

Budget debate gears up

President Barack Obama and House Speaker John Boehner address deadlock over tax rates

By JOHN H. CUSHMAN JR.
NEW YORK TIMES NEWS SERVICE

WASHINGTON—President Barack Obama and the House speaker, John Boehner, circled each other warily Friday, defending their competing approaches for resolving the budget impasse even as both professed their willingness to reach common ground.

Obama, in his first formal remarks since the night of his re-election, said he would open discussions with congressional leaders

next week to seek a compromise and then, before an applauding crowd of supporters in the White House's East Room, defended the "detailed plan" that he campaigned on—including higher taxes on the wealthy.

"I'm not wedded to every detail of my plan. I am open to compromise. I am open to new ideas," he said. "But I refuse to accept any approach that isn't balanced."

"We have to combine spending cuts with revenue, and that means asking the wealthiest Americans to pay a little more in taxes," he said, calling for Congress to immediately extend existing tax rates for 98 percent of taxpayers.

Boehner, citing a "cordial" conversation with the president on the morning after the

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The "fiscal cliff"

Federal budget issues that could rattle the economy:

- Expiration of various Bush-era tax cuts. Cost to the government of extending the cuts through next September: \$330 billion
- A \$55 billion, 9 percent defense budget cut next year and \$55 billion in domestic programs
- Expiration of long-term unemployment: \$26 billion
- Cut in reimbursements for doctors in Medicare: \$11 billion
- Expiration of Obama's temporary 2 percentage-point payroll tax cut: \$95 billion.
- Various small tax cuts for businesses and individuals: \$65 billion.
- A need to increase the government's debt limit of \$16.4 trillion

Business: Rebound could be quick after "cliff" turmoil | **B3**



CHUCK KENNEDY/McCLATCHY-TRIBUNE

Saying that he had shown "extremely poor judgment," CIA Director David Petraeus, seen here before he retired as general, resigned after admitting to an extramarital affair.

Petraeus admits affair, resigns

An FBI investigation led to the revelation about the CIA director and his biographer, sources say

By ADAM GOLDMAN and CONNIE CASS
THE ASSOCIATED PRESS

WASHINGTON — David Petraeus, the retired four-star general renowned for taking charge of the military campaigns in Iraq and then Afghanistan, abruptly resigned Friday as director of the CIA, admitting to an extramarital affair.

The affair was discovered during an FBI investigation, according to officials briefed on the developments. They spoke on condition of anonymity because they were not authorized to publicly discuss the matter.

Petraeus carried on the affair with his biographer and reserve Army officer Paula Broadwell, according to several U.S. officials with knowledge of the situation. They spoke anonymously because they were not authorized to publicly discuss the investigation that led to the resignation.

The FBI discovered the relationship by monitoring Petraeus' emails, after being alerted Broadwell may have had access to his personal email account, two of the officials said.

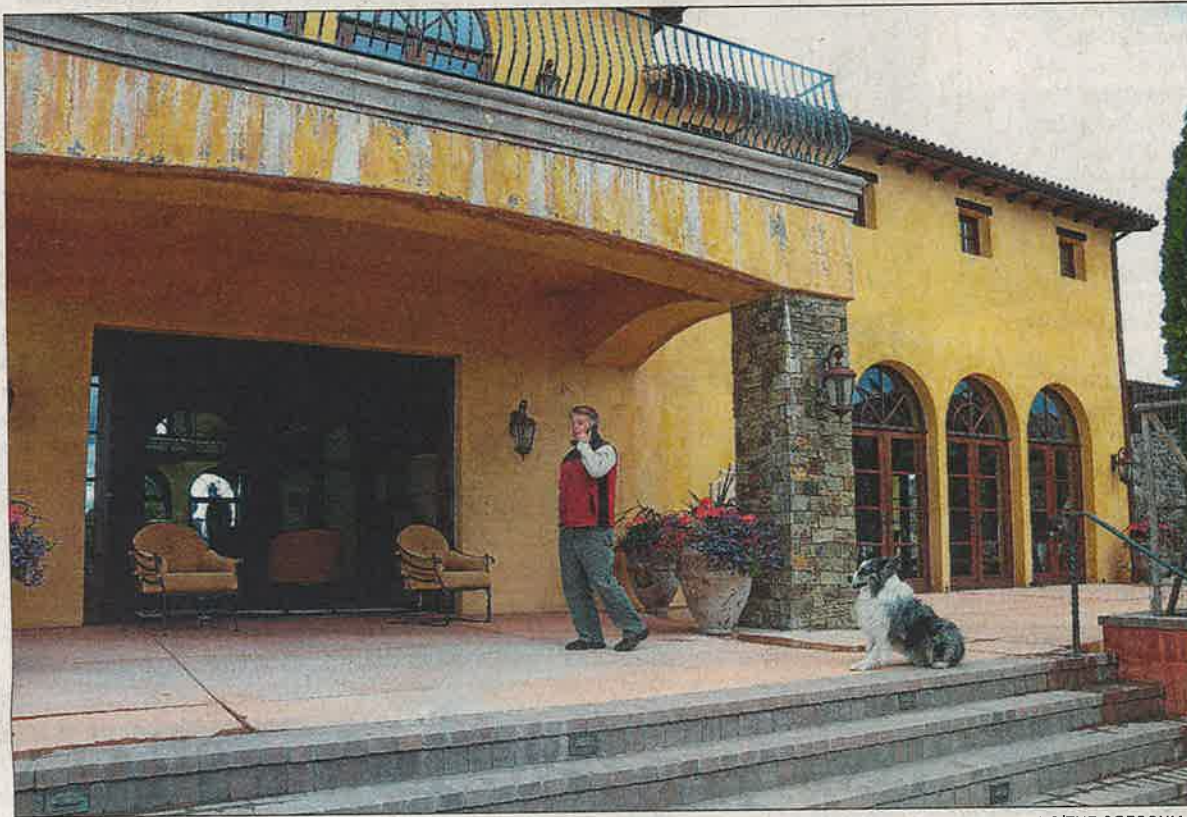
Broadwell did not respond to voice mail or email messages seeking comment.

Petraeus' resignation shocked Washington's intelligence and political communities. It was a sudden end to the public career of the best-known general of the post-9/11 wars, a man sometimes mentioned as a potential Republican presidential candidate. His service was effusively praised Friday in statements from lawmakers of both parties.

Petraeus, who turned 60 on Wednesday, told CIA employees in a statement that he had met with President Barack Obama at the White House on Thursday and asked to be allowed to resign. On Friday, the president accepted.

Petraeus told his staffers he was guilty of "extremely poor judgment" in the affair. "Such behavior

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RICHARD COCKLE/THE OREGONIAN

Kerry Damon, manager of Ranch at the Canyons, answers a call on his cellphone while strolling through the gated community's 7,000-square-foot winery-clubhouse-spa. Developers spent \$6 million on the Mediterranean-style building, but that was before the real estate crunch. Now, they'd take \$2.3 million for it and the rest of the development, including a Tuscan-style stable, 29 empty home sites, a vineyard and 600 acres of irrigated hay meadows.

Sour economy crunches state's high-end housing

The controversial and highly exclusive development crowding the foot of Oregon's famous Smith Rock is selling at auction at a fraction of its cost

By RICHARD COCKLE
THE OREGONIAN

TERREBONNE — The red cliffs of Smith Rock State Park rear vertically into central Oregon's blue autumn sky over an ultra-exclusive \$30 million gated community called Ranch at the Canyons.

The 1,700-acre development includes elegant Tuscan- and Napa-style homes, 13 catch-and-release fly-fishing lakes, Cantera stone pathways, hand-stacked lava rock boundary walls, bridle paths and miles of Crooked River riverfront.

But it's fallen on tough economic times, much like Montana's Yellowstone Club and Idaho's Tamarack Resort. It could change hands at a Nov. 14 silent auction for a mere \$2.3 million.

That's quite a come-down from the original proposal in the 1990s for

a destination resort and golf course that drew signs and bumper stickers demanding: "Save Smith Rock."

Locals rarely mention Ranch at the Canyons these days and aren't affected by the development, Terrebonne farmer Albert Rollins said. Around town, "it's just business as usual," he said.

"We don't see the homeowners so much as we do the maintenance people," Terrebonne Hardware owner Roger Ferguson said.

Before the real estate crunch, 23 of Ranch at the Canyons' 52 home sites sold, bringing an average \$900,000 per lot, with several lots commanding \$1.3 million, said John Rosenthal, owner of Realty Marketing/Northwest of Portland. Eight homes have been built and one is under construction.

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DAN AGUAYO/THE OREGONIAN

See more photos from the Ranch at the Canyons at oregonlive.com/northwest

Multnomah County will sue over mortgages

Officials want to get back millions in unpaid recording fees from the MERS conglomerate

By DANA TIMS
THE OREGONIAN

In an action that has implications for tens of thousands of area homeowners, Multnomah County is taking on a mortgage-industry giant in hopes of recouping potentially millions of dollars in recording fees the county says have been avoided illegally.

County commissioners on Thursday will vote to make Multnomah the first county in Oregon to file a lawsuit against the Mortgage Electronic Registration Systems, a Virginia-based conglomerate created by large national banks to bundle and sell loans without having to record each new transaction.

"What MERS does is take the property recording system we have in Multnomah County and make it worthless," said Jeff Cogen, commission chairman. "Anyone who buys, sells or owns a home in this county is affected."

As a result of MERS' practices, few people know who actually owns their mortgage, he said. Consequently, a public-records search alone on thousands of properties in Multnomah County may be utterly insufficient in identifying a clear title-holder.

Before the rise of MERS' electronic registry in 1997, anyone buying a house would record the deed with the county. Those recording fees, in turn, provided the public service of making clear who owned which piece of property.

Cogen and others say the outcome of the lawsuit is far from certain. Nationally, MERS has won more suits than it has lost by arguing that it can legally be listed as a "beneficiary" on home-mortgage papers.

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Read previous coverage of MERS at ORnews/oregon-mers



roughly three decades of Democratic control at the top of Washington state government. Inslee thanked McKenna he described as a conversation Friday and said the state unite to deal with engines of the day. me to go build a Washington," In "Let's get to work." won the office on ge of economic vowing to invest in clusters of industry as green energy sciences. He em- his goals of making ent more efficient

Republican attorney generals in a challenge to Obama's health care law, and he opposed the passage of a gay marriage referendum during a year in which Washington voters approved it. McKenna's campaign had held out hope this week that late ballots would break in their favor. But many of the counties who posted updated results Friday night showed McKenna actually performing worse than he did earlier in the week. While the GOP has come close in recent gubernatorial elections in Washington — most notably the 2004 race in which Dino Rossi lost to Gregoire by 133 votes — the party hasn't won the race since 1980. Voters ousted that candidate, John Spellman, at the end of his first term, around the time McKenna was student body president at the University of Washington.

one tax

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access to the private utilities' proprietary information. is closing a loop-dressing an inequity exists now in how large telephone-revenues in the city of Portland, Adams said. city reached a settlement month with the Department of Justice to force policies, oversight, council approval. follows federal findings September that the have engaged in a of excessive force people with mental. The reforms are estimated to cost the city \$3.5 but rise to \$5.4 million to absorb of the city's existing Coordination Team, offers housing and rent to frequent low-income money would cover staff positions, 26 the Police Bureau in other city bureaus up police internal investigations, con- gular audits of police s and create a new Addictions and Behavioral Health Unit. uld just have equally ed cuts to the city's t to implement the settlement. I don't o do that," Adams his will plug the hole to cover the police ent." s Denzin, vice presi- nd general manager CenturyLink for north-regon and southern ngton, said he's con- about the proposal. he learned about it e mayor Wednesday. zin suggested his any would consider legal action to block are very concerned any proposal that rates and affects our y to serve Portland ners," Denzin said. ntly, we have fran- and license agree- that are consistent ate law. I expect the ll abide by those." zin also said the city's tion that this would equity to its utility lig fees fails to recog- that the companies all provide the same e. doesn't take into ac-

count we are unique from a cable company," Denzin said. "In the overall regulatory environment, there isn't equity."

Currently, CenturyLink and Frontier pay 7 percent of their revenue from basic phone dial-tone service to the city. In contrast, Comcast and Integra pay 5 percent of their gross revenues to the city.

A 2009 city audit recommended that the city make utility and franchise payments "equitable across telecommunication utilities." According to the audit, Portland's City Council held work sessions in 2004 and 2005 on proposed updates to the city's utility code to ensure consistent tax rates for all utilities but never adopted the proposal.

"This tax is for the privilege of doing business in the city," Henry said.

The mayor and Henry said they don't expect a legal challenge to succeed, pointing to one that failed when Eugene in 1997 charged phone, cable and other telecommunication companies for using the city's public rights of way.

Under Eugene's 1997 ordinance, the city levies a 2 percent registration fee on all telecommunication companies operating within city limits as well as a 7 percent fee for right of way use. US West, AT&T, Sprint Spectrum and TCI Cable sued, arguing that the city had overstepped its regulatory authority under state and federal law. But the Oregon Supreme Court upheld the city's fees.

"I'm confident that we would prevail because Eugene already has," Adams said.

The revenue from Comcast and Integra fees now goes into Portland's general fund for basic city services, and that wouldn't change under the mayor's proposal.

Denzin of CenturyLink declined to comment on the mayor's plan to use the new revenue from his company and Frontier for police reforms.

"But the city really needs to fully do its due diligence on any increase that places a burden on city residents and its businesses before voting or adopting this plan," he said.

The council is set to discuss the plan at 3 p.m. Thursday in City Hall.

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RICHARD COCKLE/THE OREGONIAN

Smith Rock looms in the background of one of the homes at Ranch at the Canyons.

Ranch

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Now, the highest bidder will claim the remaining home sites plus a controlling interest in ranch management, including a Tuscan horse stable and a 7,000-square-foot winery-clubhouse-spa.

Corporate owner Canyons Land and Cattle Co. LLC's asking price is "a significant value" and a dramatic drop from the previous \$4.8 million price tag, not to mention the original investment, Rosenthal said.

While people aren't rejoicing at the ranch's financial troubles, some remain uneasy at the conspicuous consumption represented by the gates, walls and huge homes nudging up against the place where American sport climbing came into its own.

Smith Rock erupted into the national consciousness almost 30 years ago as climbers here developed new techniques and equipment that made previously unnavigable vertical rock faces accessible and safer. A Newsweek magazine cover photo in July 1993 featured Oregon climber Bill Soule on a Smith Rock route called Chain Reaction. The once-unknown formation had made a leap from rural obscurity to world renown.

"Smith Rock had the hardest rock climbs in the United States and the world," recalled Alan Watts, a Bend climber who began roping up and doing technical climbs here at age 14. Now 52, he pioneered many now-famous Smith Rock routes and wrote two well-known guidebooks.

Ranch at the Canyons' gated entryway prevents everybody but its residents from enjoying the panorama presented by Smith Rock from the west side of the Crooked

River, Watts said. That's like denying public access to the Yosemite Valley, he said.

"The view is amazing, but you can't get anywhere close," Watts said. "It's a view that you essentially have to buy. Only the very wealthy can have that view."

Homeowners at the ranch typically live on both coasts, have houses elsewhere and come here for holidays, said Rosenthal, who is overseeing the auction. "A couple of people live here full time, and that's it," he said.

The scale of the ranch — situated just south of a 600-acre spread owned by Nike Chairman Phil Knight — ruffles other climbers.

"McMansions. ... They are gorgeous houses, but it's also overindulgence," said Eric Bostard, owner of Redpoint Climbers Supply in Terrebonne.

Yet ranch manager Kerry Damon points to the parklike site's tranquility and privacy

and notes its sense of history. Archaeological evidence shows the Northern Paiute tribe camped here before the white European invasion, Damon said. To the Paiutes, the stone formations on Smith Rock resembled bears, chipmunks and squirrels, he said.

"Within their legends, this was called the land of the animals," Damon said.

And there is a possibility that members of the public could gain entry into the ranch.

A new owner of Ranch at the Canyons could build a "boutique" guest ranch — which already has land-use approval — on the grounds. The Manchester, Vt.-based Orvis Co. also brings anglers to the ranch from time to time to fish the lakes.

"It's one of the most spectacular properties in the state of Oregon," Rosenthal said.

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Petraeus

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is unacceptable, both as a husband and as the leader of an organization such as ours."

He has been married for 38 years to Holly Petraeus, whom he met when he was a cadet at the U.S. Military Academy at West Point, N.Y. She was the daughter of the academy superintendent.

They have two children, and their son led an infantry platoon in Afghanistan.

Obama said in a statement that the retired general had provided "extraordinary service to the United States for decades" and had given a lifetime of service that "made our country safer and stronger." Obama called him "one of the outstanding general officers of his generation."

The president said that CIA Deputy Director Michael Morell would serve as acting director. Morell was the key CIA aide in the White House to President George W. Bush during the Sept. 11, 2001, terror attacks.

"I am completely confident that the CIA will continue to thrive and carry out its essential mission," Obama said.

The Petraeus file

Highlights from the career of David Petraeus, 60, the Iraq and Afghan war general who went on to lead the CIA until he announced Friday that he resigned because he had been carrying on an extramarital affair.

- Graduated in 1974 from the U.S. Military Academy at West Point, N.Y.
- Married Holly Knowlton, the West Point superintendent's daughter, two months after graduation
- Earned master's and doctorate degrees from Princeton in the 1980s and taught international relations at West Point
- Led the 101st Airborne Division across the Iraqi desert at the beginning of the 2003 war, was promoted to three-star general and put in charge of training the new Iraqi army
- Tapped to head U.S. forces in Iraq in 2007 and is widely credited with saving the country from civil war by orchestrating a surge in U.S. troops
- Appointed commander of U.S. Central Command in 2008, overseeing all U.S. military operations in the greater Middle East, including Afghanistan and Pakistan
- Underwent successful treatment for prostate cancer in 2009 and a year later became the top U.S. commander in Afghanistan
- Retired from the military in 2011 and appointed as CIA director

— The Associated Press



Broadwell Author of a biography of Petraeus

Administration officials said the White House was first notified about the Petraeus affair Wednesday, the day after the election. Obama, who returned to the White House that evening after spending Election Day in Chicago, wasn't informed until Thursday morning.

The Senate and House intelligence committees were briefed on Petraeus' resignation only after the news was reported in the media, said a congressional staffer, speaking anonymously because the staffer was not authorized to publicly discuss the sensitive

briefings.

The resignation comes at a sensitive time. The administration and the CIA have struggled to defend security and intelligence lapses before the attack that killed the U.S. ambassador to Libya and three others. It was an issue during the presidential campaign.

The CIA has come under intense scrutiny for providing the White House and other administration officials with talking points that led them to say the Benghazi attack was a result of a film protest, not a militant terror attack. It has

become clear that the CIA was aware the attack was distinct from the film protests roiling across other parts of the Muslim world.

Morell rather than Petraeus now is expected to testify at closed congressional briefings next week on the Sept. 11 attacks on the consulate in Benghazi.

For the director of the CIA, being engaged in an extramarital affair is considered a serious breach of security and a counterintelligence threat. If a foreign government had learned of the affair, the reasoning goes, Petraeus or Broadwell could have been blackmailed or otherwise compromised. Military justice considers conduct such as an extramarital affair to be possible grounds for court-martial.

At FBI headquarters, spokesman Paul Bresson declined to comment on the information that the affair had been discovered in the course of an investigation by the bureau.

Petraeus, who became CIA director in September 2011, was known as a shrewd thinker and hard-charging competitor. Broadwell recently wrote a piece in Newsweek about his management style.

The article listed Petraeus' "rules for living." No. 5 was: "We all make mistakes. The key is to recognize them, to learn from them, and to take off the rear view mirrors — drive on and avoid making them again."