Presentation, discussion and action on November 8, 1966 ballot measures as follows:

**REPORT ON MULTNOMAH STADIUM ACQUISITION BONDS**
(Municipal Measure No. 53)

_The Committee:_ Donald M. Comfort, Harry Czyzewski, Stewart A. Dean, M. M. Ewell, R. Lee Johnson, George Q. Murray, Donald J. Sterling, Jr., and R. Evan Kennedy, _Chairman._

* * *

**REPORT ON STATE BONDS FOR EDUCATION FACILITIES**
(State Ballot Measure No. 2)

_The Committee:_ Tommy B. Graham, Robert H. Huntington, Robert M. Kerr, E. Kimbark MacColl and Leon Gabinet, _Chairman._

(Members are requested to bring their copies of this Bulletin to the discussion on Friday since only a limited supply will be on hand for circulation at the meeting)

"To inform its members and the community in public matters and to arouse in them a realization of the obligations of citizenship."
ELECTED TO MEMBERSHIP


OCTOBER 28 MEETING
SCHEDULED FOR HILTON

Due to another standing reservation the Benson Hotel has with a large annual convention meeting, the City Club is moving its meeting to another location on Friday, October 28th.

Arrangements have been made to hold the meeting at the Portland Hilton that day. Further details will be announced next week.

MEASURES FILL NEXT THREE PROGRAMS PRIOR TO NOVEMBER ELECTION

For the next three weeks, City Club luncheon programs will be devoted to presentation, discussion and action on reports on the various ballot measure reports to be submitted by Club Committees.

Upcoming reports for October 28 and November 4 include, PP & L Franchise measure; Charter Revisions measure; Public Transit Employees measure, and the County Home Rule Repeal, pending court judgment this week.

FORMER PHILADELPHIA MAYOR TO ADDRESS FIRST OF SERIES OF ANNIVERSARY BANQUETS

J. Richardson Dilworth, former mayor of Philadelphia, and Mrs. Dilworth, will be honored guests at the first of a series of banquets celebrating the City Club’s Fiftieth Anniversary.

The dinner meeting, to which members, wives and guests are cordially invited, is scheduled for Thursday, November 10, 1966, at the Sheraton Hotel Ballroom.

Mr. Dilworth, an attorney, is considered outstanding in the field of urban affairs, which will be his address theme, and even though he does not now hold public office, he is deeply involved in many civic planning programs in his region.

Details on tickets, times, and other data will be published in next week’s Bulletin, space permitting. Reservations may be made by calling the City Club.
To the Board of Governors,
The City Club of Portland:

I. THE MEASURE

Authorizing issuance of serial general obligation bonds totaling not more than $2,500,000 for acquisition of Multnomah Stadium and its improvement and repair, with not more than $2,100,000 to be expended for acquisition.

BE IT ENACTED BY THE PEOPLE OF THE CITY OF PORTLAND, OREGON:

Section 1. Pursuant to Chapter VII, Article 2 of the Portland City Charter, the City Council is authorized to issue serial bonds in a total sum not exceeding $2,500,000 with initial maturity date three years from the date of issue and final maturity date twelve years from the date of issue. The bonds shall be general obligations of the city, but any net revenues from Multnomah Stadium after necessary improvements and expenses, including but not limited to maintenance and repair, may be used for payment of interest or principal of those bonds outstanding. The bonds shall be known as "Multnomah Stadium Bonds." The proceeds therefrom shall be used for acquisition of Multnomah Stadium, by purchase or otherwise, and for its improvement and repair, with not more than $2,100,000 to be expended for acquisition.

II. THE ISSUE

This measure has been referred to the voters by the Portland City Council, to be voted on at a special municipal election to be held at the same time as the general municipal election on November 8, 1966. Its purpose is to authorize the City to issue bonds in order to acquire Multnomah Stadium from the Multnomah Amateur Athletic Club, and to improve and repair that stadium.

A voter who favors the bond issue should vote "Yes"; a voter who opposes it should vote "No."

III. SCOPE OF RESEARCH

The research committee submitting this report was established under a research authorization of the City Club's Research Board entitled, "Stadium Facilities in the Portland Metropolitan Area." The Committee was given two separate charges which in brief are these:

1. To study and report on the needs of the Portland metropolitan area for additional and/or improved stadium facilities, and on the most suitable form of governmental and/or private action to meet them.

2. To study and report on any ballot measure arising during its work, which pertains to Multnomah Stadium or any other metropolitan stadium.

The research committee held its first meeting April 7, 1966, and has been at work since that time on a study of the Portland area's long-range stadium needs in response to Part 1 of its charge. Since the Committee began its study, the Portland City Council, early in September, 1966, referred Measure No. 53, pertaining to Multnomah Stadium, to the City's voters. The Committee therefore submits this report on Measure No. 53 to the City Club in response to Part 2 of its charge. The Committee intends to continue its long-range study of Portland's stadium problems, subject to the pleasure of the Club's Board of Governors.
Persons interviewed by the Committee as a whole, or by individual members of the Committee, are:


Harvey S. Benson, president of the Multnomah Civic Stadium Association, and a past president of the Multnomah Athletic Club.

Lloyd T. Keefe, director of the Portland City Planning Commission.

Harry Glickman, Portland professional sports promoter.

Ralph H. Millsap, chairman of the Stadium Task Force Committee of the Portland Chamber of Commerce, and Oliver C. Larson, executive vice president of the Chamber.

William R. Moore, president of the Portland Baseball Club.

J. Neil (Skip) Stahley, athletic director of Portland State College.

Edward Welch, manager of research and computer development for Pacific Power & Light Co.; formerly associated with Ebasco Services, Inc., at the time Ebasco Services prepared an economic feasibility and planning study of the proposed Delta Dome stadium.

Terry D. Schrunk, mayor of Portland.

E. G. (Bud) Kyle, mayor of Tigard, Oregon, and president of Tri-County Stadium, Inc.; and Phillip Balsiger, an architect associated as a volunteer with Tri-County Stadium, Inc.

Mel Gordon, M. James Gleason and David Eccles, members of the Multnomah County Board of Commissioners.

Ira C. Keller, chairman, and John B. Kenward, executive director, Portland Development Commission.

John Y. Lansing, vice president of Pacific Power & Light Co., and chairman of a citizens' "Committee of 40" established in the summer of 1966 to study the Portland area's stadium needs.

Documents studied include:

Stadium Recommendations, a joint report of the Portland City Planning Commission and Multnomah County Planning Commission (February 20, 1962).


Newspaper reports of the Oregon Journal, the Oregonian and selected clippings from newspapers in other cities.


Stadium and Exposition Facility at the P.I. Site, report of Cornell, Howland, Hayes & Merryfield, consulting engineers, to the Multnomah County Board of Commissioners (June, 1966).

Reports of former City Club committees on the two 1964 Delta Dome ballot measures.


For the record, two of the eight members of the Committee are members of the Multnomah Athletic Club. None is a present or past officer or director of the Multnomah Athletic Club or the Multnomah Civic Stadium Association.
IV. BACKGROUND OF THE MEASURE

Measure No. 53 comes to the ballot because the members of the Multnomah Athletic Club, which owns Multnomah Stadium, voted at their annual meeting February 8, 1966, that the Club should offer the stadium and 7.09 acres of land on which it stands for sale to the City or Multnomah County for $2,100,000. They also voted that if the City or County failed to undertake purchase of the stadium property for preservation as a stadium, or if a bond issue for that purpose were defeated in the May, 1966 primary or November, 1966 general election, all or part of the stadium property should be offered for sale to any buyer at a price of not less than $2,100,000. If the stadium were not to be sold to the City or County, the Club's members reserved the right to decide to keep part of the 7.09 acres for the Club's own use, and to sell the rest at an appropriate reduction in price.

No stadium measure appeared on the ballot of either the City or the County at the May, 1966 primary election. The Multnomah County Commission formally voted on April 12, 1966, not to submit a measure for purchase of Multnomah Stadium to the County's voters. The Portland City Council took no formal action until early in September, 1966, when it voted unanimously to place Measure No. 53 on the City ballot on November 8, 1966. The mid-August deadline for referring measures to the municipal general election had passed, but the Council acted before the later deadline allowed by the City Charter for calling a special election at the same time as the general election—a device the Portland City Council often uses for ballot measures.

A. MULTNOMAH STADIUM HISTORY

The reasons why the Multnomah Amateur Athletic Club, a private club, owns the City's only large stadium, and why it is now offering it for sale, go far back into Portland's history.

The Club was incorporated in February, 1891. In 1892 the Club leased 5 acres on the south side of what is now S.W. Morrison Street between 18th and 20th Avenues for an athletic field. In the 1890s spectators sat on dirt banks beside the field. In 1899 the Club bought the 5 acres it had been leasing, and in 1900 a small grandstand was built. After a fire in 1910, the grandstand was replaced by one seating 3,300. In those days the annual Thanksgiving Day football game between the Multnomah Club's own team and the University of Oregon was Portland's big game of the year.

Games between college teams by 1915 were outdrawing the Multnomah Club's contests, and by the early 1920s crowds regularly overflowed the grandstand. In 1923 the Multnomah Club bought more property at 20th and Morrison and added another grandstand seating 6,000 at the north end of its field. The Club received substantial income from field rental, but the crowds soon grew until they overflowed the new stands. The major tenants—the University of Oregon, Oregon Agricultural College (now OSU), and the Portland Rose Festival Association (which by then was putting on its "Rosaria" pageant at the field)—pressed for better facilities.

To meet this demand, the Club's members approved, in 1926, a proposal of the Club's Board of Trustees for construction of a new stadium. The Multnomah Civic Stadium Association, a non-profit corporation, was formed, consisting of 17 trustees who represented various civic and educational groups as well as the Club. An agreement of March 9, 1926, between the Club and the Stadium Association provided for (1) financing of the new stadium through sale by the Stadium Association of seat plaques at $100 each, good for one free ticket to each event in the stadium for the next five years; (2) payment of $5,000 a year to the Club (reduced to $6,000 a year by 1927) in lieu of the rent the Club had been receiving directly for outsiders' use of its field; and (3) transfer of ownership and operation of the stadium from the Club to the Association at the end of ten years.

Sales of the $100 plaques boomed at first, but by May 5, 1926, only $300,000 of the required $500,000 had been raised. So the membership of the Multnomah Club authorized the issuance of $550,000 in 20-year 6 per cent first mortgage
gold bonds secured by all property and assets of the Club. Of this amount, $285,000 paid off the debts of the Club, and the balance was for stadium construction. A construction contract was signed May 7, 1926, and the stadium was ready, seating 23,770 spectators, at the dedication game between Oregon and Washington five months later.

The five-year commitment to plaque-holders was fulfilled in October, 1931. By then, in the midst of the depression, both the Club and the Stadium Association were in financial difficulties. After extensions granted by the bondholders, the last bonds were retired on December 1, 1952, and the obligation of the Multnomah Civic Stadium Association to holders of seat plaques and bonds had been discharged.

Meanwhile, in 1939, the articles of incorporation of the Stadium Association were amended so that thereafter all of its trustees were appointed by the Board of Trustees of the Multnomah Athletic Club.

B. RECENT OPERATIONS

On December 1, 1950, the Stadium Association agreed to pay the Club a fixed rental of $39,200 a year, or less in years in which the Association's net income fell below $39,200, with the difference to be made up in later years if the net income exceeded $39,200 a year.*

The stadium enjoyed a steady income between 1950 and 1955. In those years the Multnomah Kennel Club was holding dog races in the stadium and paying the Stadium Association rent of $100,000 a year. But in 1956 the Kennel Club moved to a racing plant of its own, and the Portland Baseball Club transferred its home games to the stadium from its former Vaughn Street ball park. The decline in stadium revenues which soon followed is shown in this table of the Stadium Association's net income or (loss) before rental payments to the Multnomah Club, year by year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income or (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>$70,562</td>
</tr>
<tr>
<td>1951</td>
<td>78,580</td>
</tr>
<tr>
<td>1952</td>
<td>90,123</td>
</tr>
<tr>
<td>1953</td>
<td>59,302</td>
</tr>
<tr>
<td>1954</td>
<td>83,665</td>
</tr>
<tr>
<td>1955</td>
<td>77,177</td>
</tr>
<tr>
<td>1956</td>
<td>42,543</td>
</tr>
<tr>
<td>1957</td>
<td>44,660</td>
</tr>
<tr>
<td>1958</td>
<td>$20,012</td>
</tr>
<tr>
<td>1959</td>
<td>32,294</td>
</tr>
<tr>
<td>1960</td>
<td>18,816</td>
</tr>
<tr>
<td>1961</td>
<td>(3,703)</td>
</tr>
<tr>
<td>1962</td>
<td>2,229</td>
</tr>
<tr>
<td>1963</td>
<td>2,827</td>
</tr>
<tr>
<td>1964</td>
<td>1,309</td>
</tr>
</tbody>
</table>

At the time the baseball club moved into the stadium, it spent more than $300,000 of its own money remodeling the stadium to adapt it for baseball, and it held title to those leasehold improvements. But in 1963, when the fortunes of the baseball club were at low ebb, title to those improvements (by then partially depreciated) passed to the Multnomah Club, and the baseball club no longer has any claim on them.

Prior to 1946 the Multnomah Club, like many other private clubs, paid no property tax on any of its property. In 1946 both the clubhouse and stadium properties of the Club were placed on the tax rolls. In the 1965-66 tax year the Association paid about $30,000 in ad valorem property taxes on the stadium property. The property tax bill for the 1966-67 year is $38,379.

C. DECISION TO SELL

By 1960 the Club's Board of Trustees decided that the stadium was approaching the point of becoming a liability to the Club and that the Club should explore the possibility of selling it, first, to the City, or second, to commercial investors.

*The subsequent liability for back rental existed only between the Club and the Stadium Association, and whoever purchases the stadium does not assume this obligation.
Declining income and rising property taxes were two of the reasons for this decision. Other reasons, which existed in 1960 or have developed since, include these: The Memorial Coliseum opened in 1960, drawing away some events such as the Shrine Circus and ice show which formerly had used the stadium. The University of Oregon and Oregon State University announced plans to move most or all of their home football games to their own campuses. The Oregon School Activities Association also announced plans to move the state high school football championships to a field conveniently located for the two finalists. The Portland high school football jamboree was discontinued after 1957. The stadium needed extensive improvements and repairs which the Club has not been willing or able to make. The Multnomah Club began building a new clubhouse; Phase I is now completed, and some Club members see sale of the stadium as a source of revenue to pay for the planned Phase II. And there is interest in the Portland metropolitan area in building a new stadium of major-league caliber which, if built, would strongly affect the use of Multnomah Stadium.

The Club's Trustees concluded that the Club had a moral responsibility, though not a legal one, to offer the stadium for sale to the City or County before considering any commercial development which would destroy it as a stadium. In 1960, it offered its entire 9.73 acres of clubhouse and stadium property to the City for $3,500,000. The City Council did not reply with the time for ballot action in the November, 1960 general election.

In January, 1961 the Club published a brochure calling attention to the stadium property as a real estate investment opportunity. This action prompted some businessmen to propose enlargement and retention of the stadium. The City and Multnomah County planning commissions in April, 1961 began a joint study of eight potential stadium sites in the Portland metropolitan area. On the basis of this study, published in February, 1962, the City Planning Commission recommended that the City should offer to lease Multnomah Stadium, with an option to buy; and that if a lease could not be negotiated, the City should buy the stadium "on the basis of the market value of the raw land . . . less the cost of demolition of the stadium proper."

Representatives of the Club and the City Council met in the summer of 1962 to discuss possible lease terms, but the Council decided it was not interested and would not put the question on the ballot.

On August 1, 1962, a volunteer civic group, Portland Metropolitan Future Unlimited, proposed a plan for an Olympic-size domed stadium in Delta Park. This proposal eventually resulted in the Multnomah County Commissioners placing a bond issue for a $25,000,000 Delta Dome stadium on the County Ballot in May, 1964. The measure was defeated by the voters. Revised and resubmitted, it was defeated again in November, 1964.

Meanwhile the Multnomah Club's officials went ahead with studies looking toward sale of the stadium as commercial real estate. In 1963 the Club's trustees authorized F. H. Andrews, realtor, to try to negotiate a sale or lease of the property. But that fall, after sellout attendance at the Oregon-Washington football game in the stadium, a number of downtown property owners launched a "Save Our Stadium" movement, calling attention to the business the stadium could draw to the community. At the Club's annual meeting in February, 1964, a group of members moved to cancel the offer to sell or lease the stadium, in order to preserve it for use either by the community or by the Club's own members. The motion was carried and the Club's Trustees canceled the listing.

In 1964, too, the United States Internal Revenue Service adopted Revenue Procedure 64-36, which in effect says that for a social club to retain its exemption from Federal income tax, no more than 5 per cent of its annual gross receipts can come from sources other than membership fees, dues and members' patronage. The officials of the Multnomah Club interpret this to mean that if the Club were to lease the stadium, the annual rental, when added to the small revenue from non-member business the Club now has, might amount to more than 5 per cent of gross receipts and could result in the Club's having to pay Federal income tax on its net income. For this reason, the Club's officials say, they are no longer willing to discuss leasing the stadium.
After the two defeats of the Delta Dome measure, City Commissioner Mark Grayson and County Commissioner David Eccles were appointed, late in 1964, to explore the stadium question further. At Eccles' urging, legislation to enable counties (such as the three Portland metropolitan area counties) to build and operate a stadium project jointly was introduced in the 1965 Oregon Legislature, but failed to pass. In October, 1965, the Portland City Planning Commission again called attention to its 1962 report and recommended to the City Council "that an investigation be made of the possibility of purchasing Multnomah Stadium for interim use at a reasonable price." It mentioned no specific price. The Council took no immediate action on the recommendation.

On December 15, 1965, the Trustees of the Multnomah Club announced that they were recommending to their members that the stadium property should be sold, either as a stadium, or for commercial development. The spirit of their discussion was that the Club had a moral obligation to offer the general public one more chance, terminating at the end of 1966, to decide whether it wanted to buy and preserve the stadium before it was put on the open market. By a vote of 887 to 75, the Club's members approved the Trustees' recommendation.

D. OTHER STADIUM PROPOSALS

Announcement of the Trustees' recommendation touched off a new flurry of community interest in the stadium problem. The Portland Chamber of Commerce formed a "Stadium Task Force," which raised money from businessmen to pay for a study of Multnomah Stadium by the firm of Moffat, Nichol & Taylor, Consulting Engineers. That firm's report, published in February, 1966, included these comments:

Because of limited land area available, functional obsolescence of existing facilities, high costs of new construction and rehabilitation and high costs for necessary off-street parking, Multnomah Stadium is not recommended for development into a permanent facility for major league baseball and/or football.

It is therefore believed that the best use of Multnomah Stadium is as an interim sports facility to serve the same scope of activities as at present. To meet the requirements for such interim service, improvements recommended in this report should be accomplished.

The report estimated a cost of $196,000 for "essential" improvements and contingencies, and $52,000 for "supplementary" improvements, for a total of $248,000.

Another citizen group, calling itself Tri-County Stadium, Inc., mainly from Portland's southwest suburbs, developed a proposal for joint construction by Multnomah, Washington and Clackamas counties of a 50,000-seat stadium at the intersection of Nyberg Road and the Salem Freeway, 11 miles south of Portland.

Mel Gordon, chairman of the Multnomah County Commission, suggested construction of a football-baseball stadium complex adjoining the County-owned Pacific International Livestock Exposition building.

It also became known that the Portland Development Commission was willing to consider inclusion of a stadium as part of an urban renewal project in the Albina district of Portland.

None of these latter projects had come to maturity by the time the deadline approached for placing measures on the November, 1966, ballot. Finally, urged on by the Chamber of Commerce's Stadium Task Force, the Portland Board of Realtors, and other civic groups, and by the editorial pages of both the Oregon Journal and Oregonian, the Portland City Council voted to submit Measure No. 53 to the people.
V. DESCRIPTION OF MULTNOMAH STADIUM

The Stadium property referred to in Measure No. 53 is shown on the accompanying map. It consists of most of the Multnomah Stadium structure and the 7.09 acres of land on which it stands, which is bounded by S.W. 18th Avenue, S.W. Morrison Street, S.W. 20th Avenue, and by an east-west line from S.W. 18th Avenue to S.W. 20th Avenue which is a continuation of the south wall of the stadium's west grandstand. It does not include the south access road, the south wall or the part of the southeast bleachers which lie south of this east-west line. An easement from the Club to use these facilities has been promised.

The Club would retain for its own clubhouse and other purposes the remaining 2.63 acres lying between S.W. Salmon Street, the east-west line at the south end of the stadium property, and 18th and 20th Avenues.

The stadium property is zoned as M3 (Light Manufacturing). The clubhouse property is zoned A0 (Apartment Residential).

A summary prepared by the Club gives the following seating capacity for the stadium:

<table>
<thead>
<tr>
<th>Description</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main grandstand</td>
<td>21,052</td>
</tr>
<tr>
<td>Box and loge chairs</td>
<td>2,398</td>
</tr>
<tr>
<td>East side permanent bleachers</td>
<td>5,328</td>
</tr>
<tr>
<td><strong>Total capacity for baseball</strong></td>
<td><strong>28,778</strong></td>
</tr>
<tr>
<td>Portable bleachers</td>
<td>6,300</td>
</tr>
<tr>
<td><strong>Total capacity for football</strong></td>
<td><strong>35,078</strong></td>
</tr>
</tbody>
</table>

A. NEEDED IMPROVEMENTS

The Multnomah Club's 1965 Report states that “during the past ten years the stadium has had only minimum and emergency maintenance and...the stadium is generally in need of repair.” In the opinion of the writers of that report, the stadium needs: Sandblasting and painting of the steel columns supporting the roof, and possibly replacement of some roof timbers due to dry rot; replacement of some of the seating which has rotted because of exposure to the weather; improvement of existing rest rooms, and addition of rest rooms on the east side of the field, where now there are none; improved and enlarged press box facilities; new team rooms, to replace those now used in the Multnomah Club; enlargement of concession stands; and possibly, resurfacing of part of the playing field.

The Moffat, Nichol and Taylor study generally concurs with these views.

B. VALUE OF STADIUM

Estimates of the value of the stadium property vary considerably, depending on who is making them, for what purpose, and on what assumptions.

The joint City-County planning study published early in 1962 noted three possible ways of arriving at a value for the stadium property: (1) on the basis of a survey of recent sales in the area, it estimated a fair market value of between $2,657,910 and $2,860,325 for the clubhouse, stadium and 9.7 acres of land. (2) It accepted the County assessor's assigned fair market value of $803,600 for the stadium structure and added $1,237,104 for the 7.09 acres of land (derived from recent sales of smaller parcels of adjoining land) for a total of $2,040,704. (3) It said that the City might look on the stadium property as an investment in land only, and offer only the estimated land value of $1,237,104, less the estimated $160,000 cost of demolishing the stadium, for a net of $1,077,000. The City Planning Commission recommended this third method of valuation.

In October, 1963 two different independent appraisers made evaluations for the Multnomah County Board of Commissioners. These assumed use of the property for a street-level shopping center with single-story stores. After allowing for the cost of demolishing the stadium structure and filling the site to bring it to street level, one appraiser estimated a fair purchase price of the property, as it now stands, to be $1,100,000, and the other estimated $1,250,000.
The Multnomah County assessor’s office assigns for the 1966-67 tax year a true cash value to the stadium property for ad valorem tax purposes of $1,402,000.

The Multnomah Club’s 1965 Report said that a study of the commercial potential as a shopping center of the stadium property, made by the Seattle firm of Larry Smith & Co., indicated an earning capacity which would justify a value of $1,950,000 for the land.

In 1964, the Club’s report said, a development plan for the stadium property for a high-rise complex of commercial uses, made by the planning firm of Welton Becket & Associates, Los Angeles, indicated a return on land to the developer sufficient to justify a price of about $4,000,000.

The Club’s president, Edward H. Look, has said that since announcing its new offer to sell last February, the Club has received expressions of “very serious interest by very responsible parties” at the Club’s asking price of $2,100,000, and that the Club’s real estate agent, F. H. Andrews, believes he may be able to get as much as $2,500,000 for the property if the City does not buy it.

VI. EFFECT OF THE MEASURE

When the City Council worded Measure No. 53 to specify that “not more than” the Club’s asking price of $2,100,000 could be spent for acquisition of the stadium, it had in mind the considerably lower valuations which have been put on the property by some appraisers. Multnomah Club officials have said repeatedly that $2,100,000 is the price fixed by vote of the Club’s membership, and that the Club will not bargain for a lower price. Mayor Terry D. Schrunk has said, however, that he hopes that if Measure No. 53 passes, the City and the Club can negotiate a lower price based on a new appraisal or appraisals of the property. He also has said that the City might file a suit to condemn the property at a court-fixed price, if the bond issue passes.

The intention of the City Council appears to be that if the City succeeds in buying the property for less than $2,100,000, it might add the amount of the saving to the $400,000 provided for in the ballot measure for repairs and improvements to the stadium.

Both the Multnomah Club and the Multnomah Civic Stadium Association have given the City Council letters stipulating the terms on which they would be willing to sell the stadium and its fixtures to the City.

The Multnomah Club’s offer, set out in a letter from its real estate agent, F. H. Andrews, contains these principal points:

—“The City, County or other public body may have until December 31, 1966, to enter into a firm contract to acquire the property at a price of $2,100,000.00 payable in cash. We understand that if purchase bonds are issued, the funds may not be available for payment to Multnomah Athletic Club until as late as May 1, 1967. The Stadium will be sold subject to outstanding contracts for its use and the assignment of such contracts will be effected at the time of the transfer.”

—“Multnomah Athletic Club will give a mutually satisfactory easement covering the joint use of access road on the south side of the Stadium and all land north of this road not included in the sale. The easement would allow the widening of the road at the City’s expense and the easement would terminate upon cessation of the use of the property as a stadium in its present or expanded form or upon sale by the City of the Stadium property.”

—“To the extent compatible with its plans for the use of its present buildings, the Club will allow use of the Club team rooms until new team rooms can be constructed by the City under the stadium or until the building in which the team rooms are situated is torn down in connection with the Club’s reconstruction program, but in any event not later than January 1, 1968.”

—“In the event the City acquires the property under the above offer and at a later date it desires to sell same for use other than a stadium, in order to protect its interests, the Club must retain the first right of refusal to repurchase the property at a price and upon the terms which other parties would be willing to pay.”
—"If a satisfactory agreement with the City, County or other public body is not executed by December 31, 1966, then the Club will consider that it is relieved of further responsibility to the City, County or other public body and the property will be available for sale to private investors or developers at a price of $2,500,000."

Mayor Schrunk has said he believes the Club’s offer regarding easements would be acceptable to the City.

In a separate letter from its president, Harvey S. Benson, the Stadium Association also has promised to sell the City, for $1, all of the Stadium Association’s equipment as set forth in an inventory, if the City accepts the Multnomah Club’s terms for sale of the stadium. This equipment includes about 5,300 bleacher seats, grass cutting machinery, goalposts, scoreboard and the like.

The Council has not announced how or by whom a City-owned stadium would be operated. Council members have warned that in addition to the amount spent on retirement of the bonds and payment of interest, there might have to be an annual operating subsidy out of City funds if stadium revenues failed to cover expenses.

To the owner of property in the City with a fair market value of $15,000 the cost of the bond issue would be about $1.54 a year in additional property taxes for 12 years, Ormond R. Bean, City Commissioner of Finance, has estimated. Because of the many variables involved in predicting tax assessments in future years, this figure can be only an approximation.

VII. ARGUMENTS FOR THE MEASURE

1. A stadium is a civic asset. It is difficult to measure accurately the benefits which a stadium produces, and this is true of recreation facilities generally. But the events in a stadium do provide entertainment and recreation for the public. Stadium sports events stimulate interest in health-giving athletics, especially among the youth of the community, and this helps curb juvenile delinquency. A stadium and the teams it houses are sources of civic pride. To some extent the events in a stadium stimulate the economy of the city and directly increase the business of hotels, motels, restaurants, bars, stores and other establishments, and increase job opportunities for their employees.

2. Multnomah Stadium is the Portland metropolitan area’s only major stadium. Several proposals have been made for a new stadium, but none has been authorized, none is under construction, and none is in a detailed planning stage. The Multnomah Athletic Club appears to be entirely serious when it says it intends to offer at least part of the stadium property for sale as commercial real estate, which could mean its early demolition unless Measure No. 53 passes.

3. Multnomah Stadium, if purchased and improved as contemplated by the measure, could be expected to be used in the immediate future for Portland Beavers’ minor league baseball, some football games of local colleges like Portland State, Lewis & Clark and Linfield; a few Oregon State University football games; one or two major league professional football exhibition games each year; minor league and semi-professional football; the annual Shriners high school all-star football game, and occasional large outdoor meetings such as the Jehovah’s Witnesses’ convention and the American Legion drill competition held there in recent years. Under City management, various new uses of the stadium for recreation by children and other segments of the public might be developed.

If the stadium should be demolished and no replacement built, the Portland area probably would lose minor league baseball and exhibition major league professional football entirely, and might lose some others of these events.

If a stadium facility is maintained, there is a possibility that in ten or more years Portland State football might develop into a major user, and that new uses for such growing sports as soccer and rugby might develop.

4. The Multnomah Club’s asking price of $2,100,000, or $6.87 per square foot, for the stadium is virtually the same, on a per-square-foot basis, as the price
discussed by the Oregon Highway Commission for the entire property of the Club when the route of the Stadium freeway was being studied nine years ago. Smaller tracts within two blocks east of the stadium property have sold in the past two years for between $6.50 and $8.75 a square foot, and relatively large parcels such as the stadium tract often command a premium price.

A comparable stadium in a comparably central location could not now be built for as little as $2,500,000. Estimates of the cost of a new stadium which would be adequate for major-league football and major-league baseball range from about $14,000,000 on up: The Delta Dome measure defeated by Multnomah County voters was for $25,000,000; and a proposal for a domed stadium, rejected by King County, Washington (Seattle) voters in September, 1966, was for $38,000,000.

5. Multnomah Stadium is centrally located, close to downtown tourist facilities, within walking distance of a densely-settled apartment house district, and adjacent to Portland's West Side residential areas. Parking is limited to streets and private lots, but this limitation has not prevented the stadium from drawing capacity crowds to sufficiently attractive events. The stadium is served by regular public transit bus lines. Arterial streets pass close by, and the Stadium Freeway, now under construction, will lie four blocks to the east, with on-and-off ramps for both northbound and southbound traffic in the vicinity of the stadium.

6. Retaining Multnomah Stadium might help Portland bolster its reputation as a "good sports town," which could be helpful in the vigorous competition among cities to be awarded one of the limited number of major league professional football franchises.

7. If the Portland area eventually does decide to build a major league stadium, Multnomah Stadium would be useful as an interim facility in the several years that would be required to plan and build the larger one.

VIII. ARGUMENTS AGAINST THE MEASURE

1. The metropolitan area needs many other civic improvements in addition to a stadium. The arguments cited for a stadium as a civic asset can be applied to other recreation facilities, such as marinas, golf courses, parks, an aquarium and the like. Other facilities, such as a new jail, relocation of Stanton Yard, or a new City-County building complex, might deserve a higher priority.

2. Multnomah Stadium is not adequate for major-league baseball or major-league football, and cannot be made adequate without a remodeling and expansion cost of many millions of dollars. If the City buys Multnomah Stadium, the stimulus to build a major-league stadium may be removed.

3. Multnomah Stadium cannot be made adequate to serve even as an interim facility without extensive repairs and improvements, and some who have studied it fear that the approximately $400,000 provided for refurbishing it under the proposed bond issue will not be enough to do the job properly.

4. The value estimates of as low as $1,100,000, placed on the stadium property by some appraisers, raise some doubts that the Club's $2,100,000 asking price is fair, or that the City could recover a satisfactory proportion of its money if later it should try to re-sell the stadium property.

5. Events at Multnomah Stadium are patronized by spectators from throughout the metropolitan area, and beyond. The cost of acquiring and maintaining it should be shared by the citizens of all of Multnomah County or even of several counties, rather than being assumed by only the taxpayers of Portland.

6. In addition to the cost of retiring the principal of the bonds, the measure will result in an initial annual interest expense to the City's taxpayers of about $100,000, an amount which will decline as the bonds are retired. Public purchase of the stadium will remove from the tax rolls property which yielded about $30,000 in property taxes in the 1965-66 tax year. The stadium probably will generate little or no net revenue to apply toward retirement of the bonds, and may require an operating subsidy from City funds. Maintenance costs will continue as the stadium ages.
IX. DISCUSSION AND CONCLUSIONS

Purchase of Multnomah Stadium may or may not prove to be an interim action. Neither the Committee nor the community are unanimous as to whether the Portland area needs a new and larger stadium. But the voters are not being asked to decide that now. The question before them is whether Portland is to have Multnomah Stadium or no stadium, because your Committee is convinced the Multnomah Club has every intention of selling its stadium property. If the City's voters do not seize this last chance to buy it, the stadium almost certainly will be demolished.

Many intangibles are involved in evaluating the Club's $2,100,000 asking price. If the City were interested in the stadium only as real estate, the City should not buy it, because it is not the City's purpose to speculate in real estate. The fact that it is an operating stadium offers far greater value to the City than the bare land would have. In no other way can the City acquire a large stadium for less than several times the proposed $2,500,000 cost.

No one can guarantee that if the City should want to sell the stadium later, it could do so without loss. But recent sales of other land parcels nearby indicate that a price of $2,100,000 for the land alone is not unreasonable.

Therefore, your Committee concludes:

1. A stadium is an asset to the City. The events it houses provide the public with entertainment and recreation, are a source of civic pride and a stimulus to business. Multnomah Stadium could be a help to the community if it decides to apply for major-league professional baseball or football franchises.

2. If the stadium is destroyed and no replacement built, Portland will lose minor-league baseball and exhibition major-league professional football, and may well lose many of the other events now using the stadium.

3. Recognizing the probable need for additional City funds to subsidize operating costs, the cost of up to $2,500,000 to buy and improve the property is still a reasonable amount for the City of Portland to invest in Multnomah Stadium, considering its value both as real estate and as an existing recreation and entertainment facility.

4. Purchase of Multnomah Stadium need not necessarily preclude professional, objective study on behalf of an appropriate public agency, of the feasibility of a new major stadium facility in the Portland metropolitan area.

X. RECOMMENDATION

Your Committee unanimously recommends that the City Club should advocate a "Yes" vote on Measure No. 53 for City purchase, repair and improvement of Multnomah Stadium.

Respectfully submitted,

Donald M. Comfort
Harry Czyzewski
Stewart A. Dean
M. M. Ewell
R. Lee Johnson
George O. Murray
Donald J. Sterling, Jr.
R. Evan Kennedy, Chairman

Approved October 13, 1966 by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors October 17, 1966 and ordered printed and submitted to the membership for discussion and action.
REPORT
ON
State Bonds for Educational Facilities
(State Ballot Measure 2)

Purpose: Constitutional amendment authorizing general obligation bonds for constructing self-supporting facilities for community colleges. Permits use of revenues from other state education facilities in financing projects.

TO THE BOARD OF GOVERNORS
THE CITY CLUB OF PORTLAND:

Your Committee was authorized to study and report on the above State Ballot Measure to be voted on at the general election, November 8, 1966. This measure, which was referred to the voters by the 1965 Legislature, will affect Article XI-F(1) and Article XI-G of the State Constitution pertaining to bonding authority for higher education and community college facilities.

I. INTRODUCTION

Article XI-F(1) was adopted in 1950 and amended in 1960. It presently provides that the State may issue general obligation bonds to finance the cost of buildings and other structures (including site acquisition and improvement) for higher education; subject, however, to two basic limitations. First, the bonded indebtedness may not exceed three-quarters of one per cent of the true cash value of all taxable property in the State. Second, the buildings and structures constructed with bond proceeds must, in the conservative opinion of the constructing authority, appear to be wholly self-liquidating and self-supporting from “revenues, gifts, grants or building fees.” The article permits the pooling of unpledged revenues from existing structures with the revenues from new buildings or projects to render a new building or project self-liquidating and self-supporting. Under enabling legislation enacted in connection with Article XI-F(1), the State Board of Higher Education is now designated as the “constructing authority,” and it determines what is or is not a self-liquidating and self-supporting facility.11 It should be noted that Article XI-F(1) was adopted long before community colleges were created. The reference to “higher education” in the article did not contemplate community colleges which were authorized by an act of the 1959 Legislature and are not subject to the jurisdiction of the State Board of Higher Education. Consequently, the bonding authority of article XI-F(1) has not been available to community colleges.

Article XI-G was adopted in 1964 by approval of the voters in the May, 1964 election. This article provides for the issuance of up to thirty million dollars in general obligation bonds to finance buildings, structures, and site acquisitions that are designated by the Legislature for higher education and community colleges. Unlike Article XI-F(1) bonds, the proceeds of bonds issued under this article are not subject to the limitation that they be used solely to finance self-liquidating and self-supporting buildings and structures. Of the thirty million dollars authorized, five million is reserved for community colleges and education centers and twenty-five million for higher education. By its terms, no additional bonded indebtedness may be incurred under Article XI-G after June 30, 1969. To date, 19.6 million dollars of bonds have been issued or authorized under this article, leaving an uncommitted bonding capacity of 10.4 million dollars.

The proposed ballot measure, if approved by the voters, will consolidate the two bonding provisions into an amended Article XI-F(1) and will completely repeal Article XI-G. Specifically, it will effect the following changes:

11 ORS. 351.350
(a) Upon repeal of Article XI-G, the 19.6 million dollars of bonds already issued or authorized to be issued by the Legislature thereunder will be deemed to be Article XI-F(1) bonds and will be charged against the indebtedness limitation of Article XI-F(1). The 10.4 million dollars of unused capacity under Article XI-G would be eliminated. The effect will be to reduce the State's bonding capacity by a total of 30 million dollars.

(b) Section 1 and Section 4 of Article XI-F(1) will be amended to permit the issuance of bonds to finance the cost of buildings and other structures for higher education with no allocation between the two.

(c) Section 2 of Article XI-F(1) will be amended by adding certain language intended to permit the classification of academic buildings and projects as "self-liquidating and self-supporting" by the allocation of revenues for such purposes.

For purposes of clarity, Article XI-F(1) will hereafter be referred to as the "self-liquidating article" and Article XI-G will be referred to as the "classroom article."

The text of the two articles showing the language to be added or deleted by this measure is set out in the appendix to this report.

II. SCOPE OF COMMITTEE RESEARCH

The following persons were interviewed by the Committee:

Mr. John D. Mosser, (R) State Representative from Washington County and member of Legislature's Joint Ways and Means Committee

Dr. Roy Lieuallen, Chancellor, and Assistants Don R. Larson and Robert Lawrence, Oregon State System of Higher Education

Mr. George Brown, Research and Education Department, Oregon AFL-CIO.

Dr. Robert Hatton, State Department of Education

The Committee also reviewed two opinions of the Attorney General of Oregon and material published by newspapers.

Printed reference material was obtained from:

League of Women Voters

Oregon System of Higher Education

State Department of Education

III. LEGISLATIVE HISTORY

The self-liquidating article created a separate pool or source of funds which the State Board of Higher Education could devote to the construction of so-called "auxiliary facilities" such as dormitories, athletic facilities, parking facilities, student centers, cafeterias, or student health centers, all of which have generally been regarded as self-liquidating and self-supporting. The general purpose and academic facilities such as classroom and library buildings have traditionally been regarded as self-supporting and self-liquidating in the sense that they are not paid for by user fees or other non-tax monies.

At the time of the adoption of the self-liquidating article, and again when it was amended in 1960, the higher education institutions were badly in need of auxiliary facilities. In the explanatory material which it made available to the public prior to voter ratification of the article, the State Board of Higher Education represented that the proceeds of bonds issued pursuant to that article would be used solely for self-liquidating facilities, so that the cost of constructing and operating such auxiliary structures would not be borne by the taxpayer.

Classrooms, libraries and laboratories, which the State Board does not regard as self-liquidating or self-supporting facilities, and, therefore, not within the ambit of the self-liquidating article's bonding authority, have, in the past, been constructed with funds which the State Board of Higher Education derives from direct appropri-
ation by the Legislature. This means, of course, that in every biennium, the State Board of Higher Education must present its case to the Legislature with respect to funds for general purpose and academic buildings and projects. It means further that the construction of classrooms, laboratories, and libraries directly affected by the availability of tax funds and by the general political climate which prevails when the Legislature is asked to make an appropriation. Finally, it means that whereas auxiliary buildings can be constructed virtually free of competition for tax monies, the classroom or library project must compete for the tax dollar against a host of other needs and projects.

In 1963, thirteen years after the adoption of the self-liquidating article, the Legislature was faced with urgent budgetary demands from all quarters. This was especially true of educational requirements, because the large number of babies born during World War II and immediately thereafter had come of college age. Although the Legislature and the State Board of Higher Education did not agree in all particulars as to building needs, it was clear to all that Oregon colleges were faced with classroom, library and laboratory shortages requiring a building program far beyond the requirements of past bienniums. After a careful study, the Legislature proposed and referred to the people for action at the May, 1964, election, an amendment to the Oregon Constitution the classroom article which would authorize a $30,000,000 bond issue for construction of higher education facilities which were not self-liquidating and self-supporting.

When the Legislature’s tax program was rejected in the October, 1963 special election, both the State Board of Higher Education and the newly created community colleges lost a considerable amount of the direct appropriations which had been allotted by the Legislature at its regular session. This was, of course, a result of the rebudgeting which was made necessary to accommodate to reduced revenue. Accordingly, the Legislature, in its subsequent special session, revised the $30,000,000 bond proposal to provide that $25,000,000 was to be allocated to higher education and $5,000,000 was to be allocated to community colleges; provided, however, that these bond funds were to be used for construction over a six-year period beginning in 1964. As noted above, this proposal was approved by the electorate at the May, 1964 election and constitutes the present classroom article. The City Club approved its 1964 committee’s report favoring the adoption of the classroom article.

During the progress of these events, the Joint Ways and Means Committee of the Legislature had suggested to the State Board of Higher Education that under the presently existing language of the self-liquidating article, the Board could within its discretion declare a classroom, laboratory or library facility to be self-liquidating by allocating to such otherwise non-self-liquidating facilities a portion of the students’ tuition dollar, as well as other unpledged revenues. This would make available to State Board of Higher Education the bonding capacity of the self-liquidating article for construction of badly needed academic facilities and would eliminate some of the pressure for direct appropriation or for additional bonding capacity.

The State Board of Higher Education has consistently refused to adopt such a course of action. It has always maintained that the self-liquidating article was represented to the voters of Oregon as a bonding provision for structures and not merely rendered so by appropriate accounting entries. To do otherwise, it maintains, would be a breach of faith with the voters who voted for approval of that article in reliance on those representations.

In 1965 the Attorney General ruled that the present provisions of the self-liquidating article were broad enough to authorize the use of that section’s bonding capacity for any facilities to which the State Board of Higher Education might allocate any revenues, gifts, grants or building fees for purposes of rendering the facilities self-sustaining and self-liquidating. Private bond counsel for the State Board of Higher Education has expressed the same opinion informally to the Board.
Nevertheless, the Board has refused to use the self-liquidating article bonding authority for classrooms and related facilities, based upon its belief that such facilities are not truly self-liquidating and self-sustaining, and that diversion of fees, tuition and other revenues to such projects would be a breach of faith with the electorate.

It appears that some strain has developed between the Ways and Means Committee and the State Board of Higher Education over this point, especially in view of the Attorney General's Opinion. Near the end of the 1965 legislative session that Committee introduced and reported out, without any previous public hearing, H.J.R. 61 which was passed by the Legislature, and referred to the voters with virtually no debate or dissent.

The explanation of the measure appearing in the voter's pamphlet states that as a result of the changes which it will effect, strictly academic projects could, at the discretion of the State Board of Higher Education, be financed out of revenues such as building and other fees paid by students, and thus be rendered self-liquidating. It is the opinion of the proponents of the measure that this explanation should release the State Board of Higher Education from what it believes to be its obligation to the voters and permit the allocation of student fees to academic structures, thus making them self-liquidating within the meaning of the self-liquidating article. The State Board of Higher Education, on the other hand, has announced that approval of the proposed amendment will not in any way affect its position and that it will not even under the proposed amendments to the article, declare a general purpose or academic structure to be self-liquidating and self-supporting. Thus there is disagreement between the State Board of Higher Education and proponents of present language of the self-liquidating article, but a controversy already exists as to what its position ought to be under the amended language of the self-liquidating article, if Measure No. 2 is adopted.

IV. ARGUMENTS IN FAVOR OF MEASURE NO. 2

1. The bonding capacity of the Amended Article XI-F(1)\(^{(4)}\) will be available for use where it is most needed, i.e. for general purpose and academic projects.
2. The loss of the $30 million in Article XI-G\(^{(5)}\) bonding capacity is of no importance since the total unused capacity under amended Article XI-F(1) will exceed that amount.
3. There will be a reduction in the need for direct legislative appropriations, to finance general purpose and academic building needs.
4. The measure will minimize the advantage which Article XI-F(1) now gives to the older and larger institutions of the State System.
5. It will be easier for community colleges to construct badly needed classroom facilities.
6. The two existing bonding provisions will be combined into one.

V. ARGUMENTS AGAINST MEASURE NO. 2

1. The amendment is not necessary to authorize use of Article XI-F(1) bonding capacity for educational facilities such as classrooms and laboratories.
2. It is shortsighted to reduce Article XI-F(1) constitutional bonding authority by 19.6 million dollars by charging the already-issued Article XI-G bonds against Article XI-F(1) constitutional bonding capacity.
3. It is unwise to eliminate the additional 10.4 million dollars of unused Article XI-G capacity presently available for direct educational facilities such as classrooms, laboratories and libraries.
4. It is entirely problematical whether or not the proposed measure will benefit community colleges.

\(^{(4)}\) The self-liquidating article.
\(^{(5)}\) The classroom article.
VI. DISCUSSION

The following tables indicate the status of current bonded indebtedness and remaining bonding capacity under Articles XI-G and XI-F(1) as well as the situation which will exist if Measure No. 2 passes or fails.

BONDING CAPACITY AVAILABLE FOR THE 1967-69 BIENNium (In Millions)

<table>
<thead>
<tr>
<th>If Measure No. 2</th>
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<tbody>
<tr>
<td>Passes</td>
<td></td>
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<tr>
<td>Fails</td>
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<table>
<thead>
<tr>
<th>Constitutional Limit of Capacity</th>
<th>104.7</th>
<th>104.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Article XI-F(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Article XI-F(1) Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Already issued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Article XI-G Bonds</td>
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<td>already issued</td>
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<tr>
<td>Remaining Capacity Under</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article XI-F(1)</td>
<td></td>
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</tr>
<tr>
<td>Additional Capacity Available</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under XI-F(1) from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement of Existing Debt</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Estimated Increase in True</td>
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<td></td>
</tr>
<tr>
<td>Cash Value of Taxable Property</td>
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<td>11.0</td>
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<tr>
<td>TOTAL AVAILABLE CAPACITY</td>
<td>44.4</td>
<td>64.0</td>
</tr>
<tr>
<td>Under Article XI-F(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remaining Capacity under</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article XI-G (Academic buildings):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher Education (non self-</td>
<td>0.0</td>
<td>6.8</td>
</tr>
<tr>
<td>liquidating facilities only)</td>
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<td></td>
</tr>
<tr>
<td>Community Colleges</td>
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<tr>
<td>TOTAL AVAILABLE CAPACITY</td>
<td>0.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Under Article XI-G</td>
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<td></td>
</tr>
<tr>
<td>TOTAL AVAILABLE CAPACITY:</td>
<td>44.4</td>
<td>74.4</td>
</tr>
</tbody>
</table>

1. The disagreement between the State Board of Higher Education and the Joint Ways and Means Committee over the proper use of the self-liquidating article bonding authority has been discussed above.

Supporters of the current measure do not contend that it would confer any broader authority for utilization of the self-liquidating article. Rather, they contend that the slight variation in the language of the amendment, coupled with the explanation in the voter's pamphlet that the amendment will permit the self-liquidating article to be used for education facilities such as classrooms and laboratories, will meet the "ethical" and "moral" objections heretofore relied upon by the Board as the basis for its refusal to allocate fees, tuition and current tax revenues so as to classify such classrooms and laboratories "self-sustaining" and "self-liquidating."

The State Board of Higher Education is, however, unanimous in its position that the proposed amendment does not meet its moral and ethical objection because it still requires a determination by it as the constructing authority that any project
shall be self-sustaining and self-liquidating and does not expressly authorize the Board to use any particular revenues to make classrooms, laboratories and libraries self-liquidating and self-sustaining.

Your Committee does not feel called upon to express an opinion whether the Board is justified in ignoring the legal opinions concerning the present scope of the self-liquidating article. The Board's position with respect to the amendatory language appears to be sound, for under both versions the source of revenues for any project is and remains "revenues, gifts, grants or building fees," and does not expressly authorize or direct application of such funds to classrooms, laboratories, and libraries. Your Committee concludes that on this question, the proposed amendment achieves nothing from a legal standpoint and leaves unresolved the conflict between the State Board of Higher Education and those who like for the Board to utilize the self-liquidating article bonding capacity for such facilities as classrooms, laboratories and libraries.

Should the State Board of Higher Education revise its position, then the proponents' argument that there would be a reduction in the need for legislative appropriations for academic facility construction would be correct. However, since no change in the Board's position appears to be forthcoming, the argument is based upon an assumption which is not necessarily warranted.

2. The constitutional limitation on the bonding authority authorized by the self-liquidating article is three-fourths of one per cent of the true cash value of all of the taxable property in the state. At present, this constitutional capacity amounts to approximately 104.7 million dollars. Bonds presently outstanding under the self-liquidating article are approximately 54.5 million dollars. If the 19.6 million dollars in bonds already issued under the classroom article are charged against the self-liquidating article's constitutional capacity as would be required by Measure No. 2, the total utilized bonding capacity authorized under that article would be approximately 74.1 million dollars, leaving an immediately available constitutional capacity of 30.6 million dollars.

It is anticipated that during the 1967-69 biennium, the constitutional bonding capacity will be increased by a total of approximately 11 million dollars by reason of increases in the true cash value of taxable property in the state. It is further anticipated that an additional approximately 2.8 million dollars in the self-liquidating article's bonding capacity will become available through retirement of a portion of the presently outstanding bonds. This means that during the biennium there will be available for use an additional approximately 13.8 million dollars of bonding capacity. When this is added to the 30.6 million dollars immediately available after passage of the measure, a total of approximately 44.4 million dollars will be available during the biennium.

Proponents of the measure argue that this 44.4 dollars capacity is more than sufficient to meet reasonably anticipated needs of the State Board of Higher Education and of community colleges during the biennium.

The State Board of Higher Education's tentative budget for the 1967-69 biennium for all projects, both direct educational and self-liquidating, calls for a total of 98.68 million dollars exclusive of federal grants. Of this amount, 20.5 million dollars is for self-liquidating facilities, and 78.18 million dollars is for non-self-liquidating facilities. However, proponents of the present measure argue that it is wholly unreasonable to anticipate approval by the Legislature of anything close to this amount. One ranking member of the Joint Ways and Means Committee, (Rep. John Mosser), has suggested that the high priority items amount to only 39.265 million dollars. The State Board of Education's tentative estimate for the construction needs of community colleges amounts to 20 million dollars.

The proponents' argument that the 44.4 million dollar bonding capacity would be adequate for the biennium is apparently based upon two alternative hypotheses. On the one hand, if the State Board of Higher Education adheres to its present policy of using the self-liquidating article only for truly self-liquidating facilities, the capacity will be adequate to cover all of those planned for the biennium (20.5 million dollars' worth) plus all of the academic facilities for community colleges contemplated in the State Board of Education's estimates (20 million dollars' worth).
On the other hand, if the State Board of Higher Education were to reverse its position and resort to the self-liquidating article authority for classroom facilities, all of the high priority projects on its list, both the self-sustaining auxiliary facilities and the academic facilities, (39.265 million dollars' worth) could be met from the remaining self-liquidating article capacity and there would still be more left for community colleges than remains available to them under the present classroom article. The balance of the community college needs could come from appropriations, as in the past.

Under either alternative the self-liquidating article bonding capacity could be largely or entirely exhausted during the coming biennium and could then be unavailable to meet future needs for self sustaining facilities.

The chancellor's office concedes that if the State Board of Higher Education continues to follow the restrictive view that the self-liquidating article is available only for self-liquidating and self-supporting auxiliary projects, in all probability the reduced capacity under that article will be sufficient for the 1967-69 biennium and possibly for the succeeding biennium. The chancellor's office has indicated that on the basis of past experience it cannot expect to receive approval for all projects in its tentative budget. However, it contends that the high priority items for which it reasonably hopes to receive legislative approval far exceed the 39.265 million dollars limit suggested by the member of the Joint Ways and Means Committee, and that the self-liquidating article's bonding capacity cannot reasonably be expected to be sufficient for both community college needs and higher educational facilities such as classrooms, laboratories and libraries if in some way resort to the self-liquidating article for such projects were forced.

Uncertainties with respect to the possible adequacy or inadequacy of the reduced bonding capacity resulting from passage of the measure cannot and need not be resolved here. Whether or not such reduced capacity will be sufficient will depend in part upon whether the State Board of Higher Education changes its position with respect to utilization of the self-liquidating article for classrooms, laboratories and libraries, the extent to which the Governor's office and thereafter the Legislature may pare down the total request for higher education facilities, and the extent to which the needs of the community colleges may be authorized by the Legislature to be financed through the bonding capacity of the self-liquidating article.

The significant fact is that by charging the already authorized classroom article bonds of 19.6 million against self-liquidating article capacity, an over-all reduction in effective capacity is being made for no apparent reason. In the event that the reduced capacity should prove to be insufficient either during the forthcoming biennium or during a subsequent biennium, it might well become necessary to seek an increase in the capacity through a further constitutional amendment to be referred to the people for approval. We see no reason why the possibility for this situation should be permitted to develop. On the other hand, if presently available capacity should turn out to be more—even far more—than is actually necessary, the Legislature has complete control over the amount of bonds which may actually be authorized at any particular time and therefore may decline to utilize the capacity if it chooses to do so. By charging the 10.6 million dollars of classroom article bonds against the self-liquidating article's constitutional capacity, the flexibility available to the Legislature within constitutional limitations is curtailed.

3. The Classroom Article was enacted by the people in May, 1964, following voter rejection of the Legislature's income tax measure at the October, 1963 special election. It was considered necessary as a source of funds for meeting the greatly expanded construction requirements for higher education and community colleges facilities, especially after appropriations had to be cut back severely as a result of defeat of the income tax measure. The article was by its terms a temporary measure which expires automatically as of June 30, 1969. It is a specific authorization for higher educational facilities (25 million dollars), and community college

ORS. 351.350 presently limits total bonds outstanding at any one time under Article XI-F(1) to 54.5 million dollars.
facilities (5 million dollars) for educational facilities such as classrooms, laboratories and libraries which are not self-liquidating, to be built at taxpayers' expense. The Legislature must approve the use of this bonding authority for specific projects. Presently, unused classroom article bonding capacity is approximately 6.8 million dollars for higher education and 3.6 million dollars for community colleges.

Neither proponents nor opponents of the pending measure dispute the need for direct educational facilities costing more than the amounts of unused classroom article capacity. The dispute centers about what sources should or may be available to pay for them.

Enactment of Measure No. 2 could completely eliminate the remaining classroom article bonding capacity. Your Committee thinks this is shortsighted because it would curtail the flexibility available to the Legislature during the forthcoming biennium as possible sources of funds for needed construction. If the remaining classroom article bonding capacity is not repealed, the Legislature can choose to use it or not as its judgment of fiscal policy dictates.

The proponents of the measure have argued with considerable merit that the use of self-liquidating article bonds solely for construction of auxiliary facilities has created an imbalance in favor of such facilities as against the more urgently required academic projects. While this does appear to be the case, the proposed measure will not rectify the situation unless its causes the State Board of Higher Education to modify its position with respect to use of the self-liquidating article. As to imbalance in favor of the older campuses which have an established backlog of auxiliary requirements, such imbalance is controlled and corrected by the Board's policy of pooling building fees on a statewide inter-institution basis.

4. Community colleges are essentially local institutions, and, by their very nature, have minimal needs for auxiliary facilities such as dormitories and health centers. Their needs are primarily for direct educational facilities such as classrooms, laboratories and libraries. Measure No. 2 is not self-executing. If enacted, there are no legislative provisions which would give either local community colleges or the State Board of Higher Education (which presently supervises community colleges' requests for state appropriations) authority to initiate bonding requests under the self-liquidating article.

At present, only the State Board of Higher Education is authorized by statute to utilize the self-liquidating article's bonding capacity. Unless the Legislature should authorize either the State Board of Education or local community colleges to resort directly to that bonding capacity, the self-liquidating article's bonds should be used only for auxiliary facilities which are truly self-liquidating and self-sustaining. Community colleges may not anticipate any substantial benefit. On the contrary, they would lose 3.6 million dollars of uncommitted bonding capacity now available under the classroom article.

On the other hand, if the Legislature should confer statutory authority upon some other body (such as the State Board of Education) to resort to the self-liquidating article's bonds for community colleges, there would remain the question whether such other body would adopt the view of the State Board of Higher Education concerning the restrictive use of those bonds, or would adopt a broader view permitting their use for education facilities which constitute the real need of the community colleges. The State Board of Education has declined to take a position on Measure No. 2, and it is not known which viewpoint it might adopt if it were given authority to utilize the self-liquidating article bonds.

VII. CONCLUSIONS

The Committee is of the opinion that the arguments against approval of the measure outweigh the arguments in its favor. The object of creating only one source or pool of bond funds for all higher education construction, including both self-liquidating and non-self-liquidating structures and projects, has a great deal of merit. However, the Committee believes that this object is not achieved by the proposed measure because it does not settle the issue of what is or is not a self-
liquidating and self-supporting structure. The measure eliminates Article XI-G bonding capacity not yet utilized in the amount of 10.4 million dollars and, in addition, reduces Article XI-F(1) bonding availability by the full 19.6 million dollars already issued under Article XI-G. At the same time, in view of the position of the State Board of Higher Education, the measure holds no promise of making remaining Article XI-F(1) bonding capacity available for general purpose and academic projects. This is especially hurtful to community colleges whose one major need will be academic rather than auxiliary facilities.

Since the Constitutional Amendment is not self-executing, there is some doubt as to who will be the constructing authority for community colleges and how bond funds will be allocated between higher education and community colleges. The Committee is not persuaded that the material appearing in the voter's pamphlet sufficiently advises the voters that they may, in effect, be required to finance facilities heretofore paid for by non-tax monies.

The measure cuts down existing bonding capacity which will be lost to future years, thus limiting legislative flexibility in allocating funds to higher education and community colleges.

The proposed measure is technically defective, perhaps because of undue haste in its preparation and lack of adequate legislative study.

VIII. RECOMMENDATION

In view of the foregoing, your Committee recommends that the City Club of Portland go on record as opposing passage of State Ballot Measure No. 2 by urging a “no” vote thereon.

Respectfully submitted,

Tommy B. Graham
Robert H. Huntington
Robert M. Kerr
E. Kimbark MacColl
Leon Gabinet, Chairman

Approved by the Research Board October 13, 1966 for transmittal to the Board of Governors.

Received by the Board of Governors October 17, 1966 and ordered printed and submitted to the membership for discussion and action.
APPENDIX

House Joint Resolution 61

Be It Resolved by the Legislative Assembly of the State of Oregon:

(1) Article XI-G of the Constitution of the State of Oregon is repealed; sections 1, 2 and 4, Article XI-F(1) of the Constitution of the State of Oregon are amended; and the Constitution of the State of Oregon is amended by creating a new section 6 to be added to and made a part of Article XI-F(1) and to read:

Sec. 1. The credit of the state may be loaned and indebtedness incurred in an amount which shall not exceed at any one time three-fourths of one percent of the true cash value of all the taxable property in the state, as determined by law to provide funds with which to redeem and refund outstanding revenue bonds issued to finance the cost of buildings and other projects for higher education and community colleges, and to construct, improve, repair, equip, and furnish buildings and other structures for such purpose, and to purchase or improve sites therefor.

Sec. 2. The buildings and structures hereafter constructed for higher education pursuant to this [amendment] article shall be such only as conservatively shall appear to the constructing authority to be wholly self-liquidating and self-supporting from revenues, gifts, grants, or building fees. All unpledged net revenues of buildings and other projects, together with any other revenues, gifts, grants or building fees, and the net revenues, if any, of new buildings and projects may be pooled [with the net revenues of new buildings or projects] in order to render the new buildings or projects self-liquidating and self-supporting.

Sec. 4 Bonds issued pursuant to this article shall be the direct general obligations of the state, and be in such form, run for such periods of time, and bear such rates of interest, as shall be provided by statute. Such bonds may be refunded with bonds of like obligation. Unless provided by statute, no bonds shall be issued pursuant to this article for the construction of buildings or other structures for higher education or community colleges until after all of the aforesaid outstanding revenue bonds shall have been redeemed or refunded.

Section 6. All bonds issued, or authorized to be issued by the Legislative Assembly, pursuant to Article XI-G of this Constitution prior to its repeal, shall be deemed to be issued pursuant to this article and, together with other bonds issued pursuant to this article, shall not exceed the limitation on the loaning of the credit of the state and the incurring of indebtedness as set forth in section 1 of this article.

(2) The amendments proposed by this resolution shall be submitted to the people for their approval or rejection at the next regular general election held throughout the state.

Adopted by House May 1, 1965
Adopted by Senate May 6, 1965
Filed with Secretary of State May 25, 1965

(Bracketed words deleted; italicized words added.)

ARTICLE XI-G

Section 1. (1) Notwithstanding the limitations contained in section 7, Article XI of this Constitution, and in addition to other exceptions from the limitations of such section, subject to subsection (2) of this section, the credit of the state may be loaned and indebtedness incurred in an amount not to exceed at any one time:

(a) $25 million to provide funds with which to construct, improve, repair, equip and furnish those buildings and structures, and to purchase or improve sites therefor, except self-liquidating and self-supporting buildings or projects constructed pursuant to section 2, Article XI-F(1) of this Constitution, that are designated by the Legislative Assembly for higher education institutions and activities; and

(b) $5 million to provide funds with which to construct, improve, repair, equip and furnish those buildings and structures, and to purchase or improve sites therefor, that are designated by the Legislative Assembly for community colleges and education centers or that are community colleges and education centers authorized by law to receive state aid.

(2) Except for refunding bonds issued to provide funds with which to redeem bonds issued pursuant to this Article, no additional indebtedness shall be incurred pursuant to this Article after June 30, 1969.

Section 2. Bonds issued pursuant to this Article shall be the direct general obligations of the state and shall be in such form, run for such periods of time, and bear such rates of interest as the Legislative Assembly provides. Such bonds may be refunded with bonds of like obligation.

Section 3. Ad valorem taxes shall be levied annually upon the taxable property within the State of Oregon in sufficient amount to provide for the prompt payment of bonds issued pursuant to this Article and the interest thereon. The Legislative Assembly may provide other revenues to supplement or replace, in whole or in part, such tax levies.