank Ashforth, 825 NE Multnomah St., 97232, President of Ashforth Pacific, Board member of Association for Portland Progress, said this increase would be about 2.6 percent of their operating costs. He said they were paying into a rate base of a system which is overtaxed, completely maximized. The system itself needs to be examined.

Robin White, Executive Vice-President, Building Owners and Managers Association (BOMA), 1211 SW 5<sup>th</sup> Ave., 97204, said this proposal shifts the burden onto business, which will have a negative impact on City vitality, even though the City report states that 70 percent of the demand was tied to transportation. The Portland Development Commission cost of doing business report establishes that the costs are a disincentive to locate here, meaning job loss. Any incentives established must be adequate to offset the cost of conservation.

Jim Worthington, 3232 SE 153<sup>rd</sup> Avenue, 97236, he said the water, sewer and stormwater should be three separate issues and addressed separately. The rate should be based on providing one unit of water per customer. All the costs should be determined ahead of time, as the electrical company does per unit of electricity.

Al Jubitz, Jubitz Corporation, 10210 N. Vancouver Way, 97221, said his company was within a drainage district. He recommended that no action be taken today in order to build trust with the business community, involve all the stakeholders and negotiate fairly with the drainage districts.

Lise Glancy, Port of Portland, 121 NW Everett, urged a phase-in of stormwater rates on riparian and drainage district areas over a two-year period to allow business to budget for the impacts. One Port tenant with 50 employees will have a \$50 thousand increase and another with 800 employees an increase of \$270 thousand. Service costs should be kept within classes and incentives given for stormwater conservation.

Mary Dolich, Commerce Investment, 1000 SW Vista Avenue, said her company will have no choice but to pass on the costs to the apartment dwellers, most of whom are on fixed incomes, meaning those people are subsidizing homeowners.

Dan Oldham, 938 NE 175<sup>th</sup> Avenue, 97230, spoke against high rates for the East Portland people on fixed incomes and those in the drainage districts, especially in the Columbia Corridor.

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Chuck Glisan, Vice-Chair, Portland Utilities Review Board (PURB), member of the rate restructuring ad hoc committee, said PURB is a 15-member board of volunteers from a variety of constituencies charged with reviewing the rate-related aspects of the water, sewer and solid waste utilities. He said Portland is facing annual projected sewer rate increases over the next few years averaging 9.8 percent for households and higher than that for industrial customers, coupled with water rates projected in the six percent range for households and six-eight percent for industrial customers. There have been additional increases in business permit fees and system development charges. Ahead are undetermined costs for the Endangered Species Act (ESA) and harbor sediment cleanup of the Willamette River. Rates need to be developed that are consistent with cost of service principles, with equity and fairness.

Commissioner Francesconi said Mr. Glisan's testimony was not helpful to what Council had to decide.

Mr. Glisan said if PURB were able to give Council the answers they are looking for, they would have. The questions are complex, there are too many unknowns but they know that communities that moved rapidly in support of a particular rate reform proposal have frequently regretted it.

Dave Hasson, Office of Finance and Administration, (OFA) Utilities Review Team, said while they support the stormwater discounts they are concerned that the nature of implementation will effect the administrative costs. For example, will there be on-site inspections and, if so, how frequently. Service charges should be reduced rather than eliminated. The options discussed today are to have costs flow across all customers, creating a shift from small to large customers or to keep cost responsibility neutral within customer classes, creating a shift from small residential to moderate and large residential, from small to large commercial. In this proposal to have cost spread among all users, there is more rate relief. At the same time, it adversely impacts the big users. It would be simpler to have a single, volumetric rate. The other proposal would have smaller rate relief for small residential customers, but less adverse impact on businesses, schools and hospitals as well as a greater conservation benefit by redirecting conservation incentives to customers primarily causing system peak demand -- moderate and large residential customers. Mr. Hasson said they support showing the service charge as a single item on the bill and changing volumetric rates to enhance conservation incentives, which should only happen after establishing clear conservation targets. They cannot endorse low income assistance until there are some definitions of the program, such as eligibility criteria, levels of benefits, administrative costs, and an analysis of how such assistance could trade off against other purposes -- bureaus need to consider the full range of options to pay for it.

Commissioner Sten said Council has been crystal clear that it wants to do more for low income.

Commissioner Francesconi suggested going to proposal 2.b. and targeting some relief for the low income.

Dan Vizzini, BES, said he made three calculations: 1) the total elimination of the service charge; 2) the partial elimination of the service charge, with the effects separated between residential and all others; and 3) the partial elimination of the service charge with the effects shifted -- three different calculations for two types of property. He applied the low income

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assistance program which currently exists. The assumption was these were two customers who met the income test for the current low income program. The current level of assistance for the low income program would need to increase by 40 percent or more to get to the level that the Sten/Saltzman proposals originally anticipated. For a targeted percentage of the population, those who meet the income test, the lower 60 percent of medium family income based on the size of the household, a targeted, low income assistance program could be devised to give them the kind of relief that started this whole discussion without creating the kind of shift in proportionality contemplated in what is called 2.a versus the 2.b. The problem is where the money comes from. The low income program currently costs about \$600—\$700,000 a year for a relatively low percentage of participation – 4,200 accounts out of 140,000 residential accounts. Targeting utility relief to the most in need increases the rate burden for all the other rate payers, which is how it is paid now. The size of the program would have to increase substantially to achieve the kind of participation levels discussed by Sten and Saltzman in their proposal. It could be funded through reductions in the utility franchise fee. The cap proposal is like tax increment financing – freeze the amount of revenue that currently flows to the general fund, allow that capped amount to rise over time by some factor of inflation, keep the current franchise fee and generate more revenue than the cap to capture the incremental increase in the cap every year and have that money flow into the programs targeted. In effect the general fund would receive less income each year and any incremental that would have gone to the general fund would flow back into the utility rate system to pay for the programs. Eventually the effective impact on the general fund may be excessive over time. The cap has much more significant impact on the general fund over time than the reduction of .25 in a franchise fee.

John Tapogna, Project Manager, ECONorthwest economic consulting firm, said he would summarize an economic analysis of the proposed rate changes. How would changes affect employment levels within the City water district and what would the effect be on high-impact customers – high volume water/sewer users and companies with large amounts of impervious surfaces. To obtain the estimates, it is assumed that anything else affecting employment is held constant and the second assumption is that the enactment of the proposed changes would not change the level or quality of water, sewer or drainage service. Alternative 2.b would reduce water and sewer service charges and cover them within each customer class. The drainage charges would increase from \$4.12 to \$6.67 per thousand square feet of impervious surface. The cost to private businesses of this alternative is estimated to be \$6.3 million.

Mr. Topogna noted their key findings. Public sector charges that change the cost of doing business will affect an area's economic activity, particularly if there are no corresponding service improvements. One-tenth of a percent increase in business costs generated by local government charges is associated with a three percent decrease in employment within a jurisdiction. Most of that employment is re-established within the same metropolitan area. This is about a five to 15 year adjustment. The current business annual costs, not including the public sector agencies, are about 0.14. Alternative 2.b or 3.a would increase business costs to 0.17 percent and 0.32 percent, respectively, and their enactment would reduce employment by between one-half and one percent, related to all commercial and industrial businesses. High-impact customers, those paying an additional \$10,000 or more in their annual, combined water/sewer/ drainage bill, are paying about .3 of their total business costs. High-impact customers would have an employment reduction between two and four percent. This study isolates the economic impacts of a single change in public policy, which

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will be added to or subtracted from by a number of other policy changes made during the year.

Commissioner Sten said a resident making about \$48,000 a year pays about .01 percent of their gross to water/sewer bills. To pay .14 percent, a resident would have to make about \$285,000 a year. The amounts are pre-tax for a resident and non-taxed with a business.

Mr. Tapogna said the study did not deal with residents, except to the extent that if there are net rate residential reductions, the amount liberated would likely be spent in the Portland area, creating a modest economic stimulus.

Mayor Katz said there simply will be incremental increases over the years and asked if the suburban areas are also facing the same issues.

Mr. Tapogna said this study assumes the suburbs will hold their rates as is. If that is not true, the above-noted effects will be about one-third less.

Commissioner Sten said the western suburbs of the region, such as Tualatin, Wilsonville, that are experiencing very high growth and do not have their own water sources, will see extremely large jumps. The eastern suburbs, already tied into the Bull Run or Clackamas, will see smaller jumps.

Mayor Katz asked if the cost of implementation has been built in, if Council decides to do this.

Tim Grewe, OFA Director, said, regarding the franchise fee component, this resolution reduces that fee by further 2.5 percent. The financial impact of this would be \$400-\$600,000, recurring. The reason for the range is there are other factors influencing the utility fees. For the five-year forecast, the budget would have to replace that money and revenues would not be forecast. This year's budget process is going to be especially challenging. Another proposal was to cap the franchise fee to develop an increment above the Consumer Price Index (CPI) growth, the estimate is the first year (2001) adjustment would be \$688,000, climbing to \$3.8 million in 2005.

Mike Rosenberger, Director, Water Bureau, said his suggestions for implementation are to implement the service charge reform Council determines on July 1<sup>st</sup>, continue to have two services charges for three months and combine the service charges on October 1<sup>st</sup>. Also on July 1<sup>st</sup>, whatever changes decided on for the low-income program will be made. If the service charge is changed as discussed, the existing low-income customers conceivably could get a credit balance. A policy question is whether to pay money to the customers or to zero out the balance so they do not have a bill. They want to implement the change to the drainage system on January 1, 2001. That is the amount of time needed to change the system to reflect the discount and the two line items, on-site and right-of-way. There is no implementation cost as this is all system change.

Dean Marriott, Director, Bureau of Environmental Services (BES), said sending bills to riparian property owners who currently do not have them can be done in July. BES would have to actually measure the impervious surface on those properties. The Bureau expects to receive between 30-50,000 applications for discounts. So, if the discount will be applied in January, he suggests having an application system ready to go in October. It will take time

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and employees to develop the approval criteria, communication about the plan and other aspects and four or five staff persons would need to be added for perhaps several years to process the number of applications. The cost estimate is about \$500,000 a year for the several years to get through this major process.

Commissioner Sten said there must be significant parts of town for which it can be assumed they meet the criteria.

Mr. Marriott said experience with a previous discount program indicated that only a percentage of the properties could qualify. He noted that for everyone who gets a discount, someone will get a higher bill.

Commissioner Sten asked if these implementation costs were in the current budget requests.

Mr. Marriott said no, since they could not presume to know what Council would do.

Mayor Katz said it needs to be decided, if a company is making major investments, will there be a credit to their water/sewer costs to provide incentive to do the right thing, especially if it is capital-intensive.

Commissioner Saltzman said it is feasible to give a credit on the stormwater, but where does the money come from. If the City gets the green light from the State on the Clean River Plan, there will be money for incentives.

Commissioner Francesconi said he wants a cap on the franchise fee, but will bring it up a little later.

Commissioner Hales suggested reducing the franchise fee another one-quarter point to fund and enhance senior discounts now, rather than later.

Mayor Katz said reduction of the franchise fee is a good policy, but they need to find the resources. The one-quarter point is possible, but she cannot see how to stretch the budget beyond that this year.

Commissioner Francesconi said when Council revisits this tomorrow, he will propose two amendments: for Parks to work with the Water Bureau to conserve water and to require annual reviews to begin one year after rate reform takes effect to look at the low-income and senior participation in the rate relief programs and to increase their involvement.

**Disposition:** Continued to April 6, 2000 at 2:00 p.m.

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A RECESSED MEETING OF THE COUNCIL OF THE CITY OF PORTLAND, OREGON WAS HELD THIS 6<sup>th</sup> DAY OF APRIL, 2000 AT 2:00 P.M.

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

OFFICERS IN ATTENDANCE: Britta Olson, Clerk of the Council; Frank Hudson, Deputy City Attorney; and Chuck Bolliger, Sergeant at Arms.

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**TIME CERTAIN: 2:00 PM** – Direct the Bureau of Environmental Services and the Water Bureau to develop water, sewer and stormwater rates for FY 2000-01 that reflect City Council goals to improve the fairness, controllability and affordability of these rates (Resolution introduced by Commissioners Saltzman and Sten)

**Discussion:** Doug Morgan, Chair, Public Utilities Review Board (PURB), said PURB has four recommendations, which were unanimous. Regarding the service charge issue, they recommend a minimum amount be kept to reflect the cost of service principal. They oppose distributing the service charge over all customer classes – the lost revenue should be recovered within the customer class. The reason is that the industrial sector is being asked to absorb lots of increased costs such as permit fees, the extra-strength surcharges and the increase of the average rate above the household rate for businesses. Regarding stormwater, they support site-specific mitigation and discounts that are city-wide. Their concern is they do not know what that revenue loss may be. Mr. Morgan noted the failure of the downspout disconnect program. Regarding drainage districts, they strongly support moving aggressively ahead to develop a cost of service set of relationships that recognize what the City is getting from the districts and vice versa. Regarding low and fixed income relief, they are strongly in favor of programs to enhance this. They applaud any effort to take support for the programs from the utility franchise fee.

Commissioner Hales said he would like to move forward with the amendment for a more decisive senior discount by further reduction of the franchise fee.

Commissioner Francesconi said his first amendment is to direct annual reviews of the low-income and senior programs to ensure they are fully utilized.

Mayor Katz asked for any objections and, hearing none, passed the amendment.

Commissioner Francesconi said his second amendment is to add BES, to read the Parks Bureau, the Water Bureau, the Bureau of Environmental Services (BES) and Office of Finance and Administration (OFA) will jointly explore options to reduce the demand for water irrigation in parks, implement more effective stormwater management practices in parks, increase ways to reduce water costs to the general fund through parks and come back with a plan within 90 days on how to do this, what the impact to the parks system will be and to identify financing options.

Mayor Katz, hearing no objections, passed the amendment.



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Commissioner Francesconi said his third amendment is to have more meaningful rate reductions for everyone to be built into the forecast no later than July 1<sup>st</sup>, 2005, but sooner if possible.

Tim Grewe, Director, OFA, said that amendment would be akin to the resolution for capital set-aside.

Commissioner Sten said for three years, as Commissioner-in-Charge, his approach has been to move the franchise fee down and move the number of programs that help people who really need it up. The same effect occurs if you move the tax rate down or redirect the revenues. The low income discount three years ago was 25 percent and will be 30 percent with this resolution.

Commissioner Francesconi said his proposal gets that into the forecast right away. It needs to be put into the mix of other competing needs, such as housing, green buildings, police, after school programs and parks.

Mr. Grewe said under either scenario, the .25 or the .5, it is taking revenues away from what was anticipated in the general fund forecast and there will be trade-offs. Other items would be left unfunded. This would be a loss of \$400-\$800,000 ongoing dollars to address those other items.

Mayor Katz said she will support the amendments if that is what Council wants, but other programs will have to be cut.

Commissioner Hales said if Council does this whole package clearly, cleanly and significantly enough actual rate relief now, before it is watered down for fiscal stability, the less real impact it will have on rate payers. An aspect of this proposal is to do a better job of marketing it, so people do avail themselves of it.

Mr. Rosenberger said, in answer to Commissioner Francesconi's question as to how many people use the program, they could provide a report in a few days.

Commissioner Francesconi proposed an amendment to implement the water rates adjustments in Option 2.a by September, 2000, except for the rates, either residential, business or non-profit, which would increase more than an additional 10 percent due to the change in the methodology. Those rates to be implemented in equal installments over a two-year period, beginning in July. Before even he can support this, he needs to know the numbers – if it benefits business enough or what the hardship to residents will be – and if it involves much of an administrative cost.

Commissioner Saltzman said he lauds the intent of the proposed amendment, but the details would be onerous. What has not so far been mentioned is that the business rate reforms also give business the ability to control the amount of that rate shock. It is not automatically more than 10 percent, or automatically 15 percent.

Commissioner Sten said his and Commissioner Saltzman's goal was to minimize rate shock since changes cannot be made without rate shock.

Mr. Grewe said before the ordinances on these rate changes come to Council, the bureaus could prepare an analysis on the latter amendment.



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Mayor Katz read the amendment, "to direct staff to work with industry to explore how the City can provide incentives to business and commercial users that have implemented substantial water conservation efforts." Hearing no objections, she passed the amendment.

Commissioner Sten said he will ask staff to provide Commissioner Francesconi the numbers the Commissioner wanted for that latter amendment. Then, he can file a resolution which would amend this one.

Mr. Grewe clarified that Council agrees on the .25 franchise fee reduction, with the additional .25 to become a list item during the budget process.

Commissioner Sten moved to change the resolution dates regarding combining the service charge on the bill from July 1<sup>st</sup> to October 1<sup>st</sup>, and the implementation date of the stormwater discount from October to January 1<sup>st</sup>.

Commissioner Francesconi gave credit to Commissioners Saltzman and Sten for addressing the principles of rate paying, for business and residents.

Commissioner Saltzman said government has lost credibility by saying it will look into the problems identified to them and then not delivering. This is an example of delivering a result to a problem. He thanked all those who worked so hard on this.

Commissioner Sten said this is a bold and balanced proposal. In a free market economy it is good to price things to spur the best behavior. This resolution is green pricing. He thanked PURB, especially the ad hoc committee, for their hard work.

**Discussion:** Resolution No. 35876 as amended. (Y-5)

Commissioner Sten left the meeting.

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**TIME CERTAIN: 2:00 PM** – Adopt interim design guidelines for the Historic Alphabet District Zone (Ordinance)

**Discussion:** Michael Harrison, Planning Bureau, said this is a proposal which would be applicable to the Historic Alphabet District in Northwest Portland if it is listed in the National Register of Historic Places and becomes a historic design zone. The National Register designation brings responsibility under Oregon Administrative Rules for protection of properties, consequently the City Code addresses their listing as landmarks or districts. The Historic Alphabet District began its current phase in the early 1990s. Due to citizens' work, over 1,000 buildings have been documented in detail and a history of the community has been written in anticipation of becoming a historic district. The district ranges roughly from the I-405 freeway to 24<sup>th</sup> Avenue from parts of Burnside generally to Lovejoy. The district is characterized as combining a range of buildings and styles that constitute virtually a museum of housing types built from the 1870s through 1940. The work on the district became controversial late in the process when some property owners indicated they did not support the creation of the district. The grounds for National Register listing are clearly met: areas of architecture of significance; areas characterizes by association with people who played a significant role in shaping the City, region and country; and areas by places important in the development of the City and State history. He noted the process that took place.

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Mr. Harrison said the Northwest District Association (NWDA) supported the creation of the district. Proponents reached out to opponents to find a solution to resolve a possible contentious controversy going on in the neighborhood on a long-term basis. Reviewing the whole topic of design guidelines, those working on it looked at Portland's community design guidelines, those the City uses in our locally designated historic conservation districts. The generalized City guidelines are based on the Secretary of the Interior standards, but our Code defines them differently, rather like a default mechanism for areas which do not have their own. Portland has many National Historic Districts that have their own guidelines.

The City has responsibilities to the State and the Secretary of the Interior regarding National Register properties. One of those is to make sure the content of the Secretary of the Interior standards are part of the historic design review of modifications to existing buildings and new construction occurring in historic districts. Together with a working group of opponents and proponents, the Planning Bureau and the Office of Planning and Development Review (OPDR) analyzed of the Secretary of Interior standards as stated in City zoning code in relation to the community design guidelines. They found three areas where community design guidelines are deficient in terms of not covering issues raised in the Secretary of Interior standards. An addendum to the community guidelines emerged from that discussion, with three additional guidelines being added for use in the Historic Alphabet District, should it be listed, with the community design guidelines as part of design review: 1) historic change; 2) differentiating new parts of buildings from old parts; and 3) hierarchy of compatibility. The latter addresses alterations to the building so it is in character with the building as a whole and in character with the larger historic context of the area. This work was taken to the Landmarks Commission in March and all notification was satisfied. All testimony before the Landmarks Commission about the interim design guidelines was in favor and the Commission voted unanimously to adopt them and to recommend that Council adopt them. The Commission also recommended that Council direct the Planning Bureau to find resources to develop special area design guidelines for the Alphabet District, preferably within the next biennium. Mr. Harrison estimates the guidelines development will take a year to eighteen months. NWDA supported the community design guidelines with the addendum, should it become a Historic Design zone. The Landmarks Commission noted that specialized guidelines tailored to a specific area are preferable to more generalized guidelines for any historic district and the Commission would like this applied to other City areas.

Mr. Harrison, in answer to Commissioner Francesconi's question of the benefits for the community and individual property owners, said before design review, the City must enunciate what the acceptable guidelines for the review process are, to inform developers and designers what the criteria will be. The community benefits as the creation of the district will result in greater protection of existing resources and ensure that new infill development and remodeling will contribute to the historic character. A historic designation creates interest in the community which can support area business and revitalization. The downside for private property owners is that a historic design review is required and the process lends an element of uncertainty, adds criteria to the project, limits on design, processes and fees. The benefits for the owner is the properties listed which contribute to the character of the area are eligible to apply for Federal historic restoration tax credits and the State special assessment program.

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Dan Volkmer, 2205 NW Johnson Street, said he supports the guidelines. Taking positive action will revalidate the historic district and allow support of it by a much larger majority that is required. He submitted a letter of support from Rick Michaelson for the record.

John Tess, President, Heritage Consulting Group, 123 NW 2<sup>nd</sup> Avenue, No. 200, said he had some concerns about the formation of this district and the guidelines. As the district has yet to be designated and there is still considerable opposition to the district, the ordinance today is putting the cart before the horse. Owner consensus regarding the creation of a district is dependent on a federal process which does not measure proportional impact on a property owner. Specifically, an owner of one property in the federal process has the same rights as an owner owning ten or more properties. Of the approximate 650 properties, he has over 200 owners' signatures who may still be in opposition to this designation, including owners of large parcels, religious institutions and small family homes. This is a large, diverse part of the city for an overlay district. He suggests polling the property owners on a property-by-property basis to determine if they are in support. The additional design review will cause a huge economic impact, for taxes, too, and time delays.

Commissioner Hales said not every property owner was contacted in applying design review to the Gateway District.

Mr. Tess said creating guidelines is a very good idea. This designation issue involves such a large part of the City. The federal process does not look at individual properties. Mr. Volkmer said the proponents and opponents agreed to support the historic district with the condition that Council sign on to it.

James Hamrick, 4431 SW Altadena, Hillsdale, said he manages the State Historic Preservation Office and they have been financially supporting this for about ten years. There are about 150,000 buildings in the Urban Growth Boundary and only less than 2,000 are designated as historic.

Commissioner Francesconi asked how is the size of a district determined.

Mr. Hamrick said there is a large number of historic buildings in the downtown area. Originally, three districts for this one were proposed. The State Advisory Committee and the Landmarks Commission walked over the area and drew a positive opinion.

Mr. Harrison said the State requires the protection of property listed in the National Register and to achieve 100 percent of the owners' consent for a local district only. Regarding those who own many properties, our country decided a long time ago that it was going to be one person, one vote.

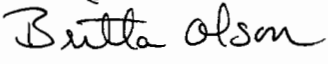
Commissioner Hales said the process of neighborhood planning should be inclusive and consensus should be sought, but all over the city they hear very strong concern for the maintenance of community character.

**Disposition:** Ordinance No. 174327. (Y-4)

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At 3:40 p.m., Council adjourned.

**GARY BLACKMER**  
Auditor of the City of Portland

  
By Britta Olson  
Clerk of the Council