

Without a title

WORK SESSION ON SB 1103

PUBLIC HEARING AND WORK SESSION ON HB 2479 TAPES 159 - 160 A/B

SENATE REVENUE COMMITTEE

MAY 22, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes (arrived 9:40 a.m.)

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Witnesses: John McCulley, Representing Valley Wine Co.

Dan Jarman, Representing Stroh Brewing Company

Marge Kafoury, City of Portland

Bob Clay, Chief Planner, City of Portland

John Tess, Oregon Historic Property Owners' Association

Staff: Steve Meyer, Economist

Carol Phillips, Committee Assistant

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TAPE 159, SIDE A

005 Chair Baker Opened meeting at 9:13 a.m.

OPENED PUBLIC HEARING ON HB 2479

- 013 John McCulley Exhibit F - Written testimony in favor of bill. Pointed out that Valley Wine Co., not the Tree Fruit Growers as indicated in the bill, requested this bill. However apple and pear growers who could benefit from the passage of this bill do support it. HB 2479 defines hard cider as a specific product in sections of the law dealing with taxation of alcoholic beverages. Historically cider was the beverage of choice in the US in colonial times until the latter-19th century. Cider is made differently from beer and wine but is sold similar to beer in 12 oz. bottles and six-packs.
- 052 Chair Baker Asked why should tax be reduced from 67 cents a gallon to 8.3 cents a gallon as requested in the bill.
- 057 McCulley Answered there are two reasons to do so. First, the alcoholic content is very similar to beer and ranges from 4% to 6%. Second, changing the tax rate would help spur the cider industry in Oregon because of large fruit production and many wineries capable of producing cider. This bill would encourage the development of the industry. Washington State made a similar change in 1996 legislature; since that time the industry has taken off. Silver Lake Winery in Washington will be introducing cider into Oregon and attributes growth directly to tax reduction. The bill would add value to agricultural commodity produced in Oregon.
- 075 Dan Jarman Exhibit G - Written testimony in favor of bill. Concurs with comments of John McCulley. Stroh is involved in a partnership called the Green Mountain Cidery in Vermont which produces Woodchuck Cider. Cider products are made similarly to craft beers. Sees trend line in other states for hard cider products and would like to see market expand in Oregon. Stroh is parent company of Blitz-Weinhard, which has a brewery in Portland. Supports change in taxation for hard cider.
- 092 Sen. Hartung Asked if cider can be made from anything besides apples or pears; from kiwi fruit for example.
- 097 McCulley Answered some ciders may be made from berries, but that is not a prominent variety. The definition used nationally by the federal government refers specifically to apples and pears. Questions and discussion interspersed.
- 120 Brian Reeder Exhibit D - Revenue Impact. Discussed how passage of this bill would reduce total beer and wine privilege taxes by approximately \$113,415 for the 1997-99 biennium and by approximately \$136,097 for the 1999-01 biennium.

134 Sen. Leonard Stated he supports bill because it would be good for the cider industry and good for Oregon.

CLOSED PUBLIC HEARING ON HB 2479

OPENED WORK SESSION ON HB 2479

MOVES HB 2479 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 1 - 1

154 Sen. Bryant SENATORS VOTING AYE: DUNCAN, HARTUNG, LEONARD, BRYANT.

SENATOR VOTING NAY: BAKER

SENATOR ABSENT: DUKES

Sen. Bryant will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2479

OPENED WORK SESSION ON SB 1103

165 Chair Baker Exhibit H - (-1) Amendments to SB 1103. After a work group discussion, Sen. Baker drafted these Amendments which clarify questions raised when this bill was last discussed 5/12/97. The one undecided subject was how to handle condominiums ("condos"). Should they be treated as single-family residences and have just one 15-year tax abatement, or should they be treated as commercial buildings and given a second 15-year tax abatement opportunity like commercial buildings?

190 Reeder Explained that the (-1) removes condos from definition of commercial property. Page 4 line 30 inserts "and property held by an association of unit owners organized under ORS chapter 100". This wording differentiates between residential and office condos.

249 Marge Kafoury Exhibit L - Written testimony in opposition to second 15-year tax abatement. Concerned that the (-1) Amendments does not reflect all the changes requested at the work group.

Stated the overall concern Portland Planning Bureau has is that there are many special

280 Bob
Clay assessment programs already, and the City Council has spent time looking at the fiscal impact over the years. Expanding this provision for condos would require further assessment of the program to determine impact. The City Council is very concerned about revenue loss because of Measure 5 and Measure 50. Uncomfortable with expanding assessment to condos at this time.

334 John
Tess Exhibit J - Written testimony in favor of bill. Exhibit K - Written testimony in favor of bill. City of Portland approved two incentive programs that are in another bill being introduced regarding the seismic upgrade issue. Because Portland has been upgraded from seismic zone 2B to 3, many buildings will have to be rehabilitated and brought up to higher standards. People now look at buildings and evaluate whether or not a building should be kept. Too many historic buildings are being razed for lack of upgrading funds. "If it takes condo conversions to save old warehouses and make them useful as loft condos in order to keep and preserve the environment, so be it." At the end of the second 15-year deferral period, buildings go back on tax rolls at current value. Questions and discussion interspersed.

TAPE 160, SIDE A

042 Sen.
Leonard Stated that in light of Measure 50, state government must come to terms with the fact that the message received from the public, is that they want excessive government out of the lives of citizens, and that includes endless subsidies to various groups. The line has to be drawn at some point to stop. The message received from voters is the business community has to stand on its own feet. Sen. Leonard likes historic buildings, but believes government cannot forever subsidize everything for them. The second 15-year tax abatement falls into that category of unnecessary subsidy.

065 Sen.
Bryant Stated that as a public policy the legislature must decide if it is worth it to preserve historic buildings. If so, it will still be a risk for whoever owns a particular building to invest necessary money for seismic upgrades, etc.

073 Sen.
Leonard Stated the question is that of weighing what is more important. Does Portland want a policy of subsidizing the retention of certain historic buildings or suffer the consequences of fewer police officers or firefighters or garbage pickup in parks or whatever. Each has its merits, but the time has come to start government thinking differently.

082 Chair
Baker Noted that there are 1,500 buildings statewide that the government has elected to preserve. On the other hand, downtown Atlanta has razed all its old historic buildings except for one church, and built all new buildings.

088 Marge
Kafoury Stated that the City of Portland has made a concerted effort over a number of years to preserve historic building stock. Sen. Leonard's point is a good one, and the City of Portland supports it. But many programs were began before Measure 5 and 47. Feels this amendment at this time is premature. Needs time to rethink many issues at the local level and to decide at the local level how and under what circumstances those issues should be brought forward.

- 111 Reeder Clarified that language in the (-1) Amendments means that at the start of the second 15-year tax abatement the value will be the value which would have occurred had the first 15-year freeze not occurred.
- 118 Chair Baker Asked for consensus of Committee Members regarding whether condos should be given a second 15-year tax abatement period. After discussion decided to leave second 15-year tax abatement period in.
- 147 Tess Exhibit G - (-2) Amendments. Exhibit H - Written testimony in favor of bill. (-2) Amendments redefines Preservation Plan as a resource evaluation for purposes of determining condition of the entire resource at the time of application for Special Assessment. Also redefines the role of the Historic Assessment Review Committee to an appeals board and expands the board to five people appointed by the Governor. Questions and discussion interspersed.
- 196 Chair Baker Asked Tess to explain page 4 line 5 of the (-2) Amendments which calls for the Governor to appoint the three members of the Historic Assessment Review Committee. Questions and discussion interspersed.
- 201 Tess Confirmed that they have not contacted the Governor's office yet to find out how he feels about this, but since the State Advisory Committee is appointed by the Governor, they felt this should be also.
- 209 Sen. Bryant Said that in the Rules Committee they passed out a bill that limits the number of commissions the Senate confirms on. The feeling he received from the Governor's office was that that office does enough appointing and may not want to have additional appointing responsibilities given to them.
- 223 Chair Baker Suggested that to get bill moving go with the (-1) amendments; and if it survives in the House and comes back in some form there could be a Conference Committee in which to make policy arguments for further consideration.
- 238 Sen. Leonard MOVES (-1) AMENDMENTS WITH DELETION OF PAGE 4 LINES 30 AND 31 TO SB 1103 BE ADOPTED.
- 244 Sen. Leonard Explained that when he goes back to Portland at the end of this session, it will be a radically different city from what he left in January. It would be hard for him to go home and explain why a new tax break was given to condo owners when police officers and firefighters are being layed off. For that reason is proposing the deletion of wording to add a second 15-year tax abatement. Questions and discussion interspersed.
- 289 Sen. Dukes Added that Astoria is very strong in preserving its historic buildings, and understands the necessity of a bill like this.

REITERATED THAT SEN. LEONARD MOVES (-1) AMENDMENTS
ELIMINATING FROM THEM PAGE 4 LINES 30 AND 31.

302 Chair
Baker

ROLL CALL VOTE: MOTION DOES NOT PASS: 1 - 5 - 0

SENATOR VOTING AYE: LEONARD

SENATORS VOTING NAY: DUKES, DUNCAN, HARTUNG, BRYANT, BAKER.

313 Chair
Baker

MOVES (-1) AMENDMENTS TO SB 1103 BE ADOPTED.

HEARING OBJECTION FROM SEN LEONARD, CHAIR SO ORDERED.

MOVES SB 1103 AS AMENDED TO THE SENATE FLOOR WITH DO PASS
RECOMMENDATION.

318 Chair
Baker

ROLL CALL VOTE: MOTION PASSES: 5 - 1 - 0

SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, BRYANT, BAKER.

SENATOR VOTING NAY: LEONARD

Sen. Baker will carry the bill on the Senate Floor.

332 Chair
Baker

Adjourned meeting at 10:03 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. HB 2479, Yates, Staff Measure Summary, 1 page
- B. HB 2479, Yates, Revenue Impact Statement, 1 page
- C. HB 2479, Yates, Fiscal Impact Assessment, 1 page
- D. HB 2479, Yates, Revenue Impact Statement, 1 page
- E. HB 2479, Yates, Staff Measure Summary, 1 page
- F. HB 2479, McCulley, Written testimony dated 5/21/97, 2 pages
- G. HB 2479, Jarman, Written testimony dated 5/22/97, 1 page
- H. SB 1103, Reeder, (-1) Amendments, (CC/ps) 5/22/97, 5 pages
- I. SB 1103, Reeder, (-2) Amendments, (CC/ps) 5/22/97, 5 pages
- J. SB 1103, Tess, Written testimony dated 5/22/97, 1 page
- K. SB 1103, Sjostrom, Written testimony dated 5/21/97, 2 pages
- L. SB 1103, Kafoury, Written testimony dated 5/20/97, 1 page