MINUTES OF THE METRO COUNCIL WORK SESSION MEETING

Tuesday, February 21, 2006
Metro Council Chamber

Councilors Present: Carl Hosticka (Deputy Council President), Susan McLain, Rod Park, Robert Liberty, Rex Burkholder, Brian Newman

Councilors Absent: David Bragdon (Council President)

Deputy Council President Hosticka convened the Metro Council Work Session Meeting at 2:07 p.m.

1. DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, FEBRUARY 23, 2006/ADMINISTRATIVE/CHIEF OPERATING OFFICER AND CITIZEN COMMUNICATIONS

Deputy Council President Hosticka reviewed the February 23, 2006 Metro Council agenda. Councilor Liberty said he would be offering some changes to Resolution No. 06-3658 (Highway 217 Corridor). Council discussed with Alison Kean Campbell, Metro Attorney, the procedure that would need to be followed. They then discussed how they wanted to present Resolution 06-3762 (bond measure).

2. EXPANSION AREA PLANNING FUND

According to Councilor Newman, the Expansion Area Planning Fund (EAPF) Committee has done a lot of outreach to stakeholders. The concept has been discussed at the Metro Policy Advisory Committee (MPAC), and the Oregonian provided a favorable editorial. Reed Wagner, Program Analyst, said that MPAC would make their recommendation on March 8. He distributed a list of recommended actions (a copy is included in the meeting record). The need covered approximately 6,000 acres that were brought into the urban growth boundary (UGB) and had not been planned. The funding need was about $4.7 million. Councilor Newman added that, if we decided to reimburse jurisdictions – like Tualatin, Gresham, and HIllsboro – that have already done planning, that would be an additional $1.4 million, for a grand total of $6.1 million.

Deputy Council President Hosticka asked how Council felt about reimbursements. Councilor Park was in favor; it was a matter of fairness. We should not set a precedent of penalizing entities for doing good works. Councilor Liberty supported the reimbursements. Councilor McLain supported them but felt that retroactive payments should be very specific about timeframe and criteria. Also, certain jurisdictions had planning that were not required but that they chose to do, and we would need to be careful about which planning we would reimburse. Councilor Newman agreed with the comments about fairness but added that if the total amount went much over $6.1 million, we might lose the whole package.

Councilor Liberty asked if $7 million would be a possibility and $10 million would be beyond the pale. Councilor Newman thought that $6 million would be about as much as could be borne. Deputy Council President Hosticka was supportive of reimbursement but noted that failure to reward was not the same as punishment.

Mr. Wagner said that the next step would be to create a Metro fund to process grant applications. He asked Council how quickly they wanted to process this. Council discussed the process, the collection of money, the grant process, and the distribution of money. Councilor Liberty asked, would it sunset when the need was allocated? Wasn't there a risk that if it were to sunset in three years and we hadn't spent the whole $6 million, then what? Councilor Newman thought there would be some flexibility – Council could take corrective action if we took in more or less than we needed. The estimates were pretty solid, but there was some risk involved.

Councilor Park asked for a projected cashflow. Mr. Wagner said that there would be steps within each grant – payments would be made based on milestones achieved during the process. Council and staff discussed how much money might be spent in any given year. Ray Valone, Planning, said it would be about 18 months for each grant to be completed.

Councilor McLain thought that the uses of this fund could be throughout the region. Councilor Newman said that no local government had presented organized opposition, but there had been varying levels of enthusiasm. Councilor McLain said she supported the concept but needed more information about some of the issues – the criteria, the grant program, how jurisdictions of different size, with different needs, how would the money be fairly distributed? Councilor Newman referred to a chart in the EAPF Committee report. Each project could start according to its own timetable.

Councilor Hosticka asked when we would start collecting money. Mr. Wagner said the target was July 1. Ms. Campbell said the Intergovernmental Agreements (IGAs) needed to be signed before that. Mr. Wagner said there was a 90-day referral period after the vote. The IGAs would be signed during this time. Overall Council opinion regarding fund distribution was positive.

The proposed construction excise tax was 0.1% on the building permit value; this equated to about $250 on a $400,000 home. The collection proposal used conservative assumptions; real-life collection percentage would likely be at around 95%. Also, they were recommending making "affordable" housing exempt. This would result in a net collection of about 90%, or $2.25 million annually. During low development years, this could leave us holding the bag. Deputy Council President Hosticka asked about the rate and about the affordable housing. Staff said the first $100,000 would be exempted. Mr. Wagner said that if it was a $99,000 building fee, there would be no charge. Councilor Newman said the intention was to keep home remodels and affordable housing projects from being squeezed.

Councilor Burkholder asked how would we define affordable housing projects. How could we keep developers from getting the permit, under the affordable housing exemption, and then rent it out for market rates? Councilor Newman thought we ought to have some documentation proving it would be affordable housing.

The EAPF Committee recommended that the tax sunset after three years. Another option would be until the $6 million was collected and distributed. Mr. Wagner stated that if we did a three-year sunset, we would have an idea of what remained to accomplish. It could be revisited by Council at that time.

Councilor Burkholder asked what we gained from the sunset provision. The metro area will continue to expand and therefore require more expansion planning. Councilor Newman explained that one obstacle was Metro's spending cap. At a certain point, the planning fund could not be continued without taking money from other Metro responsibilities. The current proposal was intended to be a temporary thing to tide us over. Councilor Burkholder wanted to make sure that Metro was not formally assuming the responsibility for expansion area planning in perpetuity.

Councilor Liberty preferred that the sunset be tied to the amount, not to the date. Councilor Park suggested an overall timeframe of four years, but that when we hit the amount, that would be it. We didn't want people waiting until the last minute. He was afraid that we were being pulled into local planning and wanted to make it clear that we did not intend to make this part of our plan. Councilor McLain thought four years was better also. She also liked the amount, rather than the year, if we were to go to one or the other. Councilor Newman said staff would be directed that the magic number was $6 million. If it were much lower, that would be fine; we would lower expectations. If it were higher, it would have to come back to the Council.

Mr. Wagner then asked about the collection mechanism. The EAPF Committee proposed that there not be any cap for large development projects. On projects over $10 million, did Council think there should be a cap? Councilor Newman explained his objections to the cap – the rate was very low. For a $10 million project, the tax would be just $10,000. He anticipated that very few projects would be much higher than that. Council generally approved of there being no cap.

Councilor Newman commented that the current proposal was for all construction, both public and private. Recently the school districts have felt they should be exempted, so this was still an open question. The committee hasn't really talked about it much. Communities have a lot of planning needs – if we exempt the schools, where do we stop? Councilor Burkholder agreed with Councilor Newman and Council consensus that public projects should not be exempted.

Mr. Wagner then asked for Council feedback on the subject of administrative fees. There would be a cost to jurisdictions in collecting the tax. The proposal suggested that in no case should administrative fees exceed 5%. Of course, there would also be costs to Metro. Mr. Wagner said that fees could vary. Councilor Park didn't like the philosophy of bifurcating the jurisdictions into administrative overhead. We should do what was equitable.

Councilor Liberty said it would be possible to know how much collections actually cost, we don't have to use just 5%. Council discussed the irony of having the jurisdictions pay Metro a fee to apply for the funds that they have collected for us. Councilor Liberty wanted to get a more realistic assessment of what administrative collection costs would be.

Deputy Council President Hosticka asked for Council opinion about the collection fee. Overall, they were in favor of staff's proposal. Councilor Liberty emphasized that the administrative costs to smaller jurisdictions would be disproportionately higher. Mr. Wagner said they were working on details of how the administrative fee would be set. Hosticka said just a flat fee would be the simplest. Councilor Newman recognized that there would be costs incurred by Metro. One possibility would be that we absorb these costs into our current budget.

Council and staff discussed the role of Metro's staff in advising the jurisdictions. Councilor McLain said in the past there was a liaison between Metro and the jurisdictions. Chris Deffebach, Planning, clarified that we had already budgeted for some staff time. Deputy Council President Hosticka asked if any of this was included in the $6.1 million. Mr. Wagner said no. Councilor Park wanted to make sure that things were put into concrete terms. Councilor Liberty thought there was some justification for collecting for administering the grant program.

Councilor Newman reminded Council that, even without this funding mechanism, we still had Title 11 authority. We were not giving up any authority with the current proposal. All we were lacking was the funds to assist the jurisdictions. The next step was for staff to take the comments and draft an ordinance. He asked Mayor Chuck Becker, City of Gresham, for his comments. Mayor Becker said that, in Pleasant Valley, they did it graciously and responsibly. With Springwater, it was a bit larger and more complex. They had funds from a variety of sources. It was an expensive process. He wanted to accept his responsibilities, but Metro was drawing a fine line between who would and would not get compensated. But they have experience now in comprehensive planning. He supported Metro's proposal.

Mr. Wagner said a draft ordinance would be ready for March 16.

3. REFINANCING OREGON ECONOMIC COMMUNITY DEVELOPMENT DIVISION EXPO LOAN

Kathy Rutkowski, Budget Coordinator, said the issue was whether or not to participate in the financing pool, to refinance the outstanding Oregon Bond Bank loan obtained through the Oregon Economic and Community Development Department (OECDD) in April 2000 to finance a new Expo building (replacing Hall D). This was Metro's only loan instrument that had not been recently refinanced. It would be similar to the recent Public Employees Retirement System (PERS) bond issuance. This item is on the consent agenda for this Thursday. Metro's share of the pool would be approximately $15 million. We would not pay any other jurisdiction's portion. If the net present value of the refinancing fell below 3% of the current loan, the refinancing would be postponed. At current interest rates, we would recognize approximately 5.84%, or $819,000, in savings, including transaction costs. They chose the preferred rate structure to enable the Metropolitan Exposition Recreation Commission (MERC) with a one-time up-front boost.

Councilor McLain expressed her concern that a bond measure issue be placed on the consent agenda. Even if the proposal ended up saving us money, it was important for the public to see a debate on this issue. She asked that this item be removed from the consent agenda. Council had no objection to the substance of the proposal.

4. COUNCIL BRIEFINGS/COMMUNICATIONS

Councilor Liberty discussed Wapato Lake. He attended a recent meeting where there were some farmers present. The farmers provided some suggestions on how their concerns about Wapato Lake could be alleviated. We could have a good neighbor policy and provide more information about the amount in the target area. He proposed that some of the farmers accompany Metro Parks staff to visit some willing sellers and let them talk about farmland value. Councilor McLain said the farmers pointed up a big problem with our map. The map showed about 50,000 acres and our goal was really about 5,000 acres. The farm community had some real issues with how Metro did business, such as landbanking and waterway management/flood mitigation. Councilor Park said farmers had issues that pointed up many areas of conflict between Metro and farmers.

There being no further business to come before the Metro Council, Deputy Council President Hosticka adjourned the meeting at 3:45 p.m.

Prepared by,

Dove Hotz
Council Operations Assistant

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF FEBRUARY 21, 2006

Item	Topic	Doc Date	Document Description	Doc. Number
1	Agenda	2/21/06	Agenda: Metro Council Regular Meeting	022106c-01
2	Expansion fund	2/2/06	TO: Metro Council FROM: Reed Wagner RE: Expansion Area Planning Fund Committee (EAPF), Recommended Actions on the Need, Distribution and Mechanism for Funding Concept and Comprehensive Planning in the 2002 and 2004 Urban Growth Boundary Expansion Areas	022106c-02