

MINUTES & NOTICE OF BOARD ACTION

BOOK 156 PAGE 1231

APPROVED

January 26, 1994



LANE COUNTY BOARD OF COMMISSIONERS

This document, upon approval in a public meeting by the Board of County Commissioners, serves as official minutes of such meetings as required under the Open Meetings Law, ORS 192.650.

Pursuant to notice made by mailing agendas to news media, a selected list of jurisdictions and individuals in Lane County, a meeting of the Board of County Commissioners was held.

Questions should be directed to The Board Office Specialist 3, ext. 4203.

January 7, 1994
9:00 a.m.

LEADERSHIP TEAM
REVENUE MEETING

Commissioners'
Conference Room

Chair Jerry Rust presided with Steve Cornacchia and Jack Roberts present. Ellie Dumdi participated via speakerphone. Marie Frazier excused. Sharon Giles, Recording Secretary.

Budget Committee Members Present: Peter Bartel, Marie Bell, Kate Jones and Bud Stewart.

Representing the Leadership Team were: Bill Van Vactor, Teresa Wilson, George Russell, Bob McManus, Doug Harcleroad, Chuck Forster, Jim Gangle, John Goodson, Rob Rockstroh and Chuck Ryer (for Steve Carmichael).

REPORT BACK/Budget Staff and Finance and Audit. Response to Real Estate Transfer Tax Questions From 12/20 Meeting.

Roberts, as Chair of the Finance and Audit Committee, presented background on this item, highlighting: 1) The appointment in 1991 of a Revenue Task Force to look at alternatives after seeing the inevitable decline in timber revenues (see Revenue Task Force Report, February, 1992, on file); and 2) "Lane County Facing the 90's", a document looking at the broader issues of bringing expenditures and revenues in line, prepared by Margo Drivas and Jim Johnson in preparation for the 92-93 budget deliberations. Roberts noted that a new law enforcement and human services serial levy, which would have shored up the budget and provided some modest enhancements, was defeated by the voters two years ago. He observed that this resulted in a combination of cuts and a reduction in reserves. Roberts stated that the next year was when the three-year law enforcement serial levy expired and a larger levy, keeping the same services intact, but not adding any enhancements, was passed. He pointed out that it did not deal with the rest of the budget and, therefore, numerous cuts with the resulting impacts on services, were again implemented last year. Roberts noted that reserves have been drawn down significantly and have reached a minimum level. He commented that it is because of those factors that revenue enhancements are being considered. Roberts reviewed the January 7, 1994 memorandum/report from the Finance and Audit Committee (see material on file). A period of questions and answers followed.

- Rust: Is this tax deductible on state and federal taxes?
 Roberts: It is not tax deductible, but does affect the capital gain or loss reportable (usually not an immediate tax consequence).
- Bartel: What about the other jurisdictions within the County wanting "a piece of the action"?
 Roberts: The position is that Lane County serves all of the residents of Lane County and is entitled to tax all of the residents of Lane County; however, it can't be assured that others won't add on. He indicated he would not support sharing the revenue with them.
- Bartel: Is this a special purpose or general purpose tax?
 Roberts: The proceeds would go to the general fund, with the bulk supporting law enforcement which benefits all of the residents of Lane County.
- Bartel: What does Washington County do with their proceeds?
 Roberts: It is used as a general revenue source.
- Stewart: What is the procedure to adopt the tax?
 Roberts: The Finance and Audit Committee is recommending that the Board implement the tax without a public vote. He added that special taxes historically have not gone to vote and it could go through an ordinance process, which would include a public hearing.
- Stewart: Can it be referred to the voters by petition?
 Roberts: Yes, they have 90 days after enactment to do that.
- Rust: What are the numbers on a typical \$80,000 transaction - typical closing costs, who pays, how much, what percentage would tax be?
 Roberts: Referring to "Attachment 1" to the packet material (see material on file), Roberts summarized that the .35% transfer tax would be \$280, which would be 3% of the total closing costs. In Washington County, the standard is to divide that equally between buyer and seller; however, that is negotiable.
- Rust: Is this tax broad enough to be fair? Is it too heavy a burden on real estate?
 Roberts: There is no right or wrong answer. There are only three major ways to have a broad base tax - on income, property ownership and spending. This tax is collected on a portion of the transfer of owned property. It is not so broad-based that everyone pays it every year. Finance and Audit feels it is fair as a part of an overall package. Lane County has already increased the transient room tax and the car rental tax.
- Stewart: Is there an estimate of how much this will raise?
 Roberts: Referring to "Attachment 7", which includes varying scenarios of tax amount and exemptions, Roberts stated that for 1994-95, the .35% rate proposed, with exemptions, would raise \$3.2 million.
- Cornacchia: What are those exemptions?
 Roberts: Gifts, transferring the ownership into a partnership or corporation, etc. - generally, non-economic transactions. Van Vactor added that there is a "small lot" exemption for amounts

lower than \$14,000. (The first \$14,000 of a larger transaction, however, is not exempt.)

Stewart: Are improvements on the land, specifically timber, included?
 Roberts: Yes. Rust added that projections indicate that 25% of the tax would come from transactions of timber property.
 Stewart: If timber only is sold off of land, does that apply?
 Roberts: No. Wilson, however, added that if it is presented for recording as a "timber deed", then it is being treated as real property and it would be taxed.

Stewart: If someone had "possessory interest" (a timber sale contract or an unpatented mining claim) and the rights were transferred, would that be taxed?

Roberts: If a deed is recorded, then it would be subject to the tax. He added that foreclosures are also exempt.

Stewart: Would a large transaction (example: \$5 million plywood plant sale) be taxed?

Roberts: Yes. Rust added that the breakdown shows that 50% would come from residential, 25% from timber lands and the other 25% from commercial, industrial and miscellaneous.

Bartel: How were projections made on amount of real estate to be sold?

Roberts: The past was used, assuming there would be no dramatic changes.

Bartel: Will the most exuberant period in real estate hold steady?

Roberts: A conservative average of the volume over the last decade was taken.

Bartel: During a bad economic time, what would be the downward projection of revenues?

Roberts: That figure is not available - 1981-82 was the worst and it is hoped that will not occur again.

Bartel: Can a fluctuation in revenues from the tax be anticipated, similar to O & C revenues?

Roberts: No - it is tied to a more broad-based economic factor than timber. Ownership of property is tied to the population and economy, and is more closely tied to the County's service delivery needs than the O & C revenue.

Cornacchia: A question that will need to be answered is, if money is being raised to plug the deficit, and the anticipated revenue is \$3.2 million (more than the deficit), what is planned for the excess?

Stewart began the discussion by noting that it is fiction that it raises excess dollars. He indicated that the excess can be absorbed by restoring positions, such as in the D.A.'s office, that have already been lost. Cornacchia observed that if a position is restored one year, it increases the next year's deficit. Roberts agreed that a conceptual decision by the Budget Committee on how to deal with any overage does need to be made. Bartel stressed that as population growth occurs, services will need to increase and that this larger issue needs to be discussed and dealt with. He remarked that he cannot support "business as

usual." Cornacchia also observed other potential changes within the County organization, including a change in the way employee benefits are dealt with (with regard to an impending ballot measure dealing with the "employee pick up" in PERS benefits) and possible changes in the property appraisal process. He stated that he is putting those variables aside and just looking at this year's deficit, with an eye towards next year's. Bartel emphasized that this may be the time to say we're thinking about things in a different way, paying attention to the consequences of growth.

Bell explained that she has no question about the need to restore funding for law enforcement and juvenile services, but does have concerns about this particular tax as she regards it as a property tax. Remarking that housing is a necessity of life, she stated that adding to the costs of housing adds to the housing problem. Bell indicated she would be more in favor of a sales tax where low income people can make choices. Jones voiced her agreement with this tax. With regard to any estimated excess, she remarked that any model needs to have a "cushion."

Harclerod concurred with Bartel regarding problems associated with growth and stated that he is in favor of the real estate transfer tax to enable the County to respond to that growth. He commented that he does not see a reasonable alternative. McManus added his support to the transfer tax. He remarked that people are coming here for liveability and the County needs to be able to maintain services. Gangle observed that state law requires him to maintain a certain level of compliance. He indicated his support for the real estate transfer tax.

Dumdi stated that she was in agreement regarding the implications of growth and that she was in favor of continuing the discussion regarding the future implementation of the tax.

Rust expressed his support for four reasons:

- 1) The tax is extremely modest (\$280 out of an \$80,000 transaction);
- 2) It is inexpensive and easy to administer;
- 3) It is affordable (not a burden) and happens when money is changing hands;
- 4) It bears a relationship with the kinds of services the County provides: deeds, recordings, planning, zoning, building permits, restaurant inspections, assessment and law enforcement.

Rust indicated that he was anxious to hear opposing arguments and will retain an open mind. He reminded everyone that the vote will occur after everyone's concerns are heard.

Remarking that he has no questions about the need, Roberts noted that the only two options to acquire new revenue before July 1 are this tax and a property tax (tax base or serial levy). He stated that he would like to hear about any other options and would keep an open mind. Roberts stressed that he cannot justify further cutbacks in Youth Services, the District Attorney's office or law enforcement.

Cornacchia concurred with the comments of the other elected officials. He noted that there were other revenues that have not been considered for use, among them: 1) using the room tax toward the general budget, instead of supporting tourism; and 2) using the car rental tax for the general budget instead of for the support of parks, such as Fern Ridge Reservoir. He indicated that he would look at these things first before taking another prosecutor from the District Attorney or counselor at Youth Services to pay for Assessment and Taxation. He declared that this is a defining year for Lane County.

MOTION: Direct County Counsel to bring forward an Ordinance for implementation of a real estate transfer tax for a first reading on Tuesday, January 11, and scheduling a second reading and public hearing for Tuesday, January 25, beginning at 1:30 p.m. to continue again at 7:00 p.m. Dumdi MOVED, Roberts SECONDED.
VOTE: 4-0. Rust noted that Frazier is on record as supporting this action.

Bell noted that she was in the minority, but felt it was important to keep her concerns on the table.

There being no further business, this meeting adjourned at 10:25 p.m.



Sharon Giles
Recording Secretary