

MINUTES OF THE METRO COUNCIL WORK SESSION

Tuesday, April 18, 2006
Kalahari Room at the AfriCafe

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

Councilors Absent: David Bragdon (excused), Susan McLain (excused)

Deputy Council President Hosticka convened the Metro Council Work Session at 2:09 p.m.

1. **DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, APRIL 20, 2006/ADMINISTRATIVE/CHIEF OPERATING OFFICER AND CITIZEN COMMUNICATIONS**

Deputy Council President Hosticka reviewed the April 20, 2006 Metro Council agenda.

2. **OIL SUPPLY UNCERTAINTY**

Councilor Burkholder and Daniel Lerch, Policy Associate Intern, gave a PowerPoint presentation (a copy is included in the meeting record). Councilor Burkholder said it was a basic assessment and situation analysis of the risks to Metro of oil supply uncertainty. Mr. Lerch stated that it was a new issue for governments to think about. Many oil supplies were in politically unstable areas. The foreseeable demand—primarily from India and China—would be increasing, while supplies would ultimately peter out. The problems for Metro were identified as oil being an essential input for Metro's services; transportation and other systems required stability in supply and price; and the lack of viable alternatives to oil. The uncertainties made it difficult to plan. Although the crisis would ultimately be mitigated through economic market forces, short-term instability would be a serious problem. Mr. Lerch related more specific examples of how oil supply uncertainty would affect Metro's ability to deliver its services, particularly in the areas of land use and transportation. He addressed some suggested strategies for addressing the issue. Basically, fluctuating oil prices would affect practically every facet of Metro's work. Mr. Lerch felt that most jurisdictions nationally had not advanced very far in coming to grips with these issues.

Councilor Liberty observed that most people's driving behavior did not change in the short term, in the face of higher gas prices. He was more concerned about the effects on farmers and increased farming costs. Also, many large metropolitan areas were very dependent on transportation for their food supply. Mr. Lerch agreed; that was why he preferred the term "oil supply uncertainty" to "peak oil." In the long term, market forces would ultimately solve the problem; in the short-term, most people could ride it out. It was really a problem for the more medium-term outlook.

Councilor Park disagreed with Councilor Liberty's comments about farmland. He stated that many agricultural fertilizers were produced from natural gas. We were in a period where food prices were historically low, since a lot of it was imported from countries with low wages and a lighter regulatory atmosphere. It was cheap transportation that enabled this food to be available at low prices. He asked Mr. Lerch if Metro's 2040 plan was in any way tied to the oil supply uncertainty, either positively or negatively. Mr. Lerch agreed that the 2040 plan and the Regional Transportation Plan (RTP) should be analyzed in view of these concerns. Deputy Council

President Hosticka felt that we should not lose sight of our planning goals. We would probably be wrong about the projections anyway, so in which direction would we prefer to err?

Councilor Burkholder felt the exercise was one of managing the issue, re-framing it from a “survivalist, the sky is falling” viewpoint, towards a risk management approach. What he wanted from Council was some sense of what they thought about the way that he and Mr. Lerch had framed the issue and whether they thought that was valuable and how they should proceed. Councilor Newman thought it would be a useful input into Metro’s planning efforts, not necessarily to the exclusion of other issues. Councilor Liberty agreed, especially in the area of transportation planning. Councilor Park reemphasized his concerns about learning more about the impacts on agriculture. He felt that future energy sources would ultimately replace petroleum, but they would likely be more expensive.

Deputy Council President Hosticka thanked Councilor Burkholder and Mr. Lerch for the clarity of their presentation. Councilor Liberty predicted that the political consequences of a shrinking oil supply would have effects that could not be foreseen at this point. Mr. Jordan asked if he understood the Council’s intent. Did they want to embed the notion of energy uncertainty into our planning efforts as well as into strategic operational planning? Council nodded their collective heads. Mr. Jordan said he would present this issue to the new Council of Economic Advisors. Councilor Newman emphasized his support for the intern program and the quality of the work that had come out of it.

3. ZOO PREPAREDNESS FOR AVIAN FLU

Zoo staff distributed two visual aids to support their presentation (a copy of each is included in the meeting record). Mike Keele, Deputy Zoo Director, said avian influenza was an example of a disease that presented major challenges to collections. Mitch Finnegan, DVM, and Lisa Harrenstien, DVM, were introduced. Mr. Keele described the effort that was taking place nationally to prepare for an outbreak. He talked about the efforts that the Oregon Zoo was making to protect the collection.

Dr. Harrenstien said that as zoo veterinary professionals, the effort was on prevention, since outbreaks were so intractable. Avian flu has yet to reach North America; however, upon its arrival, Oregon might be one of the first sites. The current form of the virus, which was being called H5N1, included numerous strains, but there was one strain that was causing the most problems. So far human cases had been rare, and had not spread from human to human. But a mutation could quickly change all this.

Councilor Liberty asked for more specificity about the location of the incidents, since the map showed entire countries instead of provinces or states. Dr. Harrenstien did not have such specific data. She and Councilor Liberty discussed the mortality rate and incidence rate in wild and captive populations. She said that in captive populations, such as chickens, mortality could achieve 100%. In the wild, say in a duck, there might not be any symptoms exhibited.

In response to Councilor Newman, Dr. Harrenstien said that billions of birds had been euthanized. She described the tension between industrial concerns and health issues, and between wild and captive populations. The biological issues were not perfectly clear yet. If a health crisis were looming, federal requirements would be imposed. Councilor Newman asked which parts of the Zoo’s collections would be the most affected. Dr. Harrenstien wasn’t sure. It was possible that non-avian species might be affected. A lot depended on which birds were carriers.

Councilor Park asked what the plan for when it arrived would be. Dr. Finnegan said that Stage 1 was now. Stage 2 would be when it came to North America. Stage 3 was when it came to the Pacific Northwest, and Stage 4 was when it arrived at the Oregon Zoo. He said that, once it came to that point, a lot of the directives would come from the federal level. Typically, a virus with such destructive potential, with a human mutation a possibility, might mean euthanization of all birds in our collection. Councilor Park asked what work was taking place at the federal level to combat the risks. Dr. Finnegan said a vaccine was being worked on. The zoo's condor recovery team was working on a vaccine proposal. He felt that there was some recognition that a zoo was more isolated and less of a health risk than a commercial poultry facility.

Mr. Keele felt a substantive plan prepared now could help in the future, to show we have made a serious plan in place. Councilor Newman asked if there were examples of other zoos, overseas, that had to euthanize animals? Dr. Harrenstien said, in Thailand, hundreds of tigers caught the disease and had to be put down. Dr. Finnegan said domestic cats might be a significant source of the infection, since they prey on songbirds. Dr. Harrenstien said the way for another species to catch the disease would be for the other species to eat raw poultry. Dr. Finnegan felt that many of the zoo's current practices, in feeding and hygiene, were already a first line of defense.

Councilor Newman asked if the zoo's bird population could be brought indoors if a threat was identified. Dr. Finnegan said all but the condors. It was a far from ideal situation, however, in terms of stress to the birds and the financial costs. Council thanked staff for their update.

4. BREAK

Beautiful sunny day at the zoo.

5. REPORT ON FAIR GROWTH AND FARMLANDS PROJECT

The worksheet for this item, the final report, and two memos from Councilor Liberty were distributed (a copy of each is included in the meeting record). Councilor Liberty introduced Jerry Hanson, Washington County Assessor, Bill Ashworth, Oregon Realty, and Jim Chapman, Legend Homes. He thanked the three Metro policy interns and their boss, Reed Wagner, for their work. He and Mr. Lerch delivered the final report in PowerPoint form (a copy is included in the meeting record). Councilor Liberty also thanked all the other Metro staff who helped with the report. He described threats that were being faced by farmland, such as lack of funding for planning and infrastructure, UGB expansion and Measure 37 claims.

Councilor Liberty described the tax principles. They were designed to focus on the increase in value due to government action. Councilor Park had a question about the rationale for measuring the increase in value. Was it different from a Local Improvement District (LID)? Councilor Liberty said yes. Deputy Council President Hosticka said that you can be simple, or you can be fair, but it's difficult to be both.

Councilor Liberty described the criteria for calculating the increase in value and the factors for calculating the tax. Councilors discussed some specifics of the time lag in relation to comprehensive planning. Councilor Liberty felt Metro's model should be very transparent, to allow citizens to plan. He clarified that Metro would not be collecting the tax; that would be the local jurisdictions' responsibility. He said total revenues could vary widely, depending on a variety of factors. Total revenue could be anything from \$120 million to \$1.56 billion.

Councilor Liberty turned to the issue of investments in new and existing neighborhoods. He talked about recommended ways to spend the money. He spoke to farmland protection and Measure 37 issues, including the rationale for and elements of farmland protection. Councilor Burkholder asked whether the protection was only for Measure 37-threatened areas. Councilor Liberty responded it was broader than that. He recognized that the Measure 37 process would leave property values in limbo for possibly years.

Using a PowerPoint format, Councilor Liberty summarized some opinion polling (a copy is included in the meeting record). Most people supported using such funds for new infrastructure and protecting farmland. They were not enthusiastic about the idea of "taxing farmland." The proposal would require voter approval. The committee members gave their viewpoints. One sentiment was that the tax would not provide enough money to solve the costs of expansion. The City of Portland submitted a letter from Gil Kelley, Portland Planning Director (a copy is included in the meeting record). The City recognized the complexity of the issues and was supportive of the effort. Council discussed nuances of how the tax would be treated by an accountant; for example, how would buyers and sellers treat this in their tax returns? Councilor Liberty felt that if the fee was paid at the time of development, it was not a capital gains tax. The windfall tax was not based on buying and selling. Councilor Park wanted to see some numbers. An individual who was hit with this could potentially end up in a negative financial situation. He would like to see some accountants looking at it. Would it be deductible against income taxes?

Councilor Burkholder had an issue with the collection of the tax based on the voluntary sale by the landowner. He recognized that we were trying to change the tax code so that development was favored over holding land. We wanted to change the system so that people didn't benefit by not developing their land. He didn't want to give incentives for people not to develop, such as in centers. People were speculatively land-banking, hoping the values would go up. He wondered if we presented a tax that said, if you develop, you pay, that was a disincentive to selling and an incentive to land-banking. Also, did we really want to accelerate development in new areas, instead of just in areas that already had some development? He wondered about the data from the polling, which seemed counter to the recommendations of the group. The polling supported "make growth pay its way," but respondents preferred to see some improvements to their own infrastructure areas, not necessarily only in the new areas.

Councilor Newman disagreed with the premise that this would fundamentally change the economics of growth. There were so many other factors to be considered. He was mostly concerned with infrastructure, but he was also somewhat open to the farmland protection. He concurred with Councilor Park about the uncertainty of the tax code implications. Councilor Liberty agreed that flexibility was needed. Mr. Chapman added that in most communities, in terms of their property values, the center had the highest value, with values declining gradually the further you got from the center. Our scenario was somewhat different. Land within the UGB was comparably priced, then dropped off significantly outside the UGB.

Councilor Newman would like to see more about fairness and the tax code. Was it even legal? Councilor Liberty thought it was legal. He didn't think the legislature would be likely to act. It was within Metro's authority, although there might well be a legal challenge. Dan Cooper, Senior Attorney, said this was within Metro authority, with voter approval. Councilor Liberty commented that our region was distinguished only by this farmland context. In other valleys in the west, it was disappearing. Four of the top five producing agricultural regions were in these areas. We needed to address fairness in a larger sense, outside of Measure 37 claims.

Councilor Burkholder thought the Council should take the project over from the committee. What were our options if the farmland zoning disappeared? What was the best use of new revenues for the 2040 growth concept? We needed to make sure we didn't have any unintended consequences. He was not ready to vote; there were too many outstanding questions, but he was ready for some more discussion and thrashing out the issue.

Councilor Liberty took issue with the idea that this money would not be enough to protect farmland. Farmland was around \$1,250 per acre. A potential revenue of \$750 million could protect hundreds of thousands of acres. Councilor Park recollected that the conversation started with using this funding to fund Measure 37 claims. He would like to see where we started and where we're at now. Deputy Council President Hosticka wanted a sense of whether this concept was a good approach. He thought we understood what was currently on the table, and what some of the problems and opportunities were. He thanked the committee members for their hard work.

6. COUNCIL BRIEFINGS/COMMUNICATIONS

Deputy Council President Hosticka described a project proposal for the medical facility planning. He distributed two handouts (a copy of each is included in the meeting record). Councilor Newman described construction on the Metro-funded projects around the region. The North Main project was completely sold out. Councilor Park talked about a groundbreaking of the tallest building in Gresham. Also, thanks to those who came to the listening post.

7. EXECUTIVE SESSION, HELD PURSUANT TO ORS 192.660(1)(h), TO CONSULT WITH LEGAL COUNSEL CONCERNING THE LEGAL RIGHTS AND DUTIES OF A PUBLIC BODY WITH REGARD TO CURRENT LITIGATION

Time Began: 4:33 p.m.

Time Ended: 4:40 p.m.

Members Present: Presiding Officer Hosticka, Councilor Liberty, Councilor Newman, Councilor Park, Councilor Burkholder, Chief Operating Officer Michael Jordan, Metro Attorney Dan Cooper

There being no further business to come before the Metro Council, Deputy Council President Hosticka adjourned the meeting at 4:40 p.m.

Prepared by,



Dove Hotz
Council Operations Assistant

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF APRIL 18, 2006

Item	Topic	Doc Date	Document Description	Doc. Number
1	Agenda	4/20/06	Metro Council Agenda for April 20, 2006	041806c-01
2	Oil supply	4/18/06	To: Metro Council From: Rex Burkholder and Daniel Lerch Re: PowerPoint, White Paper: Future Oil Supply Uncertainty and Metro	041806c-02
3	Zoo flu	Undated	To: Metro Council From: Mike Keele Re: Avian Influenza	041806c-03
3	Zoo flu	Undated	To: Metro Council From: Mike Keele Re: H5N1 cases in poultry and in humans	041806c-04
5	Fair growth	4/18/06	To: Metro Council From: Robert Liberty Re: Work Session Worksheet	041806c-05
5	Fair growth	4/18/06	To: Metro Council From: Robert Liberty Re: Final Report to the Metro Council	041806c-06
5	Fair growth	4/18/06	To: Metro Council From: Robert Liberty Re: Fair Growth & Farmlands Project Report Relationship to Recommendations from Measure 37 Task Force	041806c-07
5	Fair growth	4/18/06	To: Metro Council From: Robert Liberty Re: Metro Policy Statements Regarding the Protection of Farm and Forestlands	041806c-08
5	Fair growth	4/18/06	To: Metro Council From: Robert Liberty and Daniel Lerch Re: PowerPoint, Final Report to Metro Council	041806c-09
5	Fair growth	March 2006	To: Metro Council From: Robert Liberty Re: PowerPoint, Metro District Voters and the "Windfall" Profits Tax	041806c-10
5	Fair growth	4/18/06	To: Metro Council From: Gil Kelley Re: Letter, Fair Growth and Farmlands Project Final Report	041806c-11
6	Council briefings	4/18/06	To: Metro Council From: Carl Hosticka Re: Medical Facility Planning Project Proposal	041806c-12
6	Council briefings	4/17/06	To: Metro Council From: Carl Hosticka Re: Article, Hospital building boom will show up in the bill	041806c-13