

METRO  
CHARTER  
COMMITTEE

P.O. Box 9236 • Portland • Oregon 97207  
Phone 503-273-5570 • Fax 503-273-5554

**Public Testimony/Discussion on  
Metro Finance Provisions**

**AGENDAS**

**March 30, Monday, 6 p.m. to 9 p.m.**

Tigard Water District, 8777 SW Burnham, Tigard \*

6:00	Portland Metropolitan Chamber of Commerce
6:45	Open for other public testimony

**(March 31, Tuesday, 6 p.m. to 9 p.m.)**

PSU, Smith Memorial Center, Room 338 (Vanport Room), Portland \*\*

6:00	Metro Council
6:40	Regional Governance Committee
7:45	Open for other public testimony

\* From Rt. 217 take the Tigard exit onto 99W. Turn left immediately at Hall Blvd. (Russ Chevrolet is on the left.) Go through an S-shaped curve and over a railroad track. Turn right onto Burnham. The Water District and parking lot is on the right.

\*\* Smith Memorial Center is on SW Broadway between Harrison and Montgomery. Room 338 is in the southwest corner of the building.

MINUTES OF THE CHARTER COMMITTEE  
OF THE METROPOLITAN SERVICE DISTRICT

March 31, 1992

PSU, Smith Memorial Center, Room 338

Committee Members Present: Hardy Myers (Chair), Ron Cease, Larry Derr, Charlie Hales, Frank Josselson, Ned Look, John Meek, Wes Myllenbeck, Bob Shoemaker, Mimi Urbigkeit, Norm Wyers

Committee Members Absent: Judy Carnahan, Jon Egge, Matt Hennessee, Ray Phelps, Mary Tobias

Chair Myers called the finance public hearing to order at 6:10 p.m.

1. Metro Council.

Jim Gardner, Metro Council Presiding Officer, and Jennifer Sims, Metro Finance Director, represented Metro.

Jim Gardner said that the Metro Council has a position related to the financing of the future regional government, adopted on January 9, 1992, as part of Resolution 92-1643-A. It says:

"In order to carry out the purposes of the district, the governing body should have the authority to levy taxes, fees and service charges, subject to constitutional limitations, including powers of initiative and referendum."

He said that the basic recommendations of the Finance Subcommittee are entirely compatible with the above policy, and with what the Council believes will be necessary for the future government. Metro has been experiencing some budget problems, related to the reduction in solid waste being delivered to Metro facilities. It has a direct impact on solid waste revenues. As financial receipts have gone down, so have the costs for processing garbage. However, Metro's general government functions--Council, Office of Government Relations, Executive Management branch, parts of the Regional Facilities program, larger parts of the planning programs--are all funded by an internal excise tax, majority of which is generated from solid waste tipping fees. Some budget adjustments have had to be made. Metro has adjusted to the shortfall with a proposed budget next year that is in line with the revised solid waste expectations. In that budget there are some clear, financial needs that are unmet. The system of regional facilities shows a budget shortfall mostly with the Center for the Performing Arts and Civic Stadium, which are going to have over the next 10 years, as a yearly average, ongoing budget shortfalls of about \$1.7 million. The Zoo shows a gradual, year-by-year spend down of the reserves that exist, so that by the budget year 1996-97, the Zoo will show a \$1.6 million deficit. The Metro planning programs in the upcoming budget will cost about \$1.8 million. That comes from excise taxes. Metro is raising, for the proposed budget, \$4.8 million in excise taxes. Due to the kind of growth management planning the Council believes should be done, another \$1 million is required to be added each year. There will be these needs, regardless of passage of the charter or not. Some of the more ambitious growth management planning that the Charter Committee has proposed, particularly the Regional Framework Plan, would require even greater resources. He said he has a question relating to the Finance Subcommittee report. Number three of the four recommendations summarizes the types of taxes that would only be imposed provided there is voter approval. It includes that voter approval is required for the payroll tax other than as now imposed by Tri-Met. Does that mean if Metro and Tri-Met merge in the future--so that Tri-Met's payroll tax would be assumed by Metro--Metro would have to go to the voters for any change whatsoever in the payroll tax authority, even, for example, a minor increase in the rate of that tax. Now, if a portion of Tri-Met's district withdraws, Tri-Met may slightly raise the rate of the payroll tax to adjust for the loss of revenue from the area. Does this limitation mean that authority would no longer exist if there is a merger?



Bob Shoemaker said that those points were raised to the Subcommittee shortly after they completed their meetings. He said that he circulated a memo among Subcommittee members explaining the situation. The answers offered by the Subcommittee were that regional government could adjust the rate to accommodate for an area withdrawing from the district. But the imposition of a payroll tax on employees could not be done.

Jim Gardner said that a future limitation, on the authority that now exists for Tri-Met, is not one the Council would like to see imposed on Metro, should there be a merger. The principle in number two of the recommendations--that *the regional governing body may enact all revenue-raising devices currently permitted for Metro's use by Oregon statutes*--ought to include everything authorized for Tri-Met. The statutes do provide that all Tri-Met authority can be transferred to Metro.

Frank Josselson said that six days ago he received the monthly edition of Metro Planning News. It contains a message from the Executive Officer that states:

"Many of you have heard by now about Metro's reorganization plan. We are refocusing our energies toward this agency's primary mission: growth management and urban liveability. "

He said that the message goes on to state:

"In addition, some programs with the Planning Department will be eliminated or scaled down."

He said that the programs that will be eliminated will be the housing program, economic development, emergency planning and water-quality management. Another statement in the message is that:

"There will be a total of seven layoffs in the Planning and Development Department...."

He said that the message concludes that:

"Making the decision to lay off people was a difficult one. It's never an optimal choice, but in this case, it was a necessary one. A whole series of economic reasons factor into the reorganization. They include: a reduction in solid waste tonnages in the region, lower than projected incoming excise receipts and the general nature of a down-turned economy."

He asked Jim Gardner what was the economic loss that resulted in the eliminations in the Planning and Development Department.

Jim Gardner said that the shortfall in the excise tax revenue was, current year, possibly \$600,000. The budget savings in the current year from the reorganization was between \$300,000 and \$400,000.

Frank Josselson concluded that Metro had, approximately, a \$600,000 shortfall out of a projected \$236 million budget, and used \$400,000 of that \$600,000 to cut the Planning and Development Department.

Jim Gardner said that the shortfall that made the impact was in the excise tax, which was about \$4 million. Excise taxes are the primary source of funds used for planning and general government costs. The decision was to deal with a \$600,000 shortfall out of a \$4 million excise tax. Some of the eliminated planning programs were in their infancy with one or two people working on them. In most cases a concrete work program had not yet been created. The decision was made, instead, to decide if something had to give, those would be the ones that should. The ones considered most critical--land use, growth management and resource planning--were left intact. The Council's reaction to the Executive Officer's proposal was to formally, through a budget amendment, acknowledge parts of the reorganization that were agreed to be necessary. But in the process of doing that, the Council identified two of those positions--proposed to be cut, that had a connection with growth management--that should be restored.

Frank Josselson said that the morning's Oregonian had an article about Multnomah County's consideration of the acquisition of One Main Place. It was trumpeted all over the paper. Why did that get so much instant reaction from the press, but \$23 million spent by Metro Council to acquire the Sears building got almost no attention?

Jim Gardner said that he, too, wondered why the acquisition of the Sears building got such fairly low-



level attention. In talking about it with the Executive Officer, her feeling for acquiring it was because it was the Sears building. It is a building the community has an attachment to. The community really wanted that building to be put to useful purposes again. The idea that Metro would fix it up and have it be a functioning building for the people generated positive reaction on an emotional level. He said he opposed buying the building and voted against it. In the last three or four weeks he has been asked by TV stations to explain why he opposed it. The stories that ran didn't seem to generate follow-ups or any kind of reaction. Maybe the Executive Officer was right. If Metro had purchased One Main Place, though, there would probably be the same reaction as received by Multnomah County. Post-Measure 5 has caused spending decisions by any government to create attention. Governments are all the same to people.

Frank Josselson asked, if Metro had been required to get voter approval to acquire the \$23 million Sears building, would it still have occurred.

Jim Gardner said probably not, unless Metro had done a very good job of convincing people it is needed.

Frank Josselson said that Clackamas County has gone twice to the voters for approval of a justice center, which is badly needed. The county's facilities are ancient, antiquated, under-sized and grossly over-utilized. In the most recent ballot, the voters voted against it even more resoundingly than in the past. Changing the subject, he said that the Memorial Coliseum, home of the Trail Blazers, allegedly makes a lot of money from the games played there--from parking, concessions and ticket sales. Over the past five years the regional government has sustained an annual loss on the Trail Blazers' use of Memorial Coliseum. What is the justification for that and how does that fit into sound regional planning and financing?

Jim Gardner said that the Trail Blazers' games don't make money for the Coliseum. They are a net loss. The Coliseum as a whole is a profitable operation. In past years Blazer games also made money, for the Coliseum and for Metro. What changed that was the most recent contract with the Trail Blazers. Essentially, at that point, they stopped being money makers for the Coliseum. Portland and then Metro came to feel that the benefit the Trail Blazers bring to the community more than compensates for the loss that those games themselves produce.

Frank Josselson said that Metro's figures show that the Trail Blazers were a net loss to the region in '86-87 with \$103,000, in '87-88 with \$132,000, in '88-89 with \$73,000, in '89-90 with \$96,000, and in '90-91 with \$100,000. He said he wonders how Metro justifies providing Paul Allen and the Trail Blazers the opportunity to make plenty of profit and for Clyde Drexler to make \$8 million, and the taxpayers end up paying \$100,000 a year for the cost of their playing.

Jim Gardner said that the point when the Trail Blazers' operation ceased to be profitable for the Coliseum was when the new contract started, before Metro was involved. But the loss was more than compensated by four or five other activities at the Coliseum. In a large sense, those dollar figures don't represent a loss in the region, because of the Trail Blazers being there. The region benefits in far greater ways from the presence of the Trail Blazers and what they add to this community. To a small extent, there is a cost.

Frank Josselson said that the Winter Hawks are also operating at a loss. In 1987-88 the region paid them \$105,000, in '88-89 it was \$72,000, and in '89-90 the loss was \$83,000. There are some 150 days that are used for rock concerts, services, and that kind of stuff. He concluded that Jim Gardner is saying that those events are sufficiently profitable that, notwithstanding the subsidies to the Trail Blazers and Winter Hawks, the Coliseum has been a profitable enterprise for the region. Those profits are used to help pay the costs for the Performing Arts Center, the Expo Center and the Civic Stadium. He asked Jim Gardner if that is right.



Jim Gardner said, not the Expo Center.

Frank Josselson asked Jim Gardner--in the course of entering into an agreement with the Trail Blazers, with respect to the operation of the Coliseum and the new arena--to describe the what led up to the agreement.

Jim Gardner said the agreement is a memorandum of understanding essentially between Portland and the Trail Blazer organization. The city still has ownership of over the Coliseum. Metro was just operating it through the MERC. He said he understands that the Trail Blazers will assume responsibility for operating the Coliseum at the same time they start constructing their arena complex. They will then operate these two facilities together. One part of the agreement includes that the city will construct some parking facilities around the Coliseum area. They will also accelerate some road improvements they have had planned. The city's cost of the parking facilities will be paid back by a admissions tax to events at the two facilities. There is a revenue sharing agreement that states, if the operation of the Coliseum is profitable, some of the profit will be used to offset road improvements, which are now the only public cost other than the admissions tax. The public cost of the project is about \$34 million out of a total cost of about \$200 million.

Frank Josselson concluded that it will not be repaid from surcharges on ticket sales.

Jim Gardner said that he doesn't believe road improvements will be, because they were going to be done anyway, but they will be done sooner than originally scheduled. They can use gas tax money for that.

Frank Josselson said, in summary, the Trail Blazers will then be operating both the Coliseum and the new arena. They will be deriving revenues from rock concerts, circuses, professional wrestling and so on, that spin off money now, not only to subsidize the Blazers and the Winter Hawks, but also to help subsidize the Performing Arts Center and the Expo Center.

The profit from the Coliseum is not enough to meet the deficits of the other facilities. The Trail Blazers will maintain the Coliseum and will make the repairs that it is going to need in the coming years. If the operation of the Coliseum turns out a profit, Portland will get part of that profit. On the other hand, if the Coliseum operates at a deficit, the city is going to be held harmless.

Frank Josselson said that Jim Gardner had indicated that the reason the region is losing money on the Trail Blazers is because of the contract. If Metro Council were to negotiate the contract, would Jim Gardner be satisfied with the Trail Blazer loss of \$100,000 a year?

Jim Gardner said that he certainly wouldn't want to enter into a contract knowing that it would be losing money. That contract was negotiated in the 80's. He said he doesn't know all the circumstances the city was facing, or the terms of the contract. If he, as a Metro Councilor, were involved in similar negotiations, he said his intent would be not to have a contract that didn't at least break even. Again, in certain times under certain circumstances, you also take into account the overall greater benefits for having the Trail Blazers in the Portland area.

Frank Josselson asked Jim Gardner if he thinks the public is generally aware of the reason the Coliseum is losing money on the Trail Blazers and the Winter Hawks.

Jim Gardner said, no.

John Meek said that there is a void at the Coliseum, under the MERC arrangement. The Coliseum is making some money and it is being used to offset some of the costs of other public facilities. He said there is going to be a line held on how much the Coliseum is going to make, once the Trail Blazers take over operation. Where is the offset now going to come from?



Jim Gardner said that the profit from the Coliseum is not nearly enough to meet the debts of the other facilities. The projections provided by MERC show that they will be less and less able to meet their needs. The whole system is drawing on its reserves to balance its budget each year. The draw down is going to be depleting the reserves in three-and-a-half years from now. Even with the Coliseum as part of the system, you would still have reductions in profit. Now, with the Coliseum out of the picture, the reserves will be gone in two-and-a-half years. It furthers the Council's resolve to find a regionally based funding source for MERC.

Ron Cease said that if there was a deficit, there would need to be some sort of public revenue or tax source to make it up. He said that he does not know a lot about the operation of MERC. It is combination arrangement between Metro and the city of Portland. It would suggest that the governance is a shared responsibility. He said he gets a sense that there is a lot of unhappiness with the MERC organization in the way it operates, that there are some old boys used to doing it the way they want to do it. What is the sense that Metro needs to get more control of the structure?

Jim Gardner said that there has been some friction with the MERC since it was created. Part of it was because many of the Commission members had previously been members of the city's ER Commission. As appointments are made, eventually the entire MERC will be appointed by Metro. There is a very good working relationship now, and it is getting better.

Ron Cease asked, if Jim Gardner could choose, would he use a commission to run the operation.

Jim Gardner said that Metro, a few years ago, asked the Legislature for, and was granted, the authority to set up commissions. They felt there were circumstances where it might prove to be the best arrangement, in terms of day-to-day operations. He said, personally, the operation of facilities in the current arrangement of MERC probably works quite well. The only reservation is that Metro alone does not have budget authority, and they don't really make the appointments. There are seven seats on the MERC, and in reality Metro has freedom to make two of them. The others are indirectly designated seats for the city of Portland.

Ron Cease asked if, with that kind of arrangement, it makes it difficult, if not impossible, for appropriate accountability.

Jim Gardner said that it doesn't provide a clear, direct line of accountability that can be seen and understood. It also doesn't make the condition totally accountable to the governing body.

Ron Cease said that the MERC is a commission that is a mixed bag, in terms of who runs it. A lot of it is a carry-over from the city's operation. He asked Jim Gardner, as Presiding Officer, what he thinks is the kind of system that Metro may need to get support for its regional facilities. Is it the sort of thing that you would ask the public to pay directly? Or is it sort of thing you use a mixed tax for? As you look down the line what kinds of factors do you have to take in mind to start picking up the deficits of the MERC operations?

Jim Gardner said that he is generally against dedicated taxes. But for purposes that are not a general service to everyone, for a system, for example, of spectator and performing arts facilities--that some people are never going to go to, but others will go quite often--for services like that, it is wise to look at a tax that is, in many ways, a user fee. A tax that is a niche tax only hits certain parts of the population, but it hits those that benefit from the service. An admissions tax of some kind has a possible connection for the purposes of the use.

John Meek asked Jim Gardner, in taking on a new tax when would he leave the discretion up to the elected body or take the decision to the voters. If Paul Allen, of the Trail Blazers, wanted to build a new arena and take over the Coliseum, would he make that kind of decision to do that if he was going to lose the money?



Jim Gardner said there is a bottom line. Paul Allen does not want to lose money and probably will not. But when you get above that line, in making some money here or making more someplace else, they recognize the tremendous support the Trail Blazers have.

John Meek said, while Metro is involved in an arrangement to build a new arena and give the Trail Blazers control of Memorial Coliseum, there is a recommendation that a 10 percent hotel/motel tax will solve the financing problems of the spectator and performing arts facilities. There is a question of the subsidy issue. In light of that, he asked Jim Gardner if he feels that a decision to institute a 10 percent hotel/motel tax should be made by the people or by an elected body.

Jim Gardner said that both of those decisions could be made by an elected body. Again, with niche taxes, the group being taxed should, in some way, benefit from the use of the money. With hotel/motel taxes the benefit is less clear. For the types of taxes that are so broad in their impact, the people should always have the right to say yes or no. It should always be put to them for a decision. Taxes that affect only a small portion of the community are in a category that ought to be within the discretion of the elected officials. You can always influence them or you can replace them. But in order for a government to be able to respond to specialized needs and functions that have to be performed, they need the ability to identify a narrow-based source of revenue. Ideally, it would be used for purposes that benefit, in some way, those it is being collected from.

## 2. Regional Governance Committee.

Judie Hammerstad, Clackamas County Commissioner; Gussie McRobert, Mayor of Gresham; and Bruce Thompson, Councilor of Troutdale, represented the Regional Governance Committee.

Judie Hammerstad said that the financial aspects of the charter will be what draws public attention the most. She said the RGC group would like to share some sound principles with the Committee and pursue ways that the RGC can help make a responsible charter. She said that in 1987, as a legislator, she was appointed to a task force on metropolitan regional government. They spent the interim looking at the subject, and made a number of recommendations which culminated in the possibility of the charter. As a county commissioner, she is on the Greenspaces policy advisory committee, on Arts Plan 2000+, and on the Regional Facilities Committee. The Regional Facilities Committee is what really peaked her interest in the charter because, as the line of questioning has just been completed--looking at the Blazer arena and the Coliseum--the deficit is going to come out because of that. The affect on the Performing Arts Center is going to be a remarkable shortfall that everyone is going to have to make up. She said, although she wasn't a member, she attended all of the finance subcommittee meetings of the Regional Facilities Committee. She also attended most of the arena subcommittee meetings. When the final report came out for the Regional Facilities Committee, she was pretty well steeped in all of the aspects of regional facilities, but primarily on finance. She was then appointed to a task force which was the public part of the arena facilities committee. She has now been appointed to the newly formed facilities finance committee which continues to look at the way the arts are financed in the future. It is going to be a real challenge. She said these committees have allowed her to acquire the knowledge regarding financing operations of Metro. She said she is taking it very seriously in looking at the annual budget and the variety of things Metro has been involved in the last year or so. She said she wants to restate that RGC, Clackamas County and she personally want to see a strong regional government that is accountable, accessible and responsive. After her presentation she said she will try to explore some possibilities in order to get to that. She said she will divide her testimony into two parts: the principles on which the financing of the regional government should be based; and charter recommendations to the Charter Committee. She said that RGC feels that funding sources should be linked to functions. One of the reasons RGC favors that is because solid waste has become badly taxed for service. The most radical example of that is that recently, local governments were asked to pass on the yard debris program to participants in Clackamas County. It was passed on, regardless of whether people have any yard debris. People who



live on large lots and compost their own materials still pay the \$2.60 for pick up, even if they never put out a leaf. It goes counter to wanting people to take care of their own composting. So there is a policy decision which isn't supported by the financial rewards. But it is in place and the area is trying to deal with it. Everybody is charged the same amount, regardless of whether or not they take the service. She said she thinks that is a definition of a tax, rather than a fee for a service. Generally, regional government should have access to the same funding sources that local governments have. The exception to that, RGC feels, would be property tax for operations. However, there is an exception to that, too. The problem with using property tax for operations is that those jurisdictions under compression--all of Multnomah County and the cities--would simply shift their taxes they are collecting to Metro, if they were able to use the ad valorem tax for operations. However, if a function, that is currently supported by property tax, is taken over by a regional government, there needs to be a mechanism for the dollars to flow with the function. This may be a charter amendment rather than an outright grant of taxing authority. RGC would feel more comfortable with that, simply because, under Measure 5, it is going to be very difficult for Metro to have access to operating funds through the property tax. RGC really feels that everyone has a very strong accountability to taxpayers to see a property tax decrease. A third principle is more oversight and accountability. Metro currently deals with the Tax Supervisory and Conservation Commission and it is typically done without benefit of the press. One of the problems with the lack of accountability Metro has is that it is not covered by the press. She said she thinks the reporter here this evening will tell you that he can't keep his eye on all the balls, because they are formed by the legislative body with subcommittees. He doesn't know when all of these subcommittees meetings are or how important they are. So it is hard for him to identify the importance in order to be able to report on it. Even when the TSCC has met with Metro in studying the budget, there have been some very heated exchanges that have not been covered by the press, and with few members of the public present. RGC would really like to see, for that reason, a citizen's budget committee be required. RGC would like to see a limit on spending user fees on general government functions. RGC would like to see limits placed on those fees on annual programs, perhaps a 6 percent limitation. RGC would like to see a rate review by local government whenever local government passes on a fee to the public. Local government now gets to pass on the garbage franchise fees. The tipping fee was increased 25 percent last year, after receiving a note from Rena saying the garbage fees would stay almost stable, with a variable increase in the coming years. She said she read in the paper this week that there will be a 10 percent increase in the tipping fee. In addition to that, there is an excise tax, which is currently 5 1/2 percent moving to 6 percent, on an increasing enterprise fund. So there is not only an increase in excise tax, or surcharge, but there is also an increase on the base. RGC would like to have, if local government has to pass that on, the ability to address that. Local government gets a lot of telephone calls. It is really not very comfortable for local government to say they are accountable when they don't have the accountability. RGC feels the government financed in this manner will meet the appropriate test of financial accountability, which good government at all levels really needs to be. RGC believes that limits should be placed on the annual increases in revenues that can be derived from excise tax derived from Metro's operations. That grows with Metro being able to use all of its current revenue-raising devices. RGC has no argument with that, except that there should be a limit. She said she wants to talk about the excise tax because she doesn't know how much the Committee has looked into it. The excise tax, which is a 6-percent rate, is not 6 percent on the enterprise fund. It is a 6 percent tax on the gross revenues of the district. By taking over Tri-Met, Metro could double the amount of revenue currently available to it. That's a fair amount of money. The regional governing body may enact all revenue-raising devices that are currently permitted, but not used. RGC agrees, but with one exception of the property taxes. That one should be limited by charter amendment. The list of taxes which are normally required to go to the voters, RGC feels, do need voter approval. That includes property taxes, income tax and sales tax. For any other revenue raising or financing devices--the niche taxes--RGC disagrees with the use of those as stated. She said she wants to address that in terms of both substantive and political arenas. Local government can, in some cases, impose those niche taxes. Portland and Multnomah County have the ability to do that and do that in some cases. Washington County, in their home rule charter, did not allow themselves the ability to do that without a vote of the people, because they felt that they couldn't pass a charter otherwise. She said she thinks that says something. As a general



purpose county, that is something that Clackamas County cannot do. The county can, however, acquire the niche taxes by going to a vote of the people, and have done that with the hotel/motel tax. The hotel/motel tax is a very good example of a niche tax that can cause some problems in the ordinances enacted, because other jurisdictions use it. The region is in a position right now, with the deficit of the performing arts, of Clackamas County being recommended for a 4-cent increase of the hotel/motel tax. While Washington County is recommended for 3-cent increase and Multnomah County 1 cent. Clackamas is sort of 'out there.' It's not real close to the Performing Arts Center and the Convention Center, which the county supports with property tax dollars, and the county voted on westside light rail. But for the county to pay more than its share is not something the people are thrilled about. If Metro can do this, by ordinance, on Thursday night, and if they are not covered by the newspaper, many weeks could go by before any of the public even knew. RGC is asking, that if the charter allows the niche tax--and RGC is recommending it not be by ordinance--that it build in some safeguards. One of those safeguards could be that it goes to RPAC, or a budget committee, or a rate review board, with the purpose of asking local governments, if they have the same tax, how would it affect their tax, and what are the consequences of raising this tax. RGC really feels that there are some things that Metro may want to raise as niche taxes that they may not have any relationship with. But RGC also realizes that Metro does need a consistent source of revenue. RGC would like to suggest that the consistent source of revenue needs to be continuation of the excise tax. If the charter allows a niche tax, the political problems could very well be that someone may silkscreen some lawn signs that say, "No new taxes." It could cause a very great problem. The Charter Finance Subcommittee recommendations have been based on an assumption of responsibility by Metro, and with the Committee's experience, perhaps that is a fair assumption. She said she would like to express that in a slightly different way. One way is looking at how much Metro needs. Part of that question is how much does Metro need now and how much will Metro need in the future, if the organization does the things the Charter Committee says they can do under the functions portion of the charter provisions. This has not really been discussed at all--how much does Metro need. But based upon what's going on today, she said she would like to suggest that Metro may not need the revenue that it is currently raising. The question that Frank Josselson asked, about the planning department and cutting these seven positions--those weren't total cuts. All but two or three of those were transfers--transfers into Solid Waste, and into Transportation. When Metro purchased the Sears building, it was at a cost of \$23 million. That money includes the purchase of a parking garage, which they originally said they weren't going to do because that was too expensive, but the garage is a revenue source. (A Metro memorandum, date 7/31/91 was passed out. It is attached.) The \$23 million bond issue includes the reserves, the capitalized interests, so that actual interest won't be paid until 1994. The total cost also includes the underwriting discount, the issuance cost and there will be a 6.76 percent 30-year mortgage. This goes back to the accountability to the public--very little process on Metro buying the Sears building prior to attacking it. The night that Metro Council authorized the purchase, there was no press present. She says she knows that because Clackamas County presented the End of the Oregon Trail project that night. When that presentation was over, the press person who was covering the presentation left. The purchase of the Sears building didn't show up in the paper for about two weeks. The only really interesting article was the one by Steve Duin, which took a real pot shot at it. But there was no public process on a \$23 million building. She directed the Committee's attention to the second page of the memo. She said she wants to give the Committee some constructive figures. It is going to be 80,000 square feet. She said she is not claiming that this is totally accurate because it is extremely simplistic. But it is the way that the Oregonian came upon the \$100-per-square-foot cost for One Main Place. For the Sears building it is \$225 per square foot. The parking garage, \$2 1/2 million plus a million for renovation, is \$1,500 per parking space. Now, in fact, that parking space cost isn't out of line. Parking spaces are expensive and those come back to you by charging parking fees. But on the front page of the memo, Metro is buying a building for \$2 1/2 million and renovating it for a total cost of almost \$20 million. She asked the Committee, if the public knew that, would they have passed it. She said that she may be a little sensitive because she is also coming off a personal experience--as Frank Josselson mentioned--about the justice center in Clackamas County. It is a 56-year-old building. The county doesn't have enough judges to process the justice service in Clackamas County. Yet the county couldn't get it passed. It has been on the ballot twice and it couldn't get



passed. The county knows that this is a totally unsatisfactory, unsafe building. The county could make a very good case for a building that costs \$117 a square foot. But \$225? She said she thinks not. In addition, during this last year's budget, when all local governments have been under the constraints of Ballot Measure 5--documented in the Metropolitan Service District's booklet on its financial history, when you look under the number of divisions that were funded on page 40--there was a total staff increase in Metro this year of 92 positions. Well, some people say, "Oh well, that was all in Solid Waste." Well, Solid Waste did increase from 67 to 84. "Well, that was in the Convention Center." That did increase, for MERC in general, from 314 to 348. But the general fund, for support services, increased from 81 to 103. And the planning fund, which you just heard was cut, went from 48 to 65. RGC can't ask the Committee to make this an accountable government if they don't know how it is operated. RGC can't do it. What RGC is asking is to give Metro the same kinds of funds, the same kinds of abilities, that local government has. And RGC is also asking the Committee to make Metro responsible. RGC feels that the structure of Metro is inextricably entwined with accountability. As long as they continue to operate in a vacuum, and in the dark, there is going to be this kind of operation. When you let the sun shine in on it, when you have fewer council members who are more accountable and who know more about what's going on and who have access to information, they will be more accountable. When you have a hired manager who knows about managing and is not simply supported by staff, you will have a government that is more accountable. RGC is asking the Committee to make this government more accountable, because RGC wants to work with an accountable, responsive government. It is necessary to have solid growth management planning, so that there won't be a region that's not livable, so that we can support the performing arts, so that we're not undermining the financing of regional government, of local government and the things that everyone supports. She said the RGC appreciates being here this evening and being able to share these thoughts. The Committee doesn't have an easy job. And RGC doesn't have all the answers. But RGC would like to be able to continue to work with the Committee, especially on the financing and on the structure. RGC wants to be able to go out and support this government and hopes the Committee will help RGC do that.

Bruce Thompson, Troutdale city councilor, said he would reiterate the fact that all governments represented by RGC want a strong and stable Metro. RGC thinks that the way to get it is to make it accountable for all of those concerned. One of the biggest problems the charter may face in passage is the matter of finance. As Judie Hammerstad pointed out, Mayor Gussie McRobert and he both are in an area where people are very concerned about taxes. RGC is concerned that the charter itself may go down simply because of the taxing provisions. People are going to be looking at it to see if there are taxing authorities that are not appropriate. Everyone wants the same thing. That is a metropolitan government that can be a regional stronghold. He said his biggest stress would be that whenever there is a tax, it be directly related to function, so that the public knows what they are paying for.

Bob Shoemaker asked Judie Hammerstad to go back to one point she made. She mentioned a 6-percent--or some percent--annual limit on increase in taxes. He said she mentioned it in two different contexts. He said he understood the second context. The first context he didn't. He asked her to go over it again.

Judie Hammerstad said that if there was a 6-percent limit, for example with the excise tax, that should be a solid tax. It should not be allowed to go up more than 6 percent. The base should not bring in more than an additional 6 percent a year.

Bob Shoemaker said, though, that Judie Hammerstad had an earlier point that seemed related to a limitation on tax increases and how it impacted local government.

John Meek said it was the pass through of fees, like the 25-percent increase in one year and a 10-percent increase the next year.

Judie Hammerstad said that if there were a limit on fees that are charged and that local government



must pass through, that would be very reasonable. With St. Johns Landfill and with trucking the garbage over to Arlington, money was being accumulated when Metro closed St. Johns. In fact, those two things are not linked to the actual costs of those operations. If they were, Metro wouldn't have the sizable carry over that enables them to bond on the Sears building.

Ron Cease asked Judie Hammerstad about the accountability question. None of the Committee would disagree that the government ought to be accountable and perhaps it should be more accountable than it is. He said that a lot of people in this area would have some questions about the accountability of the city of Portland. That is an issue for the residents of Portland. He said he wanted to ask about the newspaper issue. He said he had heard that before and he is sympathetic with it. He said he isn't sure that it is Metro's responsibility. Judie Hammerstad has raised a question that perhaps relates directly to the finance proposal. She has suggested that, somehow, the organization would be more atoneable, with a procedure for people to get information, if there were a manager form of government. He asked her to explain it.

Judie Hammerstad said that if there was not subcommittees Metro would be much easier covered by the press. Clackamas County is covered constantly. Metro functions like very big government that really isn't a big government. Portland is unaccountable because it is so big. But Metro isn't that big. It doesn't do that much. It should be very easy to know what it is doing. Then there is the part about having a hired manager. She said she would use the IBM building as an example. When Rena Cusma was running for office, as an election hook it was very easy to stand in front of the IBM building and criticize the former Executive Officer, asking why Metro should move into this new building. It is out of control government and if you elected her it wouldn't be out of control. A manager can't do that. Now, of course, the Executive Officer isn't standing out front of the Sears building and saying that. Because the public has an emotional attachment to this building, it would be a good thing to renovate it. That is nonsense. It is just plain nonsense. A manager wouldn't do that.

Ron Cease said that you could come up with all kinds of examples that would explain it one way or the other.

Judie Hammerstad said perhaps. If you want to have this financial management to tighten up, you need to have an appointed manager that has been hired of management skills. She said she feels strongly about it.

Ron Cease asked Gussie McRobert, mayor of Gresham, if she thinks that the appointed manager form is a better arrangement.

Gussie McRobert said that she would admit that she is not the staunchest member of RGC on that issue. But that is the view of the body of RGC. Some of the larger cities in the nation--San Antonio, San Diego, Dallas--all have council/manager forms of government. And they work very well.

Ron Cease said that he doesn't particularly like the fact that Metro relies so heavily on the excise tax. But as a practical matter, that has been a major source of revenue for them. They were using that tax and that process before the Legislature specifically got into the act and directly included the section that says specifically that they could do it. That issue was raised by the Tax Supervisory and Conservation Commission. No question that taxes such as the sales tax and income tax, property tax should go to the voters. There has always been a question whether a home rule government could levy, for example, an income tax without approval of the voters. But looking at the niche tax, the reason that Tri-Met has such a reliance on the employer tax is because it discovered that the tax is related to a specific part of the community which would be more likely to approve using that as a tax while applying the tax to more people. If a service is viewed as benefiting only a piece of the public, how does it get a tax? In asking for a tax from the voters, you fall back on whether it is democratic. If it is, is it accountable to ask an elected body to make a judgement? He asked Judie Hammerstad what she think, at this point, to be a more reasonable approach for more stable funding for Metro and



how much authority would she give it.

Judie Hammerstad said that it comes back to how much does Metro need. She said she thinks that, right now, there is a strong argument for stating that Metro has more than it needs. In its funding policy, Metro says that every functional area should have a five-year financial plan and any function assumed by Metro should have a source of funding. Theoretically, with a new function, that function needs to have an identified source of funding. She said that she isn't sure that niche taxes should be totally precluded, unless it is done with the cooperation of other people who may be affected by them and that it will benefit them. Then everyone will have the opportunity to say no or yes. This is really what the whole testimony is about. If that structure is in place, accountability can happen.

Bruce Thompson said that there is also a Tri-Met tax on self-employed people. The Tri-Met self-employment tax is hated the most strongly of any tax, followed by Multnomah County's business income tax. It would have had an increase recently, except for Gussie McRobert's protest. The reason that the self-employment tax is hated is people have to pay it. Employees don't see it.

Ron Cease said that the problem is in trying to relate the function to the tax as closely as you can. The public will support--whether by a vote or some other way--taxes for police protection. There are some services you can put on the ballot that people will vote down because they don't feel a connection to it, or that it serves somebody else and not themselves. In a general purpose government you have property taxes and other options. But when you try to finance something function by function, you are going to have some problems.

Chair Myers asked Judie Hammerstad to clarify what a niche tax is.

Judie Hammerstad said that a niche tax includes everything from a hotel/motel tax, food and beverage, might be a surcharge on parking and so on.

Charlie Hales said that the principles Hammerstad described appear to be inconsistent. The first is that funding sources should be linked to the function. The second is that Metro in general have the same taxing authority that is enjoyed by local government. Most local governments operate with a general fund and with a broad grant of taxing authority, and are not operated in this service district manner of having specific funding sources tied to specific functions. Which is Metro to be? How can Metro meet both of these principles if they have funding sources closely linked to functions, then they are not going to have the taxing authority that local governments have.

Judie Hammerstad said that Metro is a municipal government without any service delivery unlike any other local government.

Charlie Hales asked what Judie Hammerstad means by 'without any service delivery.'

Judie Hammerstad said that Metro has specific funding for the Zoo and Solid Waste. Those are the only two services that they perform now. Local governments, on the other hand, perform everything from law enforcement to human services and social services and dog control--a lot of things. Those things, that everybody benefits from, are supported by some kind of general fund. That is what the excise tax does for Metro.

Charlie Hales asked, if you take this approach, as the charter draft has with the RPAC, if the Committee has taken the construct in which new functions, powers and revenues associated with them, can only be conferred upon Metro with approval of local government. New functions have to be routed through the RPAC, which consists of local governments, for approval. It looks like a mechanism has been created by which only through intergovernmental agreement can Metro take on additional responsibilities.



Judie Hammerstad said that it isn't really too unreasonable. Local government can't take on any new functions without going to a vote of the people. RGC isn't just looking at giving Metro every function in the region. If Metro takes over functions that are currently supported by property tax, RGC would like to see a mechanism whereby the property tax revenue follows that function as it is currently funded. Portland currently has about half the water. If that were to become regional, then that would be supported through a water franchise and the money would be generated there.

Charlie Hales asked Judie Hammerstad what would be her preferred revenue source for funding the remaining general government function of Metro. That would include the Council, planning, non-service related portions of Metro's business.

Judie Hammerstad asked Charlie Hales if he argues that the excise tax is not sufficient.

Charlie Hales said he is not sure.

Judie Hammerstad said that the RGC argument would be that Metro could continue using the excise tax.

Charlie Hales summarized that RGC would keep the excise tax, limit it to avoid outrageous growth of Metro as a general government, and Metro could continue to use that revenue source as the operating fund for the general government portion.

Judie Hammerstad said that is right. If there had ever been a performance audit on Metro, that it needs a certain number of dollars in order to be able to do future planning, then she said she would feel more comfortable with addressing that in a slightly different way. But sitting on the financing committee for facilities and being aware of \$100,000 a year subsidizing the Blazers who are the biggest money makers in town, she said makes her a little leery of granting this government additional funding. She said she is going to see that this government is using money it has wisely and that it doesn't have too much.

Gussie McRobert said that it may seem inconsistent, but that is the way it is for local government. For example, local government cannot use water fees for anything but water. If Metro should ever take over water, sewers and those kind of things, then that should be comparable. RGC is in an evolutionary stage on this subject as well. RGC is still talking about it and trying to figure out what it is that Metro needs. Then RGC will see if they can figure out from that how it relates to what local government pays in dues. Should local government pay more dues? That is one of the things that is being looked at.

Charlie Hales said that Judie Hammerstad said that the marriage clause with Tri-Met could end up in a windfall through the possibility of an excise tax on the fare box. Are there any creative suggestions on how that could be avoided?

Judie Hammerstad said that is for the Committee to decide.

Charlie Hales asked if the excise tax is a flat rate assessed against functions.

Jim Gardner said that the tax is not differentially charged, and there are revenue streams that are not charged against it at all.

Bob Shoemaker asked Bruce Thompson if a self-employment tax is different from a payroll tax.

Bruce Thompson said that it is different from a payroll tax in that the taxpayer has a form that tells him exactly how much self-employment tax to pay. But the employee doesn't see the payroll tax because it is not a deduction out of his paycheck.



Bob Shoemaker summarized that the payroll tax that Tri-Met uses is imposed on the employer. A self-employment tax is what the employer imposes on himself, but it is still payroll tax on his income. So if the Charter requires a payroll tax to go to the voters, as is being recommended, that would include within it a tax on the self-employed as well.

Bruce Thompson said he would assume so. He said the point he is making about the self-employment tax is that it is visible only to those individuals who are self-employed.

### 3. John Ayer.

John Ayer asked if the money, allowed by the Finance Subcommittee recommendation, is pent, what percent would be saved by the people. The people only want to pay for one tax on one thing. As a government grows the money will come in. The Committee should tell the voters of the three counties what could be saved by this proposal. If the Charter is approved, will Metro give the voters any voice in the process on money matters? There is a budget committee in many cities. Most committees are not elected people. They are policy, advisory groups. There has to be a better way for the voter to know what is going on and how the money is being spent? As Metro grows what say will the people have in taking over other services. As Metro grows it will be a cancerous thing. The charter will be ongoing. There will be two or more people doing the same thing for different governments. There should be one service and one tax.

Bob Shoemaker said that the concept for Metro is that, as a matter becomes of regional concern, Metro will assume that regional function, and local governments will phase it out. As it occurs there should be cost savings based upon efficiencies. The Committee is trying to create a structure that will respond to needs as the metropolitan region grows and it is expected to do so very dramatically. Efficiencies will be found if it is best for the regional government to take it on and if it is really of regional concern.

John Ayer asked if there would be voter safeguards.

Bob Shoemaker said that the Finance Subcommittee recommendation is that any tax that has an impact on essentially all people--sales tax, payroll tax, personal and business income tax, property tax--must go to the people before it can be adopted. The niche taxes are maybe more appropriately decided at the council level, subject to referendum. On functions, the Committee has provided that as Metro takes on a function being performed heretofore by local governments, either local governments will give their blessing to having the function taken over by Metro or go to the people. It seemed to the Committee that it is a fair balance.

John Ayer said that last summer one of the Committee members said that possibly some services could be taken over without a vote of the people.

Bob Shoemaker said there has been a lot of discussion on that. The Committee is not finished yet. The thinking at this point is that taking over a function either be approved by local governments or that it go to the vote of the people.

John Ayer said that he has studied the Metro concept and it is basically regionalism with federal control.

John Meek said that, in reference to John Ayer's concern about Metro growing, if Metro takes over a function from the counties, there is nothing in the charter that would stipulate those counties would lower the amount of property tax they collect to fund the transferred function. So there won't necessarily be any dollar savings. Likewise, if Metro takes over a function that is generally not paid for by property tax--such as a water-type service--there is nothing in the charter that would stipulate that



water bills would go down. He said he doesn't want John Ayer thinking that a utility bill or property tax will be reduced because Metro takes over a function.

John Ayer said he is concerned about control.

John Meek said that is a concern, that he would be giving some of that up.

4. Jerry Krummel, Mayor of Wilsonville.

Jerry Krummel said that, under the payroll tax issue, he cited the Finance Subcommittee report, page 8, which states:

"The whole Committee should consider whether--if public transit is taken over by the regional government--any withdrawal from public transit should be allowed."

He said that in 1990, Wilsonville withdrew from the Tri-Met system, and with Tri-Met's blessing after careful negotiation. In Wilsonville they found they could provide much more service than what Tri-Met was able to do, and they could do it for half the cost to businesses, cutting the payroll tax in half. Withdrawal should still be an option that local governments can have. You need to make sure Tri-Met can provide what they say they can provide. He said Wilsonville will be talking to Tri-Met about being able to run an express from Wilsonville to the Tualatin Park-and-Ride. As it is right now, the city has a contract for two routes, one in the early morning and one in the evening. The rest of the day, people can call up and the dispatcher will send a bus and take them where they need to go. The city is providing much greater service to the constituents than what Tri-Met was able to provide. And the city is doing it for half the cost. The system is operating in the black. All of the transit dollars remain in the transit system. Consequently, there isn't money going out of the general fund to support the transit system. If Metro were to decide to take over Tri-Met, and if they decided to take Wilsonville back in to the system, he said he could guarantee that the service to the Wilsonville constituents will definitely go down. The businesses there will be extremely unhappy when their payroll taxes double. It doesn't make sense. He said that the city will take the issue up with the Regional Governance Committee so that there will be a unified statement to support the option of withdrawal from the Tri-Met system.

Chair Myers said that he doesn't think the Committee would propose a change to that option.

Jerry Krummel said if local governments can do something better, in terms of transit, they should be allowed to withdraw and it should remain an option.

Bob Shoemaker asked if Wilsonville residents actually use Tri-Met.

Jerry Krummel said yes. Wilsonville withdrew from Tri-Met, so after that, no buses have been going to Wilsonville. But because there are some riders who want to be able to ride the bus, the city went back to Tri-Met and contracted with them, at a savings from before, to come into the city and pick up on two runs.

Bob Shoemaker asked if Wilsonville pays something to Tri-Met in addition to fare box revenues.

Jerry Krummel said yes.

Bob Shoemaker asked if it is true that some Wilsonville citizens drive their cars to the Park-and-Ride.

Jerry Krummel said that is correct. That is one of the reasons that Wilsonville is discussing now with Tri-Met to have a transit center within Wilsonville. Tri-Met would pick up riders there and take them to the Park-and-Ride.



Bob Shoemaker said that the fare box revenue pays about a third of the cost of Tri-Met.

Jerry Krummel said in the Wilsonville system there is no fare box.

Bob Shoemaker said he is talking about the impact on Tri-Met with Wilsonville not contributing toward it. So, in effect, the other people in the Tri-Met area are subsidizing the Wilsonville residents who do use Tri-Met.

Jerry Krummel said he disagrees, based on the contractual basis Wilsonville has with Tri-Met.

Bob Shoemaker said that the contract is for the buses that go into Wilsonville itself. But there are Wilsonville people who drive to the Park-and-Ride and take Tri-Met. The city of Wilsonville, or its employers, are not supporting the Wilsonville people who use Tri-Met.

Jerry Krummel said Wilsonville businesses aren't benefitting from Tri-Met, if those people are going to the Park-and-Ride.

Bob Shoemaker said that everybody could, in enclaves, withdraw from Tri-Met, but the people could continue to use the system. But nobody within, say, the Wilsonville enclave is contributing toward the greater cost of the greater public system. That's not fair.

Jerry Krummel said, as far as local people are concerned, why should they pay twice as much for less service. If Metro took Tri-Met over, and in that process Wilsonville was forced back into the system, the city would expect to have the same level of service that other people in the district have and not the level the city had prior to the withdrawal. Before, the service was morning and evening and nothing in between. The city has a number of retired folks who don't drive.


Chair Myers adjourned the public hearing at 8:10 p.m.

Respectfully submitted,



Janet Whitfield  
Committee Administrator

Reviewed by,



Kimi Iboshi  
Committee Clerk



Materials following this page represent  
Public Testimony



MEMORANDUM

TO: Metro Charter Committee  
FROM: Mike McKeever, RGC Staff Consultant  
RE: Transcript of RGC Finance Testimony March 31

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The following document is a transcript of the RGC's testimony regarding finance issues of the Metropolitan Service District Home Rule Charter. Judie Hammerstad, Clackamas County Board of Commissioner and RGC Executive Committee member made the presentation. It should be noted that this is not a verbatim transcript of what was actually said. It is, however, a fairly close representation of the issues that were addressed in the presentation. This document does not include questions and responses from members of the Charter Committee.

There are five Attachments included with this document:

- |                |   |
|----------------|---|
| Attachment I   | Additional financial information regarding Sears Building                 |
| Attachment II  | Memo addressing questions about financing Sears Building                  |
| Attachment III | Memo regarding financial information on the proposed headquarters project |
| Attachment IV  | Metro financial history data  |
| Attachment V   | RGC Position Statement on Finance   |



**TESTIMONY TO THE METRO CHARTER COMMITTEE  
REGARDING ISSUES OF FINANCE  
MARCH 31, 1992**

**Presented by  
Judie Hammerstad  
Regional Governance Committee**

While a lot of time, thought and effort has gone into the structure of METRO, the financial aspects of the Charter will be most important to the general voter.

In addition to representing local government's position on Metro finance through RGC, I feel that I should explain why I am particularly interested in this issue and give you a little background regarding my involvement with regional government.

I have been a member of the following: (1) Task Force on Metropolitan Regional Government, 1987 as a State Legislator; (2) Greenspaces Policy Advisory Committee; (3) Arts Plan 2000; (4) Regional Facilities Committee, which I have attended virtually all finance subcommittee meetings and arena subcommittee meetings; (5) Arena Task Force; and (6) the newly formed Facilities Finance Committee.

These committees have allowed me to acquire knowledge regarding the financial operations of Metro, the effectiveness of the Metro Council's structure, and, I believe, give me a base of experience that is somewhat unique in the region.

I preface my remarks by stating my support of a strong regional government that is structured and financed to be accessible, accountable and responsive to the needs of the region.

I would like to divide my testimony into three parts:

- (1) the principles on which the financing of regional government should be based;
- (2) responses to the finance recommendations by the Charter Committee; and
- (3) additional recommendations by RGC based on current practices within Metro.

The general principles of RGC's financing recommendations are:

- Funding sources should be linked to functions. Some funding sources are not appropriate to use for some functions. The people should be able to understand what is being funded when they pay a particular fee or tax.
- Generally, the regional government should have access to the same funding sources as local governments so long as they are approved by the voters. The exception to this is property taxes, which for operating purposes should be limited to currently approved taxes. Under Measure 5, adding the regional government to the confused property tax situation would simply make a difficult situation worse.
- More oversight and accountability should be added to the current financial processes. A citizens budget committee should be required. Clear limits on spending user fees for general government functions should be required. Limits should be placed on the annual growth which is allowed in the revenues collected from the excise tax on regional government functions. Rate review by local governments should be provided for whenever a user fee such as solid waste must be passed on for the regional government at the local level. Independent financial and performance audits should be required.

A government financed in this manner would meet the appropriate tests for financial accountability which good government at any level requires and which the voters surely will demand.

The first major provision in the Committee's draft recommendations is:

1. **The regional governing body may continue to impose revenue-raising devices currently imposed by Metro.**

We agree, but believe that a limit should be placed on the annual increase in revenues which can be derived from the excise tax on METRO operations. Most people do not understand that the excise tax authorized by statute is not a 6% rate limitation, but is based on 6% of the gross revenues of the district. METRO can increase the take from the excise tax by increasing garbage and other fees or by taking on more services. The take-over of Tri-Met, for instance, would more than double the amount of revenue legally available to METRO through the excise tax.

2. **The regional governing body may enact all revenue-raising devices currently permitted for Metro's use by Oregon statutes.**

We agree, with one exception. A charter amendment should be required in order for METRO to use additional property taxes for operating revenues. We realize that your recommendation would also require a vote of the people in order for METRO to levy additional property taxes, but we believe it would send an important message to the citizenry of this area that we are listening to their desire to reduce our reliance on property taxes if a charter amendment is required in order for METRO to use this funding source.

3. **Imposition of the following types of taxes will require voter approval: personal income tax, business income tax, payroll tax other than as now imposed by Tri-Met, property tax and sales tax.**

We agree with this provision with the exception of the property tax as I just noted.

4. **Any other revenue-raising or financing device may be authorized by council ordinance, with a 90-day delay to allow for referendum to the people.**

We disagree with this recommendation for both substantive and political reasons. Many of the niche taxes listed in the Committee's report are inappropriate for METRO to be using. For example, many local governments charge a franchise fee to utilities in exchange for access to public facilities such as roads. METRO doesn't own any public facilities to franchise except in the solid waste disposal area. Urban renewable is a confused situation at best right now and will not be helped by giving METRO access to tax increment financing. The head tax on local governments currently is limited to 51 cents per capita. It is possible that the Committee's proposal would, in effect, eliminate that cap and allow the METRO Council to set whatever rate it wished for taxing local governments.

Many of the niche taxes which METRO might impose are already in effect in certain communities throughout the region. These communities have a direct interest in METRO's decisions to impose the same tax on top of their existing tax. The Hotel/Motel tax is just one obvious example. The Committee's recommendation



gives local governments no guaranteed ability to participate in that decision-making process. At the very least, local government should be allowed participation in discussions regarding the niche taxes.

On the political level, we believe that it is extremely unlikely that the voters of this region, the heart of this State's tax revolt, are going to approve a substantial expansion of taxing authority for any level of government at this time. People are not likely to be persuaded that the referendum is all of the check that they need. Especially with the lack of press coverage, weeks could go by before anyone knows that a niche tax has been approved by ordinance. Currently it would require over 17,000 votes to refer a METRO ordinance to the ballot. That is a lot of signatures for a 90 day period. I can see the phrase "no new taxes" on lawn signs now to defeat the Charter.

There are three other issues I would like to address before taking questions.

1. How much revenue does METRO need? RGC supports a stronger planning role for METRO and obviously they must have sufficient revenue to do the job properly. But how much additional revenue do they really need? Frankly, it is easy to be somewhat cynical about the real extent of METRO's supposed budget crisis. This is the same year that the Sears Building was purchased for a total of \$23 million in a process that was not open to the public, not reported by the press and which has not had a public disclosure of funding.
  - METRO has purchased the SEARS building at a cost of \$225 per square foot. This morning's Oregonian chastised Multnomah County for considering spending \$100 per square foot for purchasing One Main Place and then recommended that they move in with METRO at \$225 per square foot! (See Attachments I and II). I am aware that the calculations in the memo in front of you may be too simplistic and may therefore be inaccurate. I was unable to get the figures from Metro, but roughly the Sears Building will cost approximately \$225 a square foot. To service the debt alone will cost \$1.8 million annually (see October 8, 1991 memo for effect on department transfers to pay for building, Attachment III).
  - The actual impact of this year's budget cuts is the elimination of 2 staff positions, not the numbers which have been publicized. This comes in a year in which 92 staff positions were added (see Attachment IV).

We believe that there are efficiencies within the existing budget which are available to support an enhanced planning program. Further, we believe that our very strong support for a consolidated government structure will result in savings by eliminating staff duplication which could be applied to regional planning.

We recognize and support the premise that it is not fair for the Charter Committee to ask METRO to perform a lot of functions which can not be funded. However, we would strongly recommend that the Committee make an attempt to determine in a general sense how much money will realistically be required to conduct an effective regional planning program and scale down its financing recommendation to be proportional to that need. We would be happy to work with you on this question and would hope that METRO would participate as well.

2. Let me address a question we have heard for some of you as well as representatives from METRO: how can RGC recommend different taxing authorities for METRO than local governments have? Many of the cities of this region do have access to niche taxes without

a vote of the people, but most of the counties do not. Of the three counties, only Multnomah County has the power to impose niches taxes without voter approval, and I'm sure you know how well that has worked out for them. Last week Clackamas County went to the voters for approval to build a new Justice Center. We were rejected and we do not have a way to just proceed to build that facility through some other means. As a "grown-up" government, Metro must accept the same responsibilities.

Trying to draw direct analogies between METRO and local governments is dangerous. Most of METRO's functions in the future involve the sharing of activities between multiple layers of government. METRO will not do very many things in which it is completely autonomous from the rest of us. The careful work you have done to ensure that the process in your functions section promotes cooperation and collaboration should now be expanded to the question of raising revenue. It is essential that revenue issues be carefully coordinated with other units of government, local as well as state. This brings us to the inextricable linking of finance and government structure. Appropriate oversight and accountability can be best achieved by an appointed manager and a smaller, visible Council.

3. And finally, I just want to make a plea for being up front with the voters about what this government does and what it will cost to do it. We realize this is a difficult time to be talking to the voters about money. But we believe the voters want good growth management and will pay a reasonable price to protect their quality of life. We hope to be in a position to actively help to sell that message to the voters this fall.

METRO currently operates with less direct scrutiny from citizens than nearly any other government in this region. It is not their fault that the press often provides no or limited coverage of their decisions, but this contributes to people's lack of understanding of METRO. It is not their fault that they have to rely primarily on a largely hidden revenue source, garbage fees. Nevertheless, the way the government is financed detracts from the process of bringing this government out in the open and giving the voters the chance to establish their support for it.

It is important that the government have the money to reopen its doors and execute the mission in the Charter. As many reservations as we have about the excise tax, it probably needs to be continued in order to ensure that the revenue stream continues. But future revenues should come from the voters, not by continuing the problems of the current system.

(Attachment V is the RGC Position Statement on Finance Issues.)



# Attachment I

Sears Building costs: based on information provided to me by Jennifer Sims, 3-27-92

Corrected, per the information given me. Not confirmed by Metro. (Per my remarks in testimony that I was uncertain about the exact square foot cost based upon information that I was able to obtain and noting my simplistic approach to the figures.)

Project costs \$19.37m

Total 23 million

Includes reserves, capitalized interest, underwriting discount and issuance costs. 30 yr revenue bonds 6.76% interest.

Subtract: \$1.4m of the financing costs as a recoverable reserve. \$2.5m garage cost; \$1m for its renovation - 220 space at \$15,100 @.

Total: 80,000 square feet/ at \$18.1m; Square foot cost \$225

Debt service \$1.8m/year, See the attached memo from Jennifer Sims regarding the effect of the purchase of the Sears Building on the department transfer to support the debt service.

Jennifer said that she would get me the figures that Metro is using for square foot cost. I requested that from her on 3-27. She has said that she will provide that to me and to the committee. However, not only is the cost of this building of concern, but that this information was not readily available supports my contention that this was never part of a public process.

In contrast, the One Main Place building was highly publicized as costing \$100/sq. foot in the initial newspaper article.



METRO

2000 S.W. First Avenue  
Portland, OR 97201-5398  
503/221-1646

## Memorandum

DRAFT

Judie Hammerstad  
March 3

\$23M

\$19.37M total project

reserves  
capitalized int  
underwritten discount  
issuance costs  
30 yr 6.76%

DATE: July 31, 1991

TO: Casey Short, Council Analyst

FROM: Neil Saling

SUBJECT: Resolution No. 91-1478 - Responses to Questions

The following represents the Metro staff responses to the questions posed in your July 5, 1991 memorandum to me regarding the proposed Sale Agreement for the Sears Facility. Changes to the Staff Report and Concept Agreement which have taken place since your memorandum are noted.

Q1. What is the breakdown of costs used to arrive at the estimate project costs of \$14.5 to \$15.2 million?

A1. The presently estimated total project cost is \$18.5 million. A general breakdown of costs is shown below. Note that \$1.4 million of the financing costs is a recoverable reserve.

Construction	\$ 9,410,000
FF&E plus Art	1,268,000
Purchase Price	← 2,550,000
Project Management	1,775,000
Financing Costs	3,247,000
Broker Fees	318,000
	<u>\$ 18,568,000</u>

SPECIFICS  
ON ARCH  
CARTOON?

Q2. What is included in the \$16.50 per square foot rate cited in the staff report? Does it include the semi-annual \$50,000 option payment for the garage? If the annual cost calculation included these option payments and operating costs which were equal to our current (Metro Center) operating costs, how would these affect the rate per square foot?

A2. Included in the \$16.50 per square foot initial costs are operating costs and debt service offset by parking revenues. The cost of FF&E is \$1.11 per square foot and is not included. The option costs for the parking garage are not included. Inclusion of option payments of \$100,000 annually and operating costs equivalent to the current Metro Center could raise the initial per square foot cost to approximately \$19.20.

80,  
26,000 of it

244 \* 270.00



Sears Building costs: Jennifer Sims, 3-27-92

Project costs                    \$19.37m (without garage)

Total                            23     million

includes reserves, capitalized interest, underwriting discount  
and issuance costs. 30 yr revenue bonds 6.76% interest.  
Subtract \$1.4m of the financing costs as a recoverable reserve.

Total: 80,000 square feet at \$21.6m. Square foot cost \$270

Debt service 1.8m/year

Parking garage: \$2.5m for 220 spaces. Revenue to pay debt  
service.



METRO

 2000 E. W. First Avenue  
 Portland, OR 97201-5398  
 503/221-1644

## Memorandum

DATE: October 8, 1991

TO: Neil Saling, Director of Regional Facilities

FROM: *J* Jennifer Sims, Director of Finance and Management Information  
*C* Christopher Scherer, Financial Planning Manager

RE: FINANCIAL INFORMATION ON THE PROPOSED  
 HEADQUARTERS PROJECT

It is our understanding that the Council Regional Facilities Committee requested certain financial information related to the proposed headquarters project. This memorandum addresses (1) the estimated effect of the increased building costs on each non-support service department, and (2) a projection of the effect of increased building costs on Metro revenue sources.

## Effect on Building Costs

The table below shows the department transfers to the Building Management Fund for Budget FY 1991-92 and a projection starting in FY 1994-95 (the first full year of occupancy) at ten-year intervals of the estimated Building Management Fund transfers. We used the Financial Analysis of the Headquarters Building Purchase and Renovation (Financial Analysis) prepared by the Finance and Management Information Department on August 13, 1991 as the basis for this table. Additionally, for the purposes of this analysis, we believed that it was appropriate to use the level debt service alternative, the most conservative of the three alternatives included in the Financial Report. As indicated in the Financial Analysis, a significant portion of the increased building cost is related to the increase in space and not unit cost.

	FY 1991-92	FY 1994-95	FY 2004-05	FY 2014-15	FY 2023-24
Solid Waste	\$271,507	\$458,000	\$516,000	\$601,000	\$740,000
General Government	68,208	286,000	323,000	376,000	463,000
Transportation Planning	165,728	284,000	320,000	373,000	459,000
Planning and Development	93,520	182,000	206,000	240,000	295,000
MERC	33,245	199,000	224,000	262,000	322,000
Zoo	37,675	85,000	96,000	112,000	137,000
Total	\$669,883	\$1,494,000	\$1,685,000	\$1,964,000	\$2,416,000



Neil Saling  
October 8, 1991  
Page 3

0 The amount of excise tax revenues collected and the rate charged is dependent on revenues of Metro's operating departments. This analysis holds other department revenues constant except to the extent that increased revenue requirements related to increased building costs affect department earnings. Growth in department earnings will lessen the effect of required excise tax to pay increased building costs and the actual increase in excise tax percentage is likely to be materially less than the amount shown in the analysis.

We hope this information helps answer the Councillor's questions. Please let us know if you require any further assistance.

cc: Rena Cusma  
Dick Engstrom

## METROPOLITAN SERVICE DISTRICT

## METROPOLITAN SERVICE DISTRICT FINANCIAL HISTORY DATA

FISCAL YEAR ENDING JUNE 30	HISTORICAL ACTUAL											BUDGET	
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992

## BALANCE SHEET

## ASSETS

CASH	4685	1426	5374	11687	13520	16613	16774	18785	71133	64356	39955		
FIXED ASSETS	9505	13851	19856	20975	23296	25191	29423	33376	56740	87702	146724		
OTHER ASSETS	6740	10659	4736	2972	3353	3903	4528	7314	75343	108997	156756		
TOTAL ASSETS	20929	25936	29965	35636	40169	45707	50725	59475	203216	261055	343435		

## LIABILITIES

LOANS/BONDS	3280	6026	6115	6956	6560	6149	5681	5158	69570	68196	123070		
OTHER LIABILITIES	4248	5199	4632	7619	7561	8077	7883	9397	12908	45217	51651		
TOTAL LIABILITIES	7528	11225	10747	14574	14121	14226	13564	14555	82558	113413	174721		

## EQUITY

TOTAL EQUITY	13401	14711	19219	21062	26045	31482	37161	44920	120657	147642	168714		
TOTAL LIABILITY AND EQUITY	20929	25936	29965	35636	40169	45707	50725	59475	203216	261055	343435		

## STAFF

GENERAL FUND/SUP SVC	38	38	33	31	37	33	35	42	48	59	61	81	103
PLANNING FUND	48	54	37	27	22	26	26	24	25	32	39	48	65
ZOO OPERATIONS	90	94	104	107	114	119	123	131	139	157	167	179	179
SOLID WASTE OPERATIONS	10	28	30	27	26	30	31	36	42	39	51	67	84
MERC								5	1	10	15	314	348
CAPITAL OUTLAYS:								1	5	5	7	2	4
TOTAL STAFF	186	214	204	192	199	208	215	239	260	302	340	691	783



**INFORMATION FROM REGIONAL GOVERNANCE COMMITTEE  
TO CHARTER COMMITTEE  
REGARDING FINANCING FOR A REGIONAL GOVERNMENT**

**January 16, 1992**

The appropriate financial structure for a government is very dependent on the functions and structure of that government. The following opinions about appropriate financing for a regional government are based on the premises that the functions it initially delivers are roughly similar to those delivered by Metro today, and that the governance structure provides a true partnership for local government involvement in decision-making. If the final version of the Charter varies from either of these premises then our recommendations for financing would likely also change.

**GENERAL PRINCIPLES**

The way in which the regional government raises and spends money should adhere to the following general principles:

- Appropriate funding for a regional government should be directly related to the functions it provides.
- The potential funding sources of the regional government should be flexible enough to change as its functions change over time.
- Voters should be required to authorize taxes and other discretionary funding sources. This does not include user fees.
- Once a function and a source to fund that function are established, the revenue should be as stable as possible.
- Funding for regional functions should not compete with funding for basic public services provided at the local level. In the post Measure 5 era this means the regional government should not use property taxes for operating expenses beyond those property taxes already in use.
- The funding mechanism for functions of the regional government should be as clear and understandable to the public as possible. The public should know when it pays a fee or a tax what the money will be used to fund.
- Decisions about budgets and revenue sources should be made in an open process which is easily accessible to the public.
- Some formal oversight structure which include local governments and citizens with expertise in financial matters should be required in the budget development process. The regional government should be required to prepare a cost plan to allocate overhead costs. RPAC would provide the oversight function for local governments.
- Independent financial and performance audits should be conducted.
- In any case in which user fees are collected on behalf of the regional government by local governments the Regional Policy Advisory Committee (RPAC) should provide the oversight function of reviewing and advising on the rates.

## **FUNDING FOR SPECIFIC FUNCTIONS**

Costs for general planning, service delivery and overhead of the regional government should be financed as follows:

### **Planning and Coordination**

Some or all of the following revenue sources may be appropriate:

- Continue use of the excise tax on regional government functions. RGC is exploring the merits of sunsetting the excise tax in 5 years in hopes that a more suitable, permanent funding source could be identified by then. RGC is analyzing whether such a clause would be consistent with how local governments operate and whether it would be appropriate to replace some or all of the revenues from the excise tax with increases in the per capita tax on local government. The excise tax should have a limit (e.g., 6%) placed on the allowed annual increase in total revenues.
- More permanent revenue sources could include any of the following:
  - User fees from a service which the regional government is delivering. However, the fees would be strictly limited to planning for that service (e.g., solid waste fees would only pay for solid waste planning) and some guidelines would need to be established to limit the amount of money which could be devoted to planning.
  - Local government per capita assessment (tax) consistent with provisions in current state statute.
  - Any general tax except property (e.g., sales, income) which is approved by a vote of the people.

### **Service Delivery**

Some or all of the following revenue sources may be appropriate:

- First choice is user fees when this is possible and they can raise sufficient revenue to pay the full cost.
- Second choice is a general tax (sales, income) which is approved by a vote of the people.

Examples of how these principles might be applied include:

- Solid Waste Facilities - funded entirely through user fees
- Zoo - funded through user fees plus voter approved taxes (property, sales, income, excise)
- Other Regional Facilities - funded through user fees, hotel/motel tax, voter approved taxes

### **Overhead**

- All overhead should be paid by allocating costs reasonably proportionate to planning and service delivery functions. A general revenue source such as the existing excise tax should not by itself be used to pay for overhead.



Materials following this page represent  
Attachments to the Public Record

The biggest mountain of unearned wealth today is the multi-billion dollar unearned increment in land prices we are now subsidizing by undertaxation. Henry George would have welcomed the way today's land economists are wisely beginning to call the tax reform he died fighting for "Incentive Taxation." because (1) cutting away today's heavy tax penalty on improvements would give private investors a strong profit incentive to improve and build and (2) doubling or tripling the tax on underused land would put heavy pressure on its owners to put it to good use or sell it to someone who would.

#### DO WE FACE A LAND SHORTAGE?

Land ownership is the most highly concentrated form of wealth. In California, one big company owns more millions of acres of land than all the home sites in the state!

Nationwide, 568 big companies own 301,700,000 acres of land — 13% of our total land area and nearly 22% of all privately owned land.

Landowners want the voting public to believe that land prices are soaring, not because land price inflation is subsidized by undertaxation, but because good land around our cities is getting scarce. If any one believes that nonsense, I can only repeat the advice of famed Realty Researcher Roy Wenzlick: "Just look out the airplane window and see for yourself that there is no shortage of land ripe for development or redevelopment in and around any American city." Says Land-Economist-Statistician Homer Hoyt: "Even in our most densely developed urban areas there is more land than we will ever be able to use for housing, shopping, and industrial development."

As of now, only 2% of all the privately owned land in the U.S. is used for housing and only 3% for commercial, industrial, and recreational development. And a United Nations study found land enough within sight of the Pacific Ocean to house all of our people at single-family density!

(Excerpted from a paper delivered at the Henry George Centennial, San Francisco)

Fifth Printing

Every unprejudiced property tax study from coast to coast has supported the case of property tax reform, including the studies for:

The Federal Commission on Urban Problems  
The Chamber of Commerce of the United States  
The Federal Advisory Commission on Intergovernmental Relations  
The Congressional Research Service  
The Brookings Institution  
The House Committee on Banking, Finance & Urban Affairs  
The State Governments of Michigan, Indiana, Pennsylvania and North Carolina and the Provincial Government of Quebec, and also by many local studies: Milwaukee, Kansas City, Omaha, Buffalo, Indianapolis, South Bend, Pittsburgh, Scranton, Lancaster, New York and Washington, D.C.

In California the case of property tax reform is supported by local studies in San Francisco, San Jose, San Diego and Fresno. But in the face of all these studies the voters of California rushed to the polls to vote for a 40% property tax cut whose most immediate beneficiaries are the owners of the unused land. Thus the Irvine heirs were able to sell for \$413,000,000 the remaining acreage of the ranch their grandfather bought in Henry George's time for \$93,000!

*WARNING: The land inflation and monetary inflation carry seeds of catastrophic deflation. Good writers might turn the tide . . . .*

## The Two Trillion-Dollar Cost of Today's Wrong Kind of Property Tax

THE RIGHT TAX WOULD STEM  
THE INFLATION AND SELF-  
RENEW OUR CITIES AND TOWNS

By  
**P. I. Prentice,**

for 25 years Vice President, TIME, Inc./Chmn.,  
National Council for Property Tax Reform

Donald B. MacGillivray  
2339 S. E. Yamhill  
Portland, OR 97214

234-6354

MEDIA FOUNDATION  
AND LAND ECONOMICS, INC.  
580 No. Sixth Street  
Indiana, PA 15701  
(412) 465-7119

\$6. per 100  
including postage



Land is now so lightly taxed that land ownership is by far the biggest of today's tax shelters!

In an economy in which almost everything else is overtaxed, land is grossly **undertaxed**. Land speculators and other owners of underused and misused land needed now for orderly growth in and around our cities can hold land off the market at a net yearly tax cost of 1% — waiting for inflation, population growth, and an enormous nearby investment of other taxpayers' money to double or triple its selling price. That is, to increase its price 100 times and often 200 times as much as the yearly tax cost of keeping it idle.

Meanwhile many of our cities penalize, discourage, and too often **prevent private investment in housing and other needed improvements** by taxing improvements more heavily than any other major product of American industry except hard liquor, cigarettes, and now perhaps gasoline!

A 4% tax on improvements may not sound big compared to a Federal income tax that scales up to 70%, but it sounds small only because that 4% is 4% of the entire capital value of the investment. Whereas the income tax applies only to the net income on that capital.

The sad and shocking truth is that too few voters understand that a 4%-of-true-value-tax on new construction (as in quite a few cities) is apt to cost the building owner more than 50% of the income on his equity investment. It is apt to add more than 25% to the rent or the carrying cost of a home. The Federal Advisory Commission on Inter-Governmental Relations says it costs the investor as much as a 76% single payment sales tax would cost him if he could finance it at 5% over the 60 year life of the building!

### SUBSIDIZING INFLATION

In the spread city around New York, the Regional Planning Association added up the cost to the community for schools, roads, water supplies, police and fire-fighting equipment, sewage disposal facilities etc., needed to make land for one more

residence reachable, livable and richly saleable. It came up with a figure of over \$30,000 for each additional residence! Thirty thousand dollars in public services per additional residence, or say \$60,000 per acre, gives land speculators in the growth areas in and around our cities a **very juicy subsidy!**

Today's undertaxation of land has been capitalized into a land price total estimated by the Federal Census Bureau at more than two trillion dollars (\$2,000,000,000,000), giving land owners an **almost completely unearned increment**, denounced by FORTUNE as "more than double our vaunted investment in industrial production" and imposing on our economy a burden more than twice as heavy as the 800 billion dollar Federal debt!

### URBAN DECAY AND SLUM FORMATION

Today's wrong kind of property tax (**overtaxing improvements and undertaxing land**) has been the biggest single cause of urban decay and slum formation. It has been the biggest cause of land waste and sprawl and the only cause of the premature subdivision of millions of outlying acres that should have been left open-country for farming and recreation until well into the twenty-first century.

### SUBSIDIES FOR PUBLIC HOUSING

Land prices were already soaring 6.19 times as fast as the rest of the consumer price level at the time of the 1966 Douglas Commission Report — and that was before land price took off into the wild

Paul Wilborn, Florida Living Editor, Tampa Tribune, in an interview with Mr. Prentice, asked: *"If land-value taxation is such a good idea, why isn't it being adopted around the country?"*

Mr. Prentice: *"The large landowners who run our governments and corporations that influence governments won't support a system that would force them to either develop or give up their vast land holdings."*

blue yonder. This land price inflation coupled with the overtaxation of improvements is the biggest reason why multi-billion dollar subsidies seem to be needed to meet our housing need. **In New York, the Federal subsidy has soared as high as \$9000 a year for a new 2-bedroom apartment for a poor family!**

The land price inflation, subsidized by the undertaxation of land, is the biggest domestic element in the overall price inflation. Says FORTUNE: "The inflation price of land raises the price of everything we buy." Says TIME: **"The soaring price of land for farming is perhaps the reason for the soaring cost of food."**

Now homeowners have been rushing to cash in on the crazy inflation in the price of their homes to add three times as many billions of dollars to the consumer debt total as last year's \$31 billion increase in the Federal debt that so many economists consider the biggest cause of inflation! (1979)

### WHAT HENRY GEORGE URGED

When Henry George proposed a tax on land only to pay all the cost of government, the **property tax on land was actually meeting nearly half of all the cost of government** — local, state and national — whereas today the **land tax is barely meeting 2% of government costs!**

Henry George did not stop short by just urging a tax on the unearned increment in land prices. He was such a dedicated opponent of Communism and Socialism that he scorned Karl Marx as "The Prince of Muddleheads and a most superficial thinker" and he questioned the right of any government to take away through taxation any of the money workers rightfully earned by their labor and investors earn by the wise investment of their savings.

Henry George would have been shocked by the way today's tax system takes hundreds of billions of dollars from those who have **earned** it to **re-distribute** the wealth to people who have **not earned** it.

Testimony Metro Finance meeting

3-31-92 / DBM

Metro should adopt a tax structure that will work slowly to automatically implement its land use goals and objectives. To do otherwise is to be inefficient and to not take these goals seriously. What you need is a progressive tax structure.

The specific tax that I and many other people believe is the best tax for this purpose is a tax on land. Do not tax the improvements to the land, but tax land only. The advantages are many. A tax on land tends to tax urban sprawl. A tax on land tends to tax blighted urban inner city neighborhoods. A tax on land tends to encourage growth and development. A tax on land tends to reduce the value of the land making housing and land purchases available to more people. A tax on land tends to tax the automobiles excessive use of land.

A tax on land is a tax on land speculation. The value of the land is created by its locational value and the value of its surrounding infrastructure. Neither of these values were created by the owner, but by the public, and therefore it is appropriate that this value be returned to the public via a tax.

Simply levy a relatively small tax on the land value now and increase it as needed in the future. As it increases land owners will either develop their land to its highest and best use or they will sell it to someone who will.

In the past I have given out information about this tax to many governmental leaders. I have also given it to metro staff - specifically Ethan Seltzer. I believe this would be the best way to fund metro, I hope you will seriously consider it. If I can be of any help please let me know.

Don MacGillivray; 2339 SE Yamhill, 97213; 234-6354



# *The Evidence*

**For Land Value Taxation**

**by Steven B. Cord**

Donald B. MacGillivray  
2339 S. E. Yamhill  
Portland, OR 97214  
2241935

*Shifting the property tax off buildings onto land values has been called a “golden key to urban renewal, to the automatic regeneration of the city — and not at public expense.” This booklet presents hard evidence that such a shift has, in fact, been followed by new construction.*

# *The Evidence*

**For Land Value Taxation**

**by Steven B. Cord**

*A Compilation of Studies Presenting Hard Objective  
Evidence on Whether a Building-to-Land Shift in Property  
Tax Rates Produces an Increase in New Constuction*

**CENTER FOR THE STUDY OF ECONOMICS  
2000 Century Plaza (238)  
Columbia MD 21044**



## Preface

What would happen in your town if the property tax were gradually shifted, over the years, off buildings onto land? For example, McKeesport, Pa. has done this so that now it is levying a 10% tax rate on land only 2 ½% on buildings, instead of raising the same revenue by taxing both land and buildings at about 5%. If constructing and operating buildings attracted less property tax (eventually none), wouldn't it be more profitable to build and construct them? Wouldn't this encourage new construction and re-employment in your town?

The current property tax on buildings is a powerful deterrent to new construction and re-employment. Consider: a typical 2% annual tax rate on a new improvement of, say, \$100,000 will cost \$2,000 a year, which is equivalent to a one-time cost of \$20,000 (assuming a 10% interest rate), which in turn is equivalent to a 20% excise tax on the \$100,000 improvement. 20%! If someone proposed a 20% excise tax on a necessity of life - on a residence, office or factory - his proposal would be rejected immediately, and rightly so. But the property tax on buildings does exactly that.

If the property tax falls on land values instead, then the city re-coups the revenue it lost by taxing buildings less, and very important - landowners will be encouraged to put their sites to efficient use. For who would keep a site out of use, or in inefficient use, if the annual rental value had to be paid out, at least in large part, in local taxes? If you rented a site (which is equivalent to paying a tax on its value), wouldn't you be impelled to put it immediately to the most profitable use you could think of?

This is the theory. It is logically airtight. It should work in reality. But does it in fact?

The articles reprinted in this pamphlet appear to provide substantial evidence that the theory is working in the real world. In fact, the results seem almost too good to believe. In all of these studies, the building-to-land tax shift was rather mild, yet noticeable construction spurts were obtained.

Could other factors have caused these construction spurts? What, in literally hundreds of cities without exception? Well, let the reader judge for himself (he should know there is even more evidence available than has been printed here; for example, Harrisburg, one of the seven Pennsylvania two-rate cities, is prospering mightily since it adopted the two-rate approach; ditto for Washington, Pa. which went two-rate as recently as 1985).

Readers wanting additional evidence could write us for a copy of the book entitled *Catalyst!* (\$5/copy).

Of course, it is also true that there are many non-land-value-tax cities throughout the world with prosperous economies. Doesn't this weaken the case for LVT? Shouldn't they be suffering?

No, the existence of prosperous non-LVT cities does not undermine the LVT case. Given the evidence in this pamphlet, it's reasonable to think that they would be even more prosperous if they had LVT. Also, their prosperity could be due to the hard work of their citizens, their enterprising and risk-taking ability, a surge in demand for the products they produce - all strong factors which we could assume would be even stronger with LVT. After all, many of yesteryear's prosperous non-LVT cities are today's depressed areas.

These studies don't show that cities must suffer if they don't employ LVT. They only show that cities do better if they have it.

These studies can make one think, "if such a mild building-to-land tax switch has produced such remarkable results, what would happen in these cities if they shifted **all** their taxes onto land values, not just some? And then what would happen if the whole economy did it and not just a few cities? Wouldn't it be as if the economy were to jump out of the water and fly into the sky?"

Here are three final thoughts:

- It was Allan Hutchinson, a city councilman in the state of Victoria, Australia, who conceived the method of comparing building permits issued both before and after a building-to-land switch, as well as comparing the switching localities to neighboring and comparable localities. We have changed his methodology only slightly. Our hats off to him and his colleagues.

- The studies in this pamphlet have all been reprinted from the eight-times yearly bulletin **Incentive Taxation**. One result has been that certain statements of a general nature are repeated in these articles. The reader will be pardoned if he skips over the repetitions to get at the central facts of each study.

- The idea of taxing land more than buildings has received the endorsement of literally hundreds of urban land tax experts, from Ralph Nader and *The New Republic* on the left to William Buckley and the *Wall Street Journal* on the right. For example, Urban Land Institute Research Monograph No. 4 (p. 28) says of the land value tax that it is "a golden key to urban renewal, to the automatic regeneration of the city - and not at public expense."

So, dear reader, first read the evidence, then judge for yourself. And then act accordingly.

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***Pennsylvania***

***Evidence***

# Study in Pittsburgh Shows Spurt in New Construction Follows Two-Rate Property Tax Expansion

The theory is simple enough : decrease the property tax rate on buildings and we make new construction and rehabilitation more profitable. And if we increase the land tax rate, we encourage landholders to put their sites to an efficient use in order to get enough income to pay at least the increased land tax plus a profit on the improvement as well. This slight change in the property tax can provide a carrot-and-stick incentive to urban redevelopment, and quoting an Urban Land Institute report, "at no extra tax cost" to local government.

Fine theory, but does it work in practice? There is ample evidence that it does:

- Spurts in new construction have followed tax shifts from building to land in all 24 municipalities in Victoria, Australia which have made such a shift since 1954, and these cities have far out-constructed comparable neighboring municipalities which did not undertake such a shift (Incentive Taxation, 1/78, 10/77, Spring 1980, 6/84 -- issues sent on request).

- Similar results emerge from a study of 325 cities in the Republic of South Africa: those cities taxing land the most, experienced the biggest construction spurt (Incentive Taxation, 9/83 issue).

- All five cities which have had a two-rate property tax for longer than three years have experienced construction spurts larger than their comparable neighbors (Incentive Taxation, 10-11/82, 10/83, 11/83).

Now comes a new detailed study of Pittsburgh's experience with the two-rate tax, conducted by the Center for the Study of Economics (publisher of this bulletin). It finds the same sequence of events: a building-to-land tax shift followed by a construction spurt. The logic of the matter clearly points to cause-and-effect.

## CSE Study

Pittsburgh has been taxing land more than buildings since 1913. From 1925 to 1979, its land tax rate was always double its building tax rate. In 1979, as the result of having obtained a Home Rule Charter from the state legislature, it almost doubled its rate on land without changing the building tax rate at all; in that year its property tax rates were 9.75% on land and 2.45% on buildings. They have been changed repeatedly since then so that now the rates stand at 15.15% on land and 2.7% on buildings.

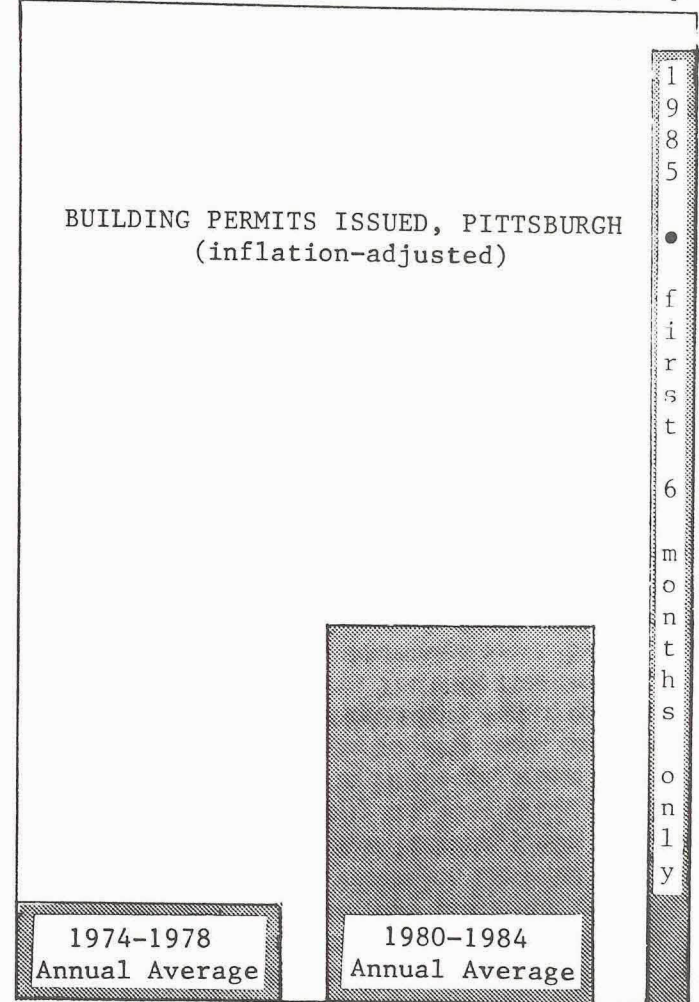
Now let us see what CSE's study of Pittsburgh's two-rate experience has uncovered:

(1) In the years 1980-84, when Pittsburgh was expanding the difference between its land tax rate and building tax rate, its new construction, as measured by its building permits issued, was 5.9 times higher than in the pre-change years of 1974-78 (city figures, Pittsburgh Bureau of Building Inspection). For the entire United States, 1980-84 building permits were only 1.6 times greater than for 1974-78 ("Construction Review," 11-12/84, tables C-1, C-4, C-6). Pittsburgh

did better than the nation, much better--almost four times better!

(2) CSE also attempted to rule out the inflation factor by adjusting the annual figures for building permit issuance by changes in the cost of living. When this was done, CSE found that the adjusted 1980-84 figures exceeded those of 1974-78 by 3.92 times (see p.

BUILDING PERMITS ISSUED, PITTSBURGH  
(inflation-adjusted)



16, PA Economy League study).

(3) Since 1979, Pittsburgh's building boom has been spearheaded by several big, new downtown office buildings whose profitability was significantly increased by the building-to-land tax shift. For instance:

- the Pittsburgh Plate Glass complex save \$615,335 a year in property taxes because of the two-rate approach as compared to a one-rate property tax raising the same revenue for the city.

- One Mellon Square Building save \$1,291,266 a year.

The Oxford Plaza complex saves \$361,369 a year.

In addition, these savings are enhanced by smaller yet still significant three-year tax abatements on the improvements only (not the land), which is similar to the two-rate tax. One must assume that these tax



incentives figured in the final decision to build these job-producing mammoths (the Oxford Plaza Building, with thousands of jobs, replaced a parking lot which provided maybe 3-4 jobs).

Final empirical verification that a building-to-land tax shift will spur new construction and re-employment must always remain elusive. We can never be sure that we will have accounted for all the other relevant factors, but there surely is a logical reason to connect the two-rate tax to the construction spurt, and it has actually occurred in so many places throughout the world that it is hard to doubt a cause-and-effect connection.

Contemplate this: if you are looking to buy a home in a community which levies a tax on the full rent on land, then the price of land would be zero (or near zero). You could invest in common stock what you save on land cost, and then use your dividends to pay the annual land-rent tax.

You'd pay nothing for the land and you'd have extra income to cover your land-rent tax. In addition, your buildings, wages, retail purchases, etc. would all be tax-free!

Wouldn't you prefer to locate in a land value tax community as compared to a tax-labor-and-capital community?

## % CHANGE IN BLDG PERMITS ISSUED

PITTSBURGH

+293 %

NEW OFFICE BLDG  
CONSTRUCTION -  
NATIONWIDE

+54 %

In 1979, Pittsburgh, Pa. increased its tax rate on land by 48 mills and another 28 mills in 1980. The above chart compares building permits issued in 1976-78 to 1979-81 for Pittsburgh and for new office building construction nationwide.

# Poorer Homeowners in Pittsburgh

## Save Money with the Two-Rate Property Tax

Pittsburgh's homeowners in those wards with less-than-median income save AT LEAST \$728,741 a year with the city's two-rate property tax, and the annual savings are actually much more than that. So concludes a research study conducted by the Center for the Study of Economics (C.S.E.).

C.S.E. is a non-profit research organization which publishes Incentive Taxation and prepares objective studies on the two-rate property tax. It was first organized in 1980. Incentive Taxation printed the first half of this study in last month's issue when it presented evidence to show that Pittsburgh's two-rate property tax seems to have helped bring about a spurt in new construction in the city.

Before examining how the two-rate approach duntaxes poorer homeowners, we should point out that Pittsburgh has been taxing land assessments at a higher property tax rate than buildings since 1913. From 1925-1979 the city's land tax rate was always double the city's building tax rate; since 1979, the land tax rate has been greatly increased while the building tax rate has been raised only slightly; as of 1985, the land tax rate is 15.15% and the building tax rate is 2.7% (assessments are officially at 25% of market value).

### The C.S.E. Study

Now let us see how C.S.E. arrived at the conclusion that homeowners in the poorer wards in Pittsburgh save AT LEAST \$728,741 a year with the two-rate approach. Some detective work is required.

First, it is necessary to determine which of the thirty-two wards in the city are poorer-than-median; this could be ascertained from U.S. census data (1980 Census-Pittsburgh, Table P-11).

Second, C.S.E. had to determine how homeowners fared under the two-rate tax. The Allegheny County Assessment Dept., which assesses for the city, doesn't classify property according to use - residential, commercial, industrial, etc. - but rather classifies property according to incorporated and un-incorporated ownership (see 1/5/85 "Total Value Municipal Summary," p. 3, Ray Watt, Assessor's Office). It is safe to assume that all or nearly all homeowners are listed on the un-incorporated list, as there is no advantage for a homeowner to incorporate and considerable time and expense to do so.

When C.S.E. combined the census with the assessment data, it found that the un-incorporated properties in Pittsburgh's poorer-than-median wards



saved AT LEAST \$728,741 a year with the two-rate approach (15.15%/2.7%) as compared to what they would have to pay with a one-rate tax (5.16% on both land and buildings) raising the same revenue for the city.

Poorer Homeowners in Pittsburgh Save

**\$728,741/Year**  
**AT LEAST**

**At Least!**

But the actual savings to the homeowners in the poorer-than-median wards are much more than \$728,741 a year. This is because the un-incorporated classification includes, in addition to homeowners, some unincorporated commercial and industrial property as well as vacant lots. These properties tend to pay more with the two-rate approach (certainly all vacant lots do). If they were excluded from the un-incorporated list, then only homeowners would be left and consequently their savings in the poorer-than-median wards would far exceed \$728,741 a year.

And as far as tenants are concerned, they clearly are beneficiaries of the building-to-land tax shift, as they pay no land tax at all and there will be less building tax to be passed on to them in the form of higher apartment-rent.

Some may ask, "Isn't the land tax passed on to tenants in the form of higher apartment-rent?" Perhaps it is in the short run and in some cases, but every economics textbook asserts that a tax on land values

cannot be passed on to tenants in the long run. They argue that a tax on buildings can be passed on because it causes some buildings to become unprofitable to operate and thus fall into disuse; also, it reduces the profits on new construction and so fewer buildings get built. In the long run, the smaller supply of buildings allows the rental price to be raised. But land is different - its supply is fixed and so a tax on land values cannot increase the rental price of land; because the tax won't decrease the supply of land or increase the demand for it, the tax won't increase its rental price. In the short run, a land tax might be passed on because of pass-through leases but in the long run when leases are renewed, the land-rent increases won't stick. If landlords insisted, some tenants would move out of town and others would economize on their use of space, and the lower demand for land would cause a return to the previous land-rent level, all other factors remaining the same.

In fact, because more sites would be used if taxed, then the supply of available land would be increased -- with a consequent lowering (not raising) of rent!

This economic reasoning is important because it means that a building-to-land tax shift benefits all tenants, poor ones included - they pay no land tax and there will be less building tax to be passed on to them in their apartment-rents. Almost half the city's population lives in rental quarters (U.S. Census-Pittsburgh 1980, H-1), and we can assume that an even greater proportion of poorer people in town are tenants. So the two-rate approach would be a great benefit to the poorer tenants, although by exactly how much it is hard to say.

## *Megabuck Savings for Harrisburg Developer*

### **Megabuck Savings**

The latest news in Harrisburg is that a new addition to Harrisburg's downtown, in addition to Strawberry Square, is on the verge of final approval. It is a hotel conference/office complex of huge proportions - some \$60-\$80 million in all. Application is being made for a UDAG grant to cover some of the expenses (maybe as much as \$4-\$6 million).

If we assume that the new complex will have the same building-to-land ratio as does the existing part of Strawberry Square, and that seems like a reasonable assumption, then the proposed buildings will save about \$180,000 a year in taxes because of Harrisburg's two-rate property tax. It is hard to imagine that the prospective developers did not include low property tax costs of this magnitude in their calculations before offering to bid on the project. We'll never know whether they would have gone ahead with this project even with a flat tax rate; we can only say that this handsome tax savings was an added inducement. It is reasonable to think it helped clinch the deal.

Harrisburg (pop. 53,115) is slowly emerging from a rough decade. This capital city of Pennsylvania was cruelly buffeted by the Agnes flood of 1972. In addition, huge shopping centers ringing the city have been slowly strangling the retail business in the downtown area.

But Harrisburg has been fighting back. New construction has increased since it first started to tax land more than buildings in 1974. A huge complex containing office skyscrapers and an indoor shopping mall sprouted up a few years ago - and therein lies the first part of our tale.

This multi-million dollar complex, called Strawberry Square, is currently assessed at \$24.488 million for buildings, \$1.477 million for land (assessments are at 60% of assessed market value). If a flat tax rate of 2.829% were levied on all land and buildings, the city government would get as much revenue as it now gets with 5.825% land, 2.188% buildings. But the Strawberry Square complex would then pay \$112,857 a year more in property taxes. In other words, that is the amount it saves with Harrisburg's current two-rate tax.



### Other Aspects

While it is true that these big downtown developers get substantial tax reductions with a building-to-land tax switch, do keep in mind that they provide the community with much-needed new jobs. And it is not the homeowners in town who are picking up the tax burden. Most of them pay less with a two-rate tax; about 60% of them, according to a citywide study performed in 1981. It is the under-users of land who pay more, and they are preventing the unemployed from working on their sites.

Just recently, the Harrisburg city government moved to a new, modern and beautiful city hall. The old Municipal Building, built 1910, stands starkly empty but plans are

afoot for selling it to a condominium developer. Extensive remodeling will have to be done, of course - and because of the two-rate property tax, it will all be taxed at a lower rate. Thus, the plans are more likely to be realized. Generally, apartment buildings are the biggest tax savers as the result of an LVT shift.

The current city administration is favorably disposed toward land value taxation. Writes Mayor Stephen Reed: "I believe that there is an incentive for new construction and rehabilitation when a higher rate of tax on land exists."

We look forward to continued good news from Harrisburg.

## *LVT Scranton Maintains Construction Lead Over Non-LVT Wilkes-Barre*

Nestled in the northeastern corner of Pennsylvania are two sister cities - Scranton and Wilkes-Barre.

They are similar in many ways. The declining anthracite coal mining industry has been important to both of them, as is the newer electronics, garment and trucking industries. Both can boast of many institutions of higher learning. They are twelve miles apart and their citizenry share similar ethnic backgrounds. They share the same airport and philharmonic symphony. They tax real estate at about the same general percentage. Scranton has a population of 87,000, Wilkes-Barre 51,000; both experienced about a 14% population decline from 1970 to 1980.

But there is one significant difference between the two cities: in 1980 Scranton nearly doubled its tax rate on land to 9.6% while maintaining its building rate unchanged at 2.55%; in addition, it passed a law (known as LERTA) exempting all newly constructed commercial and industrial improvements from the property tax for the first ten years (the land was not tax-exempted), and new residential construction received a somewhat lesser but still generous exemption. Wilkes-Barre did none of these things; it continued to tax land and buildings at the same rate.

Scranton's city officials had hoped to encourage new construction. A study undertaken by the editor of this publication and published in the Summer 1982 issue indicated that their hopes were being fulfilled.

This study of building permits issued in Scranton

revealed that in the two-year period following the uptax on land coupled with the net downtax on buildings, new construction in Scranton increased 14% in number of building permits issued and 22% in value - and this in the teeth of a nationwide construction recession (1980-1981). In neighboring and comparable Wilkes-Barre, the corresponding figures showed a decline of 30% and 44% respectively.

The Wilkes-Barre construction decline was understandable in light of the stiff 1980-81 construction recession. But what could account for the Scranton increases during the same period of time? It would seem logical to ascribe it to the uptax on land, which should dissuade landowners from keeping their sites out of less-than-most-appropriate use; also the downtaxing of new improvements would encourage new construction and renovation. No other relevant changes seems to have occurred in the economies of Scranton and Wilkes-Barre since 1980.

### New 1982 Figures

Your editor felt, however, that this study was somewhat incomplete. Symmetry demanded that a three-year period following the change, not two years, was needed to compare to the three-year period prior to the change. So back he went not long ago to the city halls of these two cities to unearth the taxable building permits issued for the year 1982. He found that Scranton was still out-constructing Wilkes-Barre. The theory and the facts were still in consonance. See the chart accompanying

A Comparison of the Number and Value of Taxable Building Permits Issued in Scranton and Wilkes-Barre Both Before and After January 1980, when Scranton Almost Doubled Its Land Tax Rate and Substantially Reduced its Tax Rate on New Construction.

	1977-1979		1980-1982		% Change 1980-1982 - 1977-1979	
	Number	Value	Number	Value	Number	Value
Scranton	1145	\$8,658,747	1239	\$10,669,047	+ 8%	+ 23%
Wilkes-Barre	2520	\$14,542,318	1651	\$7,721,485	- 33%	- 47%

NOTE: The numbers and values are annual averages for the years indicated. For example, 1145 building permits were issued annually, on the average, during 1977-1979.



this article.

The study is now complete. We have compared the three years after the Scranton rate changes of January 1980 with the three years before. If we include years too far away from the change, then we run the danger of other factors arising to affect the rate of construction in these two cities.

Of course, the possibility of other factors affecting materially the construction patterns in these two cities can never be entirely ruled out. None seem apparent, however, and it is reassuring to note that similar comparisons of other LVT and non-LVT cities in Pennsylvania show similar results, as do similar comparisons in dozens of cities in Victoria, Australia and literally hundreds of cities in the Republic of South Africa.

Another reassurance: the highly respected Fortune Magazine recently ran a full-scale article on the Scranton/Wilkes-Barre statistics as well as similar statistics from other Pennsylvania cities, all of which have appeared in this and previous issues of this publication. Two of their researchers, editor Gurney Breckenfeld and writer Ed Baig, visited the same sources which your IT editor visited and verified the accuracy of these statistics. You needn't take our word only; take Fortune's. It's the same. We welcome their independent verification. So should you.

#### Conclusion

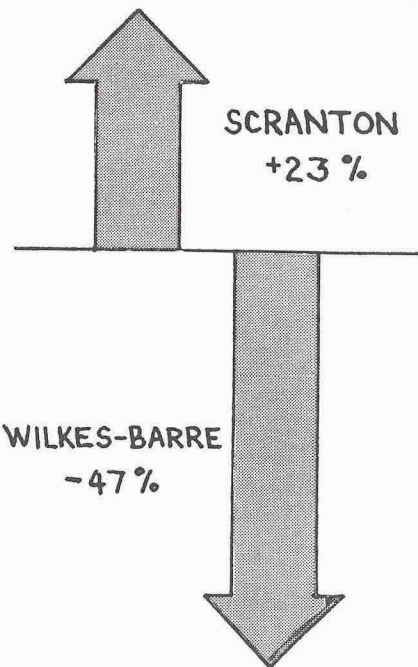
Has it crossed your mind, "If Scranton's modest uptax on land and downtax on new construction has seemingly produced a construction upsurge, what would continued annual moves to uptax land and downtax buildings produce? How much more new construction would there be, and above all how much more new employment would result?"

If Scranton were to move steadily, year by year, in a land tax direction so that within five years or so the property tax would fall only on land and not at all on investors in new construction and rehabilitation, couldn't we reasonably expect to see a significant dent

made in its still-high unemployment rate? What we need is vision and vigor on the part of leaders in business and government to act upon proven theory - to turn studies into reality.

And what about your city?

#### % CHANGE IN BLDG PERMITS ISSUED



In 1980, Scranton, Pa. adopted a higher tax rate on land than on buildings. Wilkes-Barre did not. The above chart compares building permits issued in 1977-79 to 1980-82.

## LVT McKeesport Still Ahead

At first glance, the city of McKeesport, Pa. seems to have little going for it. It depends heavily on the steel industry, and everyone knows how badly off that industry is. As a result, unemployment in McKeesport is far above the national average. Downtown retailing is suffering; vacancy signs can be seen on the main street, and Cox, the town's only department store, has been forced to close down. Many people are pessimistic about McKeesport's economic future.

But there's a lot of life in the old town yet. The streets buzz with people and cars, there's considerable office employment downtown, city government and private civic organizations are mounting strong efforts to combat the economic malaise.

And wonderful to relate - new construction and rehabilitation have been increasing steadily, year after year since 1980. It's the best statistic the town can offer to show that the city is still economically alive, with a viable future.

The year 1980 is a key year, since it was then that

the city introduced the two-rate tax:

- It increased the tax rate on land from 2.45% to 9%.
- It decreased the tax rate on buildings from 2.45% to 2%.
- New construction was given a three-year tax exemption (but not the underlying land assessment).

The net effect of the tax rate changes was to increase the total property tax revenues by almost 50%. The city government was then in a financial bind. One would think that the increased property tax burden would have reduced new construction and rehabilitation, but the reverse occurred. Following the aforementioned tax change, new construction and rehabilitation for the three-year period averaged 38% more than in the previous three year period. 38%!

We should not be surprised that when land is taxed more, an incentive will be created for the owners to put their sites to a fuller use (limited by zoning); and that when buildings are taxed less, it would be easier for the landowners to improve their sites.



## Taxable Building Permits Issued

	1977-79 Annual Average	1980-82 Annual Average	% Change
McKeesport	\$1,716,000	\$2,370,191	+ 38%
Clairton	\$746,710	\$539,564	- 28%
Duquesne	\$1,053,315	\$839,731	- 20%

*Source: Building permit records in the three city halls.*

Tax land and we create the incentive for it to be used intensively, and economic growth results. This cannot be said about any other tax, since they are levied on labor or labor-produced commodities; the more they are taxed, the more dis-incentive we create. This seems to be borne out by the facts in McKeesport. See the table below.

Note that McKeesport's 38% gain is for taxable building permits issued. Tax-exempt construction was excluded because it is not affected by tax considerations.

### Duquesne and Clairton

Of course, the question should immediately arise - could other factors have been responsible for McKeesport's 38% gain? You can never know for sure, but none seem to be present.

In order to further rule out other factors, it makes sense to compare the record of McKeesport (pop. 31,017) to that of its neighbors, Clairton (pop. 12,073) and Duquesne (pop. 10,099). The latter is right across the Monongahela River and the other is downstream about two miles. Each of the three cities has one U.S. Steel mill as well as steel-related industries, and consequently they all have much higher-than-average unemployment. There are no other nearby comparable cities.

These three cities are truly triplets, the only visible relevant difference being that McKeesport up-taxed land and down-taxed building in 1980, while the other two cities did not.

When we compare the record of building permits issued in Clairton and Duquesne to that of McKeesport, we see that the latter did considerably better than its two comparable neighbors. In fact, it did much better - Clairton's new construction and rehabilitation fell off 28% in 1980-82 as compared to 1977-79, while Duquesne's fall-off was 20%. The accompanying table gives the details.

Considering the hair-raising depression in construction that occurred during 1980-82, the record of Clairton and Duquesne is better than might be expected, but clearly McKeesport did much better.

It is reassuring to note that these results are corroborated by similar studies comparing LVT Scranton to neighboring Wilkes-Barre, LVT Pittsburgh to other U.S. cities, and by similar studies in the state of Victoria, Australia (24 cities) and the Republic of South Africa (over 300 cities).

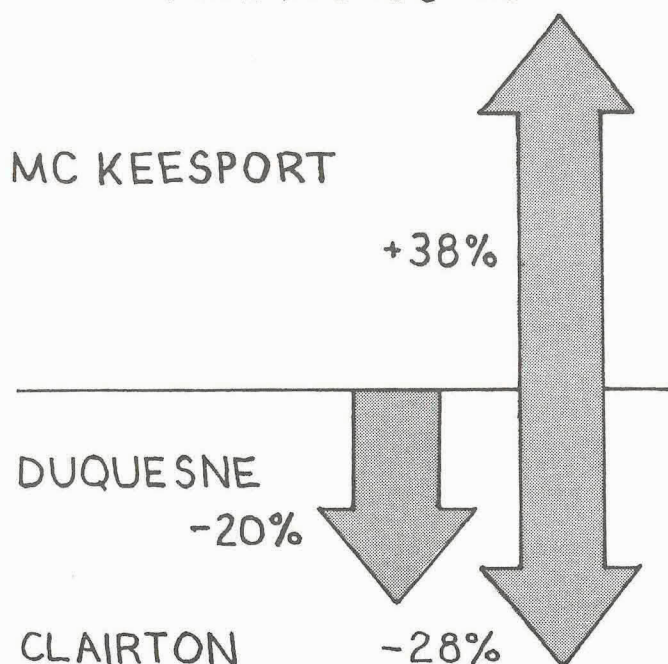
There is another kind of corroboration for these figures. FORTUNE Magazine sent two researchers around in Pennsylvania to gather research for their August 8th article on land value taxation, and they came

up with near-identical figures on building permits issued in McKeesport - Clairton - Duquesne (Scranton and Wilkes-Barre also), and reached the same conclusions. It is legitimate to wonder if the editor of Incentive Taxation, who is an announced land-tax advocate, didn't "doctor" the building-permit figures to suit his preconceptions. Well, the independent FORTUNE corroboration should put to rest these fears. If any IT reader wants to do his own verification, he need only consult the building-permit statistics in the three city halls; they are public records.

### Conclusion

This Tale of Three Cities is now completed. We have compared their new construction for the three years following McKeesport's 1980 tax change to the three years before. Although no test in a changing urban setting can be declared as air-tight as what a chemist might do in a controlled laboratory setting, the case for land value taxation is clearly strengthened, especial-

## % CHANGE IN BLDG PERMITS ISSUED



In 1980, McKeesport, Pa. adopted a higher tax rate on land than on buildings. The other two cities did not. The above chart compares building permits issued in 1977-79 to 1980-82.



ly when the corroboration is added into the record. And why not? It shouldn't surprise us that an up-tax on land would penalize inefficient use while a down-tax on construction would give added incentive to build. How much more evidence do our city officials need

before they act to introduce a two-rate property tax? Let them bear in mind that there are unemployed people out there - some of them are their neighbors - who are suffering because the present one-rate tax is an obstacle to economic growth.

## *Two-Rate Tax in New Castle, Pa. Followed by Construction Spurt*

Up 70%!

That's the average annual increase in new construction experienced by New Castle, Pa., after it adopted a two-rate property tax.

More specifically, the dollar-value of building permits issued in New Castle was 70% higher per year for the years 1982-85 than for the years 1979-81. The first year for New Castle's two-rate property tax was 1982, and then in 1984 the city spread the rates further apart. The rates are now 6.78% on land and 2.1% of buildings.

8.2% of this 70% could be accounted for by general inflation (based on statistics from the U.S. Statistical Abstract 1985, p. 467).

This fact was unearthed by a study conducted by the Center for Local Tax Research, 5 East 44th St., New York, N.Y. 10021. C.L.T.R. engages in objective studies of the property tax and based this study on an examination of the city's records of building permits issued, which are on file for public inspection in City Hall.

The C.L.T.R. study revealed that at least \$1,200,804 more (adjusted for inflation) in new construction occurred during 1982-85 than in 1979-81 - see chart.

### Comparison of Taxable Building Permits Issued in New Castle, Pa. for the Three Years Before the Introduction of the Two-Rate Tax (1982) with the Four Years Thereafter

1979 =	\$1,799,537	1982 =	\$3,622,847
1980 =	2,897,330	1983 =	1,990,649
1981 =	899,752	1984 =	2,226,356
		1985 =	4,854,569

[Source: C.L.R.T. Study based on city records  
of building permits issued.]

Job-starved New Castle could use the extra new construction during the post-1982 two-rate years. The city's economy has relied on heavy industries and they have been severely buffeted recently.

It is interesting to note that despite the adverse economic conditions, New Castle experienced a construction spurt anyway. Lately, this new construction is the only bright economic trend in New Castle.

The Center for Local Tax Research reported that

New Castle increased its building permit fee in 1984 and 1985. This change has had the effect of inducing many builders to reduce the dollar-value estimate of the permits they are seeking in order to lessen the fee they have to pay. If the fee had remained the same as in previous years, the estimated dollar value of building permits issued would have been higher in 1984 and 1985 than actually reported, and the construction spurt would have been reported to be higher than 70%. Also: the 1986 building permits issuance will show a huge increase.

### Comparison to Other Cities

There is good reason to believe that the building-to-land tax shift resulted in the spurt in new construction. After all, if we reduce taxes on buildings, we make them cheaper and more profitable to build and maintain. And if simultaneously we increase the tax on land assessments, we encourage landowners to develop their sites more efficiently in an effort to obtain an income adequate to pay for the higher land tax as well as a reasonable profit on their improvement investment.

"But," some could say, "maybe the construction spurt was due to other factors than the building-to-land tax switch. Just because the spurt followed the switch doesn't prove cause-and-effect."

Well, this is an objection worthy of consideration. It's difficult, though, to see what other factors could possibly cause the construction spurt, especially in view of New Castle's depressed economy. And then there's another aspect of the study by the Center for Local Tax Research which strongly undermines the other-factors explanation.

C.L.T.R. examined the building permits issued in two neighboring and comparable cities - Farrell and Sharon, Pa. The economies of these cities also depend heavily on heavy industry and have experienced considerable unemployment lately. So it should come as no surprise that the average annual construction (as measured by building permits issued) is decidedly down for the 1982-85 period as compared to the 1979-81 period. Sharon's new construction was off 90% while Farrell was down 66%. Compare this to New Castle's increase of at least 70%!

This New Castle-Sharon-Farrell study is strongly corroborated by other similar studies reported in this publication. For example,

- Pittsburgh experienced a 114% increase in its three post-land-tax-increase years as compared to its three



prior years (see Oct.-Nov. 1982 issue); its construction spurt far out-distanced the nationwide construction increase during the same years.

- Scranton experienced a 23% increase in its three post-land-tax-increase years as compared to its three prior years (see Oct. 1983 issue); neighboring and comparable Wilkes-Barre experienced a 47% decrease during the same years.

- McKeesport experienced a 38% increase in its three post-land-tax-increase years as compared to its three prior years (see Nov. 1983 issue); neighboring and comparable Duquesne and Clairton experienced 20% and 28% declines respectively in new construction during the same years. Duquesne has since adopted a two-rate property tax.

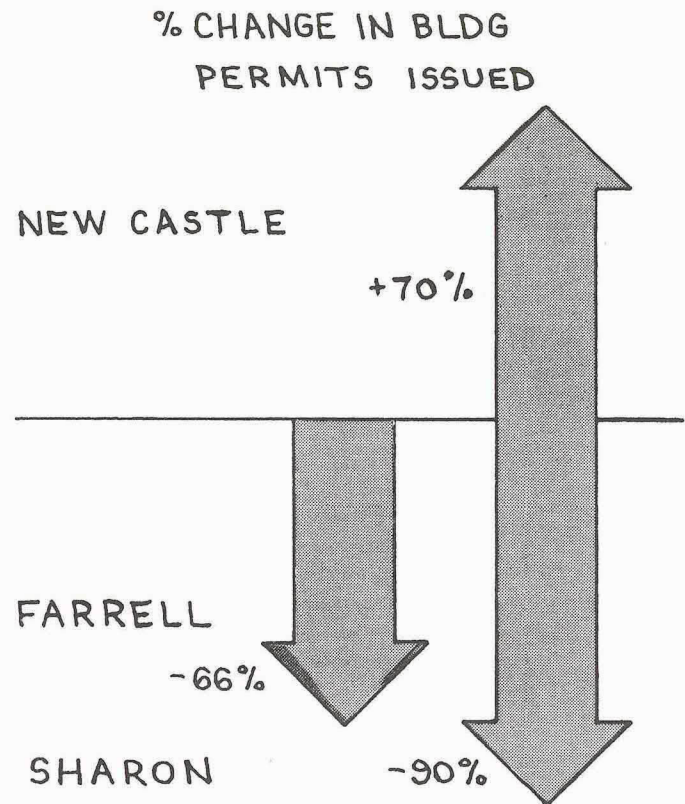
- 23 cities switched to taxing only land values in the Australian state of Victoria since 1955. All of them experienced construction spurts far out-distancing the construction records of neighboring and comparable cities (see issues of Oct. 1977, Jan. 1978, and Nov. 1978).

- A 310-city study in the Republic of South Africa showed that those cities taxing only land values experienced the greatest construction increase over a 20-year period. Cities taxing land more than buildings experienced the next greatest construction increase. Cities taxing land and buildings at the same rate experienced the least construction increase. And cities switching to taxing only land, or to taxing land more than buildings, experienced a greater construction increase than any of the above categories (see Sept. 1983 issue). These issues are available from this publication for one dollar each.

If there were only one study supporting the contention that a building-to-land tax switch encourages new construction, it would be legitimate to question whether the tax switch caused the construction spurt, but in light of all these studies, can we not conclude that the switch encourages new construction?

Why shouldn't it happen in your town also?

What are you doing to encourage construction and reduce unemployment in your town via the land value tax?



In 1982, New Castle, Pa. adopted a higher tax rate on land than on buildings. The other two cities did not. The above chart compares building permits issued in 1979-81 to 1982-1985.

**Mayor James Barrett McNulty** (Scranton): "We're really used to it. People don't even recognize that it's in place in the City of Scranton. We've increased the rate four times as of 1980, and as a result we've had a tremendous increase in the number of building permits in the city for the years 1980 and '81 with an increase of up to 22% in the City of Scranton, while in our neighboring city of Wilkes-Barre, which is 14 miles down the Susquehanna Valley, there has been a drop of 44% over the last three



years. I believe that one of the main reasons for that is that the builder is no longer penalized in the City of Scranton."

# ***II***

***Australian***

***Evidence***



## Two American Experts Report: LVT Easier to Administer in Australia and New Zealand

In the fall of 1964, two American experts visited Australia and New Zealand in order to evaluate the land value taxation systems being practiced there. They were A. M. Woodruff, then Provost of the University of Hartford (and formerly a real estate appraiser) and L. L. Ecker-Racz, then Assistant Director for Taxation and Finance of the Advisory Commission on Intergovernmental Relations. Their report appeared in the October 1965 issue of "The Tax Executive."

Their comments on the ease and fairness with which land value taxation can be administered are especially interesting. We quote the following from their report:

"Dr. J. F. N. Murray, the highly regarded author of the leading Australian textbook on valuation techniques holds that:

"(a) equity in valuation can be more easily achieved when the rating is based on land rather than a combination of land and building;

"(b) considerable economies can be achieved if the Valuer General (chief assessor) does not need to maintain records on the character of buildings;

"(c) most of the errors in valuation involve buildings and not land; and

"(d) use of cadastral maps not only readily permits equalization of land values but reference to such maps makes it very simple for an aggrieved owner to determine whether he is treated equitably.

"In consulting with the United Nations concerning tax systems for new nations, where ownership records are good enough to permit clear identification of taxable holdings, Murray strongly advocates site value taxation because of its simplicity and the relative ease with which inexperienced civil servants can be trained to do the job.

"The argument commonly heard in America that site

value rating is administratively impossible because of the difficulty of assessing land apart from the buildings on it, is not heard at all in Australia and New Zealand. Many decades of experience have convinced even the most hardened skeptics that while it may be considerably more difficult to appraise the land component of a single improved parcel apart from the building on it, the reverse is true when great numbers of properties have to be evaluated for tax purposes. Involved calculations need be made only for selected bench mark properties and the values established for the bench marks may be extrapolated to all properties, very much as American assessors customarily build up land value maps. The 'land value atlas' or 'cadastral map' is the device for accomplishing the extrapolation. Both Australian and New Zealand tax professionals, including a few who either oppose site value taxation or are lukewarm to it, are agreed on its administrative simplicity.

Woodruff and Ecker-Racz also reported that "the earlier graduated land taxes of the Commonwealth of Australia, the Australian states, and the central government of New Zealand were a decided factor in the breaking up of large landed estates."

"The case for the use of unimproved capital value for the base of property taxation on grounds of administrative simplicity, efficiency, and resultant equity between individual owners and classes of owners is also impressive, if only because professional administrators representing as a group nearly 300 years of collective experience are satisfied that substantial savings could be realized in valuation (assessment) costs, and assessment quality raised, if unimproved capital value were the only base used for local and state property taxation."

## They Don't Kid Around in New South Wales

Some people who know a little bit say that since Australian localities don't have to raise tax money to pay for schools or police - those are state and federal functions there - the tax rates on land there are insignificantly low and provide no valid test of the common Australian practice of raising all local revenue by a tax on land only. If those towns exhibit spurts in new construction when they shift their building tax to a land tax, it's pure coincidence and the main cause for the construction spurt must be due to some other factor.

You're entitled to raise your eyebrows at such an explanation since the construction spurt invariably fol-

lows in so many cases upon the adoption of the single local land tax that coincidence would seem to be ruled out as the explanation. But now new evidence comes to us from the state of New South Wales which shows that the tax rate on land is in fact significantly high - much higher than in this country, for example.

In New South Wales, which includes the huge and booming city of Sydney, all localities are required by law to tax land values only. The tax rates there range, for most localities, from 2% to 7% of assessed value, and in Australia the assessments are up-to-date and genuine (in large part because the assessors there are state

civil service employees and are not paid by their neighbors and assessees; and also they need only assess land rather than both land and buildings, and this considerably simplifies their task).

In addition, water and sewer rates are levied separately. They range from 1% to 5.2% and when they are added to the basic general rates, it is seen that the tax rate on land is substantial enough to produce the construction spurts mentioned above. (Information from Sidney Gilchrist article in *Progress Magazine*, Melbourne, June 1979, page 9)



# How New South Wales is Beating the Home-Building Recession

In the past, "Incentive Taxation" has presented ample statistical evidence from many states in Australia showing that spurts in new construction have followed the shift to a tax on land values only. Now a new state has just been heard from - New South Wales.

It had been difficult to get evidence from this state, since every locality in it has been taxing only land values for over sixty years, thus making it difficult to run before-and-after-adoption studies or comparisons between land-taxing and non-land-taxing localities.

But in 1974, the Sydney Metropolitan Water Sewerage and Drainage Board and the Hunter District Board (serving Newcastle and its surrounding area) switched to a tax on land values only, effective for 1975 and thereafter. The switch affected 1,255,000 homes which had previously been taxed both on land and buildings. Commercial and industrial properties were not affected by the switch and continued under the old system.

Interestingly, water and sewer boards in rural areas of New South Wales have long been taxing on land values only. Now that tax has been extended to the urban boards.

The statistical table in this article shows the home-building approvals for the areas covered by the Sydney, Newcastle and Melbourne water and sewerage boards. The Melbourne and Metropolitan Board of Works does not use the land-tax-only system and is included here for the sake of comparison.

Before we analyze the data, the reader should know that a serious recession occurred in Australia, as in this country, in 1975. It hit the home-building industry particularly hard.

## Let's Look at the Data

The statistical table shows immediately that home-building recovered from the recession much more quickly and fully in land-value-taxing Sydney and Newcastle than in non-land-value-taxing Melbourne.

● In Sydney, the number of approvals increased 11% from 1975 to 1979; in Newcastle, despite serious setbacks in its large ship-building industry, approvals increased 72%. In unfortunate Melbourne, approvals de-

creased 14% over the same period.

● Sydney increased its total dollar value of home-building approvals by 94% in the 1975-1979 period, while Newcastle's increase came to 87%. Melbourne lagged behind with only a 43% increase.

The statistical table comes from the September 1979 issue of *Progress Magazine* (Melbourne), page 3 and is compiled by Alan R. Hutchinson from building approval statistics published regularly by the Australian Bureau of Statistics.

## Corroborating Data

Mr. Hutchinson also informs us that "the superiority of the N.S.W. performance over that of the Melbourne area applies only to dwelling construction." Remember that commercial and industrial properties in New South Wales were not switched over to the land-tax-only system and they show no greater improvement in new approvals issued for 1975 to 1979 than did the similar non-land-taxed properties in Melbourne. Welcome corroboration! It reduces

## HOME-BUILDING JOB APPROVALS

Year ended 30th June	Number of New Dwellings approved	Total Values of all Dwelling approvals (\$000's)
<b>SYDNEY STATISTICAL DIVISION*</b>		
1979	25,513	878,889
1978	22,319	698,911
1977	21,312	591,981
1976	17,392	445,153
1975	23,047	452,729
<b>NEWCASTLE STATISTICAL DISTRICT</b>		
1979	2,995	96,103
1978	1,724	88,086
1977	1,585	71,661
1976	1,407	57,536
1975	1,742	51,337
<b>MELBOURNE STATISTICAL DIVISION†</b>		
1979	15,674	547,626
1978	15,863	554,825
1977	21,771	658,485
1976	24,250	618,359
1975	18,323	383,684

\* Includes Wollongong Statistical District also served by the Sydney Water and Sewerage Board.

† Excluding shires of Flinders, Hastings, Healesville and Mornington which are outside the Melbourne and Metropolitan Board of Works rating area.

‡ The horizontal line separates the figures since un-taxing dwellings from those under the old basis where they were taxed.

the likelihood that other factors may be causing the greater dwelling construction in Sydney and Newcastle.

If and when the land-tax-only system is extended to commercial and industrial properties in New South Wales, it will then be interesting to examine their four-year change in approvals issued.

The Darvall Board of Inquiry has recently recommended that the Melbourne Board of Works be given power to switch to land value taxation. The dissemination of Hutchinson's figures should make the switch more likely.

In the face of this sea of evidence, this flood of studies, showing that the higher taxation of land values stimulates economic growth, is it not legitimate to ask readers of this publication: what are you doing to get your own home town or state to increase the tax on land values and decrease unemployment and poverty?



## *Seymour Shire Building Permits Escalate Since Adoption of Land Value Taxation*

Three years have now passed since Seymour Shire - a rural area in Victoria, Australia - changed over to taxing only land values instead of penalizing building owners with a property tax on both land and buildings. It is now time to analyze the results, as seen by this chart produced by Allan Hutchinson for the February 1985 issue of "Progress" Magazine:

Year Ending 30th Sept.	Values of Building Permits Issued for:				
	Nos. of Dwelling	New Dwellings	Alterations & Additions to Dwellings	Building Other	All new
Buildings Un-Taxed		\$ 000's	\$ 000's	\$ 000's	\$ 000's
1984	131	5,270	78	3,215	8,563
1983	89	3,672	143	584	4,399
1982	63	2,412	135	2,769	5,316
Buildings Taxed					
1981	58	1,998	22	988	3,008
1980	56	1,760	56	1,544	3,361
1979	68	1,905	62	845	2,812

The source of these statistics is the quarterly publication by the Victorian office of the Australian Bureau of Statistics (catalog number 8702.2), which contains data on building permits issued.

The essence of the chart is this:

- Seymour Shire issued 55% more building permits



in the three-year period following the switch to land value taxation (LVT) as compared to the three-year period preceding.

- The dollar value (in Australian dollars) of building permits issued was 99% greater for the after-period as compared to the before-period.

Could this construction spurt in Seymour Shire be due to factors other than the introduction of LVT? We are aware of no other factors, although you never know. But it is relevant to point out that ALL 22 of the other localities in the state of Victoria which switched to LVT since 1955 experienced a similar construction spurt, after-switch as compared to before, and not only that, but their construction spurt exceeded by far that of neighboring and comparable cities. See Incentive Taxation issues of 10/77, 1/78 and 11/78. In the light of all this experience, each reader should judge for himself how valid the "other factors" explanation is in explaining the construction results of LVT.

And after making an appropriate judgment, let each reader then ACT accordingly.

(The state of Victoria is in the southeastern corner of Australia. Its capital city is Melbourne).

## *Seymour Shire Prospers During a Recession*

IT readers of some years' standing will remember that we have published three separate studies on all 23 localities in the southeastern Australian state of Victoria which switched after 1954 from taxing land and buildings to taxing only land. In each case, a building boom followed the switch, and the boom exceeded any new-construction increase that might have occurred in neighboring and comparable localities. See IT issues of October 1977, January 1978 and November 1978 (available upon request).

In September 1981, Seymour Shire became the twenty-fifth locality in Victoria to shift to land-only taxation since 1954. Reports received earlier this year in this country tell that Seymour Shire is no exception: building permits issued are far greater than in the best previous year. The "Seymour Telegraph" of October 9, 1982 quoted a local government report as saying:

"There has been a building boom in Seymour Shire over the past year with building permits valued at more than \$7,000,000 being issued."

The official report went on to say that Seymour Shire's building permits issued in the year ending September 30, 1982 (which is the first year following the switch to land-only taxation) was almost 2 1/2 times the value of the best previous year, and the number of building permits issued represented a 5% increase over the best previous year.

This should come as no surprise: un-tax buildings and we'll have more of them; up - tax land and we encourage the fuller use of sites.

But wait - there is more to consider. The Australian Bureau of Statistics reported that in the year ended October 31, 1982, new home construction in the state Victoria slumped to its lowest level in 20 years! "If ever there were any doubts as to just how bad conditions have become, then these figures will certainly put an end to them," Housing Industry Association chief executive Les Groves said.

So - after Seymour Shire switched to land-only taxation, it experienced an unprecedented building boom while the



state in which it is located slumped to a 20-year low.

The score on land value taxation in Victoria is now 23 wins, no losses. In Pennsylvania, the score is 5-0. Isn't it reasonable to say that the longer we delay introducing a two-rate tax in our home town, the more we contribute to the decline of local business and the more the army of the unemployed grows and grows? How much more evidence is needed to convert intellectual approval

into real-life action? To know and not to act...

(Information for this article came from Progress Magazine of Melbourne, issue of Dec. 1982-Jan. 1983)

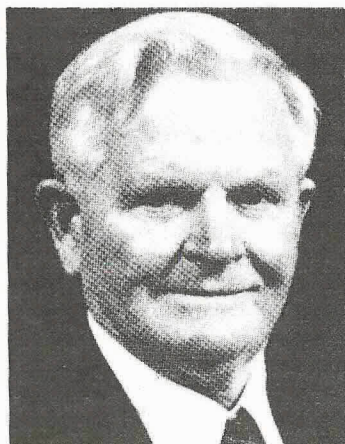
Perhaps this question has crossed your mind: "if land value taxation is so good, why hasn't it been more widely adopted?" Well, if you're not going to act after reading articles like the one above, then at least you'll know the basic answer to the question.

## Hard Facts Show Land Value Taxation Spurs Economic Growth

In its five years of existence, this periodical has presented literally dozens of studies showing how the adoption of land value taxation was almost immediately followed by increased construction and rehabilitation. The chart on the right presents still more evidence. It presents building permit statistics for those localities which have switched to the land-value-tax-only basis since 1970.

The chart is based on A.M.I.S. Australian government statistics as gathered by the Land Values Research Group, Alan Hutchinson, Director, and as reproduced from Progress Magazine (Melbourne), November 1975, p. 11. UCV stands for unimproved capital value, which to Americans means a tax only on land values. NAV means net annual value and represents a tax on the estimated annual income of real estate; it is mostly a tax on buildings.

The figures in parentheses repre-



ALLAN R. HUTCHINSON,  
B.Sc., M.I.E. Aust.

Municipality and local tax basis. Year ended 30th June	Dwelling permits issued Nos.	Value \$ (000's)	Total value of all building permits \$ (000's)
<b>KILMORE SHIRE</b>			
<b>Buildings un-taxed</b>			
1975 UCV	112 (51)	2258 (981)	2577 (1646)
1974 UCV	110 (67)	1688 (1000)	1830 (1563)
1973 UCV	79 (55)	1109 (662)	1394 (1047)
1972 UCV	45 (41)	611 (443)	925 (680)
*1971 UCV	26 (27)	348 (334)	570 (530)
<b>Buildings taxed</b>			
1970 NAV	32	342	592
1969 NAV	19	202	388
1968 NAV	21	207	320
<b>BUNINYONG SHIRE</b>			
<b>Buildings un-taxed</b>			
1975 UCV	108 (38)	2149 (763)	3349 (986)
1974 UCV	114 (60)	1824 (944)	2723 (982)
1973 UCV	90 (48)	1278 (624)	2080 (657)
*1972 UCV	44 (35)	550 (396)	1897 (444)
<b>Buildings taxed</b>			
1971 NAV	30	322	393
1970 NAV	33	353	414
1969 NAV	28	298	415
<b>MELTON SHIRE</b>			
<b>Buildings un-taxed</b>			
1975 UCV	517 (326)	9211 (6503)	11902 (7689)
*1974 UCV	825 (485)	11881 (7461)	14850 (8423)
<b>Buildings taxed</b>			
1973 NAV	587	7202	8848
1972 NAV	467	5043	5893
1971 NAV	299	3212	3907

UCV means Unimproved Capital Value of land.

NAV means Annual Value of land plus buildings.

\*The transition year comprises 9 months of un-taxed and the remaining three months of taxed buildings

sent the building permits which could have been expected had local taxes on buildings continued after 1970 in accordance with the general construction trends in the State Statistical Divisions in which these localities are situated.

For example, in 1975, Kilmore Shire issued \$2,577,000 in building permits, more than four times the value issued in the last year prior to the switch to the land-only tax. Had Kilmore Shire experienced the same post-1970 growth rate as its district did, it would have issued only \$1,646,000 in building permits. The difference of \$931,000 represented wages and profits that would not have

existed at all without a switch to a land-tax-only system.

It might cross your mind that perhaps we are showing you statistics for only those land-taxing localities which have had good construction records. Not so. Rest easy.

This article, coupled with three others that have appeared in the past, show statistics for ALL the localities in the state of Victoria which have adopted land value taxation between 1955 and 1974. See our previous issues for October 1977, January 1978 and November 1978. Thus, there has been no selective use of statistics to substantiate the case for land value taxation.



# New Victorian Study: LVT Towns Outgrow Their Neighbors

If more hard evidence is needed, here it is:

● In the Melbourne metropolitan area, the 27 cities taxing land values only for local government showed an average inter-census growth for privately built dwellings of 12.9%, while the 15 cities that tax land and building values together showed an average growth of only 2.8%.

● For all of the state of Victoria, Australia, the average growth rate was 15.2% for the land tax only localities compared with a 10.9% for the tax-buildings-also localities.

A comment on "inter-census": it

refers to the difference in privately dwelling construction between the latest government census, June 30, 1976, and the previous census of June 30, 1971.

These statistics come to us from Progress Magazine (Melbourne), July 1979, page 8 and were based on a 17-page report giving details for each of the 211 councils in Victoria. Copies of the full study (Reference 4.4) are obtainable at \$1.00 per copy from Mr. H. B. Every, Hon. Secretary, Land Values Research Group, 27 McCallum Road, Doncaster, Vic. 3108, Australia.

One can wonder what tremendous economic growth would ensue if these land taxing towns in Victoria were to impose an increasingly higher tax rate on land assessment, using the extra revenue to pay for their residents' state and federal taxes, or perhaps they could distribute the extra land tax revenue received on an equal per capita basis . . . .

Conclusion: How much more hard evidence do you need before you try to get your town to lower the property tax rate on buildings and raise it on land?

## Sale City Sizzles

It didn't happen yesterday, but if it was true then, it is true now and it has important implications for the beleaguered economies of our American cities. We refer to an article appearing in the February 1971 issue of Progress Magazine. It deals with the spectacular rise of Sale City, 136 miles east of Melbourne. The following is excerpted from that article:

"Its growth has been spectacular for a rural city. Its population stood at 6,537 at the census in 1954, when it ceased imposing local taxes on homes and other improvements. By the 1961 census it had risen to 7,899 (an increase of 20.8 per cent). By the next census in 1966 it had risen further to 8,648 (increase of 9.5 per cent) and in 1970 is approximately 11,000. The growth to 1967 preceded the gas and oil developments which have accelerated it since.

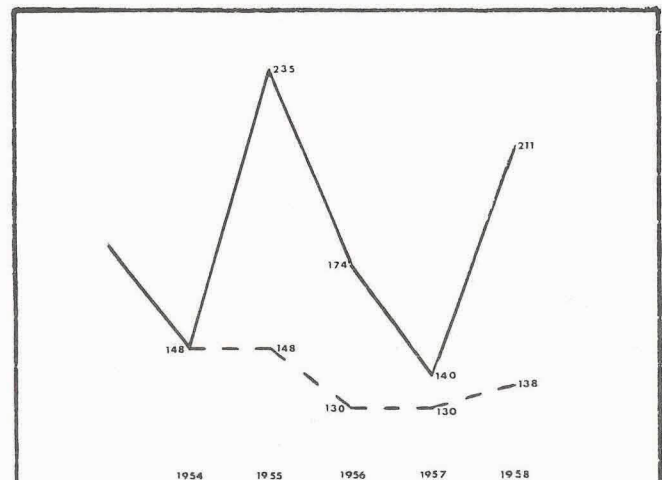
"Before it changed to site value rating with untaxed improvements in 1954, the prospects of Sale looked bleak. Number and value of building permits issued had progressively fallen for the three years preceeding. But the stimulus of untaxed buildings first stopped the rot and then reversed the trend, and the city has never looked back since. At the time of the change-over, value of building permits issued in the year was \$296,000. For the year ended June 1970 the value totalled \$3,310,000.

"An article in the magazine 'The Age' says, 'The townfolk say there is no doubt that the discovery of natural gas in Bass Strait, with its consequent industrial establishments near Sale, accelerated the city's growth. But they claim it was happening anyway - that Sale was progressing rapidly towards increased industrial and commercial self-sufficiency and that the past three years of rapid expansion should be regarded merely as a most welcome shot in the arm for local confidence.'

"Motels numbered only three a couple of years ago and now there are seven with more planned. Just about every pub in town has the builders in remodelling and on the outskirts of the city developers are going great guns with new housing subdivisions. At the Sale Club they argue whether they have 13 or 16 millionaires as

members. Significantly they were mostly farmers!' "

In our American cities, wages and profits are lower than they ought to be, and unemployment and poverty await those who slip and fall in the competitive struggle. Is there an urban politician here or there who can look beyond the numerous short-term crises that beset him, and do something basic and powerful for the long run benefit of his constituents?



Sale City

The above chart represents actual new construction (solid line) after the adoption of LVT compared with projected construction levels (dashed line) had this town followed the construction changes of other non-LVT towns in its statistical district. (The above figures represent old Australian pounds. One pound equals two new Australian dollars.)



# Sydney vs. Melbourne:

## Another LVT

## Success Story?

Sydney and Melbourne are cities in Australia of similar size (population 2.7 million and 2.4 million respectively) - but with one important difference. Sydney has been taxing only land values for its revenue needs for decades while Melbourne taxes both land and buildings. In 1976, the independent Sydney Water and Sewerage Board, which had been taxing both land and buildings, switched to a tax on only land values (LVT) for all of its not inconsiderable revenue needs. The Melbourne Water and Sewerage Board continued to levy a land and building tax.

Since 1976, residential construction has increased much faster in Sydney than in Melbourne. The difference is surprising - in excess of eleven-fold! These statistics from Progress Magazine (2/83, Melbourne) tell the story:

Year	Unit (\$ millns.)	Value of Dwelling Permits Issued	
		Sydney Metro	Melbourne Metro
1981/82	( .. )	1193	790
1976/77	( .. )	554	718
Growth	( .. )	639	72

During the years covered above, Sydney's value of dwelling permits increased 115% while Melbourne's increased only 10%.

One might expect that if new construction is taxed less, there will be more of it; if land is taxed more, then it will be more fully developed. Nevertheless, other factors might also help account for Sydney's greater growth.

Yet it is reassuring to note that once again the LVT town shows more economic viability than the non-LVT one. There are literally hundreds of corroborating comparisons pointing to the same conclusion, with more to come.

Something to think about in these times of high unemployment.

# Study Shows LVT Towns Have Fewer Properties in Tax Arrears

Latest information just received from Victoria, Australia shows that towns in the Melbourne suburbs which tax only land values (LVT) have less property in tax arrears than towns which tax both land and buildings. Here are the figures:

Arrears as Percent of Revenue Collected

	1976-77	1977-78	1978-79
<b>Non-LVT Localities</b>			
Bacchus Marsh Shire			
Cranbourne Shire			
Bulla Shire	6.62	6.25	5.82
Lillydale Shire			
Healesville Shire			
Sunshine City			
<b>LVT Localities</b>			
South Melbourne City			
Sherbrooke Shire			
Croydon City	3.50	3.46	4.13
Ringwood City			
Melton Shire			

Source: Allan Hutchinson, January 7, 1981 letter to Incentive Taxation, citing Australian Government Bureau of Census and Statistics.

In other words, an average of 6.23% of the revenue collected in the non-LVT localities was in tax arrears

(non-payment), while for the LVT localities the same percentage was 3.7%, or almost half.

Mr. Hutchinson also gave the arrears/revenue percentages for central Melbourne City. For the years given above, they are: 5.14%, 3.02%, 1.20%, for a three-year average of 3.12%, which is about equal to the three-year average of the LVT localities. But it would seem wiser to compare the arrears/revenue percentages of the suburban LVT localities with the suburban non-LVT localities rather than with the quite different central city.

These figures should help allay the fears of local officials in the United States who think that if the property tax is shifted from buildings to land, many derelict properties will revert to the city in tax default. Not so - the result rather will be an increase in construction.

As a matter of fact, the LVT localities listed above have an average improvements-to-land ratio which is 14% higher than their suburban non-LVT counterparts. This indicates a higher rate of construction in the LVT localities.

And one last point: the taxes payable on vacant land under LVT in all the localities listed above are more than double the taxes payable under the non-LVT approach. It is vacant land rather than built-upon land which mainly becomes tax delinquent. If there were no other factor working it could therefore be expected that the amount of unpaid taxes on vacant land would increase under LVT more than twice as quickly as under non-LVT. But the evidence here is that they are increasing only at about half the rate under land value taxation.



# Ignore This Hard Evidence If You Can

The evidence piles up. Up and up and up. Now comes still more.

Regular readers of this bulletin have seen numerous hard-fact studies showing how land value taxation boosts new construction and rehabilitation.

Now comes yet one study more. And it is a beauty.

The Land Values Research Group of Melbourne, Australia, using data from the Australian Bureau of Statistics, has examined the record of new construction and rehabilitation in Caulfield City (Victoria, Aus.) and the seven cities adjoining it. Here is what the Group found:

In the three-year period 1966-69, Caulfield City taxes only land values for local revenue purposes. Then it went on to a dual tax system, collecting part of its revenue from a tax on land values and part from a tax on real estate income. This unfortunate regression at least gives us the opportunity of finding out what happens when a city reduces its reliance on land value taxation.

What happened in Caulfield? It shouldn't happen to your town, but maybe it has. The immediate effect of the change was to cut the total value of dwelling permits issued by half for the three-year 1969-1972 period as compared to the 1966-1969 land-tax-only period. Nor had the total value of dwelling permits recovered by the 1975-1978 period.

In the four adjoining cities taxing only land values (Moorabin, Oakleigh, Malvern, Cumberwell), the value of dwelling permits issued progressively increased from the initial period of 1966-1969 through 1969-1972, 1972-1975 and 1975-1978. In the latter period the value of dwelling permits issued were 50% higher than in the initial period!

But lo! The poor non-land-taxing neighboring cities of Brighton, Prahran and St. Kilda. Their value of dwelling permits issued progressively decreased, so that by 1975-1978 it was less than half of the initial period of 1966-1969!

To sum up: the cities which taxes only land values experienced progressive economic growth. Caulfield suffered when it started taxing buildings. The cities levying an income tax on real estate did worst of all.

If you want a copy of the report, send one dollar to Allan R. Hutchinson, Hon. Director, Land Values Research Group, 32 Allison Ave., Glen Iris, Victoria 3146 Australia.

Is it too much to say that the unemployment and economic stagnation that might exist in your home town is partially the fault of those who, having read the results of this study and the many others like it, make no effort to get the mayor and city councilmen to lower the tax rate on buildings while increasing the tax rate on land?

## Construction Spurt in Kilmore Shire

The latest figures for the township of Kilmore Shire show continued construction growth ever since its electorate voted in 1971 to tax land values only.

● In the four years prior to the switch new construction grew 104%. In the four years after the switch, it grew 209%.

● Construction continued to grow so that by 1977 (the last year for which statistics are available), it had grown by 508%.

But you are entitled to think, "Maybe it would have happened anyway. Maybe the whole region experienced construction growth."

As a matter of fact, the whole region did grow, but only by 160%, which is considerably less than Kilmore's 508%. All this is revealed in the figures in parentheses in the table below. They show the construction which could have been expected had Kilmore followed the construction growth of the Goulbourn statistical district in which it is located. They are arrived at by multiplying the construction figure for the last year of taxed buildings (1970 = A\$592,000) by the construction change for each of the following years.

For instance construction in the entire Goulbourn district was off 20% from 1970 to 1971. Had Kilmore followed the construction trends of its district it could have expected A\$474,000 in new construction (A\$592,000 minus 20%). Instead, after having adopted taxation on land values only, it had A\$570,000 in new construction.

Year ending June 30th	Value of all Building Permits Issued (A\$'000's)
<b>Land Value Tax Only</b>	
1977	3602 (1539)
1976	2658 (1598)
1975	2577 (1527)
1974	1830 (1450)
1973	1394 ( 799)
1972	925 ( 509)
1971*	570 ( 474)
<b>Buildings Taxed</b>	
1970	592
1969	388
1968	320
1967	290
*In 1971, land value taxation was used for the last nine months only.	
Source of statistics: Australian Bureau of Statistics, building permits reference number 7, 1978, Victorian Office.	

Note that in every year from 1971 to 1977, Kilmore's actual construction outstripped what it could have expected had it followed its district's construction trends.

In fact, it experienced A\$5,660,000 more in con-

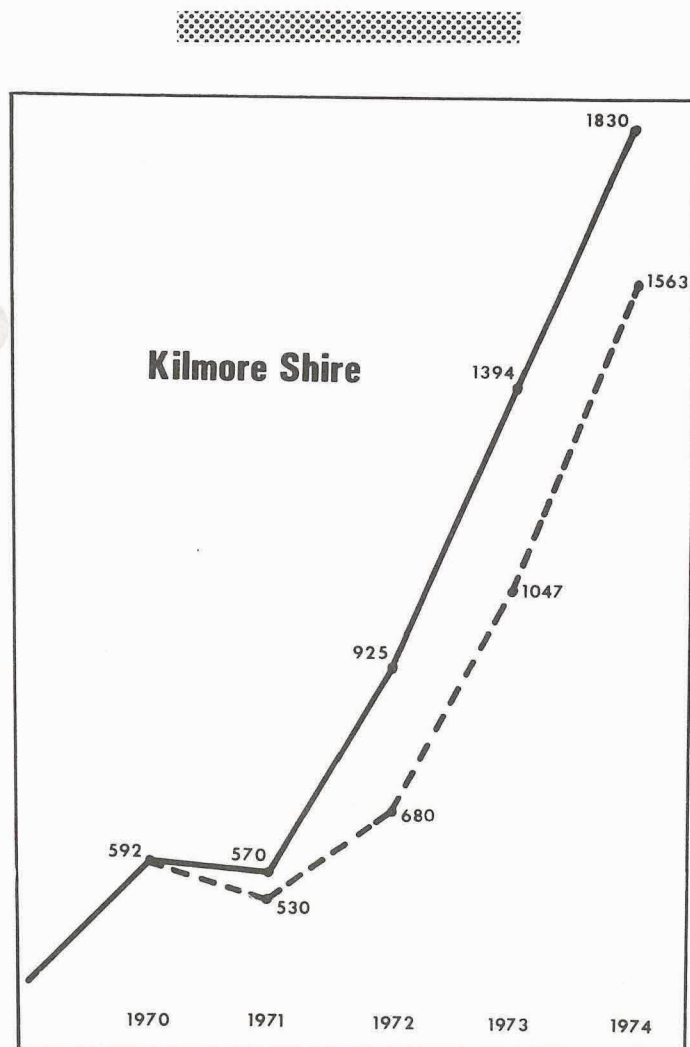
struction that could have been expected. In percentage terms, 72% more for the entire seven-year period!

### To Be Expected

No one should be surprised to see this faster growth. After all, wouldn't you prefer to build in a community where your efforts would not be taxed? If you owned land, would you be less willing to keep it out of full use if you had to pay a heavier tax on it whether you used it or not? Wouldn't you want to build an improvement on it at least adequate to pay the tax on it? So we should expect a shift to land value taxation to spur new construction.

Are there people in your town walking around looking for jobs because land is not being taxed enough, buildings too much? Wouldn't land value taxation spur new construction in your town, just as in Kilmore? Why should it be any different?

What are you doing to improve economic conditions in your town?



The above chart represents actual new construction (solid line) after the adoption of LVT compared with projected construction levels (dashed line) had this town followed the construction changes of other non-LVT towns in its statistical district.

## Draw Your Own Conclusion

Buninyong is a rural shire 73 miles west of Melbourne. It was famous in the past as a rich gold mining center but its fortunes declined when the mines were worked out. In 1972, the local taxpayers, mostly farmers and cattlemen, voted out the old property tax system and replaced it with a tax on land values only. It has no other taxes.

We present here the record of building permits issued both before and after the change. You draw your own conclusions.

Year ended 30th June	Building Permits Issued	
	Number	Value (A\$'000's)
Buildings un-taxed (LVT)		
1978	184	7,087
1977	158	5,976
1976	166	4,545
1975	108	3,349
1974	114	2,723
1973	90	2,080
1972*	44	1,897
Buildings taxed		
1971	30	393
1970	33	414
1969	28	415

\*Year of tax change: three months of taxed and nine months of un-taxed buildings.

The source of these statistics is Progress Magazine (Melbourne), June 1979, page 3, as taken from the Australian Bureau of Statistics, series catalog number 8703.2.

Bear in mind that 1975-76 were years of serious recession in the building industry.

## Good Old Evidence for Land Value Taxation

Good evidence is good evidence, no matter how old it is. According to a pamphlet by Johan Hansson entitled "Land Value Reform in New Zealand" and published around 1910 -

- in those towns of New Zealand which are not taxing land values exclusively, the increase in population from 1901 to 1906 was 15.5%;
- in the land-tax-only towns, the increase was 29%.
- the value of improvements increased 36% in the non-LVT towns and 82.3% in the LVT-only towns.

These statistics were based on government census data. They seem to support the contention that LVT induces economic growth, and this is how we might combat unemployment today.



# ***III***

## ***Miscellaneous***

### ***Evidence***

## How to Contain Urban Sprawl and Save the Clean-and-Green Countryside

I live about a quarter of a mile north of Indiana, Pa., a town of some 15,000 souls. Between my house and the town boundary there are four empty lots for which the owner is asking \$17,000 apiece. In the other direction, away from the town about two miles out, is a pretty picture postcard farm, surrounded here and there by homesteads. The farm now bears a sign, "For Sale."

There's a clear cause-and-effect relationship between the empty urban lots and this farm (as well as others) up for sale in the countryside. Because homeowners are not settling on those urban empty lots, they are settling in the countryside, enticing farmers to sell out. And when the homeowners settle out of town, they buy an acre or two, whereas in town they would have bought a quarter-acre plot.

To be sure, many homeowners out in the countryside are there by choice. They prefer the great outdoors to in-town living. But most of them would have preferred to live in town, as the higher price of in-town land indicates.

Because these homeowners are living out of town while working and shopping in town, they use gas, emit exhaust, use up the roads, increase costs for the extension of sewers, gas and water to their distant sites, etc.; all these costs would be less if they could have settled on the in-town and near-town lots which were their preferences had not these lots been held out of use at a huge price.

Not only that, but public transportation becomes uneconomic in sprawled out, sparsely settled areas.

In addition, the city provides roads, sewers, utilities, schools, hospitals, police and fire protection to those lots at huge cost. What a waste to service empty lots! And what a windfall profit to the landowners, since the taxes paid by workers and building owners finance the public improvements that enable these landowners to sell out at a huge profit. What an insane system - the active producers of wealth are taxed to enrich non-

producers! How much would those vacant lots be worth if those public improvements didn't exist?

Of course, the obvious solution is to tax land more. It would become too expensive to keep land out of use and it would also bring down the price of land within the means of lower-income homeowners.

Because we don't tax land more, the countryside is despoiled, gas is wasted, pollution increases, and the cost of local government services skyrockets. Also land costs more and so does homeownership.

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"When urban land shoots up in price, developers are encouraged to construct in the suburbs or rural areas instead. When rural land prices zoom, then farmers are encouraged to sell out at a speculative profit. Up-taxing land and down-taxing buildings is the antidote." - Catalyst!, p. 36

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Moreover, because countryside land is inadequately taxed, it is used inefficiently and this causes still more invasion of the clean and green. Rural sprawl is no good, either.

21%

"Wait a minute," some readers will say. "That all could be true, but look about you. There isn't much vacant land around. There are more important causes of the problems you mention."

Not so. In 1971, the prestigious journal "Land Economics" published a vacant land survey of all 86 U.S. cities with populations over 100,000. Fully 21% of the land area in the cities for which data was available (58 out of the 86) was vacant and buildable upon. 21%! A much greater percentage than that was vacant, but not all the vacant land was buildable upon (see Ray Northam, "Vacant Urban Land in the American City," Land Economics, 11/71).

The chart below gives vacant land information for 13 of the 86 cities surveyed.

Vacant and Buildable Land in 13 U.S. Cities

City	Date Reported	Proportion of land area vacant	Total Acres Vacant Land	Proportion Considered Buildable	Proportion vacant and buildable	Net Acres of Buildable Vacant Land
Allentown, Pa.	1970	22%	2,465	75%	17%	1,849
Erie, Pa.	1970	17	2,063	95	17	1,960
Fresno, Ca.	1970	20	3,169	100	20	3,169
Jersey City, N.J.	1970	17	1,750	100	17	1,750
Los Angeles, Ca.	1970	10	29,408	100	10	29,408
Milwaukee, Wis.	1970	23	14,092	85	20	11,978
Mobile, Ala.	1966	59	46,782	NA	NA	NA
Newark, N.J.	1966	9	1,422	NA	NA	NA
New York, N.Y.	1970	13	25,656	90	12	23,090
Pittsburgh, Pa.	1970	23	8,230	36	8	2,963
San Diego, Ca.	1970	54	107,537	95	51	102,160
San Francisco, Ca.	1970	5	1,371	85	4	1,165
San Jose, Ca.	1970	57	39,630	62	35	24,571

Sources: Ray Northam, "Vacant Urban Land in the American City," Land Economics, 11/71. Values referring to dates other than 1970 are calculated from data in National Commission on Urban Problems, "Land Use in 106 Large Cities," Three Land Research Studies. Study No. 2, Research Report No. 12, (Washington, D.C.: Government Printing Office, 1968). Values referring to 1970 are based upon personal correspondence with officials of each of the cities reported.



"Ah, yes," some will say. "But that was in 1971, or just prior. What about today?"

Well, these are the most recent figures I can find. But consider: Most of these cities have lost population since 1970. Abandoned old buildings are a well-known urban problem of the 1970's. It is not likely that the 21% vacant-yet-buildable figure has decreased, and it may well have increased.

Other studies corroborate this one. They are summarized in a book entitled "Catalyst!" available for \$5.00 from HGFA, 2000 Century Plaza, Suite 238, Columbia, MD. For example, a 1966 U.S. census report showed the number of vacant lots to be 14.25 million, or 1.25 million more than in 1957, despite all the new construction of the 1957-1966 period. This is another indicator that the 21% vacant-yet-buildable figure is not out of date.

But there's another big consideration. Unused land is just the tip of the iceberg. What about all the partially used land sites - aren't they semi-vacant? To the

degree they're vacant, shouldn't they be added to the 21% basic figure?

For example, suppose we put a camping tent on a valuable vacant site; isn't it still mostly vacant? Suppose the site contains a building which was once suitable but has depreciated into dilapidation; once again we have a partially used site. Aren't most downtown parking lots in only partial use? Ditto for two-story buildings at valuable intersections, and so on. Many sites are not being put to their highest and best use, and so they are to that extent vacant.

It is not possible to measure exactly how much partial use there is, but it is clearly considerable.

Tax land more and we do much to correct the ills of urban sprawl. We do much to keep our countryside clean and green.

Don't tax land more and we continue to dilapidate both town and country. And fall victim to other economic ills also.

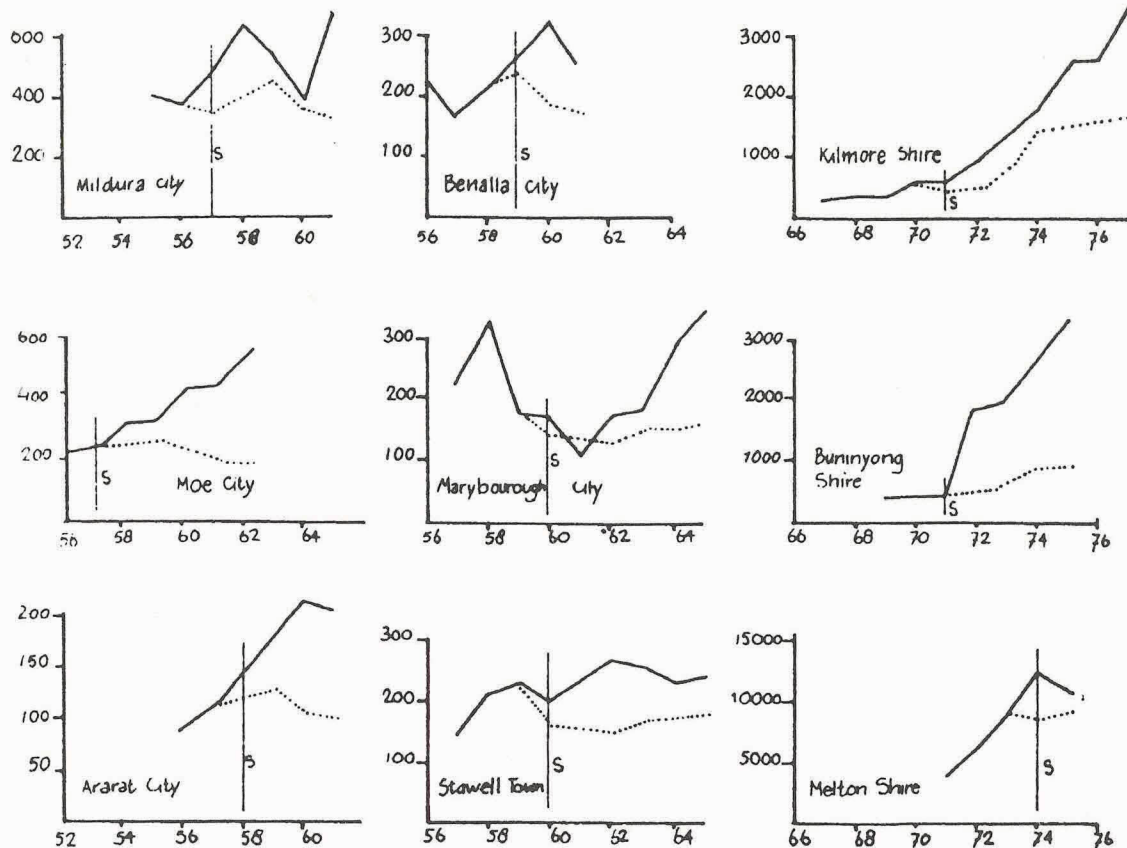
## COMPARISONS OF THE 20-YEAR GROWTH OF THE 125 LARGEST TOWNS IN THE R.S.A.

1959 - 1979 Bldg. Assessments

Flat Rate	486%
Two Rate	561%
Site Rate Only	850%
Flat To Two Rate	748%
Two Rate To Site Rate	996%

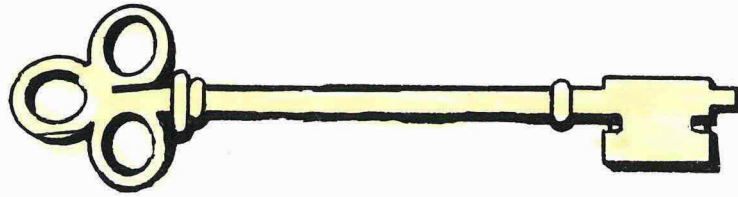
This chart shows that in the Republic of South Africa during 1959-79, cities taxing only land-sites increased their building assessments the most (i.e., bldg. asmts. increased 850% for cities taxing only site values). And when they shifted toward taxing land-sites more during 1959-79, they showed the greatest building assessment increase of all. Land value taxation seems to produce economic growth.

Flat Rate - same property tax rate on both land and building assessments. Two Rate - higher rate on land. Site Rate Only - only land asmts. taxed. The last two categories refer to towns which switched, 1959-1979.



The solid line above represents actual new construction. These towns adopted LVT in the year indicated by the vertical line marked "S" (for switch). The dotted lines represent what the construction would have been had these towns followed the construction changes of the other towns (some of which were taxing land-only) in its statistical district. [The above figures represent old Australian pounds. One pound equals two new Australian dollars.]





**The Urban Land Institute calls land value taxation “A golden key to urban renewal, to the automatic regeneration of the city—and not at public expense.”**

**(Research Monograph No. 4, Pg. 28)**

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**We take this opportunity to thank the Robert Schalkenbach Foundation for its generous grant which made possible the publication of this pamphlet.**

**Would you like to obtain copies of Catalyst! [115 pages, \$5], “Incentive Taxation” [free back issues, \$2/yr. subscription], or more information on two-rate taxation? Then contact the Center for the Study of Economics, 2000 Century Plaza [238], Columbia MD 21044, [301]740-1177 or after office hours [301] 997-9232.**

**A biographical note about the author of these articles: Steven Cord has been a professor of history and social science for 24 years at Indiana University of Pennsylvania [13,000 students, Indiana, Pa.]. He retired in 1986 to become full-time president of C.S.E. and editor of “Incentive Taxation.” He has authored two books and many research articles on land value taxation. He is married, with three children.**

1987

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ATTN: JAN, PUBLIC AFFAIRS

## **MOBA MEDIA INC**

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BOX 4653  
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BOTTOM LINE: METRO OFFICE BUILDING

KATU TV CH 2

23 JANUARY 1992

5:15 PM

NEWSCASTER JULIE EMRY: Metro's 200 employees are said to be so cramped in their offices they're bulging at the seams, and the agency anticipates it's going to need even more space in the future. Tonight reporter Currin Snipes looks at the bottom line and what it's costing to build Metro's new home.

REPORTER CURRIN SNIPES: Everything you can sell and resuse, including bathroom fixtures, is being stripped from the bowels of the old Sears building. The aging eyesore will soon be the Metropolitan Service District's new headquarters, and Metro says it's practicing what it preaches: recycling.

JIM GODDARD, METRO: Well, the building itself...the building structure is going to be recycled. That's one of the biggest benefits of this project.

REPORTER: Officials of Metro, which oversees operation of the zoo, landfills and other regional government activities, say they need the new building because they've outgrown their current offices, which are leased for \$290,000 a year. The metamorphosis of the old Sears building is costing \$23 million, and is being financed through the sale of revenue bonds, but the architect says constructing a brand new building would cost several million dollars more.

Critics, however, charge the timing is poor, saying it looks bad for Metro to have such a big project when the rest of state and local government is struggling with the aftermath of ballot measure 5. The director of facilities admits it's an ambitious project, and says when completed the new Metro building will favor Nike shoe corporation's high tech campus, but he says that's what Metro councilors wanted when they approved the project last fall.

NEIL SALING, METRO FACILITIES COORDINATOR: And the council has always wanted to own their own building. That was a premise from the very beginning, and the question is not that we don't need it; the question was whether this is the time to do it.

REPORTER: Plans call for using recycled material during construction, which may or may not be cost effective. The architect called this a model project, something new and untried, and all agreed, good or bad, it's going to attract a lot of public interest. In Portland, Currin Snipes, Channel 2 News.

(more)



2-2-2-2 BOTTOM LINE: METRO OFFICE BUILDING, CH 2, 1/23/92

NEWSCASTER: The architect says details on furniture and interior decoration of Metro's new headquarters are still being worked out, but officials say one advantage the new site will have over the old site is that there will be plenty of parking. If you have any interesting examples of how our government uses tax dollars, call the Channel 2 "Bottom Line" hotline. The number again, 231-4250.

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METRO HQ REMODEL

KPTV CH 12

24 JANUARY 1992

10:23 PM

NEWSCASTER GARY HILL: Construction work has begun to transform the old Sears Building in Northeast Portland into the new headquarters for Metro, the Portland area's regional government. The agency, which has been largely unaffected by measure 5, is spending \$23 million, in fact, on its new digs. Florence Jonic has the story.

REPORTER FLORENCE JONIC: The old Sears department store on Grand Avenue is being gutted to the bare bones for its new role as headquarters for Metro. The work will include removal of the vintage 1929 brick work, now being exposed after years of being covered up with concrete veneer. The finished product will be an architectural style Metro officials call, "Nike campus."

RICK GUSTAFSON: I think it's going to be great. I mean the sketches and the models that we've seen make us think that we'll be tied in with the state office building and BPA; we won't look like the maiden aunt anymore. It will be the Metro headquarters, it won't be the old Sears Building.

REPORTER: The new building will give Metro 50 percent more space than it currently has in its four-story office building in downtown Portland. Officials say they need the space because the agency has grown from 86 to 220 employees in the past five years.

RENA CUSMA: I know how to get the job done. I ask for your support for Metro executives.

REPORTER: Ironically, Metro Executive Rena Cusma criticized the high rent of the downtown building during her successful 1986 campaign to unseat Rick Gustafson. The new headquarters will cost \$6 more per square foot.

NEIL SALING, METRO: I wasn't around during their particular campaigns so I can't comment on what was said during the campaign, but this was a decision not necessarily just by Rena, but by the entire council that was representative throughout the region and they felt it was an appropriate move.

(more)



2-2-2-2 METRO HQ REMODEL, CH 12, 1/24/91

REPORTER: The building is being financed with a \$23 million revenue bond which will be repaid over the next 26 years with taxes and fees collected by Metro. Saling says Metro may have to raise of their fees to pay the mortgage. The new building is expected to be ready for occupancy in February 1993, but Metro may have to pay double rent for a few years. They have a lease on the downtown building until 1996, a lease they're now trying to get out of. In downtown Portland, Florence Jonic, the 10 O'Clock News.

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METRO NEW HEADQUARTERS

KOIN TV CH 6

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27 MARCH 1992

4:02 PM

NEWSCASTER SHIRLEY HANCOCK: Amidst the ruins of an abandoned building on Portland's east side a gleaming new headquarters for Metro is rising.

NEWSCASTER ERIC SCHMIDT: But despite a flat economy and Oregon's worries about ballot measure 5, Metro's new place of business carries a major big price tag and many of you will pay for it. Ken Boddie is live at the headquarters site.

NEWSCASTER SHIRLEY HANCOCK: Ken, we're almost afraid to ask. How expensive is that building?

REPORTER KEN BODDIE: Well, Shirley and Eric, this doesn't look like much now but a year from now this huge three-story structure will house Metro, which is the area's tri-county government. Metro officials say this won't be as fancy as the state Archives Building but the fact of the matter is the money it costs to buy and renovate this structure could buy the Archives Building twice over and then some.

And in the shadow of Oregon's Convention Center, the old abandoned Sears Building is transforming. One year from now, Metro's new home will look something like this. The impressive headquarters features tinted glass, an atrium, a public plaza and even a daycare center. Price tag? Twenty three million dollars.

JENNIFER SIMS, METRO FINANCE MANAGER: There was a concern about the cost because it does cost more than where we are now, but over time--in about five or six years--it compares more favorably than continuing to rent. It's really similar to the choice of whether you buy a home or rent a home.

REPORTER: In the strict sense, taxpayers are not footing the bill. Revenue bonds will finance the project, but for the next 30 years everytime you go to the zoo, park at the Convention Center, or pay for solid waste disposal, a part of your money will pay the debt on those bonds. That public interest is why an outside advisory group monitored the process.

BILL NAITO, PORTLAND DEVELOPER: We have this advisory committee--four or five of us--and we are kind of watchdogs so that we don't have an Archives Building out here on Grand Avenue.

(more)



REPORTER: Virtually no one argues that Metro needs a new headquarters. It's current location is so crowded that some of the 200 office employees work in leased space next door. But is a crowded workplace worth a \$23 million solution?

NAITO: Even though I'm a very tight-fished person businesswise, but here I think they made the right decision.

REPORTER: But not everyone agreed with that. In fact, one of the most vocal critics of this structure was Metro councilor Jim Gardner, who voted against building it here. He declined comment on this story. And also Metro executive Rena Cusma is out of town and unavailable for comment.

NEWSCASTER SHIRLEY HANCOCK: Ken, I think a lot of people are still going to wonder why Metro needs such a--what seems like a lavish new building--that has a lot of space. Do they need all that space?

REPORTER: Well, you're right. There's 183,000 square feet here and this is only one floor. That footage includes two other floors above me. But Metro says it is a growing regional government and it needs room to expand. There's plenty of room to do that here. Also there's a lot of parking in this structure. Metro says it will lease some of those parking spaces to other people to make up some of the money.

NEWSCASTER ERIC SCHMIDT: A revenue generating project. Ken Boddie reporting from Metro's new headquarters.

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**METRO**

2000 SW First Ave.  
Portland, OR 97201-5398  
(503) 221-1646

## *News release*

April 17, 1992

For immediate release

For more information, contact Vickie Rocker, 220-1163, or Michel Gregory, 221-1646

### **Metro receives EPA grant for headquarters renovation project**

In constructing its new headquarters, the Metropolitan Service District is practicing what it preaches. The agency is recycling the 73-year-old Sears store in inner northeast Portland into its new headquarters, creating a role model for other commercial building projects in the process. The U.S. Environmental Protection Agency (EPA) wants it to be an example for the nation.

EPA has given Metro a \$30,000 grant to document the "Resourceful Renovation" as a demonstration project. In addition to reusing the existing structure rather than building on vacant land, Metro is salvaging, reusing or recycling most of the waste produced in the renovation process. Recycled building materials are being incorporated where possible. To facilitate recycling once the building is operational, recycling chutes for office paper will be installed in existing shafts.

"We're very proud of the EPA grant and the fact that we're making reuse and recycling work on this public project," said Rena Cusma, Metro executive officer. "Metro's goal is to help contractors deal with construction and demolition waste in a new way."

The grant will fund a part-time, on-site project coordinator, a how-to manual for contractors and developers and an educational slide show. Signs posted outside the construction site are being updated regularly to reflect tons of material recycled or reused on the project. Metro plans to conduct workshops and building tours for the construction industry that focus on the resourceful renovation elements.

- more -





**METRO**

2000 S.W. First Avenue  
Portland, OR 97201-5398  
503/221-1646

## *News Release*

October 12, 1990

For Immediate Release

For Information, contact Vickie Rocker, 220-1163, or Dave Kanner, 220-1165

### **Metro agrees to purchase Sears Building**

The Metropolitan Service District will move its offices to Portland's east side Lloyd District, after reaching an agreement in principle to purchase the former Sears Building at 524 NE Grand Ave. from Pacific Development, Inc. (PDI). The purchase price is \$5.15 million.

The execution of the sale agreement is subject to an inspection of the building and a feasibility analysis which Metro will complete within 67 days. If all goes well, it's expected that Metro will renovate the building and move into its new offices in about 18 months.

Renovation is projected to cost about \$9.5 million and could potentially include removal of the facade that now covers the building, as well as construction of an atrium in the center of the building. Metro is still evaluating a number of financing options.

Metro will renovate the interior of the four-story, 183,000 square foot building for use as office and retail space. The agency plans to use about 55,000 square feet of office space and lease the remainder. The interior is currently 100% open space.

The purchase price includes an attached parking garage with 460 spaces. The basement of the building will be converted to indoor parking, giving the building a total of more than 600 parking spaces. As part of the sale agreement, Metro will assume PDI's obligation to provide up to 346 parking spaces for the new state office building being built nearby.

Rena Cusma, Metro executive officer, has long expressed a desire to move the agency to the Lloyd District in order to be closer to the Oregon Convention Center and Memorial Coliseum, for which Metro has management responsibility, and to provide better accessibility for the public. Metro currently leases 45,000 square feet of space at 2000 SW First Ave. in Portland. That lease expires in 1996. It's expected that Metro will sublet its existing office space after moving to its new building. This transaction and future leasing is being handled by Coldwell Banker.

**The Sears Building**  
524 NE Grand Ave.  
Portland, OR 97232

Age: Built in 1931. Expanded and remodeled in the 1950s.  
Size: 183,000 sq. ft., 4 stories  
Garage: 460 spaces (additional 58 spaces of off-street surface parking)  
Purchase price: \$5.15 million  
Renovation cost: \$9.5 million (anticipated)  
Financing: Certificates of Participation or revenue bonds (anticipated)  
Planned uses: Metropolitan Service District offices  
Leased office space  
Retail space  
Day care facilities  
Restaurant tenants  
Parking: Attached parking structure has 460 spaces  
Basement will be converted to parking (110 spaces)  
State of Oregon will use up to 346 spaces





**METRO**

2000 SW First Ave.  
Portland, OR 97201-5398  
(503) 221-1646

*News release*

March 28, 1991

For immediate release

For information, contact Vickie Rocker, 220-1163, or Dave Kanner, 220-1165

### **Metro task force recommends against purchase of Sears building**

The Relocation Task Force of the Metropolitan Service District has determined that the proposed purchase and renovation of the Sears building at 524 NE Grand Ave., Portland, is not feasible for Metro at this time.

Metro had been exploring the possibility of purchasing the building for use as a permanent headquarters, but notified the building's owner, Pacific Development, Inc., of its intention to not proceed with the sale on March 25. In response, PDI has indicated an intention to present a more affordable plan to Metro before April 30, 1991.

The Metro task force determined that the purchase and renovation of the 59-year-old structure would cost \$25.8 million, a figure which exceeds the agency's original estimates. The Metro Council had agreed last October to begin a period of intense examination of costs and construction/leasing alternatives, based on a purchase price of \$5.15 million.

Metro had planned to initially use 55,000 square feet of the four-story 183,000-square-foot building for office space, to convert one floor to parking and to lease the remainder. Metro currently leases 45,000 square feet at 2000 SW First Ave. in Portland.

The Relocation Task Force will continue to explore other options for a new headquarters site for Metro.



**METRO**

2000 SW First Ave.  
Portland, OR 97201-5398  
(503) 221-1646

*News release*

July 3, 1991

For immediate release

For more information, contact Vickie Rocker, 220-1163, or Dave Kanner, 220-1165

### **Metro, PDI reach new agreement on Sears building**

The Metropolitan Service District (Metro) and Pacific Development, Inc. (PDI), have reached a new agreement in principle under which Metro will purchase the former Sears building at 524 NE Grand Ave., Portland, and renovate the building for use as its new headquarters site.

The purchase price, which does not include an attached parking garage, is \$2.55 million. Under the terms of the agreement, which must still be approved by the Metro Council, Metro would place a \$250,000 deposit on the building (to be applied to the purchase price at the time of closing) but would not close the sale until such time as a satisfactory proposal for renovation was approved. Renovation proposals would need to be received and approved later this fall. Proposals could potentially include removal of the facade that now covers the building and conversion of the basement and first floor to parking, leaving 76,000 square feet on the upper floors for office space.

The agreement in principle will be reviewed by the council's Regional Facilities Committee on July 9. The meeting will be at 4 p.m. at Metro Center, 2000 SW First Ave., Portland.

An earlier sales agreement between Metro and PDI was not executed after the agency determined that the cost of purchasing and renovating the building and parking structure was too high. Under that agreement, Metro would have paid \$5.15 million for the Sears building and parking garage, then used 55,000 square feet in the 183,000-square-foot building for office space. The remainder would have been leased out. Under the new agreement, Metro would purchase the four-story Sears building outright and option the adjacent parking garage for future purchase.

- more -



Rena Cusma, Metro executive officer, has long expressed a desire to move the agency to the Lloyd District in order to be closer to the Oregon Convention Center and Memorial Coliseum, for which Metro has management responsibility, and to provide better accessibility to the public. Metro currently leases 45,000 square feet of space at 2000 SW First Ave. in Portland. That lease expires in 1996. It's expected that Metro will sublet its existing office space if it moves to the Sears building. The transaction and future leasing is being handled by Coldwell Banker.



**METRO**

2000 SW First Ave.  
Portland, OR 97201-5398  
(503) 221-1646

## *News release*

Oct. 11, 1991

For immediate release

For more information, contact Vickie Rucker, 220-1163

### **Metro Council approves sale agreement for Sears building**

The Metropolitan Service District Council has adopted a resolution authorizing execution of a sale agreement to purchase the former Sears building at 524 NE Grand Ave. Metro will purchase the building for \$2,550,000 from Pacific Development, Inc., a wholly owned subsidiary of PacifiCorp Financial Services.

Renovation costs for the 1931 building are projected to be \$10.5 million. The total project cost, \$18.5 million, also includes financing, equipment and furnishings, a 1 Percent for Art program and project management expenses. Metro will issue a revenue bond to finance the project, expected to be completed by mid-January 1993.

The council also approved issuance of a project design/build request for proposal (RFP). Three design/build teams selected through a request for qualifications process will respond to the RFP by Nov. 15, 1991. They are BOOR/A and Anderson Construction; H. Naito, SERA and P&C Construction; and TVA/Cole and Hoffman Construction.

Rena Cusma, Metro executive officer, has advocated moving the agency to the Lloyd District in order to be closer to the Oregon Convention Center and Memorial Coliseum, for which Metro has management responsibility, and to provide better accessibility for the public.

Metro currently leases 45,000 square feet of space at 2000 SW First Ave. in Portland. That lease expires in 1996. It is expected that Metro will sublet its existing office space after moving to the new building.





## METRO

2000 SW First Ave.  
Portland, OR 97201-5398  
(503) 221-1646

## *News release*

Jan. 22, 1992

### **Not for release - Photo Opportunity**

For more information, call Vickie Rocker, 220-1163, or Michel Gregory, 221-1646

### **Salvation Army and Hippo Hardware recycle former Sears store**

Tons of carpet, toilets, sinks and other fixtures from the former Sears store at **524 NE Grand Ave.** won't end up in the landfill thanks to the Salvation Army and Hippo Hardware. The future Metro headquarters building will be abuzz with crews from the **Salvation Army on Wednesday, Jan. 22, and Hippo Hardware through Friday, Jan. 24.**

**To arrange media access to the construction site, call Vickie Rocker at 220-1163, or Michel Gregory at 221-1646.**

The Salvation Army will use the recovered carpeting at Harbor Light and other Salvation Army facilities. Hippo Hardware, which is purchasing the salvaged materials, has hired 11 unemployed and homeless workers to remove fixtures that will be sold for reuse.

The salvage effort is part of a recovery, recycling and resource conservation plan Metro is developing for the project with the design/build team, Hoffman Construction and TVA/Cole. The plan will be completed and introduced in March. Metro's goal is to salvage or recycle as much demolition and construction debris as possible, use recycled building materials when feasible and maximize the building's resource efficiency.

By BARRY FINNEMORE  
Daily Journal of Commerce

Portland's close-in east side has undergone revitalization recently and is poised for further development in the way of transportation, parks, building rehabilitation and new construction, a trio of officials said.

Recent development in the area and future prospects were outlined this week at a Society of Marketing Professional Services luncheon by Greg Wentworth, a local auto dealer and president of Central Eastside Industrial Council, and Portland Development Commission project coordinators Ken Swan and Les Prentice.

Some \$400 million to \$500 million has been invested in the east side during the past five to seven years, according to Prentice, project coordinator for the Oregon Convention Center Urban Renewal District.

With the Central City Plan as a blueprint, officials are seeking a more cohesive approach to development on both sides of the river, Prentice said.

Public and private projects either completed or under way include the Oregon Convention Center, the new Oregon Museum of Science and Industry, the state office building, the Lloyd

Center renovation, housing and transportation improvements along Interstate 5 and connecting streets.

What does the future hold? Swan, PDC's project coordi-

nator for the Central Eastside Urban Renewal Area, said one project being discussed is an extension of Water Avenue from

See DEVELOPMENT, Page 23

## DEVELOPMENT Continued from Page 3

Clay to Division streets that would open up additional properties for development.

Street improvements also are under consideration for Grand Avenue and Martin Luther King Jr. Boulevard that would make the thoroughfares more "friendly" to pedestrians and motorists who shop in the area, Swan said.

In addition, Swan said he expects improvements to the east bank of the Willamette River to begin in two to three years, including trails and pedestrian access to bridges.

Prentice said it is anticipated a convention headquarters hotel would be developed by public and private interests by 1996. Envisioned with 700 to 800

rooms, the hotel would be a marketing tool to lure larger groups to the convention center, which is "proving to be all it was promised" to be, Prentice added.

Other construction or renovation projects proposed in the Lloyd District include a new arena for the Portland Trail Blazers and Metro's possible purchase of the former Sears building for use as its headquarters.

Wentworth noted that more development has occurred on the east side during the past two years than ever before. However, he said the "strength" of the central eastside neighborhood will continue to be its industrial base, which provides jobs and serves as a catalyst for growth.

## Dozono Elected POVA President

The board of directors of the Portland/Oregon Visitors Association elected Sho Dozono president of the organization its June 20 meeting.

Dozono's term began July 1, and extends through the 1991-92 fiscal year.

President and chief executive officer of Azumano Travel Agency, Dozono is a Port of Portland commissioner. He serves on the boards of the Oregon Tourism Alliance, Portland Future Focus, Japan America Society of Oregon, Portland-Sapporo Sister City Committee, and the Japanese Garden Society. Dozono has been a POVA director since 1987 and has served on the executive committee since 1990.

Other newly elected officers are: Harold Pollin, president elect; Ron Miller, vice president and John Jenkins, treasurer. POVA is responsible for marketing the Oregon Convention Center to potential users nationally. Their services are provided under contract to the Metropolitan Exposition-Recreation Commission.



## Business, money flow to section of city that was once neglected

By STEVE MAYES

of The Oregonian staff

7-29-91

**L**ook! Over there on the eastside. It's a renaissance. It's a trend. It's inevitable. Finally able to leap over downtown Portland's shadow in a single sustained bound: It's Lloyd District! Let's face it. Except for visits to the 31-year-old Lloyd Center or plain-vanilla government buildings near the mall, most Portlanders didn't spend much time strolling around the inner-Northeast neighborhood.

There wasn't much to see or do there. It was about as exciting as playing canasta with Clark Kent.

But in the late 1980s, the area started its transformation from sleeper to super neighborhood. Several actions coincided to spark the change:

- Melvin Simon & Associates bought Lloyd Center.
- Pacific Development Inc., PacificCorp's real-estate subsidiary, snapped up 70 blocks around the mall.
- Voters passed a bond issue to finance the Oregon Convention Center.

- Tri-Met completed its 15-mile light-rail line that connected downtown Portland and Gresham and passed through the Lloyd district.

The spotlight focused most brightly on the convention center, which is expected to draw groups from across the nation and around the world.

The Portland Development Commission, the city's major urban renewal agency, sprang into action and began planning public improvements and overall design standards to spruce up the area.

Investors jumped in and renovated nearby hotels.

Meantime, the light-rail line opened and turned Lloyd Center into an easy-to-reach destination for eastside residents and a short hop from the downtown.

The largest private land owner in the area, Pacific Development is coordinating a master plan for its holdings between the convention center and Lloyd Center. Operating as a planner rather than a developer, the company sells to other developers who will comply with its game plan of high-quality office, retail and apartment buildings.

And Melvin Simon began its \$200 million renovation of the aging Lloyd Center into a modern eye-catching retail center on a par with its newer suburban competitors.

After decades as downtown Portland's overlooked eastside cousin, the Lloyd district is on the road to equal stature, said Pat LaCrosse, PDC executive director.

Someday soon, LaCrosse said, Portlanders will stop thinking of downtown only in terms of the westside, largely because of public and private investment that occurred in the late 1980s.

"I think you'll look back five or 10 years from now and say, 'Yeah, that's when it started to happen,'" LaCrosse said.

Those who haven't dropped by for a while may be surprised. Northeast Broadway between Northeast Ninth and 33rd avenues is slowly taking on the look of boutique Northwest Portland's 21st and 23rd avenues.

Many of the same retailers that flocked to the hot westside retail couplet a few years back are now hoofbeating it to Broadway.

Casa-U-Betcha, Papa Hayden's, Jamie's Great Hamburgers, Starbucks Coffee Co. and Kitchen Kaboodle are — or will soon be — on Broadway.

"We're leaving Northwest 23rd Avenue because it's maxed out," said Scott Timberlake, a broker and owner of The Real Estate Firm. "The rents just don't make sense anymore." Timberlake said that he is moving his business the Northeast Broadway while he can afford to.

"Nothing that has happened has dissuaded us that it was a good and smart thing to do," said Reuel Fish, a McMinnville attorney and developer who built a small retail building on Broadway in 1989.

Property values are climbing, just as they did in

## East side: Remodeled Lloyd Center boosts area

■Continued from Page B1

Northwest Portland as it developed into a popular pedestrian shopping district.

Take commercially zoned houses along Broadway.

"You couldn't give them away last year for \$40,000 or \$50,000," Timberlake said. "Now, they're getting \$100,000 for them."

Same thing with apartment houses. Selling only two years ago for \$25,000 a unit, the same buildings today are fetching \$40,000 a unit — a very healthy price in any part of town. Likewise, Timberlake said, rents are climbing, too.

Another Portland real-estate broker, Barry Menashe, recently bought the vacant Irvington Theater and is converting the old neighborhood movie house to retail use. Menashe also bought a block near Lloyd Center.

"The Lloyd Center area is really on the move with lots more on the drawing boards," Menashe said.

Other changes are in the works that will further enhance the area.

A \$5 million upgrading of Northeast Holladay Street will begin next year. The street will connect the convention center and Lloyd Center with a corridor similar to the downtown transit mall.

A vintage trolley should start service along the light-rail line between Lloyd Center and downtown. The old-time streetcar should prove popular with conventioners and shoppers.

✓ The Metropolitan Service District may relocate its headquarters to the old Sears department store on Northeast Grand Avenue if money can be found to buy and renovate the building.

Intrawest Corp., a Seattle developer, plans to build two upscale apartment towers next to Lloyd Center. The \$45 million project will be the first high-rise apartment project built in the inner-eastside area in several years.

The state of Oregon's new office building at 800 N.E. Oregon St. will open and pump hundreds of new workers into the area, providing more customers for shops and restaurants.

The PDC is pushing ahead with plans to build an 800-room hotel to serve the convention center.



# Regional Facilities

■ **RENA'S EMPIRE STRIKES BACK ... AGAIN:**  
Remember that Metro plan to buy the old Sears building and turn it into a new high-profile headquarters?

The plan that was launched on a \$15 million budget, then foundered on the rocks of the Broome Oringdolph report that it would actually cost \$25 million to buy and renovate the old place?

The plan that refloated when Bob Naito said he could do it for half that much?

Here's the latest word on the voyage. Metro went ahead and bought the place for \$2.55 million, then sent out a request for interest from designer/builder teams.

Local construction types have plenty of free time these days to dream.

By Wednesday, no fewer than 51 firms had requested information. Neil Saling, director of Metro's regional facilities, expects to be busy come Friday's deadline when Metro staff will begin the culling. Three finalists will be announced Sept. 9, with the final decision due Nov. 11.

*Aug 8-21-91*

SATURDAY, AUGUST 24, 1991

## Downtown moves east

*Lloyd Center, other new investment promise enormous benefits to entire metropolitan area*

**I**nvestment of \$200 million in any community is worth noting. But when it takes advantage of sizable public investment in its area and reinforces a long-held civic dream of tying Portland's east and west sides together, as the renewed Lloyd Center does, it is worth outright celebration.

Residents throughout the metropolitan area ought to join in the center's grand opening continuing through this weekend. As they do, however, they should look beyond the sales and remodeled architecture to the promise of urban revival, east-west connection and progress toward regional goals implicit in the redevelopment.

The 31-year-old renewed Lloyd Center today is linked to downtown by MAX. The entire region invested transportation dollars — initially assigned to a Mount Hood Freeway — in light rail that makes the inner east side convenient to both Gresham and the westside downtown. When the Westside Light Rail Project is completed, it will be equally convenient to residents of Beaverton and Hillsboro in Washington County.

The Portland Development Commission is investing tax-increment dollars in improving streets and other facilities to support other public and private investment: the Oregon Convention Center, a new state office building, a Trail Blazers arena,

a convention-center headquarters hotel and new apartment towers, the latter on the drawing boards of a Seattle development company.

New jobs, tax returns and retail attractions are apparent. Benefits, however, cannot be allowed to leapfrog the immediate neighborhood to the north.

All investors should recognize that PDC's JobNet, the Northeast Coalition of Neighborhoods jobs committee and the Northeast Workforce Center at Portland Community College's Cascade Center, for example, are there to help them include underemployed inner-northeast residents in their job opportunities.

The region's clean-air goals, too, must be integral to the eastside renewal. Despite significant parking investment, Lloyd Center retailers — and other Lloyd District employers — should join their westside counterparts in bus-pass, carpool and other transit programs. The inner east and west sides are evolving into one downtown, but the entire metropolitan area, including Clark County, Wash., shares one fragile airshed.

A revitalized inner eastside has much to offer the region in terms of added tax base, jobs, housing and support for transportation, wise land use and other public goals. The Lloyd Center-Convention Center area promises to be the incubator from which that revitalization will grow. ✓



Wednesday, Sept. 4, 1991

Portland, Oregon

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Vol. 179, No. 3

# Metro HQ project brings out city's design-build elite

By DAN McMILLAN  
Daily Journal of Commerce

Portland construction, architecture and development heavyweights found dates last week because the firms cannot go stag to the Metropolitan Service District's headquarters design competition.

Nine teams submitted qualifications to Metro by Friday afternoon's deadline, the first step in finding a team to design and build a new Metro headquarters in the former Sears building on Grand Avenue. A final decision likely will wait until November.

Berit Stevenson, Metro project manager, said this first stage in the process was one of gathering resumes and background information. No dollar figures were discussed, nor were the respondents asked to discuss specific proposals.

The nine responding teams are:

- GSA Partnership, architects, and L.D. Mattson, builder.
- H. Naito Properties, SERA Architects, and P and C Construction.

- Hoffman Construction, Thompson, Vaivoda and Associates Architects, and Cole and Associates Architects.

- Andersen Construction and BOOR/A architects.

- Walsh Construction, Shields

and Obletz and Ankrom Moisan Associated Architects.

- Kitchell Construction and GBD Architects.

- Hoffman Construction and Yost Grube Hall Johnson architects.

- Turner Construction and SERA Architects.

- Baugh Construction, Oregon Inc. and Zimmer Gunsul Frasca Partnership.

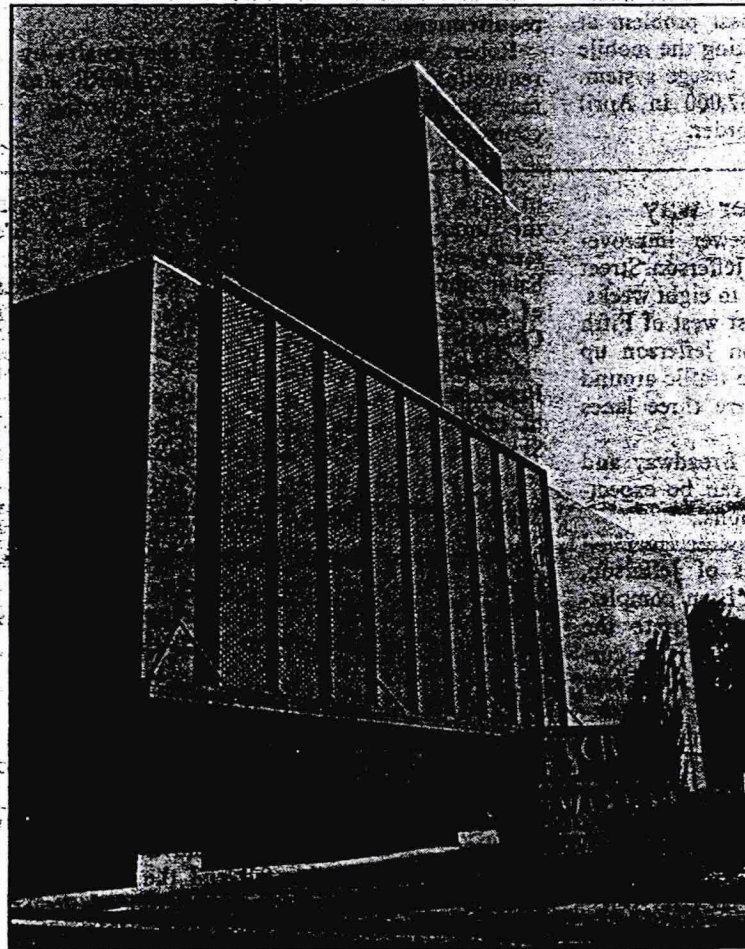
Before the real work begins, the Metro Council must approve the purchase of the Sears building, a matter up for council consideration at its Sept. 12 meeting.

Metro and Pacific Development Inc., the owner of the property, negotiated a price of \$2.55 million for the building, and a \$2.6 million option for a parking structure.

The four-story building totals 183,000 square feet, but how much of that space would be used by Metro and how much could be converted to parking or left for other uses is still unknown.

For now, Stevenson said Metro staff wants to get a feel for the different design-build teams and start paring its list.

Metro staff wants to know if the teams have worked together before, what approach the teams would take, and what other firms would be brought in to round out the teams, Stevenson said.



Greg Paul

Nine design-build teams have submitted their qualifications to the Metropolitan Service District — the first step in the process to select a designer and builder to convert the former Sears store on Grand Avenue into a new headquarters facility for Metro. Selection of a team is expected in November.

"At this point, we haven't addressed the building at all," she commented.

By the end of this week, Metro staff will narrow the field to an unspecified number and will interview firms the following week.

"The interview is really important," Stevenson said. "At this stage, we are really looking at personalities."

By Sept. 16, after the Metro Council action, a trio of teams will be in the running. At that point, the three finalists will be given requests for proposals and a budget to work with, Stevenson said.

The three will take a month to work on the project and then report back for another evaluation.

"The price obviously will be a consideration," Stevenson commented.

Even with a formal request for proposals from which to work, Stevenson said the service district plans to leave the teams plenty of room for creativity.

A winner will be picked sometime in November and construction could start as early as December, she said.

For the two losing finalists, Stevenson said Metro is providing a \$25,000 honorarium for each to compensate for time spent on the project.



# Metro names design-build team finalists for headquarters project

By BARRY FINNEMORE  
Daily Journal of Commerce

Three development teams have been selected as finalists in a Metropolitan Service District design competition involving the former Sears building in Northeast Portland.

The short list was announced late Friday by Metro, which wants to renovate the vacant retail property on Grand Avenue for use as a headquarters facility. The competition attracted some of the biggest names in local

development community.

Contractors, developers and architects, selected from among nine teams that had submitted qualifications in late August are:

- H. Naito Properties, SERA Architects and P&C Construction Co.
- Hoffman Construction Co., Thompson Vaivoda & Associates and Cole Associated Architects.
- Andersen Construction Co. and BOOR/A architects.
- Berit Stevenson, Metro pro-

See FINALISTS, Page 27

1/5/11/91

10/4/91

## FINALISTS

Continued from Page 1

ject manager, said the selections were based in large part on whether teams had experience working on similar projects and whether they had worked together previously.

"It was a very difficult decision," Stevenson said.

The short list was made public despite the fact that the Metro Council has yet to formally approve the purchase of the property. In mid-September, the council delayed a scheduled vote on the sale agreement because additional asbestos was discovered in the building.

The council at that time sought environmental tests and further discussion with property owner Pacific Development Inc.

Results of those tests are not yet back, Stevenson said.

Metro and Pacific Development settled on a price of \$2.55 million for the four-story, 183,000-square-foot building. Metro also has a \$2.6 million option to purchase an adjacent parking structure.

The exact timeline for the design-build competition will not be known until after the Metro Council meeting Oct. 10. If Metro officials approve the sale, Metro staff will issue a request for proposals that will include an updated development timeline, Stevenson said.

Teams will have about a month to prepare their proposals, and Metro staff will take three to four weeks to evaluate them, she said.

Teams will follow a strict set of guidelines regarding the building's mechanical, electrical, heating and air conditioning systems. However, they will be allowed creative license on the exterior treatment of the building, as well as a proposed front entrance and courtyard along Irving Street, Stevenson said.

"It's all up to the design-build team's imagination," she said.

Teams that did not make the final cut are:

- Kitchell Construction and GBD Architects.
- Hoffman Construction Co. and Yost Grube Hall Johnson architecture.
- Walsh Construction Co., Shiels & Obletz and Ankrom Moisan Associated Architects.
- Architectural firm GSA Partnership and builder L.D. Mattson.
- Turner Construction Co. and SERA Architects.
- Baugh Construction Co. and Zimmer Gunsul Frasca Partnership.

## PDC members defend meeting

By BARNES C. ELLIS  
of The Oregonian staff

Three members of the Portland Development Commission attended a private meeting of about 50 citizens opposing anti-urban-renewal initiatives.

Three members constitute a quorum of the PDC, and Oregon's public meetings law says in part that "no quorum of a governing body shall meet in private for the purpose of deciding on or deliberating toward a decision on any matter."

No public notice was issued for the Sept. 26 meeting in the First Interstate Bank Tower. PDC Chairman Douglas McGregor and Com-

missioners Robert D. McCracken and Harry L. Demorest attended, according to Becky Carter, spokeswoman for the PDC.

Jeannette Launer, legal counsel for the agency, said she considered the issue before the meeting and did not believe state law applied.

"The commissioners were not there in their capacity as PDC commissioners," she said, "and they were not either receiving information in order to make a decision or deliberating on a decision to be made as PDC commissioners."

Defeat of the initiatives is important, however, to the PDC, which administers the city's urban renewal

programs. One of the initiatives would cancel the district around the Oregon Convention Center. Another would require a public vote on all such districts in the future.

In a 1988 opinion, the state attorney general said that a governing body's "collective gathering of information on a subject within its jurisdiction constitute(s) deliberations for purposes of the public meetings law."

McCracken said the group came to no decision about how to fight the initiatives.

"We're very sensitive about appearing in groups of three," he added of the commissioners.



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See FINALISTS, Page 27

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Continued from Page 1

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15/1/01



# Regional Facilities

## Metro OKs Sears building purchase

By JAMES MAYER 10-15-91  
of The Oregonian staff

The Metro Council has approved a sales agreement to buy the former Sears Building for a new headquarters.

But the council balked at immediately changing its minority contracting program in connection with remodeling the building.

Under the sales agreement, Metro will buy the four-story, 183,000-square-foot building at 524 N.E. Grand Ave. from Pacific Development Inc. for \$2.55 million.

The sale has come close to approval before. In the most recent delay, asbestos was found in the building's facade, but further examination showed the substance was not present in amounts requiring expensive special handling, said Neil

Saling, Metro's regional facilities director.

Metro wants to remove the facade to uncover the original brick exterior of the 59-year-old building. Total cost to buy and renovate has been estimated at \$18.5 million.

The council also agreed to issue a "request for proposals" to three design/build teams. The three teams, selected in an earlier competition, are Hoffman and TVA/Cole, BOOR/A and Anderson, and SERA and P & C Construction.

Each of the three teams will receive a \$25,000 honorarium to cover costs of preparing proposals.

It is in the context of the "request for proposals" that Dan Cooper, Metro's attorney, raised the minority contracting problem.

The agency's current enterprise programs for disadvantaged busi-

ness and women-owned business include preferences based on race and gender.

However, race-based contracting preferences have come under legal attack in recent years.

The U.S. Supreme Court invalidated a Richmond, Va., ordinance that was similar to Metro's. But Cooper said Metro's program was probably legal under that ruling because Metro's ordinance provided that the lowest bidder could still beat out competition from minority or women-owned businesses.

But in a recent case out of King County, Wash., the 9th U.S. Circuit Court of Appeals ruled that all racial classifications were unconstitutional unless local governments could show discrimination against specific firms.



# Asbestos discovery stalls sale of old Sears building

BY JAMES MAYER  
of The Oregonian staff 9-14-91

The last-minute discovery of asbestos in the former Sears Building facade has delayed the Metro Council's approval of an agreement to buy the building for a new headquarters.

The Metropolitan Service District council was scheduled to act on an agreement to buy the four-story, 183,000-square-foot building from Pacific Development Inc. for \$2.55 million.

Neil Saling, director of regional facilities for Metro, said that the proposed agreement included a method for paying for removal of hazardous materials. Metro had agreed to pay for demolition it planned to do anyway, and Pacific Development would pay for any special procedures needed to handle a list of known hazardous materials. Earlier studies had revealed asbestos inside the building, but no one had ever tested the outside.

Metro would like to remove the facade to uncover the original brick exterior of the 59-year-old building at 524 N.E. Grand Avenue.

The cost of solving the asbestos removal problem could be several hundred thousand dollars, Saling

said. How those costs would be paid will be the subject of further negotiations, he said.

Metro's total cost to buy and renovate had been estimated to be \$18.5 million.

Saling said the problem came to light after one of the potential contractors for the renovation job mentioned the possibility of asbestos in the facade. Test results confirming the suspicion came in three hours before the council meeting.

It's not the first time the Sears Building deal has been waylaid.

An earlier deal that called for

Metro to buy the building and the attached parking garage fell through in March. The current proposal does not include the garage.

In other business, the council adopted a redistricting plan that brings all districts within a 5-percent difference between the least and most populous, and began the process of raising zoo admission prices.

The redistricting plan creates a 13th council district, adjusts boundaries to reflect suburban growth and concentrates Portland's black voters in one district.

Each district must be roughly equal in population. This turns out to be about 80,000 people with the new district.

The council also heard the first reading of an ordinance that would increase admission prices at the Washington Park Zoo by 50 cents in January.

The ordinance, which was referred to the council's regional facilities committee for public hearings, would bring the cost of an adult ticket to \$5 and a child's admission to \$3.

## Commissioners still ducking

*Across-the-board cuts no substitute for targeting county spending cuts*

**M**ultnomah County commissioners Thursday finally adopted a budget for the fiscal year that began last July. Or did they?

Commissioner Pauline Anderson says no. She wants to return to modify the budget very soon. Commissioners Gary Hansen and Sharon Kelly said no Thursday, losing 3-2 in the budget-approval vote to Anderson, Rick Bauman and Chairwoman Gladys McCoy.

What the majority did, sadly, was let the county's department heads make their cuts for them. McCoy asked the managers to cut by 5.5 percent the budgets approved by the commissioners last spring pending a tax increase that the commissioners eventually decided not to impose.

Among the intolerable results of the managers' cuts:

- Sheriff Bob Skipper offered up to the chopping block 160 jail beds in order to hang onto his neighborhood police patrols. This, despite his having to release prisoners every month solely because of overcrowding.

- Assessment and taxation spending was reduced by \$152,000. This, despite recent legislative funding assistance to help Multnomah County get back into compliance with state

assessment and taxation laws.

- Cuts will be made in health, dental and mental-health spending for the poor, the aged and troubled youth.

Entirely eliminated would be one of the most cost-effective human service/safety programs the county administers: Chiers — the Inebriate Emergency Response Service contracted to Central City Concern. If it isn't restored, already overburdened police will be called upon to replace the paramedics who now assist nearly 5,000 inebriates a year from the curbs of downtown Portland to county detox and other care centers.

Anderson says the county may need the support of other governments and the private sector for some of her suggestions. It should be there, particularly for Chiers.

More important, the commissioners should quit sidestepping their decision-making responsibilities and measure their cuts last week of human services, corrections and libraries against their continued funding of lower-priority county programs. For example: parks, planning, neighborhood police patrols and services that more logically and cost-effectively could be provided by cities or Metro.

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Bernie Foster, Publisher



## Vigilance by Metro Council Applauded

*An Oct. 10 meeting by the Metro council could have yielded a decision disastrous to women- and minority-owned businesses. The vigilance of the Metro council sidestepped the problem.*

*It was during this meeting that the Rena Cusma administration tried to railroad an emergency ordinance effectively replacing a program to provide contracts to minority- and women-owned businesses by one which will provide the contracts to emerging small businesses.*

*The ordinance was put on emergency status because of the Sears building contract, according to Metro director of Regional Facilities, Neil Saling. While minority business owners are interested in working on the Sears contract, this measure would have meant that as usual, minority participation would not have been required.*

*When some north and northeast Portland community members objected to the ordinance, which*

*would be difficult to overturn because of its emergency status, the Metro council heard them and elected to delay the decision, based on the need for further study. Saling argued that amendments could be made to the ordinance after it is pushed through the system, but the council decided against it.*

*Metro has not awarded a minority firm a contract worth over \$100,000 that we've heard about, and in the past three years, less than about a dozen minority contracts have been signed. Minority businesses are not looking for a handout--they just want a piece of the pie, like everyone else. They do not have the luxury of not paying taxes to support Metro--they should be given a fair shake.*

*The Skanner soundly applauds the Metro council's efforts and vigilance, their sense of fair play, vision and foresight. They said they could not vote for anything of this magnitude, especially when people were not informed of it. Their efforts show that the system works, and their refusal prevents the building of more roadblocks to the success of minority- and women-owned businesses.*



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## Local owner should get the game ball

**T**he Canadian Football League and the proposed Professional Spring Football League have been flirting with Portland for months.

Imagine our excitement.

That's like having two choices for your prom date: Cousin A or Cousin B.

There's no guarantee that either league will try to put a franchise in Civic Stadium.

But what if either league wants an exclusive pro football lease at Civic, and might be willing to pay for that exclusivity?

The Metropolitan Exposition-Recreation Commission might have to tackle that issue.

At this point, the best answer is that if one of the franchises lines up a well-heeled local majority owner within, say, the next 30 days, that team should get exclusivity ... for the right price.

Otherwise, there should be no promises made about limited competition — even if that means one of the leagues takes its ball and goes home.

No, I'm not a big fan of the CFL-to-Portland idea. But the CFL suddenly makes a lot more sense if the franchise has a local owner — or an owner with significant local ties — who couldn't just run home to New Orleans or Atlanta, or wherever. There are indications now that the CFL is working to line up a majority owner with Portland ties, and that would be a giant step. Having a local point man, such as Jack O'Billovich, is nice, but it's not enough.

When previous football carpetbaggers bailed out of Portland, many business interests in this market were left with unpaid invoices. When that happens, mistrust lingers.

Unless a sports league carries enough credibility on its own — and neither the CFL nor the spring league does — then local ownership helps lessen that fear of being taken again.

**W**hich league should we be rooting for? (For purposes of this discussion, "Neither of the above" is not one of the choices.)

As shaky as the CFL is, a franchise in that league with local ownership is much more attractive than a team in yet another new league, one which might sound great in somebody's feasibility study, but will look like Mickey Mouse on the field.

If the CFL or the PSFL wants to be taken seriously in Portland, and maybe even get an exclusive pro football lease at Civic, its task becomes: Find local ownership.

Anybody have a rich cousin who likes football?

**WED:**  
■ The Oregon arena project: Legal and political issues, negotiations and management of the project. Speaker: Marshall Glickman, senior vice president of marketing, Portland Trail Blazers. Sponsor: National Contract Management Association, Portland/Vancouver chapter. 11:30 a.m., Red Lion Lloyd Center, 1000 N.E. Multnomah St. \$8, \$9 non-members. Oreg. 9-14-91

## Metro Approves Sears Building Sale

The Metropolitan Service District Council has approved the agreement to purchase the former Sears building at 524 N.E. Grand Ave. Metro has agreed to buy the building for \$2.55 million from Pacific Development Inc., a wholly owned subsidiary of PacifiCorp Financial Services.

Renovation costs for the 1931 building are projected at \$10.5 million. The total project cost of \$18.5 million includes financing, equipment, furnishings, a 1 Percent for Art program and project management services. A revenue bond will be issued by Metro to finance the project, which is expected to be completed by mid-January, 1993.

The council also approved issuance of a project design/build request for proposal. Three design/build teams will be chosen through a request for qualifications process which will respond to the request for proposal by Nov. 15. The teams are BOOR/A and Anderson Construction; H. Naito, SERA and P&C Construction; and TVA/Cole and Hoffman Construction.

Metro currently leases 45,000 square feet of space at 2000 S.W. First Ave. in Portland. That lease expires in 1996, and Metro plans to sublet its existing office space after moving to the new building.

Skanner 10/23/91



## Jury to name team for Metro HQ project

By BARRY FINNEMORE  
Daily Journal of Commerce

DJC 11/27/91

A jury today is expected to select a development team to renovate the former Sears building on Grand Avenue, eyed as the Metropolitan Service District's new headquarters facility.

Three design-build teams are finalists in Metro's design competition involving the now-vacant 183,000-square-foot building. They are:

- H. Naito Properties, SERA Architects and P&C Construction Co.

- Hoffman Construction Co., Thompson Vaivoda & Associates Architects and Cole Associated Architects.

- Andersen Construction Co. and BOOR/A architects.

Neil Saling, Metro's director of regional facilities, said the seven-member jury will make a recommendation to the Metro Council. The council is expected to consider a contract with the win-

ning team and to authorize staff to close the property sale during its Dec. 12 meeting.

Earlier this year, Metro and Pacific Development Inc., which owns the property, settled on a price of \$2.55 million for the four-story, 183,000-square-foot building. Metro also has a \$2.6 million option to purchase an adjacent parking structure.

Metro plans to use the top two floors as office space and the bottom two floors as parking. Construction is expected to begin in the spring and the building would be ready to occupy by January 1993. Total project cost is estimated at \$18.5 million, Saling said.

Nine teams originally responded to Metro's request for qualifications. The field was pared to six, then to three. Finalists developed proposals and models, and went through two interviews. Each of the finalists will receive a \$25,000 honorarium, Saling said.

## Sears garage purchase gets OK

By JAMES MAYER  
of The Oregonian staff

11-27-91

The Metro Council narrowly approved buying the parking garage to go with the former Sears Building Tuesday night.

The 6-4 vote came after a lively debate about whether government should be in a money-making venture, and whether the regional agency's image could stand any more high finance.

The 469-space garage has been an on-again, off-again affair during the last several months as Metro worked on a deal to buy the 59-year-old Sears building at 524 N.E. Grand Ave. from Pacific Development Inc. for a new headquarters.

An earlier deal that called for Metro to buy the four-story, 183,000-square-foot building for \$2.5 million, and the parking garage for an additional \$2.6 million, fell through in March.

Metro concluded that the \$25.8

million total cost to buy and renovate the building and the garage was too much.

But under the current plan, the cost is less because the Sears building's first two floors will be used for Metro parking, not remodeled for lease to other tenants, reducing the renovation costs, and the losses that would have resulted from inadequate lease income, said Neil Saling, regional facilities director.

Metro has now estimated the total cost of the project, with the garage included, to be \$21.5 million.

The parking garage would be operated as a separate entity from the Metro headquarters building, and parking space in the garage could be rented to the nearby new state office building and other users. Saling said the garage would lose about \$300,000 over the first six years, but would then begin to turn a profit.

But should Metro be in the business of turning a profit?

Councilors Jim Gardner and Ruth McFarland said no. The council, Gardner said, is acting like frustrated real estate developers "that suddenly have millions of dollars to wheel and deal with, to make a money for the public. I don't think that's an appropriate role for government."

Presiding Officer Tanya Collier disagreed, arguing that it would be "absolutely irresponsible" not to buy the building and the parking garage now, while the agency has the chance.

But Councilor Susan McLain questioned how Metro could justify the huge expense to the public, even if it did make money in the future. She worried about the effect of all this wheeling and dealing on the agency's already fragile public image.

"We said before we couldn't afford it, then we said we could because we wouldn't buy the parking garage. Now here we are again, and here's the garage," McLain said.



# Metro jury picks design-build team for Sears project

By BARRY FINNEMORE  
Daily Journal of Commerce

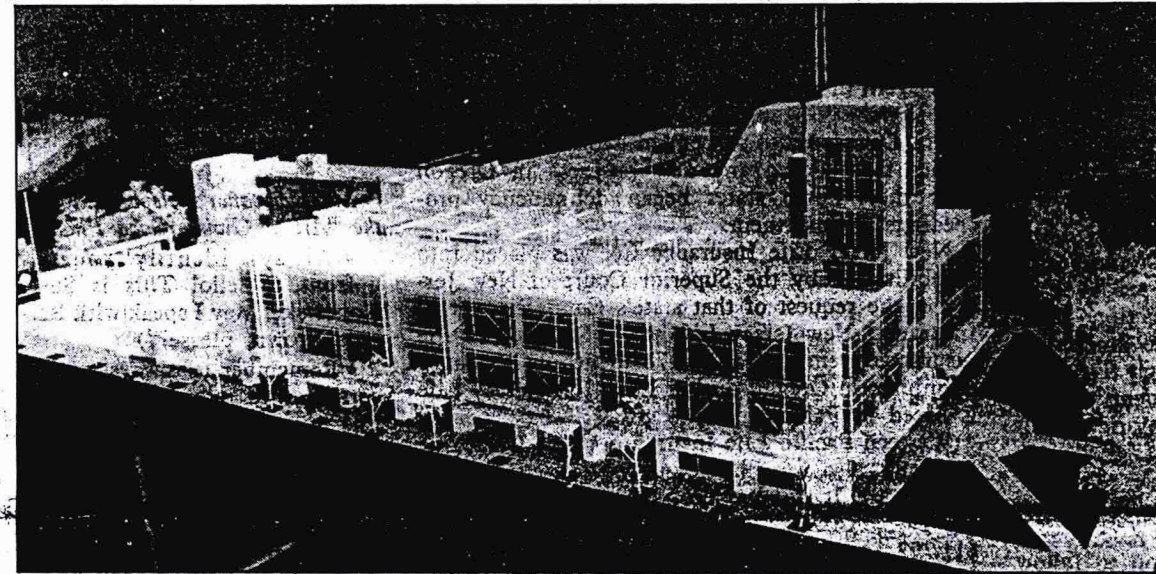
A proposal by the development team of Thompson Vaivoda & Associates Architects, Cole Associated Architects and Hoffman Construction Co. was selected by a jury as the winning design-build entry in a Metropolitan Service District competition involving the former Sears building in Northeast Portland.

Meeting last Wednesday, the seven-member jury recommended the team from among a trio of finalists to renovate the four-story, 183,000-square-foot Grand Avenue building that Metro wants to occupy by January 1993.

Berit Stevenson, Metro project manager, described the winning proposal as a "fairly modern approach" to design that the jury believed "more closely fit the image of Metro as a dynamic and accessible government" agency.

"We felt like we got a lot of design for the dollar," Stevenson added.

Considered a prized commission by many in the develop-



Model shows look envisioned for the former Sears department store on Grand Avenue that will be turned into a headquarters facility for the Metropolitan Service District. A jury last week selected the above design — proposed by the team of Thompson Vaivoda & Associates Architects, Cole Associated Architects and Hoffman Construction Co. — and will forward its recommendation for consideration by the Metro Council on Dec. 12.

ment community, the Sears building project originally attracted nine teams. The other two finalists were: H. Naito Properties, SERA Architects and P&C

Construction; and Andersen Construction Co. and BOOR/A architects.

"We feel very fortunate," said Bob Thompson, principal and

project designer with Thompson Vaivoda. "Both SERA and BOOR/A are excellent design firms."

Stevenson said contract terms

will now be finalized and the jury's recommendation forwarded to the Metro Council for action during its Dec. 12 meeting. At that time, the council is expected to consider the contract and to authorize staff to close the property sale.

Meanwhile, Thompson said the team will meet with Metro officials this week to develop the building program further.

Plans call for, among other things, a new exterior skin, larger windows to take advantage of views to the south and west and a major landscaped entry courtyard at the north end of the building that faces Northeast Irving Street, Thompson said.

He added that architectural plans have to be approved by the Portland Design Commission.

Metro, which is acquiring the property from Pacific Development Inc., plans to use the top two floors as office space and the bottom two floors as parking.

During its meeting last week, the Metro Council voted to buy an adjacent parking garage, which was a purchase option in a sales agreement with PDI.



# ABOUT TOWN

Who's who and what's what around Portland

## In the land of the empire builders

*Bud Clark's gone fishin', so Rena Cusma carves out her kingdom. But when Portland gets a new mayor, will the emperor — or empress — strike back?*

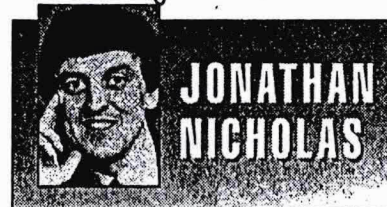
**D**on't look now. You're not supposed to be worried about any of all this yet. But some of the most cogent political voices in Portland are just starting to whisper about Metro.

What exactly is going on over there anyway?

And when is Joe Citizen going to sit up and take notice?

The regional agency long seemed like some illegitimate offspring of local governments, low both in profile and self-esteem.

For years it was viewed as the garbage agency — the place that couldn't quite keep its trash act together. Then, under the leadership



of Rena Cusma, Metro began to step toward the limelight.

Next thing citizens knew, Metro was wearing the crown jewels of the Convention Center and the Portland Center for the Performing Arts and crashing every party in town.

Heck, Cusma even was eyeing a \$25 million palace on the east side.

Double heck, Cusma even was

threatening to go Goodmanesque on us by getting into the parking lot business on the right bank.

Meanwhile, back across the river, the poor old Schnitz seems all set to go belly up.

What's going on here?

**WHAT'S GOING ON HERE** is that there's a power vacuum at City Hall. Bud Clark seems already to have retired to the role of elder statesman — beloved, sweet, cuddly. Nobody can remember the last time Clark flexed his political muscle. In the game of metropolitan politics, the city of Portland slips toward the role of sitting on the bench.

Sooner or later — and it will be as soon as we get ourselves a new mayor — the folks in other local government agencies are going to be reminded that there really is only one major league player in this game, only one with real clout. That one is the city of Portland.

Soon it will have a leader again.

**STYLE FILE:** New York magazine reports that the hottest new nightspot in Manhattan is Supper

12-8-91

### Runaway otter finishes term in zoo's quarantine

Desi, Metro Washington Park Zoo's wanderer Cape clawless otter, will re Monday to his home in the zoo's African Rain For-

### METRO

Council Regional Facilities Committee

4 p.m. Tuesday, Dec. 10



### Notice of Public Meeting



Topic: Proposed Administrative Rules governing the City of Portland's Recycling Improvement Program.

# METRO

Council Regional Facilities  
Committee

4 p.m. Tuesday, Dec. 10

Council Transportation and  
Planning Committee

6 p.m. Tuesday, Dec. 10

Council

5:30 p.m. Thursday, Dec. 12

- Ord. 91-439 establishing plan for financing various facilities and operations (public hearing)
- Ord. 91-440 establishing plan for financing Metro headquarters building (public hearing)
- Ord. 91-421A amending Regional Waste Water Management Plan (public hearing)

For agendas, call 221-1646

Metropolitan Service District  
2000 SW First Ave., Portland



## Notice of Public Meeting



Topic: Proposed Administrative Rules governing the City of Portland's Recycling Improvement Program.

*The Bureau of Environmental Services will accept comment on proposed administrative rules governing Portland's garbage and recycling collection. The rules will go into effect February 3, 1992. Copies of the full set of proposed rules may be obtained from the Bureau of Environmental Services, Solid Waste and Recycling, 1120 SW 5th Ave., Room 400, Portland, OR 97204.*

Date: Wednesday, December 18, 1991

Time: 7:30 p.m.

Place: Second Floor Auditorium  
Portland Building  
1120 SW Fifth Avenue

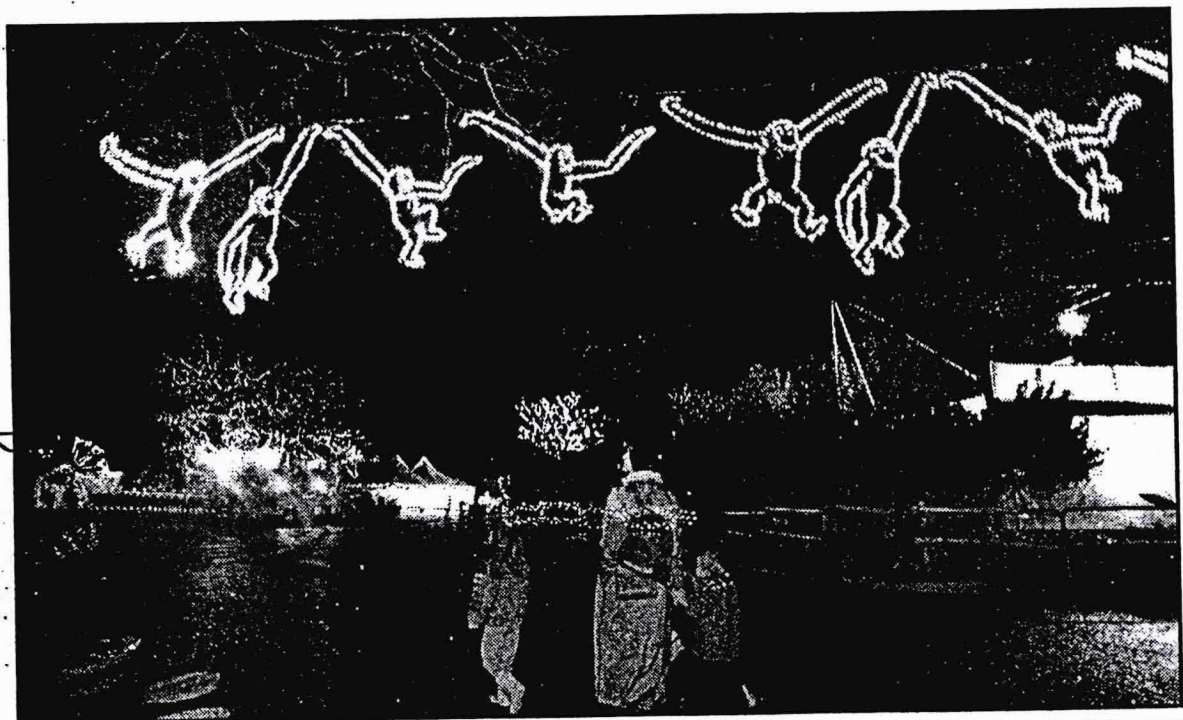
Solid waste and recycling staff from the Bureau of Environmental Services will be on hand at the hearing to answer questions.

For more information, call 796-7202.

ENVIRONMENTAL SERVICES  
CITY OF PORTLAND

Reg 12-8-91

Reg. 12-9-91



The Oregonian/JOEL DAVIS

**Glowing in motion** — Mischievous monkeys get into the swing of the season Friday with the opening of the fourth annual Zoolights Festival at the Washington Park Zoo. The Christmas exhibit, open nightly until Jan. 4 (except Dec. 24-25), features 61 animal figures and 140,000 lights.

Reg. 12-7-91

Reg. 12-10-91



# New Metro building given wide-open look

By JAMES MAYER

of The Oregonian staff 12-10-91

A design featuring a courtyard and lots of windows has been selected for the Metropolitan Service District's new headquarters in the former Sears Building on Northeast Grand Avenue, officials said Monday.

People will be able to "really see people working inside, doing something" as they drive by, said Berit Stevenson, Metro project manager.

The openness of the design was one major reason a jury picked the proposal by TVA/Cole and Hoffman Construction Co. over two competing teams, Stevenson said. The jury was composed of representatives from the Metro Council, other agency officials, and local architects.

The winning proposal was within the project's \$9.36 million budget, and could meet the required 396-day construction schedule.

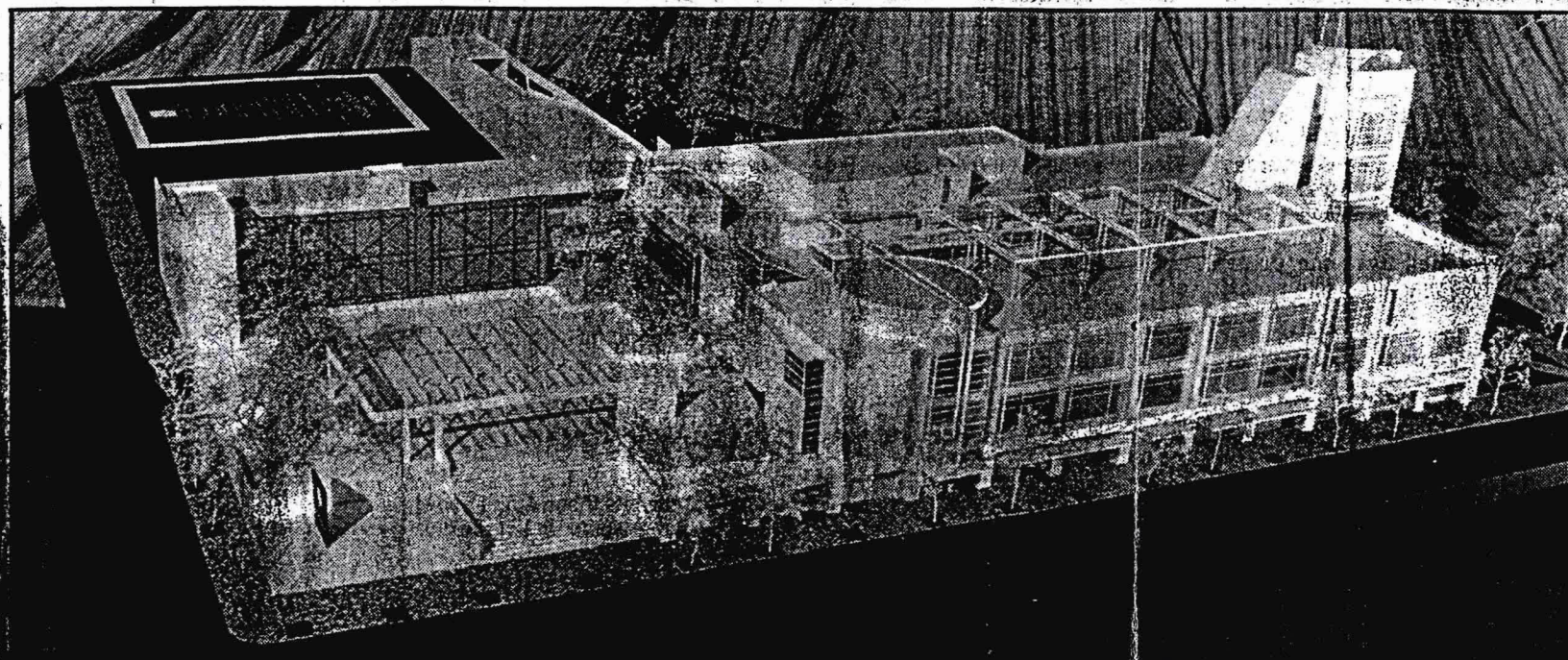
But it was the design that really caught the jury's attention.

"The jury pointed out that the glass facade spoke to Metro's accessibility to the citizens of the region and that the overall strong design made a bold statement regarding Metro's forward-thinking approach to problem solving," Neil Saling, regional facilities director, said in a staff report on the selection.

In October, the Metro Council approved buying the 59-year-old building at 524 N.E. Grand Ave. from Pacific Development Inc. Earlier this month, the council also approved buying the attached 496-space parking garage. The purchase price is \$5.15 million. The total cost, including remodeling and financing, is now estimated to be \$19.4 million.

Current plans call for the first two floors of the four-story, 183,000-square-foot building to be used for Metro parking, with the spaces in the garage rented out.

Stevenson said the idea of a courtyard on the Northeast Irving Street side of the building will add to the building's accessibility.



The design for the new Metropolitan Service District headquarters, located in the former Sears Building on Northeast Grand Avenue, will

"We hope it will get a lot of pedestrian traffic and community use," she said.

Metro had hoped to restore the building's original brick facade, but

Stevenson said that proved to be too expensive.

"We were attracted to that idea originally," she said, "but it looks like the most cost effective idea is to

include a courtyard and many windows. The design was submitted by TVA/Cole and Hoffman Construction Co.

start with a new skin."

The design does retain the tower. One idea is to place a conference room there, Stevenson said.

Resolutions approving the design

contract award and the final sales agreement will be before the Metro Council's regional facilities committee Tuesday, and the full council on Thursday night.

The Oregonian/BRENT WOJAHN



# Quality of life goal of panel

12/12/91  
By DOUG BROWNING  
Of the Argus

Devising a governance system that will enable the region to preserve its quality of life is the primary goal of the committee writing a charter for the Metropolitan Service District, its chairman says.

"We as a region still have a quality of life that's very, very good," Hardy Meyers told the Washington County Public Affairs Forum Monday.

"We're probably one of the few metropolitan areas anywhere that can say that, including Seattle where there's an increasing sense that they've lost the opportunity to shape and control growth."

Coping with growth in a metropolitan area with numerous jurisdictions, most experts agree, requires extraordinary cooperation among local governments. Such coordination is difficult without some sort of regional governance structure.

And brainstorming a structure is the responsibility of a 16-member committee, which includes four Washington County representatives, which has been holding weekly discussions for several months now. It plans to submit a proposed charter to voters next November.

A charter is similar to a constitution in that it specifies what responsibilities and what authority a local government should have. It can be changed only by a vote of the people.

Meyers said he is unable to assess

the odds of whether voters will approve a charter. He said one potential stumbling block is that the document will have so many provisions that almost everyone could find something to object to.

If voters reject the proposal, current state laws pertaining to Metro will remain in effect. Those laws can be changed by majority vote in the Legislature.

Metro provides no direct services to residents of the tri-county area. However, it coordinates—and oversees compliance with—regional plans for transportation and solid waste disposal.

Meyers said the question of whether there are other functions which should be handled regionally is one of the threshold issues facing the charter committee.

For example, he said, it's been suggested that Metro should be responsible for ensuring that the region has sufficient water for the 400,000 new residents expected over the next 15 to 20 years.

And that it coordinate efforts to preserve natural areas for parks, recreation, wildlife habitat, water quality and so forth.

However, he said, the charter committee has tentatively discarded the idea of having Metro coordinate a regional library system, even though Metro already has some authority to do so under existing laws which it hasn't exercised.

In January, the committee plans public hearings in each of the three counties of the region so it can get a better idea from citizens whether it's headed in the right direction, Meyers said.

Then it'll start drafting precise charter proposals. These also will be circulated for public comments, probably in late spring, before a final charter proposal is put together for voter consideration.

## Metro committee approves Sears building project

12/12/91

By BARRY FINNEMORE  
Daily Journal of Commerce

A Metropolitan Service District committee has recommended approval of a design-build contract and sale agreement regarding the former Sears department store in Northeast Portland, which the regional agency wants to renovate for use as its headquarters facility.

In separate actions, the Regional Facilities Committee voted unanimously Tuesday afternoon in favor of a design-build contract with the team of TVA/Cole and Hoffman Construction Co. It also approved by a 3-2 margin a sale agreement to purchase the building and a nearby parking garage from property owner Pacific Development Inc.

Both matters are scheduled to be considered for final approval by the Metro Council this afternoon. The agency would use the top two floors of the 183,000-square-foot building on Grand Avenue as offices and the bottom two floors as parking.

Total project cost is estimated at \$19.4 million.

A jury late last month selected the TVA/Cole and Hoffman proposal as the top entry in a design-build competition that originally involved nine teams.

The winning design features a new exterior skin, large windows and a landscaped entry. Metro, which is now located at 2000 S.W. First Ave., has said it wants to move into the building by January 1993.



# Metro Moves to Buy Sears Building in Northeast Portland

By Patti David

The Metro Council took the final steps toward the \$23.4 million purchase and renovation of the Sears Building as its new headquarters.

The \$24.4 million package includes \$5.5 million for the purchase of the land and buildings and related fees; \$10.3 million for design and construction; \$2.2 million for project management; \$3.6 million in financing costs; and \$1.4 million in other costs.

*The project has been criticized because it is being planned at a time when many of Metro's other projects are struggling to survive.*

The financing of the project will come from a number of sources, including the sale of revenue bonds.

The project has been called a "\$23.4 million monument to Rena Cusma's ego." It is described as a ritzy glass palace, and has been criticized because it is being planned at a time when many of Metro's other projects are struggling to survive.

Lisa Creel, senior public affairs specialist for Metro did say that the Metro charter committee would probably have at least two funding requests to voters in next November's elections. One is for the funding of the Greenspaces program for Portland, and the other is to decide on whether Metro should be empowered to tax the public for its various programs.

Metro currently pays \$370,000 a year in rent at its present headquarters. The mortgage on the renovated building is expected to cost Metro \$1.8 million a year, according to Metro's director of finance and management information, Jennifer Sims.

"But that includes the whole package," Sims cautioned. "It includes all the financing, the total debt service for both the parking and other part of the whole project per year. You can't compare it to the rent, because it's apples and oranges."

Although Metro facilities director, Neil Saling, said that the 496-space parking garage would start making money for Metro after six years, Sims could not give a projection on how much money the new building would save Metro in the long run, if any.

"We haven't made those kinds of projections," she said. "I don't know how to answer that question because no one has looked into it that far."

The Sears Building, located at 524 N.E. Grand, was chosen partly because of its proximity to the Oregon Convention Center.

"We're also recycling an old building, and you know recycling is something that's near and dear to our hearts at Metro," Creel said.

The action has been criticized as being untimely by Metro Councilor, Jim Gardner. Other newspapers have criticized the project's timing as well.

In response to these criticisms, Creel said that Metro was moving forward to prevent itself from falling behind, despite the immediate problems caused by the recession and Measure 5.

"Obviously we feel that way or we wouldn't have decided to renovate this facility," she told *The Skanner*. "That issue was raised many times and the consensus was that you can't stop for the future simply because the present looks a little clouded at the moment, economically."

She said that quite a few communities fall 20 years behind because they make the mistake of holding off on progress. "We don't want to have to play catch-up--we don't want to fall into that trap."

The council approved the sale of the revenue bonds and also approved the choice of TVA/Cole and Hoffman Construction Co. to design and build the new facility.

"No new taxes will go toward funding this project," Creel said. "There won't be any kind of addition to the property tax or anything like that to fund the project."

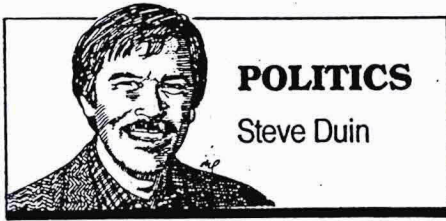
Although a percentage of zoo admission will go toward the building, she said that it is minimal.

"Seven-tenths of one cent per admission price to the zoo will go toward the new building," Creel said. "So that's not a lot of money. And the reason the zoo admission prices went up recently has nothing to do with the new building--it has to do with Measure 5."

Skanner 12/18/91



no date found



## We're so excited, we could scream

**N**ow, let me get this straight. We're supposed to be excited by Metro's new headquarters? We're supposed to salute this \$23.4 million monument to Rena Cusma's ego? We're supposed to be thrilled that when we drive by this glass palace, we'll — in the fawning words of project manager Berit Stevenson — “really see people working inside, doing something?”

Doing what? Spending more of the taxpayers' money? Whipping up another fluffy layer of regional bureaucracy? Plotting a takeover of the state office building?

Are we misreading the price tag? Did those tapeworms really say \$23.4 million?

You're telling us that Metro was willing to pay more than \$125 per square foot in remodeling and financing costs ... when the sparkling new state office building, by comparison, only cost \$100 per square foot?

Metro is spending 23.4 mill for a new playground while one of its prize show dogs, the Performing Arts Center, is whimpering toward bankruptcy?

And what about the zoo? Torching the petting zoo and jacking up ticket prices wasn't enough? Cusma is forcing another price boost just so each of her troops can have a parking space on the east side?

Did we just enter the Twilight Zone? Metro is hauling out its checkbook and our hand's not supposed to shake?

Metro is putting on the ritz, and we're supposed to be impressed? We're supposed to applaud? Grin and bear it? Take the licking and keep on ticking?

You bet your bippy.

**L**et's begin with the timing on this deal. Hey, the timing stinks. “It's the right deal at the wrong time,” said Metro Councilor Jim Gardner, who voted against the purchase of the 59-year-old Sears building on Northeast Grand.

“There's nothing wrong with the economics,” Gardner said. “Metro needs more space. Buying is always better than

why do tomorrow what Metro can do today? Because Metro isn't through asking us for money.

On next November's ballot, Metro will have one, two, maybe three hands out, asking us to pay for metropolitan green space and stable funding for regional facilities like the zoo, and give Cusma & Co. taxing authority.

“At the very least, we're going to have a lot of explaining to do,” Gardner said. “The perception will be that here's Metro asking for money for all these worthwhile purchases, and it's spending money on a brand new, shiny headquarters.”

Metro is doing both: the worthwhile and the wacky. But while the taxpayers are still trying to figure out Metro's objectives, Metro acts as if money is no object.

And that act has its price. To pay for Metro's new digs, regional facilities, including the Performing Arts Center, have to fork over an additional \$166,000 each year in tribute to the Empire.

The zoo's annual load will increase by \$47,000. “All we can do,” said McKay Rich, the zoo's assistant director, “is look at the fees we charge. What we charge in the gift shop. What we charge for the train ride.”

**W**hile its facilities are in a state of shock, Metro is going state of the art. The Sears building is prime real estate. “A great location,” said developer Bill Naito. If it's not where Naito would have moved Metro, he's not complaining about the selection process: “They know how to run a contest, and I've entered every doggone contest around.”

But Cusma isn't taking her baby where no bureaucracy has dared go before. She's not playing Peter Pan and winging Metro into some North Portland never-never-land, where a \$23 million investment might jump-start the neighborhood economy.

No, Metro is playing it safe and taking shelter in the shadow of the Lloyd Center. The council seemed fixated on the site and its adjacent parking garage.

Twenty years from now, that price may sound cheap, and we may be applauding Metro for being so bold and brash in the face of a recession.

Metro does need more space. Buying is better than renting. And Metro's new parking garage will provide the city with at least 100 more parking spaces that don't belong to Doug Goodman.

But these silver linings fade beside the gold trim on Cusma's glass palace. While times are tight, and the taxpayers are frightened, Metro is wasting little time and creative energy coming up with ways to save us money.

That's particularly disappointing because regional government holds such promise. Cusma may not be the once and future queen, but Metro is the government of the future. Or it will be, once the council figures out it won't win our hearts until it stops abusing our wallets.



# CATALOGING THE PAST

By JULIE TRIPP 1-31-92  
of The Oregonian staff

Sighs of relief — cast-stone relief — were issued all around recently when workers at the old Sears building on Northeast Grand Avenue peeled off a concrete skin to reveal Art Deco ornamentation on the original 1929 building.

The intricate designs amid the old brick under the facade were in good shape on the building's east side, reports the architect for the Metro project, Bob Thompson, partner in the Portland firm of Thompson Vaivoda Cole & Associates.

Metro, rebuilding the Sears structure for its headquarters in a \$23 million project, wants to incorporate the original ornamentation into the

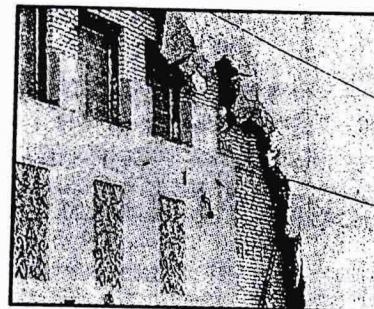
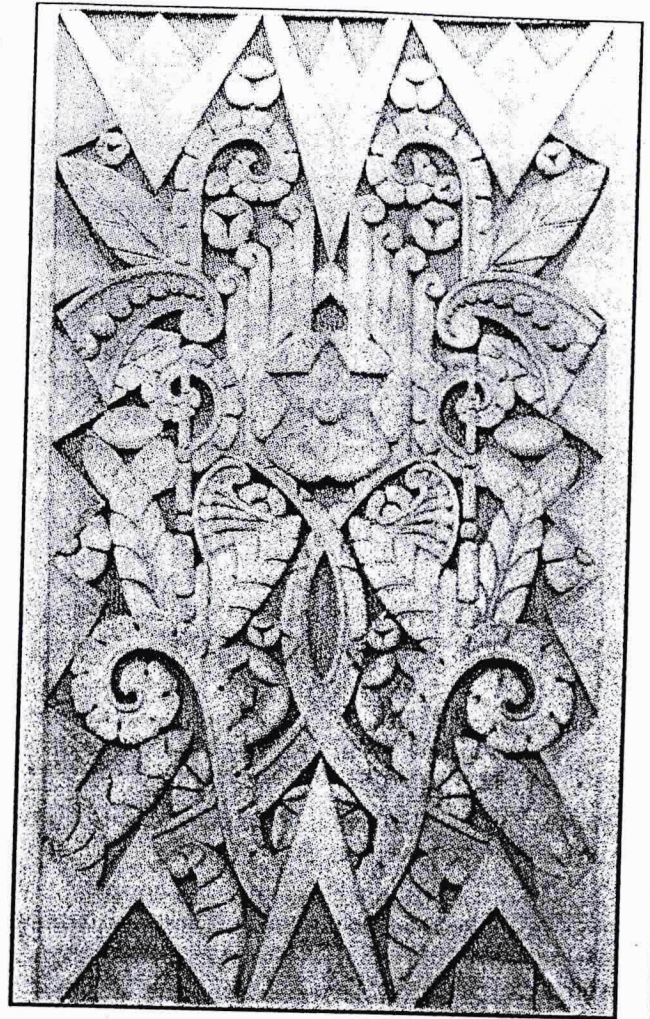
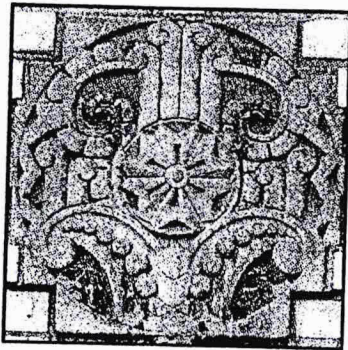
contemporary design, as a bridge to the past.

The castings on the south and west sides of the building may not have fared as well, though, Thompson worries. The building's four remodels since 1929 have taken their toll on some of the 18-inch diameter medallions.

Depending upon the number of castings that are found to be undamaged, Thompson will either use them on the column base around the new building or install them at the building's entries.

In another historical bridge, Portland's Hoffman

Construction Co. is Metro's contractor — just as it was in 1929 for Sears Roebuck. The project should be completed in January 1993.



Cast-stone reliefs in the Art Deco style lie hidden under a facade that workers began removing from the old Sears building last week. They'll be used in the new Metro headquarters.



## Use ecological model to renovate old Sears building

To the Editor: What a wonderful opportunity the Metropolitan Service District's move to the old Sears building on the east side presents for the Portland metropolitan region. Why not use this renovation to create a model of ecological design and sustainable development?

Metro could include educational references and demonstration projects throughout the building on such topics as energy and water conservation, solar heating and hot water systems, solid waste reduction and recycling systems focused on a minimal-discharge goal, ecological landscaping and xeriscaping (for withstanding dry sum-

merchandise  
come up later.

mers with minimal watering) and non-toxic building materials, natural and energy-efficient lighting.

These concepts should be incorporated into the design and renovation of the building in addition to simple organizational systems incorporating ecological planning — cafeteria dishwashing, storage space for recyclables, reusable cloth towels, procurement standards and so on. In many cases, the life-cycle costs of this type of planning could be significantly less than traditional construction and operation, not to mention the spinoff educational value for the region.

We should encourage the Metro Council and design teams not to move forward so rapidly as to miss chances for long-term innovation and benefits. Perhaps a citizens' advisory committee on the east side should also provide real opportunities for first-source hiring from the surrounding community in order to contribute to the sustainable revitalization of the area as a whole.

**DIANE MEISENHELTER**

*Reg 2-12-92* Northeast Portland



Reg 2-14-92

## LETTERS

### Use ecological model to renovate old Sears building

To the Editor: What a wonderful opportunity the Metropolitan Service District's move to the old Sears building on the east side presents for the Portland metropolitan region. Why not use this renovation to create a model of ecological design and sustainable development?

Metro could include educational references and demonstration projects throughout the building on such topics as energy and water conservation, solar heating and hot water systems, solid waste reduction and recycling systems focused on a minimal-discharge goal, ecological landscaping and xeriscaping (for withstanding dry sum-

mers with minimal watering) and non-toxic building materials, natural and energy-efficient lighting.

These concepts should be incorporated into the design and renovation of the building in addition to simple organizational systems incorporating ecological planning — cafeteria dishwashing, storage space for recyclables, reusable cloth towels, procurement standards and so on. In many cases, the life-cycle costs of this type of planning could be significantly less than traditional construction and operation, not to mention the spinoff educational value for the region.

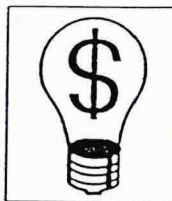
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DIANE MEISENHELTER

Reg 2-12-92 Northeast Portland

## Construction &amp; Energy

# FOCUS



Energy conservation is increasingly being recognized as a valuable resource, but utilities still disagree on who should pay for it ... PAGE 19

The Continental Association of Certified Public Accountants is trying to untangle the problem of efficiency and profitability in the construction trades. Those low bids are just part of the problem ... PAGE 20

## Reusing building materials gains favor as trash fees rise

*Don't throw away old wood scraps, nails and drywall—recycle it!*

By Britta Gordon

**T**HERE IS NOTHING so enjoyable as creating with abandon. Children spew gobs of fingerpaint and squeeze mountains of clay in fits of inspiration; adults shoot endless pictures and ball up reams of paper in the search for the perfect image, the perfect word. Part of the joy in making something is tossing out the part that's not perfect.

But our imperfect efforts are coming back to haunt us. The new house glistening with fresh paint and newly varnished floors doesn't contain the unused nails, drywall, insulation, and odd pieces of wood out of which perfection grew. Those materials have been hauled to the dump.

The reality of our building extravagance can be demonstrated in a few figures. In the United States, nearly 2.5 tons of waste are generated in building each new single-family home. And in 1990, according to figures from the Metropolitan Service District (Metro), 200,000 tons of construction and demolition debris were sent to Portland-area landfills, costing more than \$13 million.

### Carrots and sticks

But while ordinary consciences squawk at tossing out perfectly usable items, the translation of the recycling ethic into the construction trades may necessitate a few more carrots—or, as the case may be, sticks. First of all, recycling on a construction site is not the same thing as forcing Junior to throw his pop cans into the proper bin. Each new house and office building is the product of numerous subcontractors, each of whom might be responsible for hauling away extra roofing, drywall and masonry materials. No one wants to pay workers by the hour just to sort out waste materials. And contractors aren't being besieged by companies begging them—much less paying them—to take excess wood and insulation off their hands.

But Debbie Palermini is convinced that building owners, developers and builders

can't afford to ignore the problem much longer. Though she says an ideal recycling system is just in its "infancy," Palermini, an environmental consultant, says new markets for recycling and new economic incentives to recycle should make it more appealing. In the last few years, Palermini has worked with Metro, Portland General Electric Co., building contractors and developers to plan and carry out demonstration projects in construction-site recycling. To her knowledge, Palermini is the only one "brokering" agreements and projects between builders, property owners and recyclers.

### Disposal fees rise

One of Palermini's and Metro's biggest arguments in favor of recycling is the increase in landfill disposal fees. According to Jim Goddard, a senior solid waste planner at Metro, fees have risen from \$19.70 per ton in April of 1987 to \$68 per ton in July of 1991. Goddard thinks that even contractors who balked at recycling will now be forced to find more economic alternatives: "Fifty dollars a ton is really over the threshold," he says.

That \$50 figure, Goddard says, also makes recycling products a viable business for more companies, which can now charge rates for materials that are cheaper than the disposal fees, yet will make it feasible to process the materials.

Palermini says her job in the demonstration projects has been to act as a "broker" between builders and recyclers. She finds recyclers willing to take materials, helps builders set up recycling plans and coordinates recycling efforts on the construction sites. Currently, she is helping Metro determine how it will salvage and recycle materials from its remodeling and construction of the old Sears building, which will house its new offices.

Metro funded Palermini's work on last year's Street of Dreams project, in which she helped to plan a recycling effort that coordinated six builders and the construction waste from seven new homes. Their efforts resulted in 56 tons of wood, 20 tons of drywall and five tons of cardboard removed from the construction sites and recycled.

CONTINUED ON PAGE 21



Some may see trash, but environmental consultant Debbie Palermini sees potential in old building materials retrieved from the old Sears building in Northeast Portland.

John Kiecker



# Recycling building materials works best when group works together

CONTINUED FROM PAGE 17

Working with Roger Spring, PGE's residential new construction program manager, Palermini also coordinated recycling at a Clackamas apartment project developed last year by Gramor Development Inc. The 108-unit Talbert Creek Apartments yielded up 100 tons of wood to be recycled and saved \$5,000 in disposal costs, says Spring.

Palermini appraises the future of construction recycling optimistically. "Most everyone I've been out talking with is willing to think about it," she says. Demonstration projects like Metro's and PGE's, in which these organizations pay for her efforts to locate new recyclers and set up recycling programs, can pave the way for other developers and builders who may not have the time or the money to spend searching for secondary markets or experiment on how to set up recycling programs. Eventually, she says, the "market will take care of the demand, (though) perhaps not in the very beginning stages of this."

The PGE project resulted in a pamphlet for builders and developers listing recyclers of wood, paint, Sheetrock, nails, cardboard, drywall, asphalt, concrete and scrap metal. Goddard says recycling markets are improving. It is easier to find a recycler for drywall than it was a year ago, he says, and the number of wood recyclers has doubled in that time. But Goddard says other materials won't find such a

happy reception: No one in the Portland area, for example, is yet willing to take asphalt roofing. Also absent from the pamphlet are recyclers for plastic and insulation. Clearly, there are gaps in the recycling markets.

## Big push

But even builders who have participated in these demonstration projects say their

*"In the old days, you just pushed a bulldozer through (and) took it to the dump."*

—Wayne Drinkward

brethren will need convincing. Most agree that the high disposal fees will provide a big push. Wayne Drinkward, executive vice president of Hoffman Construction Co., the general contractor on Metro's overhaul of the Sears building, says that before dumping fees began to increase, the cost of separating the materials to be recycled was too much for most contractors. "In the old days, you just pushed a bulldozer through (and) took it to the dump," he says, claiming this method was "cost-effective" in terms of labor costs.

Drinkward isn't sure how well the recycling program will work for the old Sears

building, or how much money will be saved. Many of the recyclers for construction equipment "haven't existed until the last few months," he says. And the logistics of separating materials and coordinating recyclers haven't been set. The plan needs to work, says Drinkward, "without it being a day-to-day management exercise."

Von Summers, director of marketing services for the Homebuilders Association of Metro Portland, agrees that many companies involved in construction recycling are new to the game. Some of the recyclers, he says, are "fledgling companies (who) live from day to day."

Summers says last year's Street of Dreams project, sponsored by Homebuilders, worked because the six builders shared recycling bins and were coordinated by Palermini's recycling plans. Summers estimates that each builder may have saved nearly \$2,000 in dumping fees; while no money was made on recycling, he says, no money was lost. Still, he acknowledges, "It isn't cheap yet to be able to recycle."

Although "everything's in place for this to be economical (and) efficient," not enough contractors realize that recycling can be done, Summers says. And for single builders not working in a group, the effort may be even more difficult. These contractors will have to be convinced that they'll save money. "In building, where the margins are so narrow, (savings) are a tremendous advantage," he says. "It's got to become a little more affordable to do it."

Craig Eason, president of Mybek Custom Homes Inc., which built two homes in last year's Street of Dreams, says that project worked because of the economies of scale. But Eason feels that for single builders, recycling is still impractical. "If you had to pay to have a (recycling) bin for one house, the cost would be more than paying the (dumping) fee," he says. The process "doesn't even come close to being cost-effective." And Eason says he thinks \$2,000 is probably high: He estimates \$600 may have been saved in disposal fees.

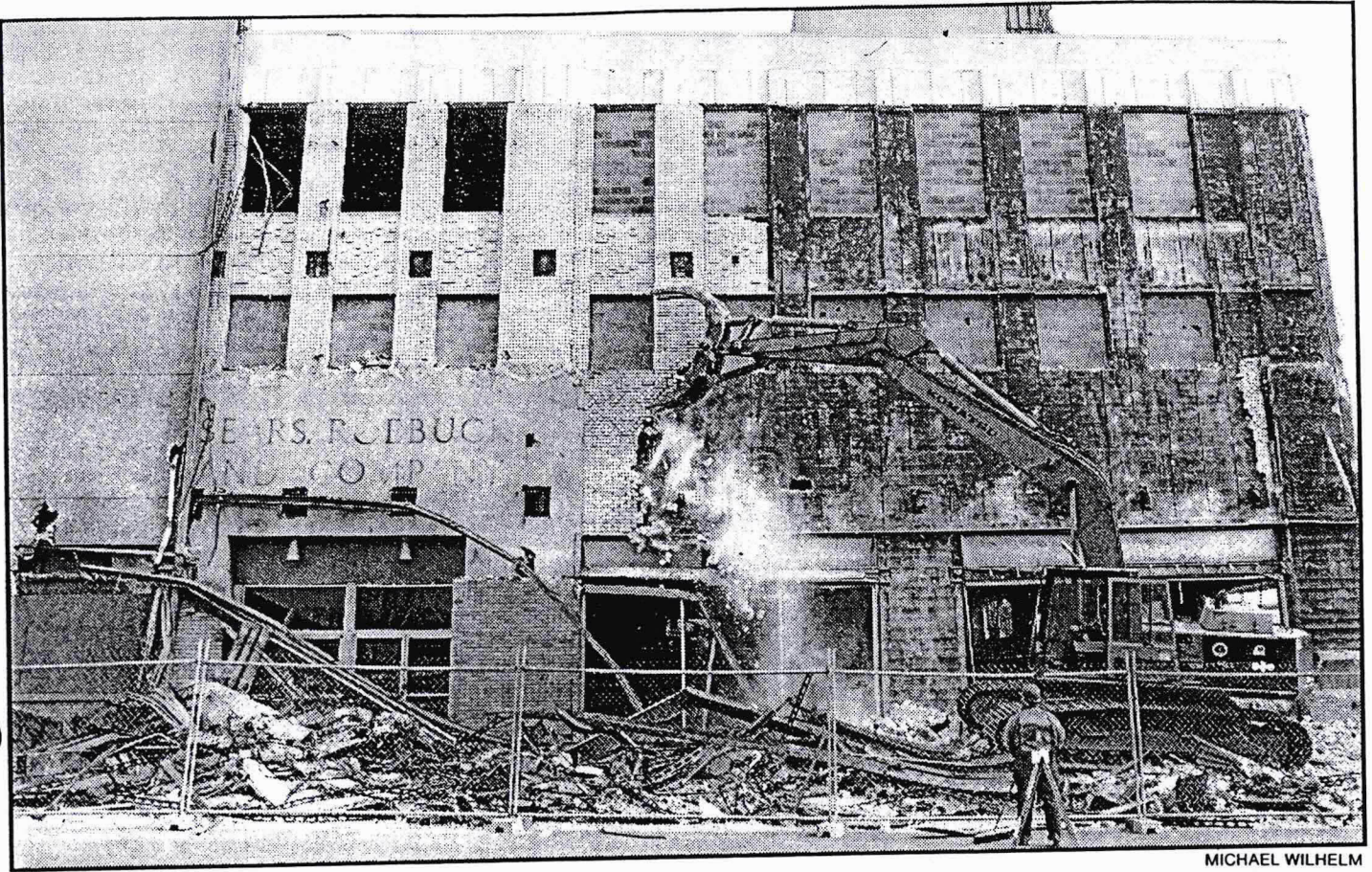
Brian Frank, regional project manager for Keyway National Corp., which built the Talbert Creek Apartments, says money was saved by letting a recycler haul the wood away, rather than sending it to the transfer station. Still, Frank says he paid more than necessary for the recycler to sort trash from the clean wood that was supposed to have filled his box. Frank says he would do it again, but says that subcontractors need to be made accountable in the process.

Tom Kelly, president of Neil Kelly Designers/Remodelers, says he doesn't think recycling is popular yet among builders. "We can't put ourselves in the position of spending a lot of effort and time," and creating more expense than the competition, he says.

Eventually, says Goddard, there will need to be a "communications network set up . . . so recyclers know what projects are going on and vice versa. Right now, it's kind of haphazard." □

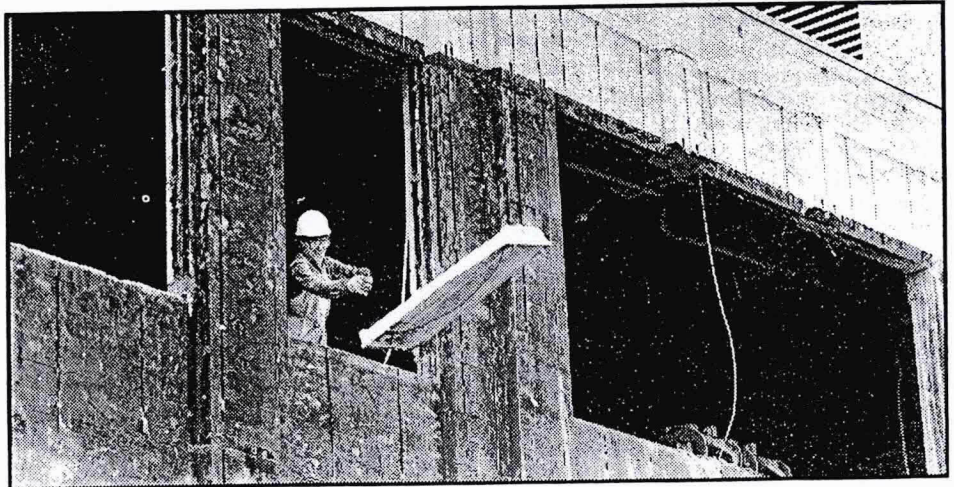


# Regional Facilities



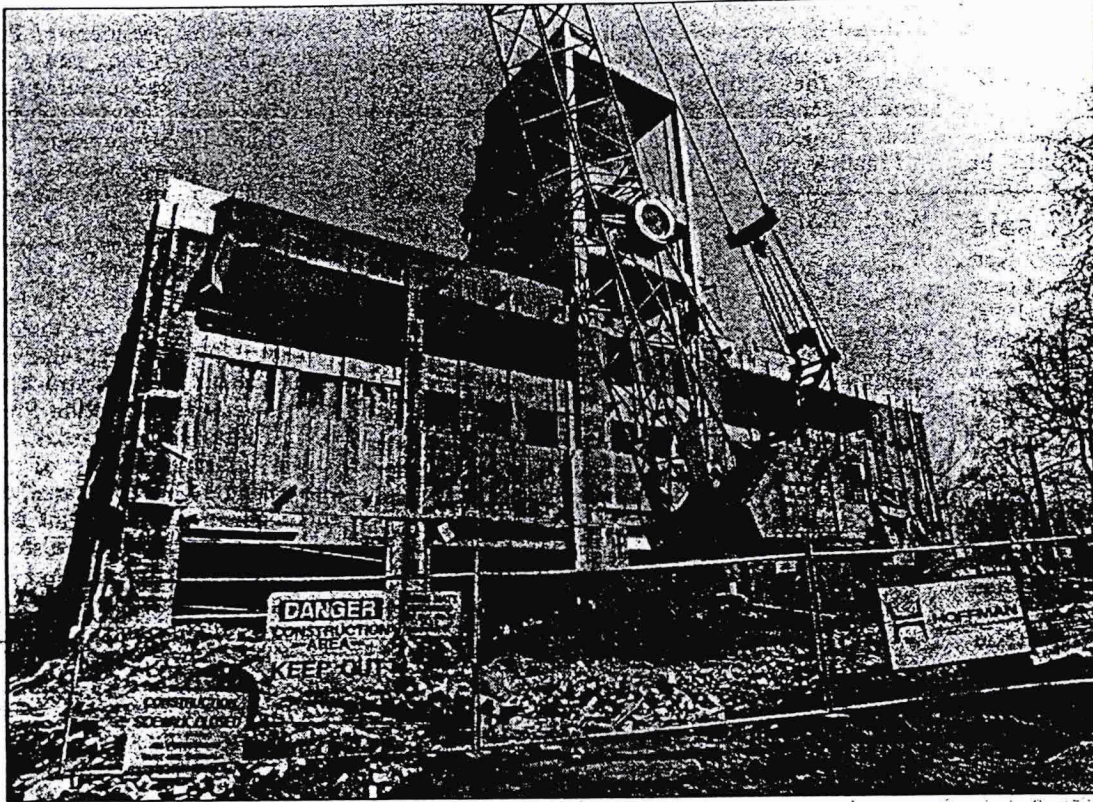
## Eastside face-lift

Above: Mathew Harris watches as Jesse Hancock takes the face off the old Sears building on Northeast Grand Avenue. Both men work for Allied Demolition Co., which is preparing the structure for its transformation into the new Metro headquarters building. At right: Marty Lane of Hoffman Construction Co. disposes of a light fixture.



3/4/92 TheO





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Greg Paul

## Out with the old

Work continues on a \$9 million project to remodel the former Sears building in Northeast Portland into the Metropolitan Service District's new headquarters. Allied Demolition Co. of Troutdale this week removed the facade of the Grand Avenue structure. The 183,000-square-foot project was designed by the development team of Thompson Valvoda & Associates Architects, Cole Associated Architects and Hoffman Construction Co.



# The Oregonian

TUESDAY, MARCH 31, 1992

## No new county building

*Public hasn't had a chance to measure proposal for new offices for \$31.5 million*

**I**t's very possible that next week taxpayers will be telling themselves the only decisions their Multnomah County commissioners have been able to make this spring were to raise their own salaries and buy new offices overlooking the Willamette River.

Chairwoman Gladys McCoy has slipped onto Thursday's agenda two resolutions, one for acquiring One Main Place, a 20-story, Class-A, downtown office building, and the other for selling \$31.5 million in certificates of participation to pay for it. The certificates are a financing scheme that allows lawmakers to avoid asking voters for authority to sell bonds to buy new buildings.

The debt is to be repaid from rents charged tenants. Since the county already pays rent for offices throughout the community, the move to the office building McCoy is eyeing presumably would not cost taxpayers more than they pay now. Presumably, because that's only what's been whispered around the County Courthouse, following numerous meetings closed to the public.

The public deserves a full analysis of the county's choices — renting or buying. The estimated purchase price for One Main Place amounts to roughly \$100 a square foot. That compares with renting Class-A office space (high-rise, speedy elevators, view, some other amenities) at \$18 to \$25 a square foot, or Class-B space at \$12-\$16 a square foot.

Other questions must be answered. Among them:

- Commissioners accepted a pay

freeze for employees other than themselves and sliced some vital services last year. More traumatic cuts loom as the county and state adapt to the restraints of the Measure 5 property tax limitation. Where does a posh new county office building fit into that scenario?

- The county needs a new juvenile-justice center, and patrons of the central public library have to duck platforms jury-rigged to protect them from possible falling walls and ceilings. How can the commissioners justify spending \$31.5 million for new offices when they haven't addressed those problems?

- Is the county proposing to buy a new office building when it ought to be looking at going out of business — merging services with cities and regional government?

- Metro has just bought the Sears Building. What about consolidating county services in that structure?

- At a time telecommunications and dispersed public-service centers are saving money and improving service, should the county invest in a 20-story office building?

Yet the commissioners' first airing of information about buying the new building will be their informal discussion Tuesday. The resolutions are on Thursday's formal agenda. That suggests a done deal.

Back-room decision-making is not the way Multnomah County should acquire new quarters. The commissioners should encourage full public debate of the issues involved. This hurry-up, secretly negotiated deal casts further discredit on the participants.



# Local officials troubled by Metro's power

□ The panel that's writing a charter for the regional government hears some frank talk about taxation and accountability from "out there"

by JAMES MAYER

The Oregonian staff

4-6-92

"Some of you may not know where we're," Clackamas County Commissioner Audie Hammerstad said, sweeping her eyes over the Metro Charter Committee members assembled before her.

"We are sort of ... out there," Hammerstad said, gesturing vaguely southward of Portland State University's Smith Memorial Center, where the committee was holding a public hearing last week.

The commissioner's barbed geography lesson made the point: The Portland-area cities and counties have been around a long time, a lot longer than Metro, and the committee that's writing a home-rule charter for the regional government had better not forget it.

For Hammerstad and some other local officials, the 13-year-old Metro is like a teenager behind the wheel of a fast car: irrespon-

sible and dangerous.

The solution they see: Lock up the keys. That is, strictly limit Metro's access to money.

"Has Metro grown up, and is it responsible enough to take on new taxing authority and new functions?" Hammerstad asked. "The record would indicate not so."

She cited Metro's rapid growth in recent years, increases in garbage fees and an excise tax on people who use the agency's services — all accomplished with little public attention.

But what really upsets Hammerstad is Metro's \$23 million purchase and renovation of the former Sears Building for a headquarters.

The project, financed through revenue bonds, did not require voter approval, in painful contrast with the losing battle Clackamas County officials have fought to persuade voters to pay for a new justice center.

"The Metro Council acts in a vacuum. It's unaccountable and unresponsive," Hammerstad said.

Metro officials acknowledge that buying the Sears building turned up the political heat on Metro, but they argue that owning it will save money over the 30-year life of the mortgage.

The debate over Metro's taxing powers mirrors the more general struggle that has

## ANALYSIS

characterized the charter committee's efforts so far: a tug-of-war between those who say Metro is a grown-up government now and should be treated like one, and those who prefer a warning label saying, "Parental discretion advised."

Local governments, banded together in a coalition called the Regional Governance Committee, have persuaded the charter committee to give them a formal role in deciding whether Metro takes on new functions.

And now, local officials want the same leverage over Metro taxes.

A charter subcommittee has recommended keeping Metro's current taxing powers, including those authorized by state law but not now used.

Metro levies property taxes to support the Washington Park Zoo and to repay the Convention Center bonds. It collects an excise tax on use of Metro services and charges local governments a "head tax" to pay for general government functions and planning. It issues revenue bonds to build things, such as the new office building.

But most of its \$120 million in revenues comes from fees for services, especially from

garbage-tipping fees.

Under the subcommittee's plan, voter approval would be required for any income tax, payroll tax other than that imposed by Tri-Met, property tax or sales tax.

But any other tax could be imposed by council ordinance, with a 90-day delay to allow for a referendum. These taxes include: system development charges, hotel/motel taxes, restaurant taxes, admissions taxes, real estate transfer taxes, business license fees, franchise fees and a construction tax.

That goes too far, Hammerstad said.

The Regional Governance Committee has not made a formal recommendation, but Hammerstad said the committee wanted to require a charter amendment for any new property taxes for operations, a limit on the growth of the excise tax, a citizen budget committee, and a process for seeking local government approval for specific taxes, such as the hotel-motel tax.

"How much does Metro need?" she asked. "I think there's strong grounds for saying Metro has more than it needs."

Jim Gardner, presiding officer of the Metro Council, disagreed. He told the charter committee that during the next few years, Metro would have to find more mon-

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CHARTER, Page B8



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# Construction waste — the next recycling frontier

By James Goddard

Construction and demolition debris, along with land-clearing waste — primarily tree stumps — constitute about 17 percent of all solid waste generated in the metropolitan area. The construction of a single-family home produces an average of 2.5 tons of waste or the equivalent to the garbage generated by a family of four living in the house for two years.

Construction and demolition debris historically has been landfilled. In the past, when landfill tipping fees were lower, disposal costs were a relatively small part of total construction expenses. But this has changed radically in the past several years. Increased public awareness about environmental issues, more rigorous environmental regulations and shrinking landfill space have driven up landfill disposal fees.

In the metropolitan area, garbage tipping fees have tripled since 1987. This has prompted many members of the building industry to look for ways to reduce the amount of construction and demolition debris waste taken to landfills. "Reduction," "reuse" and "recycling" are becoming familiar terms in the industry.

During the past year, entrepreneurs have led the way in developing the local construction and demolition debris recycling infrastructure. The focus of this development has been waste wood processing. Waste wood such as plywood scraps, the cut off ends of 2-by-4s and used pallets are ground into bits and run through an electromagnet that removes the nails, which also are recycled. The pieces are then used for chip board or boiler fuel. Even huge tree stumps can be split by large machines with powerful hydraulic jaws and ground

into piles of tiny chips.

Processors of other construction and demolition debris recyclables including corrugated cardboard, metals, concrete, drywall, asphalt and bricks also have proliferated. These processors now have the capacity to recycle almost half of the construction and demolition debris generated in the area.

Builders can realize substantial savings, in the form of avoided disposal costs, by recycling construction and demolition debris. Recent studies show that construction and demolition debris recycling can reduce builders' disposal costs by up to 50 percent. In practicing what it preaches, the Metropolitan Service District is "recycling" the former Sears department store in Portland's Lloyd District into its new headquarters.

This project showcases construction and demolition debris recycling, with the enthusiastic cooperation of Hoffman Construction, the primary contractor for the project, in an effort to minimize the amount of material that will be landfilled. The effort includes salvage of carpet and restroom fixtures for re-use and recycling of metals, drywall and rubble. Each subcontractor is asked to complete a one-page disposal plan that lists recycling options. Metro is documenting the amount of material recovered.

The building also incorporates recycling by design. One important feature is a material consolidation and storage area that will conform to new fire codes and provide easy access to haulers. Each floor of offices also will have convenient recycling collection areas. Other features being considered are a paper recycling chute and dishwashers to allow the use of permanent ware instead of disposable cups and plates.

In order to close the recycling loop,

Metro and Hoffman are considering building products made from recyclable materials. Such products include carpet from recycled plastic soft drink bottles, ceramic tiles containing recycled glass, recycled paint and even wood re-milled from recovered timbers.

Although construction and demolition debris recycling is proving to be feasible and beneficial, it is still a relatively new practice. Metro is using the renovation of its future offices to identify potential pitfalls associated with this practice and to demonstrate the opportunities and benefits that can be gained by it.

This is one of the first large-scale, commercial construction recycling projects in the country. Metro waste reduction staff are optimistic that it will help lead the way to a promising future for construction and demolition debris recycling.


**James Goddard** is a registered professional engineer and a senior solid waste planner with the Metropolitan Service District.

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Fax 241-7417

April 15, 1992

The Honorable Judy Hammerstad  
Clackamas County  
807 Main Street  
Oregon City, OR 97045

RECEIVED

APR 17 1992

METRO SERVICE DISTRICT  
EXECUTIVE MANAGEMENT

Re: Metro Headquarters Project

Dear Commissioner:

At your request, we have prepared the following information on the new Metro headquarters building. Please be advised that our analysis contains many estimates and assumptions that are subject to change as the project gets closer to completion.

**Square footage and parking spaces** -- Our current estimates show that the new headquarters building will contain approximately 95,700 square feet of office space on the top two and a quarter floors, and 95,000 square feet of parking area on the lower two floors. It is our intention to convert the ground floor from parking to office space as required by agency growth. It is important to understand that the two floors of parking referred to above do not include the parking structure that is next to the building. Note that our space planning effort is not yet completed and the final square footage amounts are likely to change from those reported above.

The attached parking structure contains 470 spaces.

**Costs** -- We have attached a detailed project budget. Total all-in cost per square foot for the building (including acquisition cost, construction, furniture and fixtures, art, and contingency) is \$82.24.

Cost per space for the parking garage is \$7,870.

In FY 1994-95, the first full year of normal operating costs, the net occupancy cost per square foot is projected to be \$16.17.

**Financing** -- This project is financed with General Revenue Bonds totaling \$22,990,000. Net bond proceeds after deduction of original issue discount and the addition of accrued interest are \$22,975,000. We estimate earning \$651,000 in interest income during the construction period. We have attached a table showing annual debt service and the allocation of debt service between the headquarters

Executive Officer  
Rena Cusma

## Metro Council

Tanya Collier  
Presiding Officer  
District 9

Jim Gardner  
Deputy Presiding  
Officer  
District 3

Susan McLain  
District 1

Lance Bauer  
District 2

Richard Devlin  
District 4

Tom DeJardin  
District 5

George Van Bergen  
District 6

Ruth McFarland  
District 7

Judy Wyers  
District 8

Roger Buchanan  
District 10

David Knowles  
District 11

Sandi Hansen  
District 12

The Honorable Judy Hammerstad  
April 15, 1992  
Page 2

building and the parking garage. Debt service is allocated to the two facilities on the basis of percentage of total project cost.

\* \* \* \* \*

I hope this information is helpful. Please contact me if you have any additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Sims", with a stylized, flowing script.

Jennifer Sims  
Director of Finance and Management Information

Enclosures



Exhibit A

Metro Headquarters Building and Parking Garage Budget			
PROJECT COSTS	Headquarters Building	Parking Structure	Total
Real estate	\$2,779,000	\$2,688,000	
Project management	627,000	20,000	
Construction	9,364,000	991,000	
Contingencies	1,472,000		
Other			
Furniture and Fixtures	1,225,000		
Telephone/data wiring	130,000		
Art (1% of construction)	86,000		
<b>TOTAL PROJECT COSTS</b>	<b>\$15,683,000</b>	<b>\$3,699,000</b>	<b>\$19,382,000</b>
<b>FINANCING COSTS</b>			
Reserve Account for debt service			\$1,808,000
Capitalized interest			1,914,000
Accrued interest			79,000
Other costs of issuance			444,000
<b>TOTAL FINANCING COSTS</b>			<b>\$4,246,000</b>
<b>GRAND TOTAL COSTS</b>			<b>\$23,628,000</b>

## EXHIBIT B

METROPOLITAN SERVICE DISTRICT  
General Revenue Bonds  
Metro Headquarters Building Project  
1991 Series A  
Semi-Annual Debt Service Schedule

Date	Principal		Interest		Total Debt Service		Total Combined Debt Service
	Headquarters Offices	Parking Structure	Headquarters Offices	Parking Structure	Headquarters Offices	Parking Structure	
7/1/92	\$0.00	\$0.00	\$705,281.71	\$166,411.52	\$705,281.71	\$166,411.52	\$871,693.23
1/1/93	\$0.00	\$0.00	\$604,527.18	\$142,638.45	\$604,527.18	\$142,638.45	\$747,165.63
7/1/93	\$0.00	\$0.00	\$604,527.18	\$142,638.45	\$604,527.18	\$142,638.45	\$747,165.63
1/1/94	\$0.00	\$0.00	\$604,527.18	\$142,638.45	\$604,527.18	\$142,638.45	\$747,165.63
7/1/94	\$250,819.12	\$59,180.88	\$604,527.18	\$142,638.45	\$855,346.30	\$201,819.33	\$1,057,165.63
1/1/95	\$0.00	\$0.00	\$598,695.64	\$141,262.49	\$598,695.64	\$141,262.49	\$739,958.13
7/1/95	\$262,955.53	\$62,044.47	\$598,695.64	\$141,262.49	\$861,651.17	\$203,306.96	\$1,064,958.13
1/1/96	\$0.00	\$0.00	\$592,121.75	\$139,711.38	\$592,121.75	\$139,711.38	\$731,833.13
7/1/96	\$275,091.94	\$64,908.06	\$592,121.75	\$139,711.38	\$867,213.69	\$204,619.44	\$1,071,833.13
1/1/97	\$0.00	\$0.00	\$585,106.90	\$138,056.23	\$585,106.90	\$138,056.23	\$723,163.13
7/1/97	\$291,273.82	\$68,726.18	\$585,106.90	\$138,056.23	\$876,380.72	\$206,782.41	\$1,083,163.13
1/1/98	\$0.00	\$0.00	\$577,460.97	\$136,252.16	\$577,460.97	\$136,252.16	\$713,713.13
7/1/98	\$303,410.23	\$71,589.77	\$577,460.97	\$136,252.16	\$880,871.20	\$207,841.93	\$1,088,713.13
1/1/99	\$0.00	\$0.00	\$569,117.18	\$134,283.45	\$569,117.18	\$134,283.45	\$703,400.63
7/1/99	\$323,637.57	\$76,362.43	\$569,117.18	\$134,283.45	\$892,754.75	\$210,645.88	\$1,103,400.63
1/1/00	\$0.00	\$0.00	\$560,055.33	\$132,145.30	\$560,055.33	\$132,145.30	\$692,200.63
7/1/00	\$339,819.45	\$80,180.55	\$560,055.33	\$132,145.30	\$899,874.78	\$212,325.85	\$1,112,200.63
1/1/01	\$0.00	\$0.00	\$550,285.52	\$129,840.11	\$550,285.52	\$129,840.11	\$680,125.63
7/1/01	\$360,046.80	\$84,953.20	\$550,285.52	\$129,840.11	\$910,332.32	\$214,793.31	\$1,125,125.63
1/1/02	\$0.00	\$0.00	\$539,709.14	\$127,344.61	\$539,709.14	\$127,344.61	\$667,053.75
7/1/02	\$380,274.15	\$89,725.85	\$539,709.14	\$127,344.61	\$919,983.29	\$217,070.46	\$1,137,053.75
1/1/03	\$0.00	\$0.00	\$528,300.92	\$124,652.83	\$528,300.92	\$124,652.83	\$652,953.75
7/1/03	\$404,546.97	\$95,453.03	\$528,300.92	\$124,652.83	\$932,847.89	\$220,105.86	\$1,152,953.75
1/1/04	\$0.00	\$0.00	\$515,962.24	\$121,741.51	\$515,962.24	\$121,741.51	\$637,703.75
7/1/04	\$428,819.79	\$101,180.21	\$515,962.24	\$121,741.51	\$944,782.03	\$222,921.72	\$1,167,703.75
1/1/05	\$0.00	\$0.00	\$502,668.82	\$118,604.93	\$502,668.82	\$118,604.93	\$621,273.75
7/1/05	\$457,138.07	\$107,861.93	\$502,668.82	\$118,604.93	\$959,806.89	\$226,466.86	\$1,186,273.75
1/1/06	\$0.00	\$0.00	\$487,583.27	\$115,045.48	\$487,583.27	\$115,045.48	\$602,628.75
7/1/06	\$485,456.36	\$114,543.64	\$487,583.27	\$115,045.48	\$973,039.63	\$229,589.12	\$1,202,628.75
1/1/07	\$0.00	\$0.00	\$471,563.21	\$111,265.54	\$471,563.21	\$111,265.54	\$582,828.75
7/1/07	\$517,820.12	\$122,179.88	\$471,563.21	\$111,265.54	\$989,383.33	\$233,445.42	\$1,222,828.75
1/1/08	\$0.00	\$0.00	\$454,475.14	\$107,233.61	\$454,475.14	\$107,233.61	\$561,708.75
7/1/08	\$550,183.88	\$129,816.12	\$454,475.14	\$107,233.61	\$1,004,659.02	\$237,049.73	\$1,241,708.75



METROPOLITAN SERVICE DISTRICT  
General Revenue Bonds  
Metro Headquarters Building Project  
1991 Series A  
Semi-Annual Debt Service Schedule

Date	Principal		Interest		Total Debt Service		Total Combined Debt Service
	Headquarters Offices	Parking Structure	Headquarters Offices	Parking Structure	Headquarters Offices	Parking Structure	
1/1/09	\$0.00	\$0.00	\$436,319.08	\$102,949.67	\$436,319.08	\$102,949.67	\$539,268.75
7/1/09	\$586,593.10	\$138,406.90	\$436,319.08	\$102,949.67	\$1,022,912.18	\$241,356.57	\$1,264,268.75
1/1/10	\$0.00	\$0.00	\$416,961.50	\$98,382.25	\$416,961.50	\$98,382.25	\$515,343.75
7/1/10	\$627,047.80	\$147,952.20	\$416,961.50	\$98,382.25	\$1,044,009.30	\$246,334.45	\$1,290,343.75
1/1/11	\$0.00	\$0.00	\$396,268.93	\$93,499.82	\$396,268.93	\$93,499.82	\$489,768.75
7/1/11	\$667,502.50	\$157,497.50	\$396,268.93	\$93,499.82	\$1,063,771.43	\$250,997.32	\$1,314,768.75
1/1/12	\$0.00	\$0.00	\$374,241.34	\$88,302.41	\$374,241.34	\$88,302.41	\$462,543.75
7/1/12	\$712,002.66	\$167,997.34	\$374,241.34	\$88,302.41	\$1,086,244.00	\$256,299.75	\$1,342,543.75
1/1/13	\$0.00	\$0.00	\$350,211.25	\$82,632.50	\$350,211.25	\$82,632.50	\$432,843.75
7/1/13	\$760,548.30	\$179,451.70	\$350,211.25	\$82,632.50	\$1,110,759.55	\$262,084.20	\$1,372,843.75
1/1/14	\$0.00	\$0.00	\$324,542.75	\$76,576.00	\$324,542.75	\$76,576.00	\$401,118.75
7/1/14	\$813,139.41	\$191,860.59	\$324,542.75	\$76,576.00	\$1,137,682.16	\$268,436.59	\$1,406,118.75
1/1/15	\$0.00	\$0.00	\$297,099.29	\$70,100.71	\$297,099.29	\$70,100.71	\$367,200.00
7/1/15	\$865,730.51	\$204,269.49	\$297,099.29	\$70,100.71	\$1,162,829.80	\$274,370.20	\$1,437,200.00
1/1/16	\$0.00	\$0.00	\$267,880.89	\$63,206.61	\$267,880.89	\$63,206.61	\$331,087.50
7/1/16	\$922,367.09	\$217,632.91	\$267,880.89	\$63,206.61	\$1,190,247.98	\$280,839.52	\$1,471,087.50
1/1/17	\$0.00	\$0.00	\$236,751.00	\$55,861.50	\$236,751.00	\$55,861.50	\$292,612.50
7/1/17	\$987,094.60	\$232,905.40	\$236,751.00	\$55,861.50	\$1,223,845.60	\$288,766.90	\$1,512,612.50
1/1/18	\$0.00	\$0.00	\$203,436.56	\$48,000.94	\$203,436.56	\$48,000.94	\$251,437.50
7/1/18	\$1,051,822.12	\$248,177.88	\$203,436.56	\$48,000.94	\$1,255,258.68	\$296,178.82	\$1,551,437.50
1/1/19	\$0.00	\$0.00	\$167,937.56	\$39,624.94	\$167,937.56	\$39,624.94	\$207,562.50
7/1/19	\$1,124,640.57	\$265,359.43	\$167,937.56	\$39,624.94	\$1,292,578.13	\$304,984.37	\$1,597,562.50
1/1/20	\$0.00	\$0.00	\$129,980.94	\$30,669.06	\$129,980.94	\$30,669.06	\$160,650.00
7/1/20	\$1,201,504.49	\$283,495.51	\$129,980.94	\$30,669.06	\$1,331,485.43	\$314,164.57	\$1,645,650.00
1/1/21	\$0.00	\$0.00	\$89,430.16	\$21,101.09	\$89,430.16	\$21,101.09	\$110,531.25
7/1/21	\$1,282,413.89	\$302,586.11	\$89,430.16	\$21,101.09	\$1,371,844.05	\$323,687.20	\$1,695,531.25
1/1/22	\$0.00	\$0.00	\$46,148.70	\$10,888.80	\$46,148.70	\$10,888.80	\$57,037.50
7/1/22	\$1,367,368.75	\$322,631.25	\$46,148.70	\$10,888.80	\$1,413,517.45	\$333,520.05	\$1,747,037.50
	<u>\$18,601,069.59</u>	<u>\$4,388,930.41</u>	<u>\$25,664,022.39</u>	<u>\$6,055,437.18</u>	<u>\$44,265,091.98</u>	<u>\$10,444,367.59</u>	<u>\$54,709,459.57</u>



# METRO

2000 SW First Avenue  
Portland, OR 97201-5398  
(503) 221-1646  
Fax 241-7417

April 28, 1992

Mr. Hardy Myers, Chairman  
METRO Charter Committee  
900 SW Fifth Avenue Suite 2300  
Portland Oregon 97204

Dear Hardy:

Executive Officer  
Rena Cusma

Metro Council

Tanya Collier  
Presiding Officer  
District 9

Jim Gardner  
Deputy Presiding  
Officer  
District 3

Susan McLain  
District 1

Lawrence Bauer  
District 2

Hard Devlin  
District 4

Tom DeJardin  
District 5

George Van Bergen  
District 6

Ruth McFarland  
District 7

Judy Wyers  
District 8

Roger Buchanan  
District 10

David Knowles  
District 11

Sandi Hansen  
District 12

At the your public meetings on March 30, 1992 and March 31, 1992 your Committee received some information which was not completely accurate. I would like to provide you with what I believe is the correct data with the hopes that you will convey it to the Committee.

Media coverage of the Sears Building purchase. On the assertion that the Sears building had no press coverage, attached are copies of the print and radio coverage which, as you can see began in June of 1991.

Yard Debris Recycling Charges. On Commissioner Hammerstad's implication that Metro passes on yard debris recycling charges to local governments the following is the current state law. Yard debris recycling was required by the 1991 state legislature when it passed SB 66. (ORS Chapter 459). The State Environmental Quality Commission (EQC) declared that yard debris is a "primary recyclable material" and issued a "Yard Debris Rule" in the summer of 1991. The rule stated that by 1994 all counties must have a curbside recycling system.

The counties set their own rates and method for yard debris recycling. ORS Chapter 459A.010 (2)(e) requires local governments to provide an "effective residential yard debris collection and composting program." The same section (5)(a) describes the way that they can collect money to pay for those services. It assumes they will include in their rates those costs associated with the cost of collection. It does not restrict them or tell them to include all "net" costs incurred in providing the opportunity to recycle. "Net costs" are the normal expenses of running the collection program.



It is up to Clackamas County to decide the best way to implement state law. Metro has no position, program or involvement in how the counties implement state law or what they charge.

(Source: Todd Sadlo, Metro Solid Waste Legal Counsel, Debbie Gorham, Waste Reduction Manager, Solid Waste Department)

Metro Budget Cuts - "No real position cuts, only transfers." Nine positions were cut from the budget. Four positions were filled with "probationary employees" (6 months or less) and were immediately eliminated. Five individuals were laid-off (Rich Carson, Becky Crockett, Larry Sprecher, Henry Markus, Mary Weber). Markus and Weber have been reinstated by the Council, pending receiving grant funds for an economic development project. If the grants are not received, the project does not continue beyond July 1, 1992.

Program areas reduced or eliminated were water quality, housing, emergency management and economic development; position cuts occurred by seniority, not program area.

The emergency management area is an "earthquake preparedness project" which consists of two projects --- a small pilot project between Metro and the State Department of Geology and Mineral Industries (DOGAMI) followed hopefully by a much larger, more comprehensive program funded by the National Earthquake Hazard Eradication and Reduction Program (NEHERP). The latter is a \$3.2 million joint proposal between Metro (\$1.7 million) and DOGAMI (\$1.5 million).

We have Planning Department staff assigned to complete the pilot project (by September 30, 1992) and if the larger NEHERP proposal is funded, it will be staffed through grant-funded positions.

As a final note on this subject, in the area of "housing", the work done to date in this program was a series of "housing forums" and some survey research attempting to identify the barriers to affordable housing. We have found a "home" for the latter at the Center for Urban Studies at Portland State University.

Square Footage Costs of Sears Building.

The total all-in cost per square foot of the building including acquisition cost, construction, furniture and fixtures, art and contingency is \$82.24.

The annual cost of "living in the building" based on the first full year (94-95) is estimated to be \$16.17 square foot.

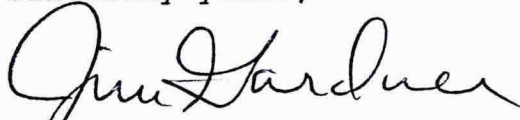
(Source: Jennifer Sims, Metro Manager of Finance and Information Management, see attached letter to Commissioner Judy Hammerstad)

Convention Center Promotion.

The Multnomah County Hotel/Motel tax generates roughly \$3 million per year to support operating costs of the Oregon Convention Center. Through a contract with the Portland Oregon Visitor Association (POVA), the OCC is promoted at an annual cost of \$1 million or roughly one-third of the revenues from the hotel/motel tax.

Please phone me if you have any additional questions or I can provide further information.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Jim Gardner".

Jim Gardner  
Council Presiding Officer



## D-Engrossed Senate Bill 66

Ordered by the House June 17  
Including Senate Amendments dated March 4 and April 25 and House  
Amendments dated June 7 and June 17

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Joint Interim Committee on Environment, Energy and Hazardous Materials)

### SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Establishes statewide integrated solid waste management program. Establishes solid waste reduction goals and rates. Specifies duties of local governments on solid waste reduction. Establishes procurement requirements for state and public agencies for reused or recycled products. Modifies waste disposal rates and schedules. Establishes education requirements. Creates Recycling Markets Development Council and Oregon Newsprint Recycling Task Force. Establishes minimum content requirements for newsprint and labeling requirements for plastic containers. Appropriates money. Limits expenditures.

**Declares emergency, effective July 1, 1991.**

### A BILL FOR AN ACT

Relating to solid waste; creating new provisions; amending ORS 182.375, 279.731, 279.733, 279.739, 459.005, 459.015, 459.165, 459.175, 459.180, 459.185, 459.190, 459.235, 459.294 and 459.995; appropriating money; limiting expenditures; and declaring an emergency.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1.** ORS 459.292, 459.293, 459.294 and 459.295 and sections 2, 4, 5 and 13a of this Act are added to and made a part of ORS 459.165 to 459.200.

**SECTION 2.** (1) It is the goal of the State of Oregon that by January 1, 2000, the amount of recovery from the general solid waste stream shall be at least 50 percent.

(2) In addition to the requirements of ORS 459.165, the "opportunity to recycle" shall include the requirements of subsection (3) of this section, which shall be implemented on or before July 1, 1992, by using the following program elements:

(a) Provision of at least one durable recycling container to each residential service customer by not later than January 1, 1993.

(b) On-route collection at least once each week of source separated recyclable material to residential customers, provided on the same day that solid waste is collected from each customer.

(c) An expanded education and promotion program conducted to inform citizens of the manner and benefits of reducing, reusing and recycling material. The program shall include:

(A) Provision of recycling notification and education packets to all new residential, commercial and institutional collection service customers that includes at a minimum the materials collected, the schedule for collection, the way to prepare materials for collection and reasons that persons should separate their material for recycling;

(B) Provision of quarterly recycling information to residential, commercial and institutional collection service customers that includes at a minimum the materials collected, the schedule for

1 collection and at least annually includes additional information including the procedure for prepar-  
2 ing materials for collection; and

3 (C) Targeting of community and media events to promote recycling.

4 (d) Collection of at least four principal recyclable materials or the number of materials required  
5 to be collected under the residential on-route collection program, whichever is less, from each  
6 multifamily dwelling complex having five or more units. The multifamily collection program shall  
7 include promotion and education directed to the residents of the multifamily dwelling units.

8 (e) An effective residential yard debris collection and composting program that includes the  
9 promotion of home composting of yard debris, and that also includes either:

10 (A) Monthly or more frequent on-route collection of yard debris from residences for production  
11 of compost or other marketable products; or

12 (B) A system of yard debris collection depots conveniently located and open to the public at  
13 least once a week.

14 (f) Regular onsite collection of source separated principal recyclable materials from commercial  
15 and institutional solid waste generators employing 10 or more persons and occupying 1,000 square  
16 feet or more in a single location. As used in this paragraph, "commercial and institutional solid  
17 waste generators" means stores, offices including manufacturing and industry offices, restaurants,  
18 warehouses, schools, colleges, universities, hospitals and other nonmanufacturing entities, but does  
19 not include other manufacturing activities or business, manufacturing or processing activities in  
20 residential dwellings.

21 (g) Expanded depots for recycling of at least all principal recyclable materials and provisions  
22 for promotion and education to maximize the use of the depots. The depots shall have regular and  
23 convenient hours and shall be open on the weekend days and, when feasible, shall collect additional  
24 recyclable materials.

25 (h) Solid waste residential collection rates that encourage waste reduction, reuse and recycling  
26 through reduced rates for smaller containers, including at least one rate for a container that is 21  
27 gallons or less in size. Based on the average weight of solid waste disposed per container for con-  
28 tainers of different sizes, the rate on a per pound disposed basis shall not decrease with increasing  
29 size of containers, nor shall the rates per container service be less with additional containers ser-  
30 viced.

31 (3)(a) Not later than July 1, 1992, each city with a population of at least 4,000 but not more than  
32 10,000 that is not within a metropolitan service district and any county responsible for the area  
33 between the city limits and the urban growth boundary of such city shall implement one of the fol-  
34 lowing:

35 (A) The program elements set forth in paragraphs (a), (b) and (c) of subsection (2) of this section;

36 (B) A program that includes at least three elements set forth in subsection (2) of this section;

37 or

38 (C) An alternative method of achieving recycling rates that complies with rules of the Environ-  
39 mental Quality Commission.

40 (b) Not later than July 1, 1992, each city that is within a metropolitan service district or that  
41 has a population of more than 10,000 and any county responsible for the area within a metropolitan  
42 service district or the area between the city limits and the urban growth boundary of such city shall  
43 implement one of the following:

44 (A) Program elements set forth under paragraphs (a), (b) and (c) of subsection (2) of this section



1 and one additional element set forth under subsection (2) of this section;

2 (B) A program that includes at least five elements set forth under subsection (2) of this section;  
3 or

4 (C) An alternative method of achieving recycling rates that complies with rules of the Environ-  
5 mental Quality Commission.

6 (4)(a) Recovery rates shall be determined by dividing the total weight of material recovered by  
7 the sum of the total weight of the material recovered plus the total weight of solid waste disposed  
8 that was generated in each wasteshed. It is the policy of the State of Oregon that recovery of ma-  
9 terial shall be consistent with the priority of solid waste management in ORS 459.015 (2). Therefore,  
10 except as provided in subsection (6) of this section, recovery rates shall include all material col-  
11 lected for recycling, both source separated or sorted from solid waste, including yard debris.

12 (b) If there is not a viable market for recycling a material under paragraph (a) of this sub-  
13 section, the composting or burning of the material for energy recovery may be included in the re-  
14 covery rate for the wasteshed. Mixtures of materials that are composted or burned for energy  
15 recovery shall not be included in the recovery rate if more than half of the materials by weight  
16 could have been recycled if properly source separated. In its annual report to the department, the  
17 county or metropolitan service district shall state how much composting or energy recovery under  
18 this paragraph is included as recovery and state the basis for the determination that there was not  
19 a viable market for recycling the material. As used in this paragraph, "viable market" means a place  
20 within a wasteshed that will pay for the material or accept the material free of charge or a place  
21 outside a wasteshed that will pay a price for the material that, at minimum, covers the cost of  
22 transportation of the material.

23 (c) Recovery rates shall not include:

24 (A) Industrial and manufacturing wastes such as boxboard clippings and metal trim that are  
25 recycled before becoming part of a product that has entered the wholesale or retail market.

26 (B) Metal demolition debris in which arrangements are made to sell or give the material to  
27 processors before demolition such that it does not enter the solid waste stream.

28 (C) Discarded vehicles or parts of vehicles that do not routinely enter the solid waste stream.

29 (D) Material recovered for composting or energy recovery from mixed solid waste, except as  
30 provided in paragraph (b) of this subsection and in paragraph (a) of subsection (6) of this section.

31 (E) Mixed solid waste burned for energy recovery.

32 (d) "Solid waste disposed" shall mean the total weight of solid waste disposed other than the  
33 following:

34 (A) Sewage sludge or septic tank and cesspool pumpings;

35 (B) Waste disposed of at an industrial waste disposal site;

36 (C) Industrial waste, ash, inert rock, dirt, plaster, asphalt and similar material if delivered to a  
37 municipal solid waste disposal site or demolition disposal site and if a record is kept of such deliv-  
38 eries and submitted as part of the annual report submitted under ORS 459.180;

39 (D) Waste received at an ash monofill from a resource recovery facility; and

40 (E) Solid waste not generated within this state.

41 (5)(a) Each local government that franchises or licenses the collection of solid waste and es-  
42 tablishes the rates to be charged for collection service shall either:

43 (A) Include in those rates all net costs incurred by the franchisee or licensee for providing the  
44 "opportunity to recycle" under ORS 459.165 and for implementing the requirements of subsection (3)

1 of this section; or

2 (B) Fund implementation of the "opportunity to recycle" under ORS 459.165 or the requirements  
3 of subsection (3) of this section through an alternative source of funding including but not limited  
4 to disposal fees.

5 (b) As used in this subsection, "net costs" includes but is not limited to the reasonable costs for  
6 collecting, handling, processing, storing, transporting and delivering recyclable material to market  
7 and for providing any required education and promotion or data collection services adjusted by a  
8 factor to account for proceeds from the sale of recyclable material.

9 (6)(a) Clackamas, Multnomah and Washington counties, in aggregate, shall achieve a recovery  
10 rate of 45 percent for the calendar year 1995. No more than five percent of the recovery level may  
11 be achieved by the processing of mixed solid waste compost. If the metropolitan service district does  
12 not develop a mixed solid waste composting process, the recovery rate for Clackamas, Multnomah  
13 and Washington counties, in aggregate, shall be 40 percent for the calendar year 1995.

14 (b) The following wastesheds shall achieve a recovery rate of 30 percent for the calendar year  
15 1995:

16 (A) Benton County;

17 (B) Lane County;

18 (C) Linn County;

19 (D) Marion County;

20 (E) Polk County; and

21 (F) Yamhill County.

22 (c) The following wastesheds shall achieve a recovery rate of 25 percent for the calendar year  
23 1995:

24 (A) Clatsop County;

25 (B) Columbia County;

26 (C) Deschutes County;

27 (D) Douglas County;

28 (E) Hood River County;

29 (F) Jackson County;

30 (G) Josephine County; and

31 (H) Wasco County.

32 (d) The following wastesheds shall achieve a recovery rate of 15 percent for the calendar year  
33 1995:

34 (A) Baker County;

35 (B) Coos County;

36 (C) Crook County;

37 (D) Curry County;

38 (E) Klamath County;

39 (F) Lincoln County;

40 (G) Malheur County;

41 (H) Tillamook County;

42 (I) Umatilla County;

43 (J) Union County; and

44 (K) The City of Milton-Freewater.



(e) The following wastesheds shall achieve a recovery rate of seven percent for the calendar year 1995:

- (A) Gilliam County;
- (B) Grant County;
- (C) Harney County;
- (D) Jefferson County;
- (E) Lake County;
- (F) Morrow County;
- (G) Sherman County;
- (H) Wallowa County; and
- (I) Wheeler County.

(7) In any wasteshed set forth in paragraph (b) of subsection (6) of this section using, on or before the effective date of this 1991 Act, an energy recovery facility to dispose of its solid waste, the recovery rate shall be 25 percent until the solid waste disposed of from within the wasteshed exceeds 180,000 tons. Any solid waste disposed of by the wasteshed in excess of 180,000 tons shall achieve a recovery rate of 30 percent.

(8) If a wasteshed fails to achieve the recovery rate set forth in subsection (6) or (7) of this section, any city with a population of more than 4,000 or a county responsible for the area between the city limits and the urban growth boundary of such city shall institute, not later than July 1, 1996, two additional program elements as set forth in subsection (2) of this section.

(9) In calculating the rates set forth in subsection (6) of this section, commercial, industrial and demolition scrap metal, vehicles, major equipment and home or industrial appliances that are handled or processed for use in manufacturing new products and that do not routinely enter the solid waste stream through land disposal facilities, transfer stations, recycling depots or on-route collection programs shall not be counted as material recovery or recycling. The department shall annually conduct an industry survey to determine the contribution of post-consumer residential scrap metal, including home appliances, to recycling and recovery levels in a manner which prevents double counting of material recovered. Information collected under the provisions of this section, as it relates specifically to private sector customer lists or specific amounts and types of materials collected or marketed, shall be maintained as confidential by the department and exempt from disclosure under ORS 192.410 to 192.505. The department may use and disclose such information in aggregated form.

**SECTION 2a.** The Sixty-ninth Legislative Assembly shall review the 1995 recovery rates achieved by each wasteshed and by the state as a whole, and shall set wasteshed recovery rates, or other goals that allow measurement of each wasteshed's progress in achieving greater reduction, reuse and recycling, for the calendar year 2000.

**SECTION 3.** ORS 459.190 is amended to read:

459.190. (1) A collection service or disposal site may charge a person who source separates recyclable material and makes it available for reuse or recycling less, but not more, for collection and disposal of solid waste and collection of recyclable material than the collection service charges a person who does not source separate recyclable material.

(2) A collection service or disposal site may charge a person who does not have solid waste collection service but who source separates recyclable material and makes the material available for reuse or recycling, for the cost of providing that service. In no case shall

1 the charge be greater than the charge to collect or dispose of that material as solid waste.

2 SECTION 4. After January 1, 1995, a city or county may request from the department a vari-  
3 ance under ORS 459.185 from section 2 (8) of this 1991 Act if beginning in 1992, the measurement  
4 of disposal rates shows that the per capita disposal rate is decreasing at a rate of five percent or  
5 more per year.

6 SECTION 5. The department shall conduct a solid waste composition study at least once a  
7 biennium for all areas of the state not covered by other composition studies. The study may include:

8 (1) A measurement of the per capita waste disposal rate; or

9 (2) A statewide survey of the amount of waste reduced through resource recovery.

10 SECTION 6. ORS 459.005 is amended to read:

11 459.005. As used in ORS 275.275, 459.005 to 459.426, unless the context requires otherwise:

12 (1) "Affected person" means a person or entity involved in the solid waste collection service  
13 process including but not limited to a recycling collection service, disposal site permittee or owner,  
14 city, county and metropolitan service district.

15 (2) "Area of the state" means any city or county or combination or portion thereof or other  
16 geographical area of the state as may be designated by the commission.

17 (3) "Board of county commissioners" or "board" includes county court.

18 (4) "Collection franchise" means a franchise, certificate, contract or license issued by a city or  
19 county authorizing a person to provide collection service.

20 (5) "Collection service" means a service that provides for collection of solid waste or recyclable  
21 material or both.

22 (6) "Commercial" means stores, offices including manufacturing and industry offices,  
23 restaurants, warehouses, schools, colleges, universities, hospitals and other nonmanufactur-  
24 ing entities, but does not include other manufacturing activities or business, manufacturing  
25 or processing activities in residential dwellings.

26 [(6)] (7) "Commission" means the Environmental Quality Commission.

27 (8) "Compost" means the controlled biological decomposition of organic material or the  
28 product resulting from such a process.

29 [(7)] (9) "Conditionally exempt small quantity generator" means a person that generates a haz-  
30 ardous waste but is conditionally exempt from substantive regulation because the waste is generated  
31 in quantities below the threshold for regulation adopted by the commission pursuant to ORS 466.020.

32 [(8)] (10) "Department" means the Department of Environmental Quality.

33 [(9)] (11) "Disposal site" means land and facilities used for the disposal, handling or transfer of  
34 or resource recovery from solid wastes, including but not limited to dumps, landfills, sludge lagoons,  
35 sludge treatment facilities, disposal sites for septic tank pumping or cesspool cleaning service,  
36 transfer stations, resource recovery facilities, incinerators for solid waste delivered by the public  
37 or by a solid waste collection service, composting plants and land and facilities previously used for  
38 solid waste disposal at a land disposal site; but the term does not include a facility subject to the  
39 permit requirements of ORS 468.740; a landfill site which is used by the owner or person in control  
40 of the premises to dispose of soil, rock, concrete or other similar nondecomposable material, unless  
41 the site is used by the public either directly or through a solid waste collection service; or a site  
42 operated by a wrecker issued a certificate under ORS 822.110.

43 [(10)] (12) "Hazardous waste" has the meaning given that term in ORS 466.005.

44 [(11)] (13) "Hazardous waste collection service" means a service that collects hazardous waste



1 from exempt small quantity generators and from households.

2 [(12)] (14) "Household hazardous waste" means any discarded, useless or unwanted chemical,  
3 material, substance or product that is or may be hazardous or toxic to the public or the environment  
4 and is commonly used in or around households which may include, but is not limited to, some  
5 cleaners, solvents, pesticides, and automotive and paint products.

6 [(13)] (15) "Land disposal site" means a disposal site in which the method of disposing of solid  
7 waste is by landfill, dump, pit, pond or lagoon.

8 [(14)] (16) "Land reclamation" means the restoration of land to a better or more useful state.

9 [(15)] (17) "Local government unit" means a city, county, metropolitan service district formed  
10 under ORS chapter 268, sanitary district or sanitary authority formed under ORS chapter 450,  
11 county service district formed under ORS chapter 451, regional air quality control authority formed  
12 under ORS 468.500 to 468.530 and 468.540 to 468.575 or any other local government unit responsible  
13 for solid waste management.

14 [(16)] (18) "Metropolitan service district" means a district organized under ORS chapter 268 and  
15 exercising solid waste authority granted to such district under this chapter and ORS chapter 268.

16 [(17)] (19) "Periodic collection event" means the collection of household hazardous waste or  
17 conditionally exempt small quantity generator hazardous waste at a temporary facility.

18 [(18)] (20) "Permit" includes, but is not limited to, a conditional permit.

19 [(19)] (21) "Person" means the state or a public or private corporation, local government unit,  
20 public agency, individual, partnership, association, firm, trust, estate or any other legal entity.

21 [(20)] (22) "Recyclable material" means any material or group of materials that can be collected  
22 and sold for recycling at a net cost equal to or less than the cost of collection and disposal of the  
23 same material.

24 [(21)] (23) "Regional disposal site" means:

25 (a) A disposal site selected pursuant to chapter 679, Oregon Laws 1985; or

26 (b) A disposal site that receives, or a proposed disposal site that is designed to receive more  
27 than 75,000 tons of solid waste a year from commercial haulers from outside the immediate service  
28 area in which the disposal site is located. As used in this paragraph, "immediate service area"  
29 means the county boundary of all counties except a county that is within the boundary of the met-  
30 ropolitan service district. For a county within the metropolitan service district, "immediate service  
31 area" means the metropolitan service district boundary.

32 [(22)] (24) "Resource recovery" means the process of obtaining useful material or energy re-  
33 sources from solid waste and includes:

34 (a) "Energy recovery," which means recovery in which all or a part of the solid waste materials  
35 are processed to utilize the heat content, or other forms of energy, of or from the material.

36 (b) "Material recovery," which means any process of obtaining from solid waste, by presegre-  
37 gation or otherwise, materials which still have useful physical or chemical properties *[after serving*  
38 *a specific purpose]* and can, *[therefore,]* be reused or recycled for *[the same or other]* some purpose.

39 (c) "Recycling," which means any process by which solid waste materials are transformed into  
40 new products in such a manner that the original products may lose their identity.

41 (d) "Reuse," which means the return of a commodity into the economic stream for use in the  
42 same kind of application as before without change in its identity.

43 [(23)] (25) "Solid waste collection service" or "service" means the collection, transportation or  
44 disposal of or resource recovery from solid wastes but does not include that part of a business op-

erated under a certificate issued under ORS 822.110.

[(24)] (26) "Solid waste" means all putrescible and nonputrescible wastes, including but not limited to garbage, rubbish, refuse, ashes, waste paper and cardboard; sewage sludge, septic tank and cesspool pumpings or other sludge; commercial, industrial, demolition and construction wastes; discarded or abandoned vehicles or parts thereof; discarded home and industrial appliances; manure, vegetable or animal solid and semisolid wastes, dead animals, infectious waste as defined in ORS 459.387 and other wastes; but the term does not include:

(a) Hazardous wastes as defined in ORS 466.005.

(b) Materials used for fertilizer or for other productive purposes or which are salvageable as such materials are used on land in agricultural operations and the growing or harvesting of crops and the raising of [fowls or] animals.

[(25)] (27) "Solid waste management" means prevention or reduction of solid waste; management of the storage, collection, transportation, treatment, utilization, processing and final disposal of solid waste; or resource recovery from solid waste; and facilities necessary or convenient to such activities.

[(26)] (28) "Source separate" means that the person who last uses recyclable material separates the recyclable material from solid waste.

[(27)] (29) "Transfer station" means a fixed or mobile facility normally used, as an adjunct of a solid waste collection and disposal system or resource recovery system, between a collection route and a disposal site, including but not limited to a large hopper, railroad gondola or barge.

[(28)] (30) "Waste" means useless or discarded materials.

[(29)] (31) "Wasteshed" means an area of the state having a common solid waste disposal system or designated by the commission as an appropriate area of the state within which to develop a common recycling program.

(32) "Yard debris" includes grass clippings, leaves, hedge trimmings and similar vegetative waste generated from residential property or landscaping activities, but does not include stumps or similar bulky wood materials.

SECTION 7. ORS 459.015 is amended to read:

459.015. (1) The Legislative Assembly finds and declares that:

(a) The planning, development and operation of recycling programs is a matter of statewide concern.

(b) The opportunity to recycle should be provided to every person in Oregon.

(c) There is a shortage of appropriate sites for landfills in Oregon.

(d) It is in the best interests of the people of Oregon to extend the useful life of [existing] solid waste disposal sites by encouraging recycling and reuse of materials [whenever recycling is economically feasible], and by requiring solid waste to undergo volume reduction through recycling and reuse measures before disposal in landfills to the maximum extent feasible. Implementation of recycling and reuse measures will not only increase the useful life of solid waste disposal sites, but also decrease the potential public health and safety impacts associated with landfill operation.

(2) In the interest of the public health, safety and welfare and in order to conserve energy and natural resources, it is the policy of the State of Oregon to establish a comprehensive statewide program for solid waste management which will:

(a) After consideration of technical and economic feasibility, establish priority in methods of managing solid waste in Oregon as follows:



- 1 (A) First, to reduce the amount of solid waste generated;
- 2 (B) Second, to reuse material for the purpose for which it was originally intended;
- 3 (C) Third, to recycle material that cannot be reused;
- 4 **(D) Fourth, to compost material that cannot be reused or recycled;**
- 5 **[(D) Fourth] (E) Fifth, to recover energy from solid waste that cannot be reused, [or]**  
6 **recycled,] or composted** so long as the energy recovery facility preserves the quality of air, water  
7 and land resources; and
- 8 **[(E) Fifth] (F) Sixth, to dispose of solid waste that cannot be reused, recycled, composted or**  
9 **from which energy cannot be recovered by landfilling or other method approved by the department.**
- 10 (b) Clearly express the Legislative Assembly's previous delegation of authority to cities and  
11 counties for collection service franchising and regulation and the extension of that authority under  
12 the provisions of ORS 459.005, 459.015, 459.035, 459.165 to 459.200, 459.250, 459.992 and 459.995.
- 13 (c) Retain primary responsibility for management of adequate solid waste management programs  
14 with **[local government units] cities, counties or metropolitan service districts**, reserving to the  
15 state those functions necessary to assure effective programs, cooperation among **[local government**  
16 **units] cities, counties or metropolitan service districts** and coordination of solid waste manage-  
17 ment programs throughout the state.
- 18 **(d) Promote, encourage and develop markets first for reusable and then for recyclable**  
19 **material.**
- 20 **[(d)] (e) Promote research, surveys and demonstration projects to encourage resource recovery.**
- 21 **[(e)] (f) Promote research, surveys and demonstration projects to aid in developing more sani-**  
22 **tary, efficient and economical methods of solid waste management.**
- 23 **[(f)] (g) Provide advisory technical assistance and planning assistance to [local government units**  
24 **and other] affected persons, in the planning, development and implementation of solid waste man-**  
25 **agement programs.**
- 26 **[(g)] (h) Develop, in coordination with federal, state and local agencies and other affected per-**  
27 **sons, long-range plans including regional approaches to promote reuse, to provide land reclamation**  
28 **in sparsely populated areas, and in urban areas necessary disposal facilities for resource recovery.**
- 29 **[(h)] (i) Provide for the adoption and enforcement of [minimum] recycling rates and standards**  
30 **as well as performance standards necessary for safe, economic and proper solid waste management.**
- 31 **[(i)] (j) Provide authority for counties to establish a coordinated program for solid waste man-**  
32 **agement, to regulate solid waste management and to license or franchise the providing of service**  
33 **in the field of solid waste management.**
- 34 **[(j)] (k) Encourage utilization of the capabilities and expertise of private industry in accom-**  
35 **plishing the purposes of ORS 459.005 to 459.105, 459.205 to 459.245 and 459.255 to 459.385.**
- 36 **[(k)] (L) Promote means of preventing or reducing at the source, materials which otherwise**  
37 **would constitute solid waste.**
- 38 **[(L)] (m) Promote application of resource recovery systems which preserve and enhance the**  
39 **quality of air, water and land resources.**
- 40 **NOTE: Section 8 was deleted by amendment. Subsequent sections were not renumbered.**
- 41 **SECTION 9. ORS 459.165 is amended to read:**
- 42 **459.165. (1) As used in ORS 459.015, 459.165 to 459.200 and 459.250, the "opportunity to**  
43 **recycle" means at least that the city, county or metropolitan service district responsible for**  
44 **solid waste management:**

(a)(A) Provides a place for collecting source separated recyclable material located either at a disposal site or at another location more convenient to the population being served and, if a city has a population of 4,000 or more, collection at least once a month of source separated recyclable material from collection service customers within the city's urban growth boundary or, where applicable, within the urban growth boundary established by a metropolitan service district; or

[(b)] (B) Provides an alternative method which complies with rules of the commission; and [.]

(b) Complies with the rates and program elements required under section 2 of this 1991 Act.

(2) The "opportunity to recycle" defined in subsection (1) of this section also includes a public education and promotion program that:

(a) Gives notice to each person of the opportunity to recycle; and

(b) Encourages source separation of recyclable material.

**SECTION 10.** ORS 459.175 is amended to read:

459.175. [(1) After the commission identifies a wasteshed, the department shall notify each affected person to the extent such affected persons are known to the department, of the following:]

[(a) That the affected person is within the wasteshed; and]

[(b) The recyclable material for which affected persons within the wasteshed must provide the opportunity to recycle in all or part of that wasteshed.]

[(2)] Any affected person may:

[(a) Appeal to the commission the inclusion of all or part of a city, county or local government unit in a wasteshed;]

[(b)] (1) Request the commission to modify the recyclable material for which the commission determines the opportunity to recycle must be provided; or

[(c)] (2) Request a variance under ORS 459.185 [(8)].

**SECTION 11.** ORS 459.180 is amended to read:

459.180. [(1) Upon final determination of the wasteshed and identification of recyclable material and any variance, the cities and counties within the wasteshed shall coordinate with all other affected persons in the wasteshed to jointly develop a recycling report to submit to the department. The report to the department shall explain how the affected persons within the wasteshed are implementing the opportunity to recycle.]

(1) On behalf of each wasteshed and the cities within each wasteshed, each county shall submit to the department an annual report that:

(a) Documents how the wasteshed and the cities within the wasteshed are implementing the opportunity to recycle, including the requirements of section 2 of this 1991 Act.

(b) Reports participation in on-route collection programs, including single family and multifamily residential programs.

(c) Reports participation in regular onsite commercial collection programs.

(d) Reports for the wasteshed the type of material and the weight of each type of material collected through the following means:

(A) On-route collection;

(B) Collection from commercial customers; and

(C) Collection at disposal site recycling depots.

(e) If solid waste generated in the wasteshed is disposed of outside of the state, reports the total weight of waste disposed outside the state.



1 (2) The metropolitan service district for Multnomah, Washington and Clackamas counties  
2 and the cities therein in aggregate shall submit to the department an annual report that  
3 includes the information required under subsection (1) of this section.

4 (3) Except as provided in subsection (4) of this section and subject to the exclusions of  
5 section 2 (4)(d) of this 1991 Act, each solid waste disposal site that receives solid waste, ex-  
6 cept transfer stations, shall report, for each wasteshed, the weight of in-state solid waste  
7 disposed of at the solid waste disposal site that was generated in each wasteshed.

8 (4) The metropolitan service district for Multnomah, Washington and Clackamas counties  
9 and the cities therein in aggregate shall submit to the department the weight of solid waste  
10 disposed of through the following facilities:

- 11 (a) Metropolitan service district central transfer station;
- 12 (b) Metropolitan service district south transfer station;
- 13 (c) Municipal solid waste compost facility; and
- 14 (d) Any disposal facility or transfer facility owned, operated or under contract by the  
15 metropolitan service district.

16 (5) The cities and counties within each wasteshed shall share proportionally in the costs  
17 incurred for the preparation and submission of the annual report required under this section.

18 (6) At least annually, the department shall survey privately operated recycling and ma-  
19 terial recovery facilities, including but not limited to buy back centers, drop off centers, re-  
20 cycling depots other than those at permitted land disposal facilities, manufacturers and  
21 distributors. The department shall collect the following information:

22 (a) By type of material for each wasteshed, the weight of in-state material collected from  
23 other than on-route collection programs, both residential and commercial.

24 (b) Any other information necessary to prevent double counting of material recovered  
25 or to determine if a material is recyclable.

26 (7) Information collected under subsection (6) of this section, as it relates specifically to  
27 the entity's customer lists or specific amounts and types of materials collected or marketed,  
28 shall be maintained as confidential by the department and exempt from disclosure under ORS  
29 192.410 to 192.505. The department may use and disclose such information in aggregated  
30 form.

31 (8) The information in subsections (1) to (4) and (6) of this section shall be collected and  
32 reported annually on a form provided by the department beginning in 1992 for calendar year  
33 1991.

34 (9) As a part of the report required under section 91 of this 1991 Act, the department  
35 shall report:

36 (a) The annual weight of material disposed of per capita, by wasteshed and statewide.

37 (b) The annual recovery rate achieved by each wasteshed and statewide.

38 (c) The amount of each type of material recovered annually statewide and, based on  
39 available information, the amount of each type of material recycled annually statewide.

40 (d) The status of implementation of the provisions of ORS 459.165 to 459.200.

41 (e) Participation rates for commercial and residential on-route collection by wasteshed  
42 and statewide.

43 (f) Recommendations for improvements in the recycling, reuse and waste reduction pro-  
44 grams.

1        [(2)] (10) Unless extended by the commission upon application under ORS 459.185 after the af-  
2        fected persons show good cause for an extension, the affected persons within the wasteshed shall  
3        implement the opportunity to recycle and submit the recycling report to the department [not later  
4        than July 1, 1986].

5        .SECTION 12. ORS 459.185 is amended to read:

6        459.185. [(1) The department shall review a recycling report submitted under ORS 459.180 to de-  
7        termine whether the opportunity to recycle is being provided within all of the affected portion of the  
8        wasteshed.]

9        [(2) The department shall notify the affected persons who participated in preparing the report of  
10       acceptance or disapproval of the recycling report based on written findings.]

11       [(3) If the department disapproves a recycling report:]

12       [(a) An affected person may:]

13       [(A) Request a meeting with the department to review the department's findings, which meeting  
14       may include all or some of the affected persons who prepared the report; or]

15       [(B) Correct the deficiencies that the department found in the report.]

16       [(b) The department may grant a reasonable extension of time for the affected persons to correct  
17       deficiencies in the recycling report.]

18       [(c) The affected persons submitting the report shall notify the department of any action taken to  
19       correct a cited deficiency.]

20       [(4) In the event of disapproval and after a reasonable extension of time to correct deficiencies in  
21       the opportunity to recycle, the director of the department shall notify the commission that the affected  
22       persons within a wasteshed have failed to implement the opportunity or submit a recycling report.]

23       [(5) Upon notification under subsection (4) of this section, the commission shall hold a public  
24       hearing within the affected area of the wasteshed.]

25       [(6) If, after the public hearing and based on the department's findings on review of the recycling  
26       report and the hearing record, the commission determines that all or part of the opportunity to recycle  
27       is not being provided, the commission shall by order require the opportunity to recycle to be provided.  
28       The commission order may include, but need not be limited to:]

29       [(a) The materials which are recyclable;]

30       [(b) The manner in which recyclable material is to be collected;]

31       [(c) The responsibility of each person in the solid waste collection and disposal process for pro-  
32       viding the opportunity to recycle;]

33       [(d) A timetable for development or implementation of the opportunity to recycle;]

34       [(e) Methods for providing the public education and promotion program;]

35       [(f) A requirement that as part of the recycling program a city or county franchise to provide for  
36       collection service; and]

37       [(g) Minimum standards for the mandatory franchising.]

38       [(7) If a recycling program is ordered under this section, the department shall work with affected  
39       persons and designate the responsibilities of each of them.]

40       [(8)] (1)(a) Upon written application by an affected person, the commission may, to accommodate  
41       special conditions in the wasteshed or a portion thereof, grant a variance from specific requirements  
42       of the rules or guidelines adopted under ORS 459.170 or [a recycling program ordered by the com-  
43       mission under subsection (6) of this section] if the affected person complies with the criteria es-  
44       tablished in section 4 of this 1991 Act, from the standards established in section 2 (8) of this



1 1991 Act.

2 (b) The commission may grant all or part of a variance under this section.

3 (c) Upon granting a variance, the commission may attach any condition the commission consid-  
4 ers necessary to carry out the provisions of ORS 459.015, 459.165 to 459.200 and 459.250.

5 (d) In granting a variance, the commission must find that:

6 (A) Conditions exist that are beyond the control of the applicant;

7 (B) Special conditions exist that render compliance unreasonable or impractical; or

8 (C) Compliance may result in a reduction in recycling.

9 [(9)] (2) An affected person may apply to the commission to extend the time permitted under  
10 ORS 459.005, 459.015, 459.035, 459.165 to 459.200, 459.250, 459.992 and 459.995 for providing for all  
11 or a part of the opportunity to recycle or submitting a recycling report to the department. The  
12 commission may:

13 (a) Grant an extension upon a showing of good cause;

14 (b) Impose any necessary conditions on the extension; or

15 (c) Deny the application in whole or in part.

16 **SECTION 12a.** ORS 459.235 is amended to read:

17 459.235. (1) Applications for permits shall be on forms prescribed by the department. An appli-  
18 cation shall contain a description of the existing and proposed operation and the existing and pro-  
19 posed facilities at the site, with detailed plans and specifications for any facilities to be constructed.  
20 The application shall include a recommendation by the local government unit or units having juris-  
21 diction and such other information the department deems necessary in order to determine whether  
22 the site and solid waste disposal facilities located thereon and the operation will comply with ap-  
23 plicable requirements.

24 (2) *[Subject to the review of the Executive Department and the prior approval of the appropriate*  
25 *legislative review agency,]* The commission *[may]* shall establish a schedule of fees for disposal site  
26 permits. The permit fees contained in the schedule shall be based on the anticipated cost of filing  
27 and investigating the application, of issuing or denying the requested permit and of an inspection  
28 program to determine compliance or noncompliance with the permit. The permit fee shall accompany  
29 the application for the permit.

30 (3) **In addition to the fees imposed under subsection (2) of this section, the commission**  
31 **shall establish a schedule of annual permit fees for the purpose of implementing this 1991**  
32 **Act. The fees shall be assessed annually and shall be based on the amount of solid waste**  
33 **received at the disposal site in the previous calendar year.**

34 [(3)] (4) If the application is for a regional disposal facility, the applicant shall file with the de-  
35 partment a surety bond in the form and amount established by rule by the commission. The bond  
36 or financial assurance shall be executed in favor of the State of Oregon and shall be in an amount  
37 as determined by the department to be reasonably necessary to protect the environment, and the  
38 health, safety and welfare of the people of the state. The commission may allow the applicant to  
39 substitute other financial assurance for the bond, in the form and amount the commission considers  
40 satisfactory.

41 **SECTION 13.** ORS 459.294 is amended to read:

42 459.294. (1) In addition to the permit fees provided in ORS 459.235, the commission shall estab-  
43 lish a schedule of fees *[to begin July 1, 1990,]* for all disposal sites that receive domestic solid waste  
44 except transfer stations. The schedule shall be based on the estimated tonnage or the actual

tonnage, if known, received at the site and any other similar or related factors the commission finds appropriate. The fees collected pursuant to the schedule shall be sufficient to assist in the funding of programs to reduce the amount of domestic solid waste generated in Oregon and to reduce environmental risks at domestic waste disposal sites.

(2) For solid waste *[generated within the boundaries of]* delivered to disposal facilities owned or operated by a metropolitan service district, the schedule of fees, but not the permit fees provided in ORS 459.235, established by the commission in subsection (1) of this section shall be levied on the district, not the disposal site.

(3) The commission also may require submittal of information related to volumes and sources of waste or recycled material if necessary to carry out the activities in ORS 459.295.

(4)(a) A local government that franchises or licenses a domestic solid waste site shall allow the disposal site to pass through the amount of the fees established by the commission in subsection (1) of this section to the users of the site.

(b) If a disposal site that receives domestic solid waste passes through all or a portion of the fees established by the commission in subsection (1) of this section to a solid waste collector who uses the site, a local government that franchises or licenses the collection of solid waste shall allow the franchisee or licensee to include the amount of the fee in the solid waste collection service rate.

(5) The fees generated under subsection (1) of this section shall be sufficient to accomplish the purposes set forth in ORS 459.295 but shall be no more than 50 cents per ton.

(6) There shall be a fee on solid waste generated out of state. This fee shall be an amount equal to the sum of the fees established under subsection (1) of this section and section 13a of this 1991 Act and shall be collected in the same manner as fees established under subsection (1) of this section and section 13a of this 1991 Act.

**SECTION 13a.** (1) From January 1, 1992, to December 31, 1993, the schedule of fees as established by the Environmental Quality Commission under ORS 459.294 (1) is increased by 35 cents per ton and shall be deposited into the General Fund and credited to an account of the Department of Environmental Quality. Such moneys are continuously appropriated to the department to implement the provisions of this 1991 Act.

(2) Beginning January 1, 1994, the schedule of fees as established by the commission under ORS 459.294 is increased by 31 cents per ton and shall be deposited into the General Fund and credited to an account of the department. Such moneys are continuously appropriated to the department to implement the provisions, excluding section 51, of this 1991 Act.

**SECTION 13b.** The Department of Environmental Quality shall study funding alternatives for the management of household hazardous waste including the provisions of section 51 of this Act, and make recommendations for long-term funding to the Sixty-seventh Legislative Assembly.

**SECTION 14.** ORS 459.995 is amended to read:

459.995. (1) In addition to any other penalty provided by law:

(a) Any person who violates ORS 459.165 to 459.200, 459.205, 459.270 or the provisions of ORS 459.180, 459.188, 459.190, 459.195, 459.710 or 459.715 or the provisions of ORS 459.386 to 459.400 or section 29, 34 or 34a to 34c of this 1991 Act or any rule or order of the Environmental Quality Commission pertaining to the disposal, collection, storage or reuse or recycling of solid wastes, as defined by ORS 459.005, shall incur a civil penalty not to exceed \$500 a day for each day of the violation.

(b) Any person who violates the provisions of ORS 459.420 to 459.426 shall incur a civil penalty



not to exceed \$500 for each violation. Each battery that is disposed of improperly shall be a separate violation. Each day an establishment fails to post the notice required under ORS 459.426 shall be a separate violation.

(2) The civil penalty authorized by subsection (1) of this section shall be established, imposed, collected and appealed in the same manner as civil penalties are established, imposed and collected under ORS 448.305, 454.010 to 454.040, 454.205 to 454.255, 454.405, 454.425, 454.505 to 454.535, 454.605 to 454.745 and ORS chapter 468.

**SECTION 15.** Section 16 of this Act is added to and made a part of ORS chapter 90.

**SECTION 16.** (1) In a city or the county within the urban growth boundary of a city that has implemented multifamily recycling service, a landlord who has five or more residential dwelling units on a single premises or five or more manufactured dwellings in a single facility shall at all times during tenancy provide to all tenants:

(a) A separate location for containers or depots for at least four principal recyclable materials or for the number of materials required to be collected under the residential on-route collection program, whichever is less, adequate to hold the reasonably anticipated volume of each material;

(b) Regular collection service of the source separated recyclable materials; and

(c) Notice at least once a year of the opportunity to recycle with a description of the location of the containers or depots on the premises and information about how to recycle. New tenants shall be notified of the opportunity to recycle at the time of entering into a rental agreement.

(2) As used in this section, "recyclable material" and "source separate" have the meaning given those terms in ORS 459.005.

**SECTION 17.** Sections 18 to 31 and 33 to 34e of this Act are added to and made a part of ORS 459.165 to 459.200.

**SECTION 18.** (1) On or before January 1, 1994, the Environmental Quality Commission shall adopt a statewide integrated solid waste management plan. The plan shall include, but need not be limited to:

(a) Source reduction;

(b) Recycling;

(c) Solid waste collection and processing;

(d) Composting and energy recovery;

(e) Incineration;

(f) Disposal;

(g) Disposal capacity and facility siting; and

(h) Transportation.

(2) The statewide integrated solid waste management plan shall be developed in consultation with local government, the Economic Development Department and other appropriate state and regional agencies, commissions and task forces. The plan shall address integrated solid waste management for at least 10 years into the future. The department shall review the plan every two years and the commission shall revise the plan at regular intervals in order to allow local governments to take advantage of the data and analysis in the state plan.

**SECTION 19.** As used in sections 21 to 25 of this 1991 Act, "compost" means the product resulting from the controlled biological decomposition of organic wastes that are source separated from the municipal solid waste stream.

**NOTE:** Section 20 was deleted by amendment. Subsequent sections were not renumbered.

1       **SECTION 21.** In consultation with the Department of Environmental Quality and affected state  
2 and local agencies, the Department of General Services shall adopt rules for the purchase by the  
3 State of Oregon of compost and sewage sludge. The rules shall designate the state minimum pur-  
4 chasing standards. The rules shall encourage the use of compost and sludge without jeopardizing the  
5 safety and health of the citizens of the state or the environment.

6       **SECTION 22.** On or after January 1, 1992, the State Forestry Department, the State Parks and  
7 Recreation Department, the Department of Transportation and the Department of General Services,  
8 in cooperation with the Department of Environmental Quality, shall each identify and evaluate uses  
9 for compost and environmentally safe sewage sludge in public land maintenance and rehabilitation  
10 projects, state landscaping projects and park and recreational area maintenance programs. The re-  
11 sults of the evaluation shall be submitted to the Department of Environmental Quality not later than  
12 September 1, 1992. The Department of Environmental Quality shall include the results of the eval-  
13 uation in the report submitted under section 91 of this 1991 Act.

14       **SECTION 23.** Based on the evaluation under section 22 of this 1991 Act, on or after January  
15 1, 1994, the State Forestry Department, the State Parks and Recreation Department, the Department  
16 of Transportation and the Department of General Services shall initiate programs that use compost  
17 or sewage sludge in place of, or to supplement, soil amendments, ground cover materials, mulching  
18 materials or other similar products for which compost can be used as an effective substitute.

19       **NOTE:** Section 24 was deleted by amendment. Subsequent sections were not renumbered.

20       **SECTION 25.** After January 1, 1994, any state agency that prepares a request for bid for soil  
21 amendments, ground cover materials, mulching materials or other similar products shall first deter-  
22 mine that compost or sewage sludge is not available in adequate quantities, cannot practically be  
23 used for the intended applications, would jeopardize the intended project results or would be used  
24 in combination with a fertilizer or other similar product.

25       **SECTION 26.** As used in sections 26 to 31 of this 1991 Act:

26       (1) "Consumer of newsprint" means a person who uses newsprint in a commercial or government  
27 printing or publishing operation.

28       (2) "Newsprint" means paper meeting the specifications for Standard Newsprint Paper and Roto  
29 Newsprint Paper as set forth in the current edition of the Harmonized Tariff Schedule of the United  
30 States for such products.

31       (3) "Post-consumer waste" means a material that would normally be disposed of as a solid waste,  
32 having completed its life cycle as a consumer or manufacturing item.

33       (4) "Recycled-content newsprint" means newsprint that includes post-consumer waste paper.

34       **SECTION 27.** Unless exempted under section 30 of this 1991 Act, on and after January 1, 1995,  
35 every consumer of newsprint in Oregon shall insure that at least 7.5 percent of the annual aggregate  
36 fiber content of all newsprint used by the consumer of newsprint is composed of post-consumer waste  
37 paper, if:

38       (1) Recycled-content newsprint is available at the same or lower weighted net price compared  
39 to that of newsprint made from virgin material;

40       (2) The average mechanical and optical properties of recycled-content newsprint from any indi-  
41 vidual mill measured quarterly must meet or exceed the average mechanical and optical properties  
42 of all newsprint produced in the northwest as reported in the most current quarterly American  
43 Newspaper Publisher Association Newsprint Quality Program Special Report; and

44       (3) The recycled-content newsprint is available within the same period of time as virgin material.



1       SECTION 28. Each person who supplies a consumer of newsprint with newsprint shall report  
2 with each supply the amounts of post-consumer waste contained in each shipment to each consumer  
3 of newsprint. If a shipment contains no post-consumer waste paper, the supplier shall so report.

4       SECTION 29. (1) No later than February 28, 1992, and annually by the same date thereafter,  
5 each consumer of newsprint shall report to the Department of Environmental Quality the following  
6 information for the previous calendar year:

- 7       (a) The amount of newsprint used in short tons;
- 8       (b) The amount of recycled-content newsprint used in short tons; and
- 9       (c) The aggregate recycled content of the newsprint used as a percent.

10       (2) If a consumer of newsprint cannot obtain sufficient amounts of recycled-content newsprint  
11 during the year because of one or more of the factors described in section 27 of this 1991 Act, the  
12 report submitted by February 28, 1996, shall include such information.

13       SECTION 30. (1) The Oregon Newsprint Recycling Task Force is created. Not later than 90  
14 days after the effective date of this 1991 Act, the members of the Oregon Newsprint Recycling Task  
15 Force shall be appointed.

16       (2) The Oregon Newsprint Recycling Task Force shall:

- 17       (a) Assess the availability of recycled newsprint in Oregon;
- 18       (b) Determine the actions the state could take to increase the availability of recycled-content  
19 newsprint; and

20       (c) Assess the need for statewide voluntary guidelines and enter into voluntary agreements on  
21 behalf of the state that commit the parties to a program for the use of recycled-content newsprint  
22 that meets the criteria set forth in section 27 of this 1991 Act. The agreements under this paragraph  
23 shall comply with the criteria set forth in subsection (4) of this section.

24       (3) The task force shall consist of eight members appointed in the following manner:

- 25       (a) One shall be appointed by the President of the Senate to represent the Legislative Assembly;
- 26       (b) One shall be appointed by the Speaker of the House of Representatives to represent the  
27 Legislative Assembly; and

28       (c) Six shall be appointed by the Governor, one each representing the following, one of whom  
29 shall serve as chairperson:

- 30       (A) The commercial printing industry;
- 31       (B) Daily newspapers;
- 32       (C) Weekly newspapers;
- 33       (D) The recycling industry;
- 34       (E) The paper manufacturing industry; and
- 35       (F) The environmental community.

36       (4) The task force shall accept a voluntary agreement executed under subsection (2) of this  
37 section by a recognized association whose members include consumers of newsprint or by an indi-  
38 vidual firm that is not a member of an association if the agreement includes commitment by the  
39 members collectively or a firm individually to meet a goal of 25 percent of the annual aggregate fi-  
40 ber content of newsprint used by association members or a firm individually being composed of  
41 post-consumer waste for the calendar year 1995 and every year thereafter.

42       (5) A firm or the members of an association described in subsection (4) of this section shall be  
43 exempt from the requirements of section 27 of this 1991 Act if:

- 44       (a) The association or firm enters into a voluntary agreement under this section; and

(b) The goal established under subsection (4) of this section for January 1, 1995, and included in the voluntary agreement is achieved.

(6) The Oregon Newsprint Recycling Task Force shall report annually to the appropriate legislative committee. Not later than January 1, 1997, the task force shall report to the appropriate legislative committee whether recommended changes to the established goal of 7.5 percent of total content of newsprint consumed are appropriate.

(7) The Department of Environmental Quality shall provide staff assistance to the task force. The Department of Environmental Quality may delegate certain administrative responsibilities of the task force to a recognized trade association.

(8) As used in this section, "newspaper" has the meaning given in ORS 193.010.

**SECTION 31.** Sections 26 to 29 of this 1991 Act do not apply to newsprint purchased before January 1, 1992.

**SECTION 32.** Section 30 of this Act is repealed January 1, 1998.

**SECTION 33.** (1) On and after January 1, 1995, every directory publisher shall insure that directories distributed in Oregon:

(a) Have a minimum recycled content of at least 25 percent by weight, with no less than 15 percent of the total weight consisting of post-consumer waste, if:

(A) The recycled-content paper is available on the market; and

(B) The recycled-content paper is of the same quality as paper made from virgin material;

(b) Use bindings that do not impede recycling; and

(c) Use inks that do not impede recycling.

(2) For each local jurisdiction where directories are distributed, directory publishers will cooperate with local government agencies to insure that recycling opportunities exist for directories at the time the directories are distributed provided markets exist for the directories.

(3) The department shall develop a report format and survey directory publishers in Oregon on an annual basis to determine whether the publishers are meeting the requirements under subsections (1) and (2) of this section.

(4) As used in this section, "directory" means a telephone directory that weighs one pound or more for a local jurisdiction in Oregon distributed in this state.

**SECTION 34.** (1) Beginning February 28, 1992, and annually thereafter, every glass container manufacturer shall report to the department, in accordance with a method established by the department, the total amount, in tons, of new glass food, drink and beverage containers made or sold in Oregon by the glass container manufacturer, and the tons of recycled glass used in manufacturing the new container.

(2) Each glass container manufacturer shall use the following minimum percentages of recycled glass in manufacturing glass food, drink or beverage containers:

(a) Thirty-five percent on and after January 1, 1995.

(b) Fifty percent on and after January 1, 2000.

(3) As used in this section, "glass container manufacturer" means a person that manufactures commercial containers whose principal component part consists of virgin glass, recycled glass or post-consumer glass, or any combination thereof, for sale in Oregon, or if manufactured in Oregon, for export to other states or countries. "Glass container manufacturer" includes but is not limited to all commercial manufacturing operations that produce beverage containers, food or drink packaging material made primarily of glass, or any combination of both of these items.



1       **SECTION 34a.** As used in sections 34a to 34e of this 1991 Act:

2       (1) "Department" means the Department of Environmental Quality.

3       (2) "Manufacturer" means the producer or generator of a packaged product which is sold or  
4 offered for sale in Oregon in a rigid plastic container.

5       (3) "Package" means any container used to protect, store, contain, transport, display or sell  
6 products.

7       (4) "Product-associated package" means a brand-specific rigid plastic container line, which may  
8 have one or more sizes, shapes or designs and which is used in conjunction with a particular, ge-  
9 neric product line.

10       (5) "Recycled content" means the portion of a package's weight that is composed of recycled  
11 material, as determined by a material balance approach that calculates total recycled material input  
12 as a percentage of total material input in the manufacture of the package.

13       (6) "Recycled material" means a material that would otherwise be destined for solid waste dis-  
14 posal, having completed its intended end use or product life cycle. Recycled material does not in-  
15 clude materials and by-products generated from, and commonly reused within, an original  
16 manufacturing and fabrication process.

17       (7) "Reusable package" means a package that is used five or more times for the same or sub-  
18 stantially similar use.

19       (8) "Rigid plastic container" means any package composed predominantly of plastic resin which  
20 has a relatively inflexible finite shape or form with a minimum capacity of eight ounces and a  
21 maximum capacity of five gallons, and that is capable of maintaining its shape while holding other  
22 products.

23       **SECTION 34b.** (1) Except as provided in section 34c (3) of this 1991 Act, every manufacturer  
24 of rigid plastic containers sold, offered for sale or used in association with the sale or offer for sale  
25 of products in Oregon shall insure that the container meets one of the following criteria:

26       (a) Contains 25 percent recycled content by January 1, 1995;

27       (b) Is made of plastic that is being recycled in Oregon at a rate of 25 percent by January 1, 1995;

28       or

29       (c) Is a reusable package.

30       (2) A manufacturer's rigid plastic container shall meet the requirements in paragraph (b) of  
31 subsection (1) of this section if the container meets one of the following criteria:

32       (a) It is a rigid plastic container and rigid plastic containers, in the aggregate, are being recy-  
33 cled in the state at a rate of 25 percent by January 1, 1995;

34       (b) It is a specified type of rigid plastic container and that type of rigid plastic container, in the  
35 aggregate, is being recycled in the state at a rate of 25 percent by January 1, 1995; or

36       (c) It is a particular product-associated package and that type of package, in the aggregate, is  
37 being recycled in the state at a rate of 25 percent by January 1, 1995.

38       **SECTION 34c.** (1) On or before March 1, 1995, and annually on or before March 1 thereafter,  
39 each manufacturer of rigid plastic containers shall submit a certification to the department. The  
40 certification shall include the total tons of rigid plastic containers the manufacturer produced or  
41 sold for sale or distribution in the state by resin type, the tons of recycled materials used in man-  
42 ufacturing those rigid plastic containers and other information the department may require to ad-  
43 minister the requirements of sections 34a to 34d of this 1991 Act. Proprietary information included  
44 in a report or certification submitted to the department under this section shall not be made avail-

able to the general public. Manufacturers shall keep records documenting the certification for presentation to the department upon its request. Each manufacturer required to make a certification under this section may be audited by the department.

(2) Each manufacturer shall certify that the manufacturer has complied with one or more of the requirements of section 34b of this 1991 Act during the preceding calendar year for all of the manufacturer's rigid plastic containers except any rigid plastic containers subject to subsection (3) of this section.

(3) For any rigid plastic containers not certified under subsection (2) of this section, each manufacturer shall certify that such containers are exempt from the requirements of section 34b of this 1991 Act for one of the following reasons:

(a) The packages are used for medication prescribed by physicians.

(b) The packages are associated with products produced in or brought into the state that are destined for shipment to other destinations outside the state, and which remain with such products upon such shipment.

(c) The packaging is necessary to provide tamper-resistant seals for public health purposes.

(d) The packages are reduced packages. A package shall qualify as reduced when the ratio of package weight per unit of product has been reduced by at least 10 percent when compared with the packaging used for the same product by the same packager five years earlier. In no case may packaging reduction be achieved, for purposes of this paragraph, by substituting a different material category for a material that constituted a substantial part of the packaging in question, or by packaging changes that adversely impact the potential for the package to be recycled or be made of recycled content. Exemptions under this paragraph shall be limited to five years, shall not be renewable and shall not be applicable to packages for which the ratio of package weight per unit of product increased after January 1, 1990.

(e) There has been substantial investment in achieving the recycling goal, viable markets for the material, if collected, can be demonstrated, the material is within five percent of the goal, there is substantial evidence of accelerating recycling rates and reasonable projections show that the material will meet the goal within two years.

**SECTION 34d.** (1) A local government shall provide the opportunity to recycle rigid plastic containers in metropolitan and urban wastesheds when there is a stable market price for those containers that equals or exceeds 75 percent of the necessary and reasonable collection costs for those containers.

(2) The Recycling Markets Development Council shall determine:

(a) If and when a stable market exists.

(b) Whether the requirements of this section are met for any particular wasteshed.

**SECTION 34e.** (1) On or before January 1, 1993, the department shall report to the Legislative Assembly on whether to grant an exemption from the criteria established by section 34b of this 1991 Act for rigid plastic containers that cannot meet the recycled content criterion and remain in compliance with United States Food and Drug Administration regulations.

(2) On or before January 1, 1997, the department shall review certifications provided pursuant to section 34c of this 1991 Act and report to the Legislative Assembly on the status of plastic recycling programs in the state, including, but not limited to, participation rates, estimates of the quantities and qualities of recycled materials and status of markets for plastic recycled materials. The report may be used to recommend which rigid plastic containers, if any, should be required to



1 contain higher or lower recycled content or recycling rate standards for the year 2000.

2 **SECTION 35.** (1) By January 1, 1995, the Department of Education, in cooperation with the  
3 Department of Environmental Quality, shall integrate a recycling and waste reduction component  
4 into a required curriculum for all Oregon students in grades kindergarten through 12.

5 (2) The Department of Environmental Quality, in cooperation with the Department of Education,  
6 as appropriate in paragraphs (a) and (c) of this subsection, shall provide statewide promotion, edu-  
7 cation and technical assistance to local government units and schools in each watershed to increase  
8 participation in recycling. The assistance provided shall include but need not be limited to:

9 (a) Beginning July 1, 1993, developing a current teacher's guide which shall be supplied to every  
10 school in the state for use in complying with this section. The Department of Environmental Quality  
11 first shall provide a current teacher's guide by July 1, 1993, and at a minimum, every fourth year  
12 thereafter, shall update, revise and replace the teacher's guide as necessary to keep the teacher's  
13 guide current and effective. The teacher's guide also shall be available to local government units  
14 and recycling educators upon request. The Department of Environmental Quality shall participate  
15 each year as requested in teacher in-service workshops to present and facilitate use of the teacher's  
16 guide.

17 (b) Beginning July 1, 1993, providing professionally produced informational materials including  
18 but not limited to camera-ready art and recycling and waste reduction copy for use by local gov-  
19 ernment units, schools or recycling educators in each watershed for public information correspond-  
20 ence, brochures, flyers, newsletters and news releases, camera-ready newspaper public service  
21 advertisements and two annual workshops on recycling and waste reduction education and pro-  
22 motion, one to be held within and one to be held outside, the Portland metropolitan area. The De-  
23 partment of Environmental Quality first shall provide this material by July 1, 1993, and shall revise  
24 the material annually to keep the information presented current and effective.

25 (c) On or before July 1, 1993, providing professionally produced instructional audiovisual mate-  
26 rials to each school in the state to be used as part of the school's recycling and waste reduction  
27 education component. The audiovisual materials shall be appropriate to the grade level of the school  
28 to which they are supplied and shall be reviewed every two years and updated as necessary to keep  
29 the information presented current and effective. The materials also shall be available to local gov-  
30 ernment units and recycling educators upon request.

31 **SECTION 36.** The Department of Education shall report to the Sixty-seventh Legislative As-  
32 sembly on the development and implementation of the integrated solid waste management curric-  
33 ulum and recycling and waste reduction education component established pursuant to section 35 of  
34 this Act.

35 **SECTION 37.** Sections 38 to 52 of this Act are added to and made a part of ORS 459.005 to  
36 459.426.

37 **SECTION 38.** On and after January 1, 1992, any retail establishment that offers plastic bags to  
38 customers for purchases of goods made at the establishment shall offer at the location where the  
39 customer pays for the goods, paper bags as an alternative to plastic bags and inform customers that  
40 a choice is available. Nothing in this subsection shall be construed as requiring retail establishments  
41 to use plastic bags.

42 **SECTION 39.** (1) No person shall dispose of and no disposal site operator shall knowingly ac-  
43 cept for disposal the following types of solid waste at a solid waste disposal site:

44 (a) Discarded or abandoned vehicles;

- (b) Discarded large home or industrial appliances;
- (c) Used oil;
- (d) Tires; or
- (e) Lead-acid batteries.

(2) As used in this section, "used oil" has the meaning given that term in ORS 468.850.

(3) Nothing in this section shall prohibit a disposal site operator from accepting and storing, for purposes of recycling or recovering, any of the types of solid waste listed in subsection (1) of this section.

**NOTE:** Sections 40 to 44 were deleted by amendment. Subsequent sections were not renumbered.

**SECTION 45.** (1) The Recycling Markets Development Council is created. The council shall consist of 12 members at least one of whom shall have expertise in national and international market development. The members appointed to the council shall represent the following interests:

- (a) Local government;
- (b) Solid waste collectors;
- (c) Environmental organizations;
- (d) Glass industry;
- (e) End-product manufacturers of glass;
- (f) Paper industry;
- (g) End-product manufacturers of paper;
- (h) End-product manufacturers of plastic;
- (i) Persons with expertise in the collection and sorting of recyclable materials;
- (j) Retail industry;
- (k) Processors of recovered materials; and
- (L) Plastics industry.

(2) The Governor shall appoint the members of the council, one of whom shall be designated as chairperson. Members of the council serve at the pleasure of the Governor and shall serve a term of two years. Any vacancy on the council shall be filled by the Governor. In making the appointments to the council, the Governor shall consider:

- (a) The person's knowledge of recycling;
- (b) Geographic representation from throughout the state;
- (c) The size of the business represented; and
- (d) Expertise in market development.

(3) The council shall meet at least quarterly.

(4) The council shall:

- (a) Remain current with national and international market development activities;
- (b) Develop statewide market strategies for each secondary commodity;
- (c) Develop communication with and be a liaison to market development committees representing other states within the region;
- (d) Encourage uniform recycling definitions and standards throughout the states in the region;
- (e) Encourage the expansion of existing businesses and the recruitment of businesses into the region that use recovered materials from Oregon;
- (f) Identify and evaluate financial and other incentives to attract new businesses to Oregon or to expand existing businesses that can use recovered materials from Oregon; and
- (g) Promote the purchase of products made from recovered materials.



(5) The council shall submit a report to the Sixty-seventh Legislative Assembly. The report shall include but need not be limited to:

- (a) Accomplishments of the council to date;
- (b) Additional activities necessary to strengthen markets for recycled materials;
- (c) Statutory additions or changes necessary to assist the council in carrying out its duties, including implementing the market development plans developed by the council's divisions; and
- (d) The specific uses intended for the Oregon Recycling Markets Development Fund created under section 48 of this 1991 Act.

**SECTION 46.** (1) The council shall establish three industry divisions to examine specific market development problems related to glass, paper and plastic. In addition to the glass, paper and plastic divisions, the council may establish ad hoc divisions to address market development problems not appropriately addressed by the glass, paper and plastic divisions. The council shall determine the organizational structure for the ad hoc divisions.

(2) The chairperson of the glass, paper and plastic divisions shall be the member of the council appointed by the Governor as the representative of the glass, paper or plastic industry, respectively. In addition, the council shall select at least four but not more than eight members for each division from representatives of each industry. Each division's members shall represent fairly the primary participants in each industry's Oregon economy, including material suppliers and manufacturers.

(3) The council shall define specific market problems for each secondary commodity and the appropriate division shall address each problem in the following manner:

(a) The division shall analyze current plant capacity and market demand issues for the secondary commodity in question;

(b) The division shall determine whether the industry has insufficient private development activity, planned or existing, to warrant additional market development; and

(c) If the division finds additional market development is warranted, the division shall establish a development plan for expanding markets for the secondary commodity, including a recommended capital development fund to finance the plan and a proposal for assessment of the industry to fund the market development plan.

(4) Each division shall report its activities and findings to the council on a quarterly basis and shall present an interim report to the council upon the council's request. The council may approve each division's market development plan and industry assessment mechanism. Upon each request each division shall report to the appropriate joint interim committee. Before implementing any assessment mechanism, the council shall submit the proposal to the Legislative Assembly.

(5) Until June 30, 1993, all service and expense items of the council and its divisions shall be provided by council members or industry.

**SECTION 47.** Sections 45, 46, 48 and 49 of this 1991 Act are repealed on January 1, 1996.

**SECTION 48.** (1) The Oregon Recycling Markets Development Fund is created in the State Treasury, separate and distinct from the General Fund. Except as otherwise provided by law, all moneys received by the council shall be paid into the State Treasury and credited to the fund. Interest earnings on all moneys in the fund shall be retained in the fund.

(2) The Oregon Recycling Markets Development Fund shall consist of:

- (a) Moneys generated as assessments under section 46 of this 1991 Act.
- (b) Moneys from any private gifts, grants or donations made to the fund.

(3) Any funds generated under a division's industry assessment structure shall be placed in a

subaccount and shall be used only to fund that division's market development plan and the expenses of the council.

**SECTION 49.** (1) Moneys in the Oregon Recycling Markets Development Fund are continuously appropriated to the Recycling Markets Development Council to be used:

(a) To provide low interest loans to develop a secondary materials processing infrastructure for businesses engaged in processing secondary materials.

(b) For purposes set forth in each division's market development plan.

(c) To pay the reasonable and necessary expenses of the council.

(d) To provide grants for section 501(c)(3) organizations engaged in collecting, separating or processing secondary commodities.

(2) As used in this section, "section 501(c)(3) organization" means an organization exempt under section 501(c)(3) of the Internal Revenue Code, as amended and in effect on the effective date of this 1991 Act.

**SECTION 50.** Effective January 1, 1996, section 34d of this Act is amended to read:

**Sec. 34d.** [(1)] A local government shall provide the opportunity to recycle rigid plastic containers in metropolitan and urban wastesheds when there is a stable market price for those containers that equals or exceeds 75 percent of the necessary and reasonable collection costs for those containers.

[(2) *The Recycling Markets Development Council shall determine:*]

[(a) *If and when a stable market exists.*]

[(b) *Whether the requirements of this section are met for any particular wasteshed.*]

**SECTION 51.** The Department of Environmental Quality may contract with a hazardous waste collection service to provide for the statewide collection of household hazardous waste.

**SECTION 52.** The Department of Environmental Quality shall provide technical assistance to cities, counties or metropolitan service districts in the development, revision, amendment and implementation of local solid waste reduction, reusing, recycling and solid waste management programs that comply with the opportunity to recycle established in ORS 459.165. The department shall give special emphasis to assisting rural and remote counties.

**NOTE:** Sections 53 to 58 were deleted by amendment. Subsequent sections were not renumbered.

**SECTION 59.** ORS 279.731 is amended to read:

279.731. As used in ORS 279.731 to 279.739, unless the context otherwise requires:

(1) "Post-consumer waste" means a finished material which would normally be disposed of as solid waste, having completed its life cycle as a consumer item. "Post-consumer waste" does not include manufacturing waste.

(2) "Public agency" means a county, city, special district or other public or municipal corporation, and any instrumentality thereof.

(3) "Recycled material" means any material that would otherwise be a useless, unwanted or discarded material except for the fact that the material still has useful physical or chemical properties after serving a specific purpose and can, therefore, be reused or recycled.

[(2)] (4) "Recycled paper" means a paper product with not less than:

(a) Fifty percent of its total weight consisting of secondary waste materials; or

(b) Twenty-five percent of its total weight consisting of post-consumer waste.

(5) "Recycled product" means all materials, goods and supplies, not less than 50 percent



of the total weight of which consists of secondary and post-consumer waste with not less than 10 percent of its total weight consisting of post-consumer waste. "Recycled product" also includes any product that could have been disposed of as solid waste, having completed its life cycle as a consumer item, but otherwise is refurbished for reuse without substantial alteration of the product's form.

[(3)] (6) "Secondary waste materials" means fragments of products or finished products of a manufacturing process which has converted a virgin resource into a commodity of real economic value, and includes post-consumer waste, but does not include excess virgin resources of the manufacturing process. For paper, "secondary waste materials" does not include fibrous waste generated during the manufacturing process such as fibers recovered from waste water or trimmings of paper machine rolls, mill broke, wood slabs, chips, sawdust or other wood residue from a manufacturing process.

[(4)] (7) "State agency" includes the Legislative Assembly, the courts and their officers and committees and the constitutional state officers.

SECTION 60. ORS 279.733 is amended to read:

279.733. (1) All state agencies purchasing supplies, materials, equipment or personal services shall:

[(1)] (a) Review their procurement specifications currently utilized in order to eliminate, wherever economically feasible, discrimination against the procurement of recovered resources or recycled materials.

[(2)] (b) Provide incentives, wherever economically feasible, in all procurement specifications issued by them for the maximum possible use of recovered resources and recycled materials.

[(3)] (c) Develop purchasing practices which, to the maximum extent economically feasible, assure purchase of materials which are recycled or which may be recycled or reused when discarded.

[(4)] (d) Establish management practices which minimize the volume of solid waste generated by *them* by reusing paper, envelopes, containers and all types of packaging and by limiting the amount of materials consumed and discarded.

[(5)] (e) Use and require persons with whom they contract to use, in the performance of the contract work, to the maximum extent economically feasible, recycled paper.

(2) Any invitation to bid or request for proposal under ORS chapter 279 shall include the following language: "Vendors shall use recyclable products to the maximum extent economically feasible in the performance of the contract work set forth in this document."

SECTION 61. ORS 279.739 is amended to read:

279.739. (1) Notwithstanding provisions of law requiring a state agency or a public agency to enter into contracts with the lowest responsible bidder and subject to subsection (2) of this section, any state agency or public agency charged with the purchase of materials and supplies for any public use *[may, in its discretion,]* shall give preference to the purchase of materials and supplies manufactured from recycled materials.

(2) A state agency or public agency *[may]* shall give preference to materials and supplies manufactured from recycled materials *[only]* if:

[(a) The bids of the persons or manufacturing concerns supplying the recycled materials, or the prices quoted by them, do not exceed by more than five percent the lowest bid or prices quoted by persons and manufacturing concerns offering nonrecycled materials; and]

[(b) The public agency finds that the public good will be served thereby.]

- (a) The recycled product is available;
- (b) The recycled product meets applicable standards;
- (c) The recycled product can be substituted for a comparable nonrecycled product; and
- (d) Recycled product costs do not exceed the costs of nonrecycled products by more than five percent.

[(3) As used in this section:]

[(a) "Public agency" means a county, city, special district, or other public and municipal corporations, and any instrumentality thereof.]

[(b) "Recycled material" means any material that would otherwise be a useless, unwanted or discarded material except for the fact that the material still has useful physical or chemical properties after serving a specific purpose and can, therefore, be reused or recycled.]

(3) At its discretion, a state or public agency may give preference to the purchase of materials and supplies manufactured from recycled materials, even if the cost differential exceeds the five percent preference set forth in subsection (2) of this section.

(4) State agencies, unless otherwise specified in ORS 279.731 to 279.739, and public agencies may give preference to the suppliers of recycled products and recycled paper or to products that reduce the amount of waste generated. State agencies, unless otherwise specified in ORS 279.731 to 279.739, and public agencies may determine the amount of this preference.

(5) In any bid in which the state has reserved the right to make multiple awards, the recycled product or recycled paper preference shall be applied to the extent possible to maximize the dollar participation of firms offering recycled products or recycled paper in the contract award.

(6) A state or public agency shall require the bidder to specify the minimum, if not exact, percentage of recycled paper in paper products or recycled product in products offered, and both the post-consumer and secondary waste content regardless of whether the product meets the percentage of recycled material specified for recycled paper or recycled products in ORS 279.731. For paper products, a state agency or public agency also shall require that the bidder specify the fiber type. The contractor may certify a zero percent recycled paper or product. All contract provisions impeding the consideration of products with recycled paper or recycled products shall be deleted in favor of performance standards.

(7) The department shall review and work with state agencies to develop procurement specifications that encourage the use of recycled products whenever quality of a recycled product is functionally equal to the same product manufactured with virgin resources. Except for specifications that have been established to preserve the public health and safety, all procurement and purchasing specifications shall be established in a manner that encourages procurement and purchase of recycled products.

(8) All public and state agencies shall establish purchasing practices that assure, to the maximum extent economically feasible, purchase of materials, goods and supplies that may be recycled or reused when discarded.

SECTION 62. Sections 63 to 81 of this Act are added to and made a part of ORS 279.731 to 279.739.

SECTION 63. (1) The Legislative Assembly finds that:

(a) It is the policy of the state to conserve and protect its resources. The maintenance of a quality environment for the people of this state now and in the future is a matter of statewide



1 concern.

2 (b) The volume of solid waste generated within the state, an increased rate in the consumption  
3 of products and materials, including paper products, and the absence of adequate programs and  
4 procedures for the reuse and recycling of these products and materials threaten the quality of the  
5 environment and well-being of the people of Oregon.

6 (2) Therefore, the Legislative Assembly declares that the policy and intent of ORS 279.731 to  
7 279.739 is to improve environmental quality by providing for:

8 (a) The procurement of products made from recycled materials; and

9 (b) The recycling of waste materials.

10 **SECTION 64.** As used in sections 64 to 67 of this 1991 Act:

11 (1) "Industrial oil" means any compressor, turbine or bearing oil, hydraulic oil, metal-working  
12 oil or refrigeration oil.

13 (2) "Lubricating oil" means any oil intended for use in an internal combustion crankcase,  
14 transmission, gearbox or differential or an automobile, bus, truck, vessel, plane, train, heavy equip-  
15 ment or machinery powered by an internal combustion engine.

16 (3) "Recycled oil" means used oil that has been prepared for reuse as a petroleum product by  
17 refining, rerefining, reclaiming, reprocessing or other means provided that the preparation or use is  
18 operationally safe, environmentally sound and complies with all laws and regulations.

19 (4) "Used oil" has the meaning given that term in ORS 468.850.

20 (5) "Virgin oil" means oil that has been refined from crude oil and that has not been used or  
21 contaminated with impurities.

22 **SECTION 65.** Every state agency or public agency shall revise its procedures and specifications  
23 for the purchase of lubricating oil and industrial oil to eliminate any exclusion of recycled oils and  
24 any requirement that oils be manufactured from virgin materials.

25 **SECTION 66.** Every state agency and public agency shall require that purchases of lubricating  
26 oil and industrial oil be made from the seller whose oil product contains the greater percentage of  
27 recycled oil, unless a specific oil product containing recycled oil is:

28 (1) Not available within a reasonable period of time or in quantities necessary to meet an  
29 agency's needs;

30 (2) Not able to meet the performance requirements or standards recommended by the equipment  
31 or vehicle manufacturer, including any warranty requirements; or

32 (3) Available only at a cost greater than five percent of the cost of comparable virgin oil pro-  
33 ducts or other percent preference established by the agency under ORS 279.739 (3).

34 **SECTION 67.** (1) Every state agency or public agency shall establish and maintain an affirma-  
35 tive program for procuring oils containing the maximum content of recycled oil.

36 (2) An affirmative program shall include but need not be limited to:

37 (a) Placement of descriptions of the preference for recycled oil products in publications used to  
38 solicit bids from suppliers.

39 (b) Descriptions of the recycled oil procurement program at bidders' conferences.

40 (c) Discussion of the preference program in lubricating oil and industrial oil procurement solic-  
41 itations or invitations to bid.

42 (d) Efforts to inform industry trade associations about the preference program.

43 **SECTION 68.** As used in sections 69 to 71 of this 1991 Act, "retreaded tire" means any tire that  
44 uses an existing casing for the purpose of vulcanizing new tread to such casing that meets all per-

1 formance and quality standards specified in the Federal Motor Vehicle Safety Standards determined  
2 by the United States Department of Transportation.

3 **SECTION 69.** Before January 1, 1993, all state agency fleets shall participate in a one-year  
4 study, conducted by the Department of General Services, that compares the quality, performance and  
5 cost-effectiveness of retreaded tires to new tires. During the study, the Department of General Ser-  
6 vices shall evaluate current state and federal quality standards for retreaded tires. The Department  
7 of General Services shall report the results of the study to the Sixty-seventh Legislative Assembly.

8 **SECTION 70.** (1) Unless the study under section 69 of this 1991 Act recommends against state  
9 agency acquisition of retreaded tires, and the Legislative Assembly accepts the recommendations,  
10 on or before July 1, 1993, and to the extent that existing stock shall be used first, all tires for use  
11 on the nonsteering wheels of state agency and public agency vehicles shall, at the next required  
12 installation of tires, be equipped with retreaded tires.

13 (2) Subsection (1) of this section shall not apply to:

14 (a) Emergency vehicles as defined in ORS 801.260;

15 (b) Other fire suppression or emergency assistance vehicles; or

16 (c) Passenger-carrying vehicles with a gross vehicle weight rating of one ton or more.

17 (3) At its discretion, a state agency or public agency may elect not to use retreaded tires as  
18 required under subsection (1) of this section if the cost per mile differential of retreaded tires ex-  
19 ceeds the five percent preference set forth in section 61 of this 1991 Act.

20 **SECTION 71.** The Department of General Services, in consultation with the Department of  
21 Environmental Quality and with representatives of the Oregon retreading industry, may adopt rules  
22 for the purchase of retreaded tires by the State of Oregon. The rules shall designate the state min-  
23 imum quality standards for retreaded tires. The rules shall be designed to maximize the use of re-  
24 treads without jeopardizing the safety of the occupants of the vehicle or the intended end use of the  
25 tire.

26 **SECTION 72.** (1) The Department of General Services, in consultation with the Department of  
27 Environmental Quality, shall revise its procedures and specifications for state purchases of paper  
28 products to give preference to the purchase of paper products that reduce production of solid waste  
29 or contain recycled paper.

30 (2) The Department of General Services shall give a preference to the suppliers of recycled pa-  
31 per. This preference shall be up to 12 percent of the lowest bid or price quoted by suppliers offering  
32 nonrecycled paper products. In any bid in which the state has reserved the right to make multiple  
33 awards, the recycled paper preference cost shall be applied, to the extent possible, to maximize the  
34 dollar participation of recycled business in the contract award.

35 (3) To encourage the use of post-consumer waste, the Department of General Services' specifi-  
36 cations shall require recycled paper contracts to be awarded to the bidder whose paper product  
37 contains the greater percentage of post-consumer waste if the fitness, quality and price meet the  
38 requirements in this section and the type of recycled content is consistent with the type of virgin  
39 material, so that the purchase does not interfere with an existing recycling recovery program. The  
40 Director of the Department of General Services shall determine:

41 (a) Whether use of any proposed paper constitutes an economic or environmental interference  
42 with an existing recycling recovery program; or

43 (b) If a reasonable modification of the existing recycling recovery program, in accordance with  
44 sections 75 and 76 of this 1991 Act, would allow the use of the proposed paper without economic



1 or environmental interference.

2 (4)(a) By January 1, 1993, no less than 25 percent of state agency purchases of paper products  
3 shall be from recycled paper products.

4 (b) By January 1, 1995, no less than 35 percent of state agency purchases of paper products shall  
5 be from recycled paper products.

6 **SECTION 73.** At the discretion of the individual agency director, a state agency may print a  
7 symbol on paper products selected by the agency director. This symbol shall be determined by the  
8 department, in consultation with the Department of Environmental Quality, and shall be similar to  
9 the following: "Printed on recycled paper." This symbol may be printed only on recycled paper.

10 **SECTION 74.** (1) The director, in consultation with the Department of Environmental Quality,  
11 shall review the procurement specifications currently used by the department to eliminate, wherever  
12 economically feasible, discrimination against the procurement of recycled paper.

13 (2) The director, in consultation with the Department of Environmental Quality, shall review the  
14 recycled paper specifications at least annually to consider increasing the percentage of recycled  
15 paper in paper and woodpulp product purchases. The director's conclusions and recommendations  
16 shall be included in the annual report required under section 81 of this 1991 Act.

17 (3) When contracting with the department for the sale of material subject to this section, the  
18 contractor shall certify in writing to the contracting officer that the material offered contains the  
19 minimum percentage of recycled paper required by ORS 279.731 and shall specify the minimum, if  
20 not exact, percentage of secondary and post-consumer waste and fiber type in the paper products.  
21 The certification shall be furnished under penalty of perjury.

22 (4) The department, in consultation with the Department of Environmental Quality, shall estab-  
23 lish purchasing practices that, to the maximum extent economically feasible, assure purchase of  
24 materials that may be recycled or reused when discarded.

25 (5) The department shall make every effort to eliminate purchases of paper products considered  
26 potential contaminants to the state's recycling plan under section 76 of this 1991 Act.

27 **SECTION 75.** It is the intent of the Legislative Assembly that:

28 (1) For the current state waste paper collection program, the department, in consultation with  
29 the Department of Environmental Quality, shall provide participating locations with public aware-  
30 ness information and training to state and legislative employees, including but not limited to the  
31 proper separation and disposal of recycled resources. Additionally, the department, in consultation  
32 with the Department of Environmental Quality, shall provide training for personnel, including but  
33 not limited to state buildings and grounds personnel responsible for the collection of waste materi-  
34 als. This training shall include but not be limited to educating and training the personnel concerning  
35 the separation and collection of recyclable materials.

36 (2) The department continue the current state waste paper collection program and use this  
37 program as a model to develop a plan for other waste materials generated by state and legislative  
38 employees.

39 (3) The department, in consultation with the Department of Environmental Quality, shall submit  
40 a new recycling plan, which includes but is not limited to the collection and sale of waste materials  
41 generated by state and legislative employees. The plan shall include for each state agency, specific  
42 goals relating to office materials recovered from the waste stream, and waste not recovered on a  
43 per capita basis. This plan shall be submitted to the appropriate legislative policy committees on  
44 or before August 31, 1992. The plan may be phased in using those office facilities and collecting

1 those waste materials most conducive to operation of a source separation program, but shall be fully  
2 implemented by June 1, 1993.

3 (4) The collection program for each product shall be reevaluated by the director on or before  
4 January 1, 1994. Subsequently, the director, in consultation with the Department of Environmental  
5 Quality, upon the determination that inclusion of any particular material type would result in a net  
6 revenue loss to the state, may exclude that material from the program, and shall include the direc-  
7 tor's conclusions and recommendations in the report required under section 80 of this 1991 Act. In  
8 determining the net revenue loss for the collection of a specified waste material, the director shall  
9 include the avoided cost to dispose of the waste material.

10 (5) No individual, group of individuals, state office, agency or its employees shall establish a  
11 similar collection program or enter into agreement for a similar program unless approved by the  
12 director.

13 (6)(a) If any single activity or facility of state agency fails to meet the specific goals of the plan  
14 within six months after implementation of the plan, the department shall require the agency to im-  
15 plement at the activity or facility actions which:

16 (A) Shall include but need not be limited to:

17 (i) A waste audit to specifically determine the best way to meet the goals;

18 (ii) An employee information and education program to inform and encourage employee partic-  
19 ipation; and

20 (iii) A timetable for these remedial measures to take place; and

21 (B) May include a plan or contract for janitorial services that includes collection of source  
22 separated recyclables.

23 (b) As used in this subsection, "waste audit" means a systematic survey of the waste generation  
24 characteristics of a facility or agency that produces recommendations on how to most effectively  
25 reduce the volume of waste materials being generated through the applied techniques of source re-  
26 duction, reuse and recycling.

27 **SECTION 76.** After implementing a recycling plan under section 75 (3) of this 1991 Act, the  
28 department, with the advice of the Department of Environmental Quality, shall establish, implement  
29 and maintain a recycling plan for the Legislative Assembly, which may include all legislative offices  
30 and individual member's district offices and all state offices whether in state-owned buildings or  
31 leased facilities. The plan shall include provisions for recycling office paper, corrugated cardboard,  
32 newsprint, beverage containers as defined in ORS 459.810, waste oil and any other material at the  
33 discretion of the director, in consultation with the Department of Environmental Quality.

34 **SECTION 77.** The department may contract as necessary for the recycling of products returned  
35 under section 76 of this 1991 Act.

36 **SECTION 78.** (1) Revenues received or cost reductions realized from the plan developed under  
37 sections 72 to 77 of this 1991 Act or any other activity involving the collection and transfer of  
38 recyclable materials in state and legislative offices located in state-owned and state-leased buildings,  
39 such as the sale of waste materials through recycling programs operated by the department or in  
40 agreement with the department, shall be used to offset recycling program costs for the programs  
41 developed under sections 72 to 77 of this 1991 Act.

42 (2) Any remaining revenues not expended during a biennium shall be transferred to the Oregon  
43 State Productivity Improvement Revolving Fund established in ORS 182.375.

44 **SECTION 79.** (1) Except as provided in subsection (2) of this section, after January 1, 1993, no