



STATE OF OREGON

INTEROFFICE MEMO

TO: Governor

DATE: October 11, 1982

FROM: Gerry Thompson

SUBJECT: Update

Attached is a copy of a letter that we telecopied to Washington, D. C. last week. This letter was generated based on advice from the Attorney General's office after receiving a telegram from the NGA indicating that pressure should be brought to bear by those Governors who expected to be recipients of the money. This is for your information only.

For your information only, John Moore, Port of Coos Bay, has been in contact with me requesting \$10-20,000 additional funding for the Fisheries Management Council in Coos Bay. The project they are trying to fund is the development of alternative fisheries, i.e., sidestrip shrimp. Our Economic Development Department will work with them to see if they can find any financial help.

Attached is a draft reply to Max B. Chapman, executive vice president of the Oregon Association of Realtors. I have consulted with both Jane Huston and Gregg Smith and we are purposely sitting on this letter. OAR has several problems with the recent announcement by the Housing Division of the \$125m revenue bond sale to finance the purchase of homes for low income homebuyers. They commend Gregg for his "leadership and diligence" in finding a way to provide additional home purchase opportunities, but cite several problems with the decision.

1. They disagree with the division establishing a fixed rate of 5 percent commission to be paid to the Real Estate Commission in transactions financed by the Housing Division funds. Incidentally, this is the first time the commission has been fixed and it is a unique situation for this time only.
2. The Housing Division failed to seek any input from the Realtors before establishing this fixed rate. Gregg and Jane admittedly failed to gain input as they usually do, but indicate the program moved so rapidly they simply overlooked this necessary step.

Governor
10/11/82
Page two

3. OAR feels strongly that Realtors should have the right to negotiate commission between the realtors or the realtors and the buyer. They maintain that the Housing Division is not a party to the contract which establishes the commission.
4. They express adamant opposition to any governmental agencies interfering in the free enterprise system by attempting to establish commission rate regulations.

Basically Max Chapman is asking that you direct the Housing Division to reconsider their decision. Gregg's position is that restrictions imposed by federal law prevent the program from operating at a profit so in order to cover basic costs the division cut back the fees of all programs providers. Loan origination fees for lenders were cut back 20 percent (from 1.25 to 1 percent) and service fees to lenders were reduced 33.3 percent (from 3/8 percent to 1/4 percent). Standard practice by the low income housing program has always limited the fees of lenders, appraisers and inspectors, but never touched real estate fees. The announced 5 percent fixed commission on a typical \$50,000 home sale would generate \$2,500 in real estate commission. The Housing Division has given all parties their assurance they are not seeking to regulate real estate fees in the private market. They are simply specifying terms for this one-time situation to make the program operate ~~profitably?~~ ^{at a minimum of break-even.} Further, homebuilders often set limits on commission on the sale of new homes and lenders often set real estate fee limits on the resale of foreclosed properties. The particular program announced by Gregg has all parties sharing in the financing of the loan -- the lender, the buyer, the seller -- and now they are asking the real estate people to share equally. The program will operate at a break-even or maybe even a loss level. Therefore, they feel it is necessary that everybody share in the financing. This is what I am sure Stan Wiley discussed with you today.

Over the weekend I did an informal survey of real estate friends. Their general feeling is 5 percent of something is better than 5 percent of nothing. They don't seem too concerned. Nevertheless, OAR will be conducting a board meeting next Sunday and will discuss the likelihood of suing the state for commission setting. They feel it is a violation of contract law. Gregg and I have the AG's office exploring this now and I have assured Brad Morris of OAR that I will get back to him before the week is out. It may be that Gregg and I will hold a meeting with all the players to simply discuss the concerns and see what can be resolved.

Bottom line: Is government setting private enterprise commissions?

Governor
10/11/82
Page three

Talked with Les Anderson today to see how he was doing with the SAIF investigation. Les tells me everything is in place. They have isolated a number of allegations from an original list of about 25. They are now down to 11 allegations to be investigated. Les has interviewed individually all board members except Lynn Newbry who has been unavailable. He hopes to get to Lynn this week. This was simply a preliminary interview for reaction to the investigation. Specific allegations were not discussed.

Al Azore apparently is working out very well and has a good network set up with Jim Galbraith at SAIF, Insurance Commissioner and the Secretary of State. Today assignments for investigation of specific allegations will be made. Les expects to have all the legwork done within the next seven to ten days and then will go back to each individual board member for interviews regarding any substantive allegations. It looks like a number of the allegations will be washed out during this process.

Les has asked for a complete news blackout to which everybody has agreed, except he has great concerns about the Secretary of State's office. Therefore, any involvement of that office will be done with enough vagueness in hopes that the material will be lacking for the Secretary of State to release to the press.

Talked with a Mr. K. P. Lowry who is looking at Oregon to build a couple of shipyards -- a large one in Portland to construct large ships, plus Coos Bay for fishing vessels -- plus introducing a new fishing industry in Coos Bay, fishing for plankton. He will be sending me a letter. He represents Western Engineering out of Los Angeles. He also is exploring a manufacturing plant in Salem to manufacture bicycle generator lights or safety lights for bicycles. He apparently is far enough along that land has been cited and negotiations are underway.

Talked with Clay Myers. He had a visit with Hasso Hering of the Albany Democrat Herald regarding housing for Oregon. He pointed out to Hasso how Ted Kulongoski is wrong on the Fred Meyer investment, the Oregon Investment Council investment policy, bond purchasing and so forth. Hopes that it will play well for you. Also, he visited with Jim Redden and Tom McCall at Tom's home. Jim Redden is supportive of T.K., but Clay senses not very enthusiastic. Tom McCall feels Ted peaked about two weeks ago and your momentum is building. Tom is upset about what he perceives as your criticism of his administration in the 70s and he is upset by Dolores' fund-raising letter. Clay further said that Tom looks very bad, in a great deal of pain, hard for him to get around and has a very yellow look, all of which are rather negative signs. I talked with Denny today and suggested it might be good for you to take 15 minutes to stop by his home for a personal visit and lay aside his concerns.

Governor
10/11/82
Page four

At your request I called Paul Araquistian in Los Altos Hills, CA. If you recall, this was the CEO of Siltec plus several other high tech firms. Paul was pleased that you had me call. He loves Oregon and will do anything to establish new plants and industries in Oregon. He knows of nothing specifically yet, but will keep us in mind and keep in touch.

Talked with Hartzell Cobbs. He confirms my suspicion that Jean is secretly working for the election of T.K. He was a witness to a conversation Jean had with a lobbyist (John Powell) where she is quoted as having said, (pardon my vernacular), "I have the Governor by the balls." She has also told Hartzell that if you are re-elected, she will resign.

IMPORTANT: Tuesday at 2 p.m. you will be meeting with James Law, Hewlitt Packard. This was a meeting set up by Henry Richmond through Pat Amedeo. Pat, at Henry's wish, said there would be press following your meeting. James Law has just informed our office he wants no press, he is fearful his visit will be blown out of proportion and Hewlitt Packard is not looking for any sites to purchase. He apparently is making this visit only as a courtesy for Richmond, a former classmate, and the Portland area.

Doug Carter assigned Charles Carter to immediately begin looking for funding for the Chinese Community Center. They will be in touch with George Leong today at your request.

There is still a lot of concern about the Nicolai Street project in Portland. Dan Mercer and I have been exploring several options. The most acceptable to all parties concerned is a meeting to be scheduled by Fred Miller with CalBag, Mercer and Nike. Miller will include Department of Transportation technicians as well as representatives of the City of Portland in hopes they can resolve their various concerns regarding access during construction and future traffic patterns. Fred will keep us posted. He will be in contact with Mercer personally to set up the meeting.
