

# Station: Appraisal should be finished in April

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Rezoning, an urban growth boundary, annexation and other legal issues could complicate the process.

“That isn’t to say it isn’t going to be the location, but it is a complicated path to get there,” Watts said.

Gearhart’s fire station, constructed in 1958, is considered at risk for flooding or collapse during an earthquake and tsunami.

In 2018, after considering nine locations, a fire station committee recommended three concepts and locations to help guide the decision-making process. More than 50% supported the High Point site, with an elevation between 62 feet and 65 feet, as their No. 1 choice, followed by 38.4% who preferred the fire department’s location on Pacific Way. The Gearhart Park site was eliminated from consideration.

A new survey should indicate if there is enough



R.J. Marx/The Astorian

The fire station in Gearhart off of Pacific Way.

support to put a bond vote before the public in November, Sweet said.

The two-story High Point station would cover a 11,000- to 13,000-square-foot space.

According to draft plans, the ground floor would include five bays, lockers, turnout washes, emergency medical service area, compressors and bathroom. The fire department side would include the chief’s and other offices, workroom, kitchen and training area.

Cubicles for police and storage are also indicated in the draft plans.

The second floor, above the bays, includes a small living area, potential dorms for an intern program, and a full men’s and women’s shower system.

Site preparation adds just under \$3.1 million to the cost to make sure the building is up to standards, with piers or columns to mitigate liquefaction concerns, Sweet said.

The cost would be similar or less to costs for geotechnical work at any of the locations, according to the report.

Construction costs, delivered by ACC Construction

in Tigard, are estimated at about \$3.9 million. Earthwork, exterior improvements and utilities come to \$1.9 million. Building costs are estimated at \$5.2 million. Other direct construction costs bring the total building cost to \$8.6 million.

Furnishings and equipment, architect and engineer design fees are estimated at \$1.6 million.

While the sales price for the High Point property is “not solid,” land acquisition is estimated about \$3 million, Sweet said. The final purchase contract has yet to be signed. A full appraisal of the property has been ordered and should be finished in April.

The bond’s levy rate is estimated at \$1.02 per \$1,000 of assessed value, Sweet said. A \$300,000 home would see an increase of \$306 per year; a \$1 million home would pay an additional \$1,200 for the bond.

## County reports two new virus cases

The Astorian

Clatsop County on Thursday reported two new coronavirus cases.

The cases involve a man in his 30s living in the northern part of the county. A female under 10 also tested positive for the virus.

Both were recovering at home.

The county has recorded 840 cases since the start of the pandemic. According to the county, 19 were hospitalized and seven have died.

## Motels: Republicans split on the legislation

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State Rep. Pam Marsh, D-Ashland, said some projects have proceeded, but others have stalled despite community support.

“The need to pursue zoning changes often stands in the way of great projects,” Marsh, the bill’s sponsor, said. “That is a problem when we are experiencing a crisis in homelessness and low-income housing.”

“It will allow us to repurpose hotels and motels that have served tourists and will become facilities that will house the most vulnerable among us. As a building intended to take care of people, it should not matter whose head rests on that pillow.”

Marsh represents a district that lost 2,500 homes from the Alameda fire, which swept north from Ashland through Talent and Phoenix. It was one of the Labor Day wildfires across Oregon. Many of the displaced residents were low-income families who were left with few affordable alternatives for housing.

### HOUSING IS DEFINED AS ‘AFFORDABLE’ IF QUALIFYING RESIDENTS EARN LESS THAN 60% OF THE AREA MEDIAN INCOME.

The bill applies to buildings within urban growth boundaries, and outside areas zoned for heavy industrial use. They must have access to transportation, and be outside flood plains or other designated hazard areas.

Local governments can still apply other restrictions, such as building codes, occupancy limits and reasonable site and design standards.

Housing is defined as “affordable” if qualifying residents earn less than 60% of the area median income.

“Some of these facilities will remain shelters or transitional housing. But in other cases, the long-term use most needed by a community will be low-income housing,” Marsh said. “Hotels and motels that may not fit the bill for today’s travelers are the perfect place to provide people in crisis with stability and the support they need in order to move toward permanent housing.”

House Republican Leader Christine Dragan, of Canby, spoke against the bill.

As a member of the Legislature’s Emergency Board, she voted in October for \$30 million for Project Turnkey in wildfire-affected areas and \$35 million for Project Turnkey

in other areas. The board rejected the latter amount, but reversed itself and approved it in November.

Dragan acknowledged the pressing need for providing shelter for people who have lost their homes for whatever reason. But she objected to the prospective purchase of the Red Fox Motel in Estacada as a shelter, saying it was better suited long-term for tourism. Clackamas County commissioners voted 3-2 in January to suspend further consideration of the purchase.

Dragan also said lawmakers were creating an exception to Oregon’s land use laws, instead of easing restrictions to allow construction of more housing.

“Instead of fixing our land use system and the things that are broken, we are giving a pass, we are doing a carve-out,” she said. “We are creating a back way because it’s not working.”

Republicans split on the bill, eight voting for it and 12 against it; the other three were excused. All Democrats present voted for it.

# Marijuana: ‘It’s an onerous tax burden’

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Another proposal authored by Rep. Lily Morgan, R-Grants Pass, would create an internal wholesale tax on any marijuana transported across county lines.

The temptation to backfill shrinking local budgets with cannabis dollars is worrisome, according to industry boosters.

“If you look at it holistically,” cannabis economist Beau Whitney said, “I think the Oregon market is under duress.”

### Tax fight

The new tax fight is largely in response to Measure 110, the voter-approved initiative from last year that reallocates a large share of pot revenue away from schools, state troopers and local governments in order to fund drug treatment services.

In the next two-year budget cycle, which begins in July, cities and counties will have only \$18 million in marijuana money to split amongst themselves, an almost 72% drop compared with the \$63.7 million they expected under the old funding formula, according to the League of Oregon Cities.

City halls eager to bump up their cannabis tax include Gresham, Hillsboro, Beaverton, Tualatin, Sherwood, St. Helens, Happy Valley, Eugene and Bend, staff for the league said in testimony to a revenue committee hearing of the Legislature in early March.

League of Oregon Cities lobbyist Mark Gharst told lawmakers the COVID-19 pandemic prompted a decline in lodging and gas taxes, park and development fees — and the worst crunch for city budgets may be yet to come, if property tax revenues fall due to commercial vacancies.

“I don’t think that the voters were saying that they wanted local governments to cut services in order to fund that recovery,” Gharst said. “We can have our cake and eat it, too.”

Marijuana insiders see it differently. They say cannabis retailers can’t just pass the tax increase on to users, many of whom could dial up their old dealer from the years before legalization.

Whitney, the economist, estimates that most consumers will pay a premium of just 10% to 15% to acquire their marijuana legally. Go above that, and they might just get their products on the black market.

“Consumers are very price conscious,” agreed Casey Houlihan, the executive director of the Oregon Retailers of Cannabis Association. He calls the proposed 10% tax a “disaster” in the making, saying the lure of the illicit market could lead governments to collect less in the future than they do now.

“One only needs to look around on Instagram to see cheap ounces or pounds being sold,” Houlihan said.

### BY THE NUMBERS

**\$1,109,959,000**

the dollar amount of marijuana sales in Oregon in 2020

**17,981**

the number of Oregon jobs in the cannabis industry

**687**

the number of cannabis jobs added in 2020

**7.66 MILLION**

the number of ‘wet pounds’ of cannabis harvested in Oregon in 2020

**\$112,000**

the mean monthly sales figure for recreational dispensaries in February 2020

**\$168,500**

the mean monthly sales per retailer in July 2020 as Oregonians adjusted to life in quarantine

**1,182**

the number of licensed cannabis growers in Oregon at the end of 2020

**100**

the number of pending cannabis production licenses the Oregon Liquor Control Commission expects to approve in early 2021, given a historical 78.8% approval rate

**11%**

the percent increase in square footage of cannabis under production, if those licensees are approved

Stata data confirms that customers haven’t noticed much difference at the cash register so far.

Despite the billion-dollar consumer market in 2020, the average retail price for consumers has remained at or below \$5.50 per gram nearly every month since July 2018, the Oregon Liquor Control Commission said in its Feb. 1 supply-and-demand report.

The price of wholesale flower, the smokeable part of the cannabis plant, hit \$1,499 per pound in December 2020, levels not seen since late 2017.

That’s good news for growers, who for years have complained that Oregon’s cannabis market is oversupplied. Demand is now devouring 65% of annual supply, up from just 50% two years ago, per the report. That happened because purchasing outpaces crops; overall production leapt 78%, while the amount of cannabis sold rose 150%.

The sea of upward arrows likely explains the new push to raise marijuana taxes, though the Oregon Liquor Control Commission predicts there’s no way the market can sustain the 38% annual growth rate seen during the outbreak.

“If not for COVID, growth in demand in 2020 would have almost certainly been flatter,” the commission concluded in its report to lawmakers. “If consumers return to the patterns of consumption they exhibited pre-COVID,

demand will almost certainly decline or flatten in 2021.”

Whitney also predicts the growth rate will slow, though he thinks the odds of sustaining a billion-dollar industry in the years ahead are fairly high, given that the market would have expanded by at least 10% during a normal year.

The economist wants to dispel the notion that the bump in sales can be traced to slackers or out-of-work millennials from the service industry. Instead, his money is on the white-collar types earning more than \$50,000 while logging onto work in their pajamas.

“Once people got used to ‘working from stoned,’” he said, “they just kept doing it.”

### Plenty of problems

Regardless of how the tax increase proposal shakes out, the Oregon recreational marijuana industry is facing a passel of other hurdles.

Lundin, the trade group director, said several dispensaries burned to the ground in Medford and Talent during the 2020 wildfires. Other farmers also lost crops. And as Willamette Week recently reported, more than 100 dispensaries in Portland have been robbed or burglarized since March 2020, likely because pot shops largely deal in cash. Those charged in the crime spree are predominantly teenagers.

“Historically, (the police) have not demonstrated the

willingness we would like to see at taking these types of crimes seriously,” Houlihan said.

Another longtime thorn in the side of legal cannabis business owners is the section of the federal tax code, known as 280e, that essentially prohibits pot enterprises from deducting any expenses from their gross earnings.

“It’s an onerous tax burden,” said Jeff Yapp, the CEO of Golden Leaf Holdings. “You can’t deduct any of your business operating expenses that every other business enjoys.”

Listed on the Canadian Stock Exchange but based in Portland, the vertical integration of Golden Leaf stretches from a grow facility near Bald Peak to a string of Challice Farms dispensaries in Portland.

Flower and pre-roll sales make up more than 50% of their sales, but Yapp said the company saw edibles — food products that contain cannabis — flying off the shelves during the pandemic, as newbies sought an unimposing way to get high. Yapp said he believes the lack of nightlife and travel in 2020 triggered the booming sales, and sees potential in the three-quarters of the populace who may sooner smoke weed than try pharmaceutical products.

“You look at the scale of opportunity in plant-based medicine — that’s 75% of the marketplace — who all suffer the same issues: ‘I can’t sleep, I’m in pain, I’ve got anxiety,’” he said. “As they continue to be open to the alternatives, I think that’s a massive opportunity.”

Oregon’s best hope for reforming the federal tax code — or achieving the larger goal of removing marijuana from the same classification as heroin — may lie with U.S. Rep. Earl Blumenauer.

The Democrat from Portland helped shepherd passage of the MORE Act — the Marijuana Opportunity Reinvestment and Expungement Act of 2019 — through the House in December, which would have decriminalized marijuana at the federal level, but the bill stopped in its tracks when it hit the Senate, which then was controlled by the GOP.

That proposal, as well as the SAFE Banking Act, could be reinvigorated under the Biden administration, though Blumenauer admits the new president has sent some mixed signals so far. Other observers note that any reduction in IRS revenue likely would need to be paired with a federal cannabis tax to pass muster.

“There’s a lot of competition just to get this on the floor of the House, but I think we’re in the strongest position that we’ve ever been in,” Blumenauer said. “It’s basically Congress that needs to do its job and I think Congress can and will do it.”

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