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Bridge Bonds for New Bridge Adjacent and Parallel to Ross Island Bridge (County Measure); Hydroelectric Power Facilities Bonds (Portland Measure 33); Increasing Funds for War Veterans' Loans (State Measure 2)

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**REPORT
ON
BRIDGE BONDS FOR NEW BRIDGE ADJACENT
AND PARALLEL TO ROSS ISLAND BRIDGE
(County Measure on November Ballot)**

TO THE BOARD OF GOVERNORS,
THE CITY CLUB OF PORTLAND:

Your committee has studied the proposal of the Board of Commissioners of Multnomah County, to be submitted to Multnomah County voters on November 4, 1958, which reads as follows:

"Shall \$7,000,000 of bridge bonds be issued by Multnomah County, Oregon, for the construction of a new bridge adjacent and parallel to the Ross Island Bridge crossing the Willamette River in Portland, Multnomah County, Oregon?"

SOURCES

We have consulted with Paul C. Northrup, Multnomah County Engineer and Roadmaster; Fred T. Fowler, Highway Coordinator of the City of Portland; Lloyd Keefe, Director, and Robert Keith of the staff of the Portland City Planning Commission; W. C. Williams, Chief Engineer, Lloyd Shaw, Portland Metropolitan Engineer, and R. F. Crandall, Traffic Engineer of the State Highway Commission; Paul French and J. F. Cameron, Regional and Assistant Regional Engineer, respectively, for the United States Bureau of Public Roads; Robert Baldwin, Director of the Multnomah County Planning Commission; Jack Bain and James Gleason, County Commissioners; and others. We have reviewed the documentation submitted to the County Commission by the County Engineer, the reports of the State Highway Department entitled "Freeway & Expressway System, Portland Metropolitan Area, 1955" and "The Eastbank Freeway, 1958," as well as the report of the staff of the City Planning Commission to that Commission.

THE PROPOSED BRIDGE

The County proposes to erect a parallel bridge structure, which it hopes to complete by 1961, adjacent to the north side of the present Ross Island Bridge which would be 40 feet between curbs and have a five-foot sidewalk on its north side. It would have three 12-foot lanes of traffic westbound. The sidewalk on the north side of the present structure would be removed to provide 44 feet between curbs, instead of the present 41½ feet, and would then carry four 11-foot lanes of traffic eastbound as far as the McLoughlin ramp and then three lanes beyond this point. The County estimates that the cost of right-of-way, removing the sidewalk of the old bridge, and construction of the new bridge would not cost more than \$7,000,000. The bridge would be paid for out of proceeds of bridge bonds, for which the County has ample bonding capacity, to be retired serially over a period of twenty years. This would mean an additional tax of 15c to 25c per \$1000 of assessed valuation per year for each county taxpayer.

Much of the controversy over this bridge proposal arises from consideration of the effect on Ross Island Bridge traffic of the new federal interstate system to be completed by 1970. The Marquam Bridge would be completed in 1962 as a connecting link in this system, and will be located just downstream from the Ross Island Bridge. A diagram is attached to this report and shows various proposals for the federal interstate system, the Mt. Hood Freeway, and the Ross Island Bridge.

ARGUMENTS FOR THE PROPOSAL

1. Additional traffic lanes across the Willamette River are urgently needed now for southeast-downtown traffic.
2. The Ross Island Bridge now operates at capacity with an average daily traffic load of between 40,000 and 45,000 vehicles, which will increase to 58,000 vehicles by 1970.
3. The Ross Island Bridge has had an accident rate approximately twice that of any other local bridge.

4. A separate structure is needed as the piers of the present bridge cannot carry any additional structure.
5. The County could not erect as quickly and as cheaply any alternative structure across the river to provide additional traffic lanes.
6. The new Morrison Street Bridge and the improved approaches to the Hawthorne Bridge will not significantly aid in reducing Ross Island Bridge traffic and the other present Willamette River bridges cannot help.
7. The new structure would permit the State to tie in the south lane of the present structure to a ramp to carry traffic directly onto the bridge from Macadam Avenue on the west side.
8. The Marquam Bridge will not, as presently planned by the State Highway Department, provide facilities for southeast-downtown traffic before 1970-1975.

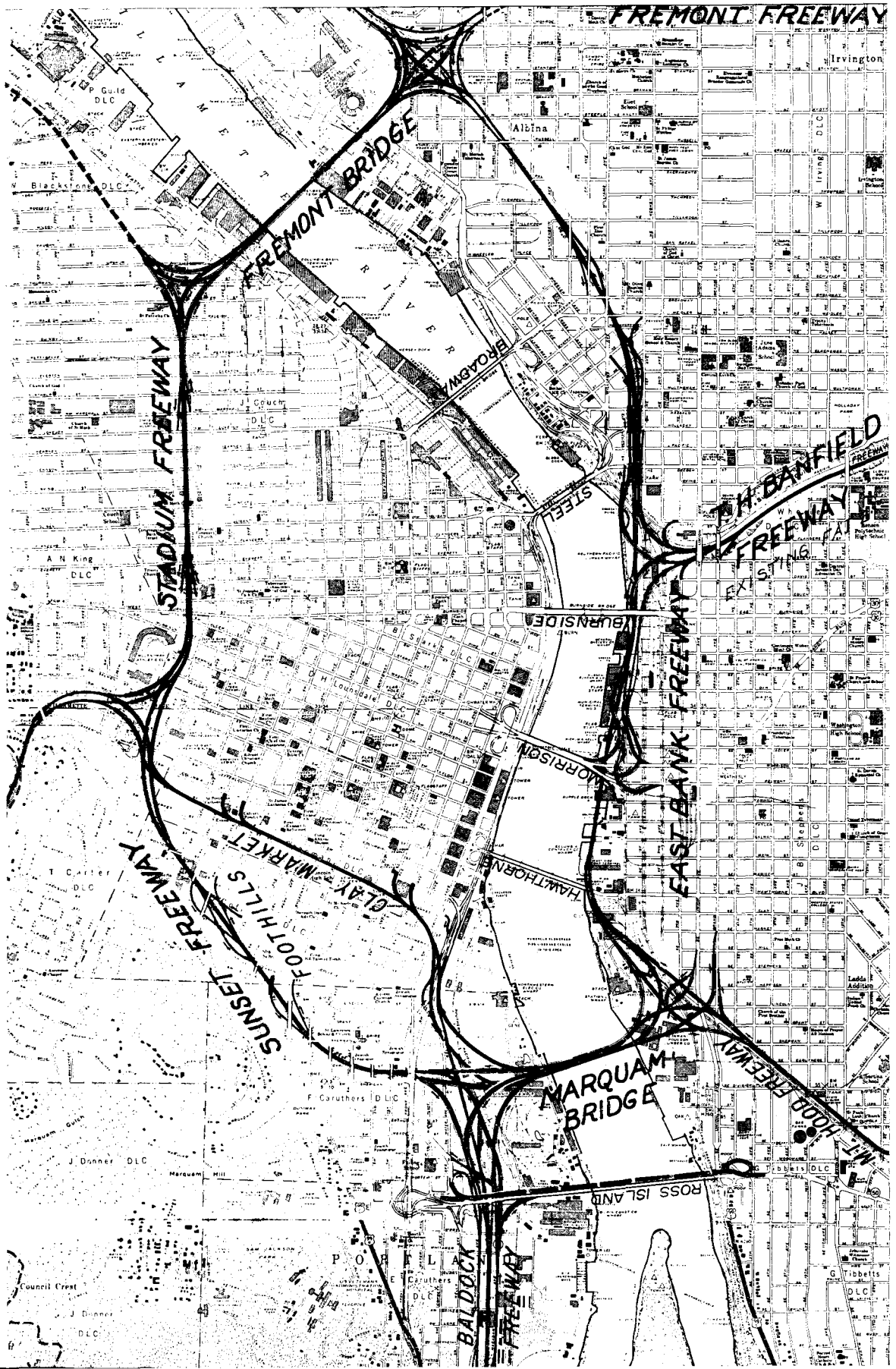
ARGUMENTS AGAINST THE PROPOSAL

1. With certain changes in present planning, unused traffic capacity on the Marquam Bridge could be made available for southeast-downtown traffic at approximately the same time as the proposed new Ross Island Bridge would be completed.
2. The location and character of the Sunset Freeway and the east-west connections to the Marquam Bridge are under study and will be determined probably within the next six months. Until such decisions are made, the unused capacity of the Marquam Bridge must be regarded as a possible facility to relieve the Ross Island Bridge in 1962.
3. Adequate study has not been made of the effect of the proposed Ross Island Bridge on traffic flow on S.E. Powell and on the West side street system leading to and from the bridge. The new structure may substantially aggravate, rather than alleviate, traffic conditions on these streets.
4. Without additional expenditures on the approach and departure routes to and from the Ross Island Bridge, the capacity of the new structure could not be utilized.
5. Adequate study has not been made of the alternative uses to which \$7,000,000 could be put, particularly construction of the Mt. Hood Freeway and its approaches to the Marquam Bridge.
6. The extent to which the Hawthorne Bridge will relieve traffic on the Ross Island Bridge cannot be determined accurately until the western approaches of the Hawthorne Bridge are completed.
7. Predictions for increase in traffic flow over the Willamette River until 1975 vary greatly. Though the County and State Highway Department predict 472,000 daily river crossings in 1975, an increase of 224,000 vehicles, the City Planning Commission predicts 344,000 daily crossings in 1975, an increase of only 117,000 vehicles.
8. The Ross Island Bridge is safer since the south sidewalk was removed. Additional safety, though no substantial additional traffic capacity, could be obtained by removal of the north sidewalk with pedestrians accommodated by an offside walkway.
9. The proposal for the new Ross Island Bridge, which was made without consultation with the Portland City Planning Commission, is not coordinated with any overall plan to solve the critical traffic problem originating in the southeast area.

DISCUSSION

The plans for the Marquam Bridge and connecting freeways are central to the merits of the Ross Island Bridge proposal. The Marquam Bridge, which will be completed in 1962, will be six lanes, three in each direction of 12-foot width, with two extra feet at each curb, with an average daily traffic capacity of 80,000 vehicles. It is designed to bind together the Baldock and Sunset Freeways on the West with the Eastbank and Mt. Hood Freeways on the East. The Sunset Freeway, to be completed in 1970, will provide access to and from the West side business district. The Mt. Hood Freeway, which is not part of the interstate system, will eventually provide access to and from the southeast district.

As presently planned by the State Highway Department, the Marquam Bridge will carry only traffic traveling on the Eastbank and Baldock Freeways, and on Union-Grand Avenues, until the Sunset Freeway is completed in 1970. This would mean that for eight years after completion of the Marquam Bridge, southeast traffic to and from



the center of the City will not have access to it, resulting in unused bridge capacity. The State Highway Department traffic estimates show that the Marquam Bridge will carry only 24,000 vehicles per day in 1962, and in 1970, before the Sunset Freeway traffic is tied in, only 32,000 vehicles. Even when the Sunset Freeway is tied in on the west, the bridge will still carry only 46,000 vehicles per day in 1970 and 52,000 vehicles in 1975, without an eastside connection for southeast-downtown traffic.

When southeast-downtown connections are made, the unused capacity of the Marquam Bridge clearly will relieve the Ross Island Bridge. The State Highway Department traffic estimates indicate that Marquam Bridge connections to the Sunset and Mt. Hood Freeways will increase the Marquam Bridge traffic in 1975 to 62,000 vehicles per day, which is still well under its capacity, and will result in a decrease in Ross Island Bridge traffic to 44,000 vehicles per day. If southeast-downtown connections to the Marquam Bridge are part of the original construction, the Marquam Bridge could alleviate conditions on the Ross Island Bridge at about the same time as the proposed new Ross Island Bridge would be completed.

The State Highway Department does not presently plan to construct approaches to the Marquam Bridge for southeast-downtown traffic as a part of the initial construction, because it places first priority on the north-south (Eastbank-Baldock) connection. But the bridge is designed to and eventually will carry southeast-downtown traffic. Engineering and overall cost considerations indicate that southeast-downtown traffic connections are feasible in 1962. If the Sunset Freeway follows the Clay-Market Street route, which the city prefers, rather than the "foothills" route proposed by the state, ramps to S.W. 2nd and S.W. 3rd Avenues will be built eventually and could be built when the Marquam Bridge is constructed. This would connect the bridge with the center of the city in 1962 without waiting for the balance of the Sunset Freeway to be built. On the East, the City is pressing urgently for a connection of S.E. Division Street with the Marquam Bridge. This latter connection would afford the City an opportunity to develop serviceable routes for southeast-downtown traffic to the Marquam Bridge pending construction of the Mt. Hood Freeway.

The decisions regarding the route of the Sunset Freeway, and the Division Street connection, will probably be made within six months. Until those decisions are made, the possibility of using the Marquam Bridge in 1962 to relieve the Ross Island Bridge cannot be eliminated. We cannot accept the suggestion that if the Clay-Market Street route is chosen and a Division Street access is given, ramps to S.W. 2nd and S.W. 3rd Avenues will not be included in the original construction of the Marquam Bridge to allow use of its tremendous unused capacity. We note in particular that the City has a veto on the location and character of freeway projects within its boundaries and has therefore a very strong voice to speak for full use of the Marquam Bridge facilities.

Our reluctance to see approval now of a \$7,000,000 investment in a bridge facility that may, within six months, be shown not to be necessary is strengthened by the knowledge of the importance to the community of the Mt. Hood Freeway. A Mt. Hood Freeway constructed to the Marquam Bridge would relieve traffic congestion in the southeast urban area and on the Ross Island Bridge more than any other single improvement contemplated. It is vital to the City and should be built as soon as possible. The Mt. Hood Freeway, however, is not part of the federal interstate system (built with 92% federal money) and would have to be constructed like the Banfield Freeway (which is its northeast counterpart) with so-called "urban" money, i.e., 60% federal money. If \$7,000,000 which the County proposes to spend on a new Ross Island Bridge could be spent on the Mt. Hood Freeway, it would, when matched with federal funds, allow construction of the Mt. Hood Freeway at least as far as S.E. 39th Street, and perhaps to S.E. 50th Street.

In proposing this measure, insufficient attention was given to the critical problem of traffic flow on the street approach systems to the Ross Island Bridge. The County may not have given this matter the consideration it requires because street approach systems fall within the City's jurisdiction. Yet the County, before making its proposal, did not consult with the City Planning Commission, which is actively concerned with such problems. Half of the traffic which uses the Ross Island Bridge uses Powell Boulevard as far east as S.E. 50th Street. Powell Boulevard, from the Bridge to S.E. 50th Street, is already at capacity and could not carry the additional traffic required to permit satisfactory utilization of the new bridge. Likewise, the route from the ramp at the west end of the Bridge north to S.W. Kelly and S.W. Arthur is carrying its capacity. Again, the approach for eastbound traffic from S.W. Arthur and Harbor Drive to the Bridge is over two lanes with a sharp, dangerous curve through the Harbor Drive underpass, and is already at capacity. We believe that further study should be made by the City and County to determine whether full use of the new structure as proposed will not aggravate already unsatisfactory conditions and require major and expensive re-design of approach and departure routes to the present bridge.

CONCLUSION

We do not think the Ross Island Bridge proposal should be approved now. This measure could appear again on the ballot at a general election in May, 1960. The eighteen months interval could be well spent. By that time the location of the Sunset Freeway, the question of southeast-downtown connections to the Marquam Bridge, and the ability of that bridge to relieve Ross Island Bridge traffic will be clarified. The new approach system to the Hawthorne Bridge will then be in use. The interval could also afford a chance to develop a coordinated program using City, County, State and Federal resources to meet Portland's southeast traffic problem both before and when it reaches the Willamette River. The Ross Island Bridge is only part of that problem, and plans for its improvement cannot and should not be divorced from the problem of approach and departure routes and the need for a Mt. Hood Freeway.

RECOMMENDATION

We unanimously recommend that the City Club go on record as being opposed to the passage of the proposal and urge a vote of "No" on the measure to issue bridge bonds.

Respectfully submitted,

TIMOTHY F. MAGINNIS

H. L. MCHENRY

DEWITT ROBINSON

BRUCE RUSSELL

JONATHAN U. NEWMAN, *Chairman.*

Approved October 22, 1958, by the Research Board for transmittal to the Board of Governors.

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**REPORT
ON
HYDROELECTRIC POWER FACILITIES BONDS
(CITY MEASURE NO. 53)**

Charter amendment authorizing establishment of hydroelectric facilities connected with city water system when estimated revenues from electricity and timber equal maintenance and financing costs; authorizing \$5,000,000 general obligation bonds outside debt limitations, payable primarily from said revenues; authorizing certain contracts; prescribing uses of remaining electricity and timber revenues.

TO THE BOARD OF GOVERNORS,
THE CITY CLUB OF PORTLAND:

EXPLANATION OF THE MEASURE

The proposed amendment to the charter of the City of Portland is a permissive measure which would enable the City Council to issue up to \$5,000,000 in general obligation bonds to finance the construction of hydroelectric power facilities at the city water system dam sites. The expected average production of the facilities planned is 98 million kilowatt hours per year.

The amendment will also require that substantial timber revenues, currently available only to the Water Bureau, and income from the sale of electric energy be deposited in the sinking fund to retire the above-mentioned bond issue. When there are no sinking fund requirements, the timber and power revenues may be used for additional electric power facilities, for payment of the city's electric bills, for sewer operation or construction, or for water supply and distribution facilities.

SCOPE OF INVESTIGATION

Your committee was asked to study and report on the above ballot measure. In the course of its study, your committee interviewed, among others, the following individuals who are considered to be familiar with the proposed ballot measure and various aspects of the development of power on the Bull Run River: Mayor Terry D. Schrunk; City Commissioners Nathan Boody and William B. Bowes; Thomas Delzell, Chairman of the Board and Chief Executive of Portland General Electric Company; Arthur J. Porter, Vice President, Portland General Electric Company; Kenneth Anderson, Chief Engineer, Bureau of Water Works; H. Loren Thompson, Stevens & Thompson, Consulting Engineers; Norman A. Stoll, Legal Counsel, State Public Utilities Commissioner; Marian Rushing, Chief Deputy, City Attorney's Office; Albert McCready, *Oregonian* Editorial Staff and Tom Humphrey, *Oregon Journal* Editorial Staff. The committee also studied the Stevens & Thompson report to the City of Portland on the Bull Run Hydroelectric Power projects, the Bureau of Water Works study and statistical data for 1957, and other articles.

BACKGROUND

The City of Portland obtains its water supply from the Bull Run River at a point 30 miles east of the City. The entire 102 square miles of the Bull Run Watershed is located within the Bull Run Forest Reserve, a heavily-timbered, uninhabited area of 218 square miles, set aside by the Federal government in 1892 for the Portland water supply. Trespassing and the grazing of stock on the reserve are prohibited by an act of Congress. A comparatively small part of the watershed is owned by the City of Portland; the remainder is owned by the Federal government. Contrary to early belief that the waters of the Bull Run were fed from the snows and glaciers of Mt. Hood, the main source of the river is Bull Run Lake which is fed primarily by springs and rainfall.

In 1929, when Bull Run Dam No. 1 was constructed, penstocks for the eventual production of hydroelectric power were installed. Penstocks are also to be installed in Bull Run Dam No. 2 which is now under construction. Bull Run Dams No. 1 and No. 2 are storage dams made necessary by the City's water requirements, and accordingly, the cost of both dams is being charged against water bureau revenues.

For many years, it has been suggested that the City of Portland develop the

power potential of the Bull Run River. In 1957, the firm of consulting engineers, Stevens & Thompson, submitted its report on the type and cost of Bull Run Storage Dam No. 2. At the request of the City Council, a report on the hydroelectric power facilities which could be economically developed at the existing and proposed dams was included in the Stevens & Thompson report. The report stated that power could be developed economically at both dams, provided the cost of all construction for the storage dams was charged to water supply development and provided the power generated could be integrated with a large power system.

The above ballot measure authorizing the issuance of \$5,000,000 general obligation bonds for the construction of power facilities was adopted by the City Council on August 28, 1958.

ARGUMENTS FOR THE MEASURE

1. The hydroelectric power potential of Bull Run Dams No. 1 and No. 2 is available without jeopardy to the city water system. This power should be developed to make optimum use of the watershed resources.

2. Although the amount of power which can be developed at the Bull Run Dam sites is not very large, the winter period of highest production coincides with the critical low water periods of the Columbia River. Power facilities with similar characteristics costing more and developing a comparable amount of power have been developed by private utility companies.

3. The development of Bull Run power will provide a source of revenue to the City of Portland which can be used to offset a part of the cost of street lighting, sewer operation, and other city facilities.

4. With a supply of power at its disposal, the City would be in a better bargaining position in contracting rates for street lighting and other municipal power requirements.

5. The City, because of the lower interest rate obtainable and the absence of taxation by Clackmas County can develop Bull Run power more economically than any private utility.

6. The charter amendment corrects the present situation wherein revenues from city-owned watershed timber are available only to the Water Bureau and permits the use of timber revenues to speed power bond retirement, operate sewers, offset street lighting costs and other municipal uses of electricity, as well as to improve the water system. Historical classification of watershed timber revenues as "water revenues" is questionable in any event.

ARGUMENTS AGAINST THE MEASURE

1. The proposed charter amendment involves two unrelated policy decisions: (a) the development of hydroelectric power at the Bull Run damsites, and (b) making the revenues from sales of city-owned watershed timber available for uses other than water supply and distribution.

2. A cheap and dependable supply of water is one of the major attractions to industry, and revenues historically available only to the Water Bureau should not be made available to subsidize city power development, sewer operations, street lighting and other facilities, in the absence of a comprehensive study of the wisdom of the move. Diversion of such revenues might well result in increased water rates.

3. Power production of the Pacific Northwest (both public and private development) is estimated to be adequate for maximum probable demand until 1963. There is no need to adopt a hastily-conceived and sweeping authorization of municipal power development at this time.

4. The profitable development of Bull Run power is entirely dependent upon favorable arrangements for the sale of power. The City should negotiate with the potential purchasers of the power and obtain a conditional commitment before the Council is given authority to construct power facilities.

5. Although the amendment is enabling in nature, adoption of the charter amendment would constitute a mandate for the City's entry into the power business and would leave too much discretion to the City Council. The amendment places almost no restriction upon the Council and permits the construction of any kind of electrical facilities, (including steam generating plants and the construction of transmission lines) and at any location, financed with the timber revenues which would otherwise be available only to the Water Bureau.

DISCUSSION

The charter amendment as proposed contains not one, but two propositions for resolution by the voters. The first is that the City build hydroelectric power plants at the City's water supply system dam sites on the Bull Run River and arrange for the sale of power. A \$5,000,000 general obligation bond issue is proposed to finance the construction of the power generating facilities. The second proposition incorporated within the measure is that revenues accruing from the sale of city-owned timber within the Bull Run watershed shall be deposited in the sinking fund for the retirement of the proposed bond issues, and when there are no sinking fund requirements, the timber revenues may be used for other electric power facilities, for payment of the City's electric bill, for sewer operation or construction, or for water supply or distribution.

The second proposition outlined above represents a fundamental change in the City Charter and in fiscal policy. The present City Charter prohibits the use of water revenues for any purpose but water supply and distribution. Traditionally, revenues from the sale of timber on lands assigned to the Water Bureau have been considered water revenues and available only for water supply and distribution purposes. The proposed Charter Amendment changes this policy.

The Committee believes that the two propositions included in the measure are unrelated and that they should have been made the subject of separate ballot measures. This belief is strengthened by the fact that the committee found no comment or consideration of the second feature of the measure in the various newspaper and voter publication analyses of the measure, and the fact that it does not appear that the general public is even aware that the measure involves a change of policy with regard to the watershed timber revenues.

There is considerable amount of over-ripe timber on lands assigned to the Water Bureau, and other timber on these lands must be cut for access roads, conduit lines, etc. Studies made by the Forest Service in conjunction with the City have resulted in a decision that certain watershed timber should be cut according to a plan which would not jeopardize the water supply. Estimates of the timber values to be harvested from city-owned watershed property in the next ten to fifteen years range from \$10,000,000 to \$20,000,000.

At present, this timber is considered an asset of the Water Bureau. Your committee can find no sound reason why this asset of the Water Bureau should be tied to a measure for the development of hydroelectric power. Two explanations have been offered. First, it is suggested by the Mayor that hydroelectric power and timber are both by-products of the City watershed. The committee does not believe that this explanation is sufficient justification. Secondly, it is suggested that the timber revenues will provide protection to the taxpayer in the event the sale of power does not provide enough revenue to service the debt and retire the bond issue. It may be that the risk of a deficit in the development of hydroelectric power should be borne by the water users rather than the taxpayers in general. However, the committee feels that there has been no study to date sufficient to justify such a conclusion.

Portland's dependable supply of water and the relatively low water rates have been a major attraction of this area to industry. Expenditures for capital improvements in excess of \$40,000,000 are projected by the Water Bureau for the next ten years. If the timber revenues are made available for other purposes, the water rates will necessarily be higher because of the loss of this revenue. The present measure permits the use of timber revenues by the Water Bureau only after sinking fund requirements of the hydroelectric bond issue have been met, and then only if the City Council decides that the revenues should be assigned to the Water Bureau. If the measure passes, even though the City Council decides not to develop hydroelectric facilities, the timber revenues could probably be used for purposes other than water supply development.

In the short time allotted for the study of the measure, your committee has been unable to study the needs and requirements of the Water Bureau. The committee can find no evidence that anyone has studied the effect of the loss of the timber revenue upon the requirements of the Water Bureau.

The Bull Run River is not an economical power stream. Development of the power potential becomes economical only if the cost of the dams is chargeable to water supply development, and if the power generated at the Bull Run facilities can be used as a part of the large power supply system in the area.

Normally the only period during which there is water flow in sufficient quantities to justify power production on the Bull Run River is from October 15th through June 15th. From June 15th through October 15th, only the water released for use in the City could be used for power generation.

The period of peak production from hydroelectric facilities on the Bull Run River coincides with the critical power period of the Pacific Northwest when a large part of the Columbia River watershed is frozen and power consumption is highest. Accordingly, a better market is available for Bull Run power than might otherwise be the case.

The above factors led Stevens & Thompson, consulting engineers, to conclude that power could be produced profitably on the Bull Run River. The engineering report recommended the construction of two power generating facilities, one at Bull Run Dam No. 1 and one at Bull Run Dam No. 2.

Based upon the median flow of water, it is estimated that the two plants would generate approximately 98 million kilowatt hours of electric energy per year. This is necessarily an average figure, since no two years are alike as far as stream flow is concerned. This is not a large amount of power, but some facilities which produce similar amounts of power have been constructed by private utilities in the Northwest in recent years.

While this particular project is negligible as far as satisfying area power demands are concerned, it can be justified in the overall future power demand picture on an "every little bit helps" basis. However, the primary justification advanced is that it may provide an additional source of revenue to the City.

The construction of the facilities is estimated by City Water Bureau engineers to cost approximately \$4,250,000 if the power is sold to Portland General Electric Company and if transmission lines are not required beyond PGE's Roslyn Lake facilities. Based upon these cost figures, assuming a 2.8% interest on the bonds, and a sale of power to PGE at the rate of 5 mills per KWH, it is estimated by the Water Bureau engineers that a net profit of \$151,000 will result in the average year. This, of course, assumes that the power can be sold to PGE at the rate of 5 mills.

Although various City officials interviewed and other individuals express the belief that there are other markets for the power, it is the opinion of the committee that Portland General Electric Company is the only logical customer because of the proximity of its facilities and because of the savings in operating costs by remote operation of the Bull Run plants from PGE's Roslyn Lake plant. The costs involved in erecting longer transmission lines or in paying transmission charges would diminish an already narrow margin of profit.

It has been suggested that the City cannot negotiate until it has something to sell. However, it is the opinion of the committee that a commitment from PGE regarding the price to be paid for the power could and should have been obtained before the present measure was submitted to the voters.

Principals of the Portland General Electric Company have indicated a willingness to negotiate to purchase the power if this ballot measure is approved and if the City erects the proposed power plants. The PGE officials have also indicated (and there is substantiation for the statement) that they have no need for additional power prior to 1963. Accordingly, there appears to be no urgency in the development of Bull Run power. The committee, of course, is mindful of the fact that there will be a time lag of approximately two years from the date of authorization to the date power is first produced.

The amendment contains the following provisions:

"SECTION 11-203 HYDROELECTRIC POWER FACILITIES BONDS.

In order to utilize the electric power potential available in municipal water supplies of the City of Portland, and in order to alleviate power shortages presently recurring in western Oregon at periods of low water flow in the Columbia River, whenever the Council determines that the revenues to be expected from electric power generation facilities together with certain other revenues specified in this section can reasonably be expected to equal or exceed costs of operation and maintenance and the annual payments on principal and interest of bonds issued pursuant to this section to finance such electric power facilities, the Council of the City of Portland may acquire, construct, install, replace, enlarge, maintain, operate and cause to be maintained and operated, hydroelectric power generation facilities, equipment and appurtenances, together with transmission lines, transformer and substation facilities and all other equipment or facilities necessary or appropriate for hydroelectric power generation and transmission in connection with water supply facilities of the City of Portland * * *

"Into said sinking fund the Council shall deposit revenues from sales of timber on lands owned by the City of Portland and assigned to the Bureau of Water Works, and income from the sales of electric energy produced by the

facilities authorized in this section, over and above the costs of maintenance and operation anticipated for the fiscal year. Any deficiency in said sinking fund shall be made up from tax revenues as other general obligations of the City. If the sum of timber sale revenues and income from the sales of electric energy, as anticipated for the fiscal year over and above the cost of maintenance and operation, exceed the sinking fund requirements set forth above, and when there are no fund requirements for a sinking fund, the Council may use such excess amounts for *additional electric power facilities* or replacement of facilities, for payment of the cost of street lighting and other municipal uses of electricity, for sewer operation, maintenance or additional facilities, or for additions to or improvement of water supply or distribution systems or facilities." (Emphasis added)

It is your committee's opinion that this gives the Council the authority to invest surplus funds accruing from power and timber sales in any type of electric power facilities without limit as to type, location, or feasibility.

CONCLUSIONS AND RECOMMENDATIONS

Your committee believes that the hydroelectric plants at Bull Run Dams No. 1 and No. 2 should be built when contracts for the sale of the power can be negotiated at rates which will provide a net income for the City of Portland from these facilities.

It believes, however, that:

(1) Water power and timber resources should not be combined in a single measure, with timber revenues earmarked to pay any deficit in operation of the power plants or for other unrelated uses.

(2) A change in the use of revenues from the sale of timber should not be made without a comprehensive study of the effects this will have on the capital requirements of the Water Bureau and on its rates.

(3) The City Council should not be authorized to proceed with "*additional electric power facilities*," without a direct authorization by a separate vote on this specific issue.

Your committee, therefore, recommends that the City Club go on record as opposing the measure, and urges a vote of "Measure No. 53 X No."

Respectfully submitted,

JOHN A. CARLSON
 CHESTER EHLE
 M. M. EWELL
 MILTON LANKTON
 JAMES M. STEWART, *Chairman*

Approved October 23, 1958, by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors October 27, 1958, and ordered printed and submitted to the membership for discussion and action.

**REPORT
ON
INCREASING FUNDS FOR WAR VETERANS' LOANS
(STATE MEASURE NO. 2)**

Purpose: To increase from 4% to 6% of the assessed valuation of all the property in the state as a maximum limitation on the amount of state bonds that may be issued to raise funds to make farm and home loans to World War II and Korean War Veterans.

TO THE BOARD OF GOVERNORS,
THE CITY CLUB OF PORTLAND:

Your committee was assigned to study and report on the proposed constitutional amendment referred by the 1957 session of the state legislature which would increase the amount of indebtedness that the state could incur for the purpose of making loans to qualified veterans. The amendment if passed would raise the fund from 4% to 6% of the assessed valuation of all the property in the state and would extend the service termination date for determining the eligibility of World War II veterans from September 2, 1945, to December 31, 1946.

SCOPE OF RESEARCH

Your committee interviewed H. C. Saalfeld, Director, and E. M. Mills, Assistant Director, Oregon Department of Veterans' Affairs, which Department sponsored the proposed amendment in the Legislature; Everett Mitchell, Secretary of the Committee Against Increasing State Debt, an organization of private and corporate mortgage lenders and realtors opposing the measure; and W. W. Campbell, Multnomah County Treasurer, active in veterans affairs. The committee studied the Administrative Rules of the Oregon Department of Veterans' Affairs; general loan statistics provided by the Federal Home Loan Bank Board; the Oregon State Treasurer's September 1, 1958, "Statement of Outstanding Bonds of the State of Oregon and of Assets Applying Against Such Bonds;" a summary of the House Committee Report on the functioning of World War II Federal Loans to Veterans; publications and articles on this subject by Oregon Tax Research, Oregon AFL-CIO ("Voting Recommendations"), League of Women Voters, the *Oregonian* and the *Oregon Journal*. The attorney member of the committee examined the applicable statutes and legislative records concerning this measure.

The committee also studied City Club committee reports dated October 27, 1944 and October 12, 1950 on previous veterans' loan measures.

LEGISLATIVE HISTORY

The practice of permitting the State to make direct loans to veterans from a fund created by the issuance of bonds was first introduced to Oregon by the adoption of Article XI-C of the Oregon Constitution at a special election held June 7, 1921. This article combined a cash bonus program with a loan program for veterans of World War I; by later amendment, eligibility was extended to include veterans of the Spanish-American War. Article XI-C was repealed by the electorate on November 4, 1952.

The present veterans' loan program had its origin in new Article XI-A of the Oregon Constitution, which was created in 1943 by House Joint Resolution No. 7 and adopted by vote of the people on November 7, 1944. This article covered veterans of World War II and limited the amount of indebtedness which could be incurred for creation of the loan fund to 3% of the assessed valuation of all property in the state. The termination of eligibility was described as the end of hostilities with the axis powers. (The City Club research committee reported unfavorably on this proposal, but the club membership rejected the report of the committee.)

A constitutional amendment adopted by the electorate on November 7, 1950 modified the service and residence requirements for eligibility for loans, and increased the limit of indebtedness from 3% to 4% of assessed valuation. (The majority of the City Club research committee reported favorably on this measure.) A further constitutional amendment adopted by the people on November 4, 1952, extended the eligibility to veterans of the Korean conflict.

During the 1957 Legislative Assembly ORS 407.040 was amended to increase the

maximum amounts which could be loaned to qualified veterans from \$9,000 to \$13,500 on homes, and from \$15,000 to \$30,000 on farms. Senate Joint Resolution No. 35 was prepared by the Department of Veterans' Affairs in the form of a proposed constitutional amendment to provide additional funds to carry out the expanded program under these higher loan limits and to make the date of termination of service for determining eligibility for veterans' loans uniform with that of other veterans' benefits. SJR 35, referring the proposed constitutional amendment to the electorate at the November 4, 1958 general election, was passed by the Oregon Senate (23 for, 6 against, 1 absent) on April 9, and by the House (37 for, 20 against, 3 excused) on April 24, 1957. In both houses of the Legislature the Democratic members voted overwhelmingly for the resolution; the Republicans joined their Democratic brethren in the Senate, but voted against the resolution in the House.

SUMMARY OF OREGON VETERANS FARM AND HOME LOAN PROGRAMS

1. When the World War I phase terminated in 1952, the record showed no cost to the state when considered separate and apart from any bonus or other benefit program. In fact, a surplus exceeding \$1,000,000 was turned over to the State Treasurer.

2. The World War II phase commenced in 1945 with a loan maximum of \$3,000 on both homes and farms; the loan maximum was increased in 1947 to \$6,000, in 1953 to \$9,000 on homes and \$15,000 on farms, and finally by the 1957 Legislature to \$13,500 on homes and \$30,000 on farms. Loans may not exceed 85% of the Department of Veterans' Affairs appraisal of the property mortgaged. Maximum terms are now 25 years on city property and 30 years on farm property. Applicants must intend to occupy property as their home. The interest rate is 4% to veterans, but if the property is resold to a non-veteran, the loan can be transferred to an approved buyer at 5%.

3. Mortgage cancellation life insurance is automatically provided at a present cost of 28c per \$1,000 of unpaid loan balance. The premium is paid by the borrower. Sixty death claims totalling \$357,174.33 have been paid.

4. The State Constitution (Article XI-A) now limits the bonded indebtedness that can be created by the Department of Veterans' Affairs to 4% of the assessed valuation of real and personal property in Oregon, which as of July, 1958, provided for the issuance of up to \$86,000,000 in bonds. The increase in the assessment ratio in Multnomah County from 40% to 100% this year, together with other normal valuation increases in Multnomah and other counties, raised the total assessed valuation in the State by an amount sufficient to support an additional bond issue of \$69,000,000 on a total bonding capacity of \$155,000,000, based on the present 4% bonding limitation. On September 17, 1958, \$20,000,000 of these additional bonds were issued.

5. From July, 1945, through August 31, 1958, inclusive, the Department made 22,427 loans totalling \$138,847,974, of which 14,806 totalling \$88,009,346.60 were outstanding September 1, 1958.

6. During this same period the Department received principal and interest payments totalling \$72,410,282.59, which money was used to:

- a. Retire bonded indebtedness of \$7,000,000;
- b. Provide for payment of interest on outstanding bonds;
- c. Pay the cost of administering the loan program and other Department of Veterans' Affairs cost, and
- d. Disburse as new loans.

7. The Department reports that if complete liquidation of outstanding loans were effected, and the bonded indebtedness retired in full, there would remain available for the use of the State Treasury a surplus calculated as of June 30, 1958 to be \$5,135,581.

8. During July, 1957, loans made to 586 borrowers totaled \$5,585,850. Thereafter approximately 100 loans a month have been made, and during July, 1958, 115 loans totaled \$1,217,500. Applications, however, have averaged over 300 monthly, resulting in 1,800 fully processed and approved applications on hand by September of this year for which no money was available until sale of the new bond issue. The Department has stated that nearly all the money provided by the recent \$20,000,000 bond sale will be used to make the 1800 approved loans now pending, and it has estimated that the rest of the funds forthcoming as a result of the new higher bonding limit caused by the abrupt increase in assessment ratio in Multnomah County will have gone into loans by the middle of 1959.

9. The Department estimates that 196,000 World War II and Korean veterans in Oregon are eligible for this benefit. To date 22,427, or 11% have used the loan privilege.

ARGUMENTS FOR

1. The program is not only self-supporting but profitable.
2. The proposed amendment will, in all probability, not result in any increase in taxes.
3. The fact that only 11% of eligible veterans have obtained state loans indicates that the future requirements for funds to continue the program will be considerable.
4. The alleged windfall to the Department of Veterans' Affairs resulting from the recent abrupt increase in assessment ratio in Multnomah County would not provide a permanent substitute for the measure since any subsequent tax assessor could again reduce the ratio.
5. During periods when money is scarce, the veterans' loan fund provides capital which would otherwise be unavailable.
6. The veterans' loan fund extends coverage to eligible borrowers in areas of the state not covered by private lenders.
7. The U.S. Veterans' Home Mortgage Guarantee program has proven inadequate:
 - (a) Delays have been extreme.
 - (b) Loans are difficult to obtain in rural areas.
8. During the past 13 years, approximately \$27,000,000 has been spent for new homes and improvements under the veterans' loan program, a significant factor in the state's economy.
9. The alleged tax loss from participation of the state in "free enterprise" activity is more than offset by the profit accruing to the state from the veterans' lending program.
10. The veterans' loan program does not constitute a threat to private enterprise.
11. The Department of Veterans' Affairs has operated with exemplary efficiency in service to the state.
12. A date for termination of the veterans' loan program can be provided at any time by the legislature without having to submit a constitutional amendment to the electorate.

ARGUMENTS AGAINST

1. This additional bonding authority is no longer necessary, because the change in ratio of assessed values in Multnomah County has already provided approximately the amount of money requested.
2. The state's continued activity in the private mortgage lending field for an indefinite time and on an expanding basis is an encroachment on the function of private enterprise for the benefit of a special group.
3. World War II has been over for 13 years, the Korean War for five years; the time has come for a new look at this program.
4. The "emergency" that this program was designed to relieve should end sometime, but there is no provision for its termination.
5. While the measure will increase the state's debt, and no tax money will be required to retire that debt, nevertheless the state will lose the taxes that it might have collected if this business had been handled by taxpaying lenders.
6. The Department of Veterans' Affairs has sponsored the expansion of an emergency program into a long-term business with increased lending limits on terms substantially less than competition, with an attendant increase in the stature and importance of the Department in state affairs.

MAJORITY DISCUSSION AND CONCLUSIONS

The veterans' loan program is not only self-supporting, but also profitable. In the past no additional taxes have been needed to support the program, and it is almost certain that it will continue to be self-supporting in the future. The favorable difference between the 4% interest charged to the borrower and the cost of the bonds (13-year average, 2.66%) has enabled the Department of Veterans' Affairs to pay the costs of administering the program, plus the operating costs of other veterans' services fur-

nished by the Department. In addition, operations of the veterans' loan fund had resulted, as of June 30, 1958, in a profit of over \$5,000,000.

Although thirteen years have elapsed since the end of World War II and five years have elapsed since the end of the Korean conflict, statistics indicate that only 11% of eligible veterans have taken advantage of the state loan program. It would seem that enough time has elapsed since the end of the two wars to have enabled all interested and eligible veterans to participate in the program by now; it should be remembered, however, that at the time of release from service, great numbers of veterans are young and unmarried. Furthermore, a large number of veterans upon return to civilian life either have to begin or resume their higher education, which can take many years. For others, getting established in a permanent civilian trade or occupation takes time and often involves several changes of domicile. Clearly, the original intent and purpose of the veterans' loan program has not yet been fulfilled, when 89% of those eligible have not yet obtained loans.

The Department of Veterans' Affairs has been able to make loans in the more remote areas of the state, particularly in eastern Oregon, where private lenders do not find it economical to extend their services. To this extent the federal GI loan program has been a failure, since the federal program merely guarantees loans made by private lenders, who are often unwilling to loan in rural areas. This has been pointed out by the 1957 Veterans' Committee of the United States House of Representatives in a report which said that there has been discrimination against veterans seeking GI home loans in rural areas. The report also states that veterans "lost the house they wanted, due to the fact that the seller would not wait an unreasonable length of time for the veteran to find out whether or not he could get a loan."

An argument against the passage of the amendment often propounded with much emotion is that the program constitutes a threat to private enterprise. Statistics indicate, however, that over the 13-year period in which the program has been in existence, non-farm loans made by the state constitute something less than ten per cent of the total non-farm mortgage loans of \$20,000 or less.

The State of Oregon is committed to supporting a veterans' loan program as long as Article XI-A remains a part of the state constitution. Opponents of the program seek to cripple it by denying the Department of Veterans' Affairs the authority to raise the money necessary to carry out the clear intent of Article XI-A. If the need for a veterans' loan program has expired, or if a substantial percentage of the electorate is now fundamentally opposed to the granting of this benefit to World War II and Korean veterans, these issues should be put squarely to the people by a referendum seeking to repeal Article XI-A, rather than by opposing the increase in bonding authority proposed by State Measure No. 2.

MAJORITY RECOMMENDATION

Therefore, the majority of your committee recommends that the City Club go on record in favor of this measure, and urges a vote of "Measure No. 2 X Yes."

Respectfully submitted,

LEO E. BUTTS
RALPH H. CAKE, JR.
WILLIAM O. KNOX, *Chairman*
for the majority.

MINORITY DISCUSSION AND CONCLUSIONS

The recent increase in the assessment ratio of real and personal property in Multnomah County provided a base upon which the issuance of \$20,000,000 of additional bonds have been sold. In addition, the balance of approximately \$49,000,000 will provide funds for the amount deemed necessary by the Department of Veterans' Affairs. The Department will have issued all the additional bonds so authorized, before any change in the assessments can be made and therefore the program will have been accomplished. Since the Department estimates that this additional money will carry its activities into mid-1959, there is ample time for the legislature to give this program the "second look" which it seriously needs.

We recognize that this type of assistance was justified immediately following World War II. However, it is a disturbing factor in the American economic system, since the state government is engaging in a lending business in direct competition with its tax-paying citizens. We believe that the further encroachment on private enterprise for the benefit of a special group must not be encouraged until a realistic redetermination has

been made by disinterested parties, either of the actual need now for such a program or the extent of such need.

The state should seriously consider whether it intends to provide all of its citizens with mortgage loan services before it extends indefinitely the privilege to only a special group. Thirteen years have passed since termination of World War II, and five years since the end of the Korean War. At some point in time the veterans other than those disabled or incapacitated must return to their status as equal citizens.

The record of loans made by the Department of Veterans' Affairs shows that only 11% of eligible veterans have availed themselves of the farm and home loans. It would, therefore, seem that urgent need is not a significant factor.

The bonds which the Department of Veterans' Affairs is authorized to issue are direct obligations of the State of Oregon and therefore cannot be considered as unrelated to the state's total indebtedness. However, unless severe economic reverses are experienced, the orderly retirement of the bonds is expected out of the repayment of loans.

Further, the state foregoes any annual expendable income in the form of taxes that it would enjoy if these mortgage loans were made by private and corporate taxpaying lenders. Any increment to the state treasury from the operations of the loan fund is contingent upon final liquidation of the loan portfolio, presumably at some indefinite time in the future.

MINORITY RECOMMENDATION

Thoughtful members of the electorate should be concerned over the impact of the "windfall" caused by the huge increase in assessed values in Multnomah County and the potentialities of its effect being augmented by a further increase in the bonding limit, if this measure were to pass. The minority of your committee must therefore respectfully dissent from the conclusion of the majority and recommend that the City Club go on record as opposed to "Increasing Funds for War Veterans Loans," State Measure No. 2, and urges a vote of "No" on this measure.

Respectfully submitted,

RELPH ALBERGER
P. S. MCALLISTER
for the minority.

Approved by the Research Board October 24, 1958 for transmittal to the Board of Governors.

Received by the Board of Governors October 27, 1958, and ordered printed and submitted to the membership for discussion and action.

SUMMARY OF CITY CLUB ACTION ON BALLOT MEASURES

<i>Measure</i>	<i>Committee Recommen- dation</i>	<i>City Club Action</i>
STATE BALLOT		
No. 1. Fixing State Boundaries	No Report	None
No. 2. Increasing Funds for War Veterans' Loans	Majority Yes Minority No	(Oct. 31 Vote)
No. 3. Salaries of State Legislators	Yes	Yes
No. 4. Capital Punishment Bill	Yes	Yes
No. 5. Financing Urban Redevelopment Projects	Yes	Yes
No. 6. Modifying County Debt Limitation	Yes	Yes
No. 7. Special Grand Jury Bill	Yes	Yes
No. 8. Authorizing Different Use of State Institutions	Yes	Yes
No. 9. Temporary Appointment and Assignment of Judges	Yes	Yes
No. 10. State Power Development	No	No
No. 11. County Home Rule Amendment	Yes	Yes
No. 12. Authorizes Discontinuing Certain State Tuberculosis Hospitals	No	No
No. 13. Persons Eligible to Service in Legislature (Initiative)	No	Yes