

PUBLIC HEARING AND WORK SESSION:SB 763

WORK SESSION: SB 333, SB 935

TAPES 118-119, A/B

SENATE REVENUE COMMITTEE

April 25, 2001 — 8:10 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Steve Bosak, Tualatin Hills Parks & Recreation District

Hasina Squires, Special Districts Association of Oregon

Janet Young, Economic Development Manager, City

of Beaverton

Doris Penwell, Economic & Community Development
Dept.

Lynn Parton, Housing & Community Services

Marsha Kelly, Vice President, Salem Area Transit
District Cherrlots

John McCulley, Tree Fruit Growers

Don Schellenberg, Oregon Farm Bureau

Gil Riddell, Associaton of Oregon Counties

Debra Buchanan, Department of Revenue

Paul Cosgrove, Distilled Spirit Council of the United
States

John Herold, Liquor Agent, Lincoln City

Representative Bill Morrisette, House District 42

TAPE 118, SIDE A

005 Chair Ferrioli Meeting called to order at 8:28 a.m.

OPENED PUBLIC HEARING ON SB 763

017 Lizbeth Martin-
Mahar Gave overview of SB 763. The bill will allow the Director of the Economic and Community Development Department to create vertical housing development zones if a city or county requests them. A zone shall be approved if they constitute a core area of an urban center, a light rail station, or a transit area. Once a housing development project is occupied, the vertical housing development project shall be partially exempt from property taxation, depending on the number of floors of residential housing the project provides. Discussed each of the four amendments listed on Exhibit 1.

Questions and answers interspersed.

100 Vice Chair L. Beyer Stated this bill is intended to promote the creation of one or two housing levels above commercial retail space in existing buildings in urban locations. The buildings do not have to be located near light rail lines. The idea is based on the European system of housing above retail.

Further discussion, with questions and answers interspersed.

175 Steve Bosak Testified against SB 763. Exhibit 6. Stated that the legislation in SB 763 can be applied to a facility called The Round in Beaverton. The Round is a good example of a public/private partnership that went wrong. The developer went bankrupt several years ago, and the project was left half-finished. Also gave example of Oranco Station, which is a successful vertical high-density housing area with commercial retail near a light rail station. In favor of the (-2) amendments, but thinks another amendment may be necessary.

Further discussion, and questions and answers interspersed.

323 Hasina Squires Pointed out that SB 763 is permissive in the sense that it allows cities and counties to create a property tax exemption.

Questions and answers interspersed.

369 Chair Ferrioli Added there is a dynamic between higher density and the need for recreation and other small district services like fire and police. There has to be an overall vision to make all the pieces fit. One of the biggest problems in urban areas is affordable housing, and going vertical is better than going horizontal in that regard.

Further discussion, with questions and answers.

401 Squires Added that a way to accomplish that is for

legislation of this type to be permissive and not be a mandate. Allow each local government that would be affected by the property tax exemption to choose to be a part of creating a vertical housing zone.

Further discussion, with questions and answers interspersed.

445 Bosak Stated that Tualatin Hills Park & Recreation District (THPRD) is the parks and recreation service provider for the City of Beaverton and some areas of Washington county. Stated they were not opposed to vertical housing in and of itself. THPRD is one part of making the concept a success and believes in livability of communities. But to help that happen THPRD cannot give up property tax revenues because those funds are needed to buy park lands, build recreation facilities, and do whatever is needed to compliment vertical housing and other developments.

Further questions and answers interspersed.

TAPE 119, SIDE A

034 Chair Ferrioli Stated that at some point in time, if special districts face financial difficulty because of additional pressure put on their service base by an increase in population, entire communities will have to respond. The elected public officials of cities and counties and special service districts will be the ones who will have to make those cases known to their constituents.

047 Squires Commented on the way the bill is written. Pointed out there is no limit on the number of vertical housing zones within enterprise zones that can be created. Questioned if encouraging the use of mass transit via property tax exemption was appropriate policy. Discussed the (-2) and (-3) amendments, which were created by the Special Districts Association.

- 087 Janet Young Testified in support of SB 763. The City of Beaverton supports the (-1) amendments, which would create the opportunity for a city or county to request a vertical housing zone. Believes it would be an additional tool that would allow any city or county to request this type of housing district adjacent to light rail or major bus corridors. Opposes the (-2) amendments brought by the Special Districts Association. Does not oppose the (-3) amendments. Does not oppose the (-4) amendments.
- 165 Doris Penwell Testified neutral regarding SB 763. Pointed out this bill does not amend the Enterprise Zone statute, but it does create a separate mechanism for exemption of property taxes. Believes the bill provides incentive that might be helpful in certain areas around the state.
- Comments, and questions and answers interspersed.
- 249 Lynn Parton Testified in support of SB 763.
- 260 Marsha Kelly Testified in support of SB 763.
- 284 Chair Ferrioli Stated that this bill addresses a clear choice issue.
- 303 Vice Chair L. Beyer Stated he would not have brought the bill if he did not think it was a good idea. Feels it is consistent with state policy. The bill provides cities and counties a tool to use within their development plans. Feels comfortable with the (-1), (-3), and (-4) amendments, but does not like the (-2)s.
- 333 Sen. Starr Echoed Sen. L. Beyer's feelings about SB 763.
- 334 Sen. Minnis Stated he is generally supportive of the bill. Believes the findings section should be

removed. Was critical of the east side light rail in Multnomah county in its early days but has since seen it develop into an impressive entity. Further comments on the issue.

370 Chair Ferrioli Stated that doing something for Beaverton and other urban areas of the state is an important thing to do.

376 Sen. Castillo Supports Sen. L. Beyer's position on SB 763.

CLOSED PUBLIC HEARING ON SB 763

OPENED WORK SESSION ON SB 763

379 Vice Chair L. Beyer MOTION:
MOVES THE (-1) AMENDMENTS TO SB 763 BE ADOPTED.

386 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

387 Vice Chair L. Beyer MOTION:
MOVES THE (-3) AMENDMENTS TO SB 763 BE ADOPTED.

389 Sen. Minnis Objects to the Motion.

409 Chair Ferrioli ORDER:
ROLL CALL VOTE: MOTION PASSES: 4 —
2 — 1
SENATORS VOTING AYE: CASTILLO,
STARR, L. BEYER, FERRIOLI
SENATORS VOTING NO: GEORGE,

MINNIS

SENATOR EXCUSED: CORCORAN

- 410 Vice Chair L. Beyer MOTION:
MOVES (-4) AMENDMENTS TO SB 763 BE AMENDED ON LINE 1 TO CHANGE NUMBER OF YEARS FROM TEN TO NINE FOR A TOTAL OF TEN YEARS.
- 427 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 428 Vice Chair L. Beyer MOTION:
MOVES SECTION 3 OF THE BILL LINES 16 THROUGH 26 BE DELETED WITH REMAINING SECTIONS RENUMBERED.
- 442 Chair Ferrioli Pointed out that the (-1) amendments lines 3 through 7 are also deleted by reference.
- 457 Vice Chair L. Beyer RE-STATED MOTION:
MOVES REMOVAL OF WHAT IS SECTION 3 BY MAKING CORRESPONDING ADJUSTMENTS IN THE OTHER AMENDMENTS.
- 484 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- TAPE 118, SIDE B**
- 036 Vice Chair L. Beyer MOTION:

MOVES SB 763 AS AMENDED TO THE
SENATE FLOOR WITH A DO PASS
RECOMMENDATION.

048 Chair Ferrioli ORDER:

ROLL CALL VOTE: MOTION PASSES: 5 —
1 — 1

SENATORS VOTING AYE: CASTILLO,
MINNIS, STARR, L. BEYER, FERRIOLI

SENATOR VOTING NO: GEORGE

SENATOR EXCUSED: CORCORAN

Sen. L. Beyer will carry the bill on the Senate
Floor.

CLOSED WORK SESSION ON SB 763

061 Ed Waters Explained that SB 333 removes the December
31, 2001 sunset and makes permanent the Farm
Worker Housing Construction Tax Credit and
Farm Worker Housing Lender's Tax Credit

071 Waters The (-3) amendments address changes
discussed when this bill was heard on February
7, 2001 . The (-3) amendments allow taxpayers
claiming the Farm Worker Housing
Construction Tax Credit to elect to receive, in
lieu of income tax credits, vouchers to offset
local property tax liability.

090 John McCulley Asked if Sen. Minnis, in his comments about
wanting to move the bill, was referring to the (-
3) amendments.

095 Chair Ferrioli Assured Mr. McCulley that Sen. Minnis was
referring to the bill as it would be amended by
the (-3) amendments.

097 Don Schellenberg Affirmed he was in agreement with Mr.
McCulley.

- 099 Gil Riddell Stated he appreciates the sensitivity the (-3) amendments bring to the issue of property tax. Even though it has been rolled back, cut, and capped, property tax still provides the principal source of revenue for essential local services. This bill would create a new property tax exemption.
- Comments, and questions and answers interspersed.
- 147 Sen. Castillo Pointed out that even though the bill would create a property tax exemption that would reduce funds to local governments, the people who this farm worker housing would be developed for also contribute to communities financially through the work they do to help the agricultural industry be prosperous and successful in Oregon and, therefore, helping to provide the property taxes that exist in those communities.
- 168 Sen. Minnis Stated this bill should not be viewed as a total solution to the issue of farm worker housing. The state has a significant role to play in trying to meet the needs of farm worker housing.
- 182 Chair Ferrioli Added that he and Sen. Castillo served for two years on the Migrant Housing Task Force. Housing needs are critical and immediate. Recommendations contained in SB 333 come from a coalition of migrant workers and community leaders.
- 202 Debra Buchanan Stated the Department of Revenue has a policy question concerning this bill. Under existing law (ORS 293.250) the Department is authorized to offset a state income tax refund owed to a taxpayer against other state debt that person owes. The question is whether that policy should be extended to these vouchers so instead of issuing a voucher the Department would be able to reduce the debt or other state

debts.

Questions and answers interspersed.

221 Sen. Minnis Stated he would object to adding that policy to this bill. The objective of this bill is to provide incentive to improve migrant farm worker housing, not punish taxpayers who owe money to other state agencies.

234 Chair Ferrioli Stated that Sen. Minnis presented an excellent argument. Advised Ms. Buchanan that Senate Revenue is obligated to move bills by April 27th. Would like to see this bill move forward now. Any changes could be made before the bill gets to House Revenue.

OPENED WORK SESSION ON SB 333

249 Vice Chair L. MOTION:
Beyer
MOVES (-3) AMENDMENTS TO SB 333 BE ADOPTED.

253 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

258 Vice Chair L. MOTION:
Beyer
MOVES SB 333 AS AMENDED TO WAYS & MEANS COMMITTEE WITH A DO PASS RECOMMENDATION.

263 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE MOTION PASSES: 6 — 0 — 1

SENATOR EXCUSED: CORCORAN

CLOSED WORK SESSION ON SB 333

278 Richard Yates Stated SB 935 deals with the Oregon Liquor Control Commission (OLCC) and its relationship with the agents who sell retail distilled spirits. The bill requires that the rate of compensation for the agents be set by a negotiating team comprised of OLCC on one side members of the agents on the other. The bill appoints a task force to look at how to deal with the issue and to find a reasonable way of determining compensation for the agents or finding a way to get OLCC out of the wholesale distribution of distilled spirits.

General discussion, with questions and answers interspersed.

329 Paul Cosgrove The Distilled Spirits Council of the United States (DSCUS) does not have a position on privatization. DSCUS operates in 18 controlled states and 32 open states. The (-1) amendments being drafted add two more representatives to the task force referred to by Mr. Yates.

Questions and answers interspersed.

353 Chair Ferrioli Commented on aspects of SB 935 under discussion. The bill as drafted contains language regarding privatization, but said there is no intention to privatize OLCC at this time, so amendments will be brought to strike that issue from the bill. Would like to see the distribution method changed from state warehouse, however, and would like to see models of other distribution operators and systems, i.e. warehouse and distribution facility on a completely market based private system.

391 Chair Ferrioli Discussed Exhibit 9, OLCC —Retail Agent Issues.

427 John Herold Stated liquor agents support SB 935. Contrary to what was said by a witness at a previous

hearing of this bill, liquor agents cannot appear before OLCC and negotiate their rate of compensation. Compensation is set at a certain percentage...period. Negotiations are not allowed. OLCC dictates that certain costs must be borne by the agents, with no way to recover their expense (credit card costs and paper bags). These can amount to thousands of dollars a year, but the agents must pay for them out of their profits. Agent compensation rate has not been increased in six years, and the costs of doing business and inflation have had a detrimental effect.

TAPE 119, SIDE B

019 Herold Continued comments regarding SB 935. Had two liquor stores in California for 14 years and has been a state agent in Oregon for 12 years. Stated that if the goal is to keep liquor out of the hands of minors or intoxicated people, Oregon's system works ten times better than that in California (privatization). The majority of Oregon's liquor agents do not want to see the Oregon system change to privatization.

Questions and answers interspersed.

095 Rep. Bill Morrisette Stated he served on an interim committee on OLCC oversight during the last interim at which they heard testimony from OLCC and liquor agents regarding problems felt by both sides. Believes OLCC's system is archaic and some changes should be made. The overlying principal of "make more money for the state" is at odds with its charge to promote temperance.

Questions and answers interspersed.

185 Harold Stated there is a chance an agent could make more money if liquor sales are privatized; he works on 6% in Oregon, compared with 22% in California. But the high rate in California promotes price-cuts, sales, and the constant pushing of product. Likes the controlled liquor sales atmosphere in Oregon.

- 204 Rep. Morrisette Added that other states are being looked at as models for possible changes to liquor sales in Oregon. Michigan in particular presents some interesting options.
- 219 Chair Ferrioli Added that Michigan went through a single-step when changing from one system to another. The switch was quite disruptive, agent income fell off, state income was significantly decreased, and the change was generally traumatic for all involved. After a period of adjustment, however, agent income and state revenues have increased. Michigan now has no liability for operating liquor stores, and consumers have more choice in the marketplace. Michigan still has authority over the products, but has no costs associated with distribution of the products and yet receives revenues from them.
- 255 Chair Ferrioli Adjourned meeting at 10:07 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 763, Martin-Mahar, Amendments to SB 763 Comparison, 1 pp.
2. SB 763, City of Beaverton, (-1) Amendments (DJ/ps) 4/20/01, 2 pp.
3. SB 763, Special Districts Assn., (-2) Amendments (DJ/ps) 4/24/01, 1 pp.
4. SB 763, Special Districts Assn., (-3) Amendments (DJ/ps) 4/24/01, 2 pp.
5. SB 763, Sen. L. Beyer, (-4) Amendments (DJ/ps) 4/24/01, 1 pp.
6. SB 763, Tualatin Hills Park & Recreation Dist, Written testimony dated April 24, 2001, 1 pp.
7. SB 333, John McCulley, (-3) Amendments (DJ/ps) 4/24/01, 4 pp.
8. SB 333, Waters, Revenue Impact Statement, 1 pp.
9. SB 935, Sen. T. Ferrioli, Written testimony dated February 15, 2001, 51 pages