

**MILWAUKIE CITY COUNCIL
WORK SESSION
NOVEMBER 19, 2001**

The work session came to order at 5:30 p.m. in the City Hall Conference Room.

City Council present: Mayor Bernard and Councilors King, Lancaster, Marshall, and Newman.

Budget Committee present: David Aschenbrenner, Chair; Peter Koonce, Secretary; Art Ball, Lamar Buckelew, and Arlene Ebner.

Staff present: City Manager Swanson, Finance Director Smith, Interim Community Development Director Rouyer, Associate Engineer Barnett; Information Specialist Wheeler; and Program Specialist Wachs.

Information Sharing

Councilor King reported on the Annual League of Oregon Cities Conference she and Mayor Bernard recently attended in Eugene. She has information on system development charges to share with Council. Oregon is providing the 2002 National Christmas Tree in Washington, D.C., and Milwaukie has an opportunity to be a sponsor. She discussed poverty and hunger in Oregon resulting from the state's high housing costs.

Mayor Bernard provided information on *Back to School Week* and suggested the City Council schedule a meeting at Milwaukie High and give students an opportunity to ask questions about their local government.

Councilor King provided information on youth councils.

Ed Zumwalt recapped the November 11 benefit concert. About \$3,700 was collected to aid victims of the September 11 New York City attacks. Special thanks went to the owners of Southgate Theatre and High Rocks Pub who donated the facility and concession proceeds to the event.

Mayor Bernard commented on the Milwaukie Veterans Day Parade.

Stanley Avenue Speed Bump Project

Swanson provided background on the issues relating to this Neighborhood Traffic Management Program (NTMP) request. Although Lewelling neighborhood residents successfully petitioned for traffic calming on Stanley Avenue several years ago, the request was not coordinated with Clackamas County which has jurisdiction of the road.

Barnett explained this project is now the most highly ranked NTMP project and is funded in the recently adopted Capital Improvement Plan (CIP) in the amount of

\$10,000. Clackamas County, which currently has jurisdiction of Stanley Avenue between King Road and Johnson Creek Boulevard, has a policy against traffic calming devices on designated collector streets. Staff is seeking Council direction on 3 possible options: remove the project from the NTMP until such time as the City has jurisdiction; take over jurisdiction of the road; or petition Clackamas County for a variance from its current policy.

Barnett discussed the costs involved with taking over jurisdiction of Stanley Avenue and bringing it up to urban standards. Improvements, including engineering, would cost about \$650,000 which does not include right-of-way acquisition or mitigation measures. In taking over jurisdiction, the City would assume long-term maintenance responsibilities at a time when street funding is inadequate. Since the County has an agreement with emergency response agencies that it will not allow traffic calming on streets designated as collectors or higher, it is not likely the Board of Commissioners will grant a variance.

Mayor Bernard understood the District Parks Board was allowed traffic calming near another park located on a collector street.

Barnett explained the agreement is with the fire department. At this time, staff recommends removing the project from the list until such time as that area is annexed into the City.

Councilor Newman suggested petitioning the Commissioners for an exception, and **Ebner** agreed.

Swanson agreed to draft the appropriate letter asking for the variance.

Councilor Marshall suggested using the \$10,000 toward purchasing hardware to enhance the police department's ability to reduce traffic speeds on Stanley Avenue and other problem streets in the City.

Swanson was concerned the \$10,000 might be from gas tax money which would limit its use.

Koonce suggested investing in a mobile speed bump that could be moved to various locations throughout the City.

Ball said there is no evidence the Lewelling Neighborhood District Association (NDA) initiated the petition. The Stanley Avenue residents who signed the petition seem to be outside the normal membership attending the Association meetings. The project is not necessarily supported by Lewelling neighborhood residents not living on Stanley Avenue.

Councilor King was not in favor of Milwaukie citizens paying for traffic calming in a mostly unincorporated area. There are other streets entirely within the City limits which need improvements.

Ball was concerned traffic calming devices would hinder emergency response times. He noted the sidewalks installed after the petition was submitted seem to have reduced problems.

Barnett contacted Stanley Avenue residents who signed the petition and informed them the project would be up for Council discussion at this work session, but none were in attendance.

Councilor Lancaster was in favor of removing the project from the NTMP project list at this time. Milwaukie cannot afford to add more road jurisdiction. He would be interested in getting clarification on what seems to be the County's all-or-nothing policy.

Swanson said the County has an agreement with the Fire District related to traffic calming on collector streets. He will speak with Clackamas County as well as look into the legality of redirecting CIP funds to law enforcement.

Open Public Forum

None.

Assessment and Taxation

Swanson said the purpose of this and the following presentation on annexation was to provide basic information that could be used to develop a long-term financial strategy for the City. The citizen members of the Budget Committee agreed they would be interested in being responsible for this type of project. With stagnant, and sometimes declining revenues, identifying stable funding options for basic services will be a challenge.

Bob Vroman, Clackamas County Assessment and Tax Manager, provided information on the current tax system. He reviewed the impacts of Measure 5, adopted in 1991, and Measure 50, adopted in 1997, and how these evolved into the current hybrid property tax system.

Prior to 1990, taxing districts determined how much money was needed to operate, and that amount was collected from citizens. Voter passage of Measure 5 limited the tax rate to \$5/\$1,000 for education and \$10/\$1,000 for local governments. Levies for bonded debt did not fall under Measure 5 limitations. **Vroman** reviewed a 12-year history of property tax collection in Clackamas County. By fiscal year 1996 - 1997, Measure 5 was fully phased in; however, it was accompanied by market growth which resulted in about a 12% increase in taxes collected.

Voters approved Measure 50 in 1997 which changed the way the tax system works. It rolled back values, established permanent rates for taxing districts, and limited taxes. The 1997 - 1998 assessed values were established by rolling back to the 1995 - 1996 real market value (RMV) less 10%. Measure 50 allows assessed value to grow for existing property by 3% annually unless such exceptions as new construction, remodeling, new subdivisions, or rezoning come into play. Taxing districts can still seek voter approval for bonded debt. Districts can also go out for local option levies to fund services or approve bond measures for capital improvements. These are 5 to 10 year levies outside the permanent tax rate and must be approved at a general election or passed by a double-majority at another election.

Districts can grow by 3% annually on existing property and property constructed that did not exist in 1995. Remodeling projects, tracked through building permit systems, can add value in the next year. New construction is assessed at about 77% to give it the same benefit as existing property. The intent of those drafting Measure 50 was to approximate annual cost of living increases and provide residents with some stability in what they could expect to pay in taxes each year.

Vroman discussed what happens if the RMV falls below the AV. If this situation occurs, the AV is lowered and taxes decrease. Districts can collect more revenue by adding new value and by annexing property into its boundaries. He discussed the potential impacts of zone changes for property brought into a district and allocation of bonded indebtedness. Compression can occur, based on Measure 5 limitations, if tax rates exceed \$5 for education and \$10 for local government. Operating levies cannot be used to exceed the cap, and compression loss in revenue comes out of local options first.

Vroman briefly reviewed the process of determining revenues from assessor office information. A taxing entity can forecast several years out by using its annexation history, building permit activity, and growth from new construction. Historically, Milwaukie has not had a lot of new construction growth and is limited in its developable residential and commercial land. As a result, the City can only anticipate an annual increase of about 3%.

Urban renewal is a method used by counties and cities to encourage development of a blighted area in which lack of infrastructure prevents growth. **Vroman** discussed the process of activating an urban renewal agency, taking public testimony, and establishing a plan area. The assessors office determines the taxable value of the area when the district is established and freezes the value at that point in time. Each subsequent year, as the value of the district increases, the agency uses that increment to fund projects within that area. The philosophy is to create the infrastructure that will allow the designated area to grow. Once the agency has run its course, all of the new value is released. Although Milwaukie does not have an existing agency and would be subject to new laws, some benefits would probably be realized.

Annexations

Ken Martin, Metro Local Government Boundary Change Consultant, summarized the annexation process, Milwaukie's annexation history, and general acceptance of government reorganization in this area.

The annexation process can be initiated by a double majority petition, 100% petition, Council resolution, island annexation, or health hazard annexation. The most common type of annexation is the double majority which begins when property owners of more than half the land area and more than half of the voters sign a petition. A 100% petition is one signed by all of the land owners and all of the registered voters.

If the Council receives a double majority petition, it has several options. It can hold an election in the territory and city; hold an election in the territory only; hold an election in the city only; or hold no elections. A hearing is required if the "no-election" option is chosen. There is no requirement for a hearing or election with the 100% petition. The Council resolution is a city-initiated process that requires a hearing and an election both in the territory and in the City. Cities do not normally follow this route unless substantial support is obvious.

Application processing must follow certain regulations found in the Oregon Revised Statutes, Metro Code, and Municipal Code. Steps include hearings, notice, staff report, final decision, and LUBA appeal period. In Milwaukie's case, annexations must include a request for Comprehensive Plan and zoning designations and a pre-application conference.

Martin reviewed the history of Milwaukie annexations. In 32 years, there have been a total of 61 annexations which added about 250 acres and 894 people. If Milwaukie wishes to grow and increase revenues, it will have to be more assertive. Historically, this area has resisted structural government reorganization. Service districts have, however, been successful in expanding their boundaries.

Milwaukie does not have an annexation strategy, so nothing has happened. If the City decides annexation has some value, it will have to take some positive action. Cities provide services that counties do not, and **Martin** advised focusing on those services Milwaukie can provide. He noted residents in unincorporated areas are probably receiving services, such as police, for which they are not paying. Annexations are a way to realize growth in revenues, but with them come service obligations.

Martin discussed the urban planning agreement with Clackamas County which establishes dual interest areas and offers annexation opportunities. Some adjacent areas, for example, are unsewered, and Milwaukie can offer the service.

Swanson added Milwaukie has services the County does not provide and, in some cases, provides more competently including code enforcement, police service, and urban-level planning. He discussed use of Clackamas Town Center urban renewal funds for I-205 light rail and industrial urban renewal funds for the Sunrise freeway. He noted the Fire District's serious concern with lost revenues.

Councilor Newman felt there is an argument for the legislature's setting incorporation dates for unincorporated property in urban areas.

Aschenbrenner thought neighborhood services and the grant program would be an inducement to annex.

Swanson said, if the City wishes to annex, it must develop a strategy, and he briefly discussed the joint City of Milwaukie/Clackamas County Urban Service Study currently underway by Portland State University.

Councilor Marshall recommended the Budget Committee look at growth into areas that makes good fiscal sense and develop an annexation timeline. The annexation plan must be driven by more than dollars and should be sold on the basis of the services Milwaukie has to offer. Poor perception has made property owners reluctant to annex, and that needs to be overcome. Residential annexation is a drain, and he urged being open to income producing options. If current residents do not want Milwaukie to grow, then they need to identify ways other than annexation to pay for services.

Swanson announced an executive session to discuss real property transaction pursuant to ORS 192.660.

Adjournment

Mayor Bernard adjourned the work session at 8:15 p.m.

Pat DuVal, Recorder