

T.5.b.

AGENDA COVER MEMO

AGENDA DATE: October 26, 2005

TO: LANE COUNTY BOARD OF COMMISSIONERS
 DEPT.: Lane County Sheriff's Office
 PRESENTED BY: Russel Burger, Sheriff

AGENDA ITEM TITLE: Work Session /Used Merchandise Dealer Ordinance

I. MOTION:

NO MOTION IS REQUIRED AT THIS TIME

II. ISSUE OR PROBLEM: A proposal is soon to come before the Board of County Commissioners to adopt an ordinance requiring used merchandise dealers in Lane County to electronically record and report certain regulated property. The ordinance requires the County to establish the reporting fees. This work session was scheduled in order to provide the Board with the opportunity to view a demonstration of an automated reporting system and discuss changes the ordinance would make to the existing operating procedures. The Sheriff and the City of Eugene Police Department staff will be on hand to demonstrate the new system and answer questions. The owners of used merchandise stores in Lane County have been notified of the work session and may be on hand to answer questions as well.

III. DISCUSSION:

A. Background.

Recovery of stolen property, although a law enforcement concern, has received less internal attention because resources are short, thus there are fewer resources devoted to property crime. However, property crime and thefts have continued to increase. Used merchandise and resale shops sometimes unknowingly receive stolen property, because one of the trafficking areas for the sale and exchange of stolen property is through secondhand dealers. The City of Eugene has been working on some statistics on local stores. It appears that 4 out of 10 second hand store customers have a history of property crimes or drug arrests. The ordinance would require secondhand store owners to electronically record regulated property. Detectives from local law enforcement agencies with access to the data base can then watch for stolen property. The City of Eugene conducted a pilot project in which the business dealers entered the records of used property acquisitions into a computer program and transmitted them to the City of Eugene electronically. This permitted a more timely identification of stolen goods, with attendant improvement in the identification and apprehension of criminals. A side benefit for the business dealers is that the computer program also has inventory management capacity.

Lane County, along with Eugene and Springfield are proposing the adoption uniform ordinances regulating the used merchandise businesses. They are also proposing the adoption of uniform fees. The ordinances will provide for electronic reporting by the businesses. Eugene, Springfield and Lane County will enter into an intergovernmental agreement to establish a central electronic repository for the information related to purchases of used merchandise, and to coordinate the cooperative efforts of detecting and returning stolen property. The intergovernmental agreement provides for the City of Eugene to administer the program, and proposes that fees fund the cost of doing so. The businesses who participated in the pilot

project have indicated a willingness to pay the fee, so long as it is assessed uniformly. Other units of local government would be invited to join.

C. Alternatives/Options.

N/A

D. Recommendations.

N/A

IV. IMPLEMENTATION/FOLLOW-UP:

The ordinance, amending Lane Code, will come before the Board in the next few weeks.

V. ATTACHMENTS:

1. Proposed fee structure
2. Oregonian, Sunday, 10/02/05 – Thieves shuffle hot goods past police
3. Oregonian, Tuesday, 10/04/05 – Portland's brazen black market
4. Oregonian, Tuesday, 10/04/05 – Council demands action on hot goods

		# Transactions		
Business 1	Eugene	938	11,256	700
Business 2	Eugene	878	8,140	700
Business 3	Springfield	653	6,638	700
Business 4	Lane Co.	389	4,304	700
Business 5	Lane Co.	298	3,548	700
Business 6	Lane Co.	293	3,516	700
Business 7	Springfield	289	3,108	700
Business 8	Eugene	239	2,884	550
Business 9	Eugene	190	2,284	550
Business 10	Eugene	162	1,948	550
Business 11	Eugene	144	1,724	550
Business 12	Springfield	112	1,344	550
Business 13	Springfield	110	1,320	550
Business 14	Eugene	101	1,218	550
Business 15	Springfield	100	1,200	550
Business 16	Eugene	78	905	400
Business 17	Eugene	76	900	400
Business 18	Eugene	74	884	400
Business 19	Springfield	68	818	400
Business 20	Eugene	64	772	400
Business 21	Lane Co.	62	744	400
Business 22	Eugene	60	718	400
Business 23	Eugene	69	712	400
Business 24	Springfield	63	636	400
Business 25	Springfield	45	540	400
Business 26	Eugene	44	524	400
Business 27	Eugene	34	408	400
Business 28	Eugene	28	312	400
Business 29	Eugene	26	308	400
Business 30	Eugene	25	300	400
Business 31	Springfield	25	300	400
Business 32	Springfield	25	300	400
Business 33	Eugene	26	300	400
Business 34	Eugene	26	300	400
Business 35	Eugene	26	300	400
Business 36	Eugene	25	300	400
Business 37	Springfield	25	300	400
Business 38	Springfield	28	300	400
Business 39	Eugene	18	196	200
Business 40	Springfield	16	182	200
Business 41	Eugene	16	192	200
Business 42	Eugene	12	148	200
Business 43	Eugene	8	96	200
Business 44	Springfield	8	96	200
Business 45	Springfield	4	48	200
Business 46	Springfield	3	36	200
Business 47	Springfield	3	38	200
Business 48	Springfield	3	38	200
Business 49	Eugene	3	32	200
Business 50	Eugene	2	20	200
Business 51	Eugene	1	16	200
Business 52	Springfield	1	12	200
Business 53	Eugene	1	12	200
Business 54	Eugene	1	12	200
Business 55	Eugene	1	8	200
Business 56	Eugene	1	8	200
Business 57	Eugene	1	8	200
Business 58	Eugene	0	4	200
Business 59	Eugene	0	4	200
Business 60	Eugene	0	0	0
Business 61	Eugene	0	0	0
Business 62	Eugene	0	0	0
Business 63	Eugene	0	0	0
Business 64	Eugene	0	0	0
Business 65	Eugene	0	0	0
Business 66	Eugene	0	0	0
Business 67	Eugene	0	0	0
Business 68	Eugene	0	0	0
Business 69	Eugene	0	0	0
Business 70	Eugene	0	0	0
Business 71	Eugene	0	0	0
Business 72	Eugene	0	0	0
Business 73	Eugene	0	0	0
Business 74	Eugene	0	0	0
Business 75	Eugene	0	0	0
Business 76	Eugene	0	0	0
Business 77	Eugene	0	0	0
Business 78	Eugene	0	0	0
Business 79	Eugene	0	0	0
Business 80	Eugene	0	0	0
Monthly Totals & Average		6625	67,500	22,700

Stores using log books (bold font) average based on 2-months and business estimates
Sources: AIRS/BWI/log books/hand count
The above list represents the 2004 transactions that the Eugene stores reported. Individual store averages from Springfield and all of the Lane County stores are not available, but some of the Lane County stores report to Eugene and are included. It is estimated that there are 5-6 smaller stores in Lane County and other smaller Lane County jurisdictions and 7 additional stores in Springfield that would be required to report secondhand transactions.

**OregonLive.com**

Everything Oregon

The Oregonian

Thieves shuffle hot goods past police

Secondhand stores - The Portland Police Bureau did little about a costly black market that a city loophole allows despite FBI efforts

Sunday, October 02, 2005

JOSEPH ROSE
The Oregonian

and NOELLE CROMBIE

Professional thieves have stolen millions of dollars in merchandise from across the West and sold it through Portland's loosely regulated secondhand stores, creating a brazen black market that was all but ignored by Portland police and city officials.

The burgeoning underground trade has matched old-fashioned thievery with the worldwide reach of eBay, where authorities say hungry bargain hunters have snapped up myriad products still sealed in their original packaging.

Organized and efficient, the thieves cleared shelves of new products at hundreds of major retail stores in 10 states, loaded the loot into car trunks and sport utility vehicles, and returned to Portland, where they sold it to secondhand stores for a fraction of its retail value.

DeWalt power saws. Dyson vacuums. Spendy microfleece jackets that hadn't even hit the street. Levis. "Mean Girls" DVDs. Sonicare toothbrushes. Rogaine. Crest whitening strips.

Commanders and at least one assistant chief in the Police Bureau acknowledged in interviews that they have known for years that thieves are exploiting a gaping hole in the city ordinance regulating secondhand stores. But no one from the bureau asked City Hall to toughen the law, according to Sam Adams, a city commissioner and longtime policy adviser in City Hall.

In August, federal authorities carried out their third raid of the stores, netting what they said was \$7 million in stolen goods. The FBI has targeted the shops in a series of investigations that began in 2001. In that time, Portland police have not cited a single secondhand shop for peddling stolen goods.

Chief Derrick Foxworth says he is angry over his officers' failure to act. After a detailed interview Thursday with The Oregonian, Foxworth reassigned the two detectives responsible for monitoring pawn and secondhand stores and opened an internal investigation into their conduct.

The federal investigation raised questions about those detectives' relationship with the stores. An affidavit in the case quotes a store owner as saying one of the Portland detectives had tipped her off about the FBI's ongoing investigation.

"I just expect a hell of a lot more from folks," Foxworth said in response to questions about the Police Bureau's treatment of secondhand stores. "That's what the citizens expect. That's what you get paid to do. That's the assignment you're in. I guess we will need to look at was this complacency or criminal conduct? It might end up being just complacency, benign neglect, downright laziness."

The two detectives under scrutiny, Steven Swan and William Carter, did not return repeated phone calls

from The Oregonian. However, their supervisor said the unit's efforts have been hamstrung by shrinking resources as well as the outdated and weak city ordinance governing secondhand shops.

Assistant Chief Stan Grubbs, who said he has known about the problem for years, placed part of the blame on chain stores with "non-confrontation" policies toward shoplifters.

"Someone watching (a thief) going out with a rototiller in his hand is almost as bad as an officer watching it coming in," Grubbs said. **Concerns go unheeded**

East Precinct detectives David Anderson and Dan Slauson say they have spent at least three years trying to get the bureau to do something about what they consider an obvious problem with secondhand shops.

But the massive flow of new items moving through the shops, Anderson said, has created an impression among several investigators that "we as a police bureau coddle and enable the secondhand industry."

As a result, the two detectives say, many shops morphed into "ATMs for tweakers," guaranteeing a place where methamphetamine addicts can get quick cash for drugs and fueling a rapid increase in property crime.

Just as past federal raids have failed to slow the audacious fencing operations, Anderson and Slauson don't see the latest sting doing much without sweeping reforms by the city.

Part of the problem is Portland's 24-year-old ordinance.

Pawn shops, which lend money for property put up as collateral, are tightly regulated and licensed by the state. But secondhand shops, which pay cash for goods carried through the front door, need only to keep records on used items of high value, such as jewelry, musical instruments and electronics.

Nothing in the ordinance requires secondhand stores to record new merchandise they buy and sell. And that is all thieves have needed to turn Portland into a West Coast hub for fencing, authorities said.

"Consequently," veteran FBI Special Agent Christopher Frazier wrote in a sworn statement to the court, "retail theft rates continue to climb and the number of secondhand dealer stores in the Portland area multiply as prospective owners see the potential profit for such businesses."

Slauson and Anderson said many of the city's 169 secondhand shops are legitimate businesses, selling everything from violins to antiques. But some, they said, are secondhand in name only, specializing in items that are new and still in their original packaging.

On the day of the FBI raid, agents found stores stacked floor-to-ceiling with an assortment of unopened goods, out in the open, store tags and stickers still intact.

"When you have people who are this emboldened, with no effort to cloak their activity," Anderson said, "there's a big problem with the system."

The situation, they say, has created friction between investigators in the precincts, trying to slow the growth of property crime in their neighborhoods, and the special property investigations unit.

In 2002, Cliff Jensen, then commander of the East Precinct, responded to the complaints from his officers. He asked Slauson to examine related ordinances in cities around the Northwest.

In addition to uncovering huge eBay operations run by local secondhand stores, Slauson said he and another officer put together a report recommending changes that would lead to the closure of many of the illicit secondhand operations.

Following the lead of cities in Washington, one proposal called for prohibiting people convicted of property crimes in the past 10 years from selling items to shops. Other ideas: Limit the number of times a year anyone can sell to secondhand dealers and require shop owners to call police when they suspect new merchandise is stolen. Slauson said the recommendations were delivered to Jensen in late 2003.

But Jensen said he didn't pass them on to the chief's office before he retired in 2004. Still, Jensen said he went to Grubbs at least twice to complain that the trade of shoplifted merchandise at secondhand stores had been ignored so long that it had become accepted behavior.

Jensen said he expected Grubbs, who oversees the precincts as assistant chief of operations, to pass his concerns on to former chief Mark Kroeker or Foxworth. "Obviously, we didn't do anything about it," Jensen said.

Grubbs recalled the conversations, but said he was waiting for Jensen to return with a plan for action. **A bold scheme emerges**

The FBI's investigation of Portland's secondhand stores began four years ago with a tip from a major retailer who saw a pattern of theft from stores across the West.

The inquiry – which led to three sets of federal indictments – uncovered an open market in stolen property being sold to wholesalers in Texas and the East Coast and directly to consumers online, according to court records and authorities.

The scheme grew so bold that store owners placed orders for stolen items and complained about low-producing thieves, according to court records.

Thieves known as "boosters," in turn, have carved out niches, specializing in stealing certain items and targeting stores with low-staffing or vulnerable security.

Slauson said one booster told detectives he'd gone into a Portland secondhand shop more than 700 times in a year. "So, that's a couple times a day. KitchenAid mixers were his big thing," Slauson said.

And it wasn't just merchandise the stores peddled, according to the indictment.

They also traded in gift cards, which they bought at cut rates from the shoplifters. Shoplifters would steal items from a store, return them and receive gift cards for refunds.

One shop owner had racked up \$60,000 in Home Depot gift cards and another planned to make home repairs using home improvement gift cards.

According to authorities, many of the stolen items were auctioned on eBay at steep discounts.

One dealer that made extensive use of the auction site was Cash on the Run, a secondhand shop listed on eBay as a "power seller."

According to eBay, that business has engaged in thousands of online transactions, selling everything from Nicorette gum for \$26 to a professional spotting scope for \$202.55. Cash on the Run's co-owners, Mike Dyer and Toni Kotek, were charged in August in federal court with multiple counts of conspiracy and interstate transport of stolen merchandise.

Dyer said he did not deal in stolen goods and bought much of his new merchandise from wholesalers. The bulk of his business, he said, involves used items.

Another store owner charged in the federal case boasted to a government informant that he'd moved \$112,000 worth of merchandise on eBay in the previous 30 days, according to court records.

"Isn't that unreal?" A-1 Cash owner Kevin Mason Sr. marveled to a government informant in July. "You just put 'em on eBay and it's gone in three days."

An eBay representative said with 55 million listings – and 5 million new listings daily – it's impossible to know who is selling stolen goods.

"The rule on eBay is if you believe something has been stolen from you, we would tell you do to what you would normally do, which is go to law enforcement," said Hani Durzy, a spokesman for the San Jose, Calif.-

based company.

Durzy said eBay estimates that 0.01 percent of its auctions are fraudulent – a figure based on the number of confirmed fraud reports the company receives.

As FBI agents sent informants into the secondhand stores to buy and sell stolen goods, they were told something that alarmed them: One store owner claimed to have been tipped off about the FBI investigation by a Portland detective.

The informant quoted Kotek, the co-owner of Cash on the Run, as saying she and her husband had been "warned" about the investigation by a Portland "pawn detective" who said "the dragons are out." The detective was not named.

According to the FBI, the informant "learned from Kotek the term 'dragon' was the detective's code word for 'federal law enforcement officers.' "

A source close to the inquiry said federal investigators found no evidence of police corruption, but said they passed along the information to Portland police.

Dyer, Kotek's husband, said police did not alert him to the pending investigation. Kotek did not return a phone call. **Detectives overwhelmed**

Foxworth acknowledges that the Police Bureau hasn't done enough. He said he has instructed his commanders to work with the district attorney, city attorneys and the mayor to fix the ordinance regulating secondhand stores.

Before the raid, Foxworth said the top FBI agent in Oregon, Robert Jordan, shared "issues" he had with the Police Bureau stemming from the inquiry. Foxworth declined to elaborate.

Sgt. Randy Day, who is in charge of the pawn and secondhand investigation unit, said the existing law requires his detectives to have a specific reason for seizing property. Suspensions are not sufficient. "You can't just grab stuff from people just because it doesn't look right," Day said.

Besides tracking paperwork on more than 100,000 regulated used items being pawned or sold each year, his detectives visit two or three stores a day, he said. About 15 secondhand shops do most of the business, he said.

Detectives are overwhelmed, Day said.

"I can certainly understand the frustration and the feelings of being overwhelmed," Foxworth said. "However, I would expect more from our people. Part of our job is to be problem-solvers. We don't have the luxury of throwing up our hands and saying nothing can be done."

Joseph Rose: 503-221-8029; josephrose@news.oregonian.com Noelle Crombie: 503-276-7184; noellecrombie@news.oregonian.com

©2005 The Oregonian

**OregonLive.com**

Everything Oregon

The Oregonian

Portland's brazen black market

Police complacency or corruption? Investigators must find out how the city became a hub for selling stolen goods

Tuesday, October 04, 2005

The Oregonian

Last summer, a weak city ordinance got all the blame when Portland was unmasked as a major West Coast hub for the sale of stolen goods.

Federal agents raided a slew of secondhand stores in Multnomah and Clackamas counties in the August sweep, the third in a series, and arrested more than two dozen suspects. The FBI seized \$7 million in fenced property, and city officials faulted the thievery on a regulatory loophole that freed secondhand dealers from having to keep records on new, unopened merchandise that they bought and sold.

Now we learn that the Portland Police Bureau is a part of this problem – possibly even the biggest part.

In a deeply troubling piece in The Sunday Oregonian, the newspaper's Joseph Rose and Noelle Crombie reported that Portland police all but looked the other way as this black market developed in the city. The reporters found that during the course of the four-year investigation by federal authorities, Portland police had not cited a single secondhand dealer for selling stolen goods. Yet commanders and even an assistant chief in the Police Bureau acknowledged in interviews that they had known for years that such illicit operations had become widespread and were operating openly in the city, and online.

The Sunday story's most disturbing disclosure involved the two detectives responsible for monitoring pawn shops and secondhand stores. An affidavit in the federal case quotes a store owner as saying one of the Portland detectives had tipped her off about the FBI's ongoing investigation.

Last Thursday, after being interviewed for the story by Rose, Police Chief Derrick Foxworth reassigned the two detectives and opened an internal investigation.

It's about time. Two East Precinct officers told the newspaper they had been trying for years to get the bureau to do something about secondhand stores that have become "ATMs for tweakers," methamphetamine abusers who fence stolen property for quick cash.

The two officers' concerns resulted in a written report with recommendations for regulatory changes that would put a stop to the illicit operations. The report never made it all the way up the chain of command, however.

Supervisors of the reassigned detectives say the two were overwhelmed by paperwork involving the 169 stores they monitor. The assiduousness of that monitoring, however, is justifiably being questioned. Four years without a single citation to secondhand stores where FBI agents seized \$7 million worth of brand-new merchandise, much of it still bearing price tags from the retailers where it was stolen?

Foxworth vows to find out whether the problem is "complacency or criminal conduct." Either way, a lot more needs fixing here than a loophole in an outdated Portland ordinance.

**OregonLive.com**

Everything Oregon

The Oregonian

Council demands action on hot goods

Secondhand stores - Commissioners want answers from Portland police about a fencing ring

Tuesday, October 04, 2005

ANNA GRIFFIN
The Oregonian

Members of the Portland City Council say they expect immediate and major changes at the Portland Police Bureau in response to news that detectives and their supervisors all but ignored a multimillion dollar black market in brand new merchandise running through the city's secondhand stores.

All four city commissioners said they want the chief and his top aides to show that they understand just how serious the situation is. Foxworth's boss, Mayor Tom Potter, was out of the country on city business.

The Oregonian report showed that police detectives and supervisors had known for years that thieves were stealing new goods from stores in 10 Western states and selling them in Portland secondhand shops. Yet the Police Bureau did little to stop the string.

"Somebody needs to be held accountable by Derrick," said Commissioner Randy Leonard. "And I don't mean just sitting down and talking to them."

Commissioner Erik Sten said he believes Foxworth is responding the right way – with frustration and a determination to find out what happened.

"The best case is things are done properly. The next best case is when the key person responds quickly with some passion," he said. "The chief seems very angry, which is appropriate. We should support what he's doing for the time being."

Portland commanders and at least one assistant chief have known for years that thieves were selling Portland secondhand shops new, stolen retail merchandise. The FBI has been investigating since 2001. In August, federal agents collected what they said was \$7 million in stolen goods during a raid of Portland shops.

City ordinances regulate secondhand shops, but there's a loophole when it comes to new merchandise.

The Oregonian reported that Police Bureau supervisors said detectives did not go after secondhand store owners who accepted stolen merchandise – including, in some cases, DVDs still in their shrink wrap – because they thought city policy did not give them enough authority. They also felt hamstrung by shrinking budgets and huge workloads.

City commissioners say that's not acceptable.

All four said they're committed to ensuring that secondhand shops are regulated more by tightening the municipal ordinance. They also may lobby the Oregon Legislature, which next meets in 2007, to increase penalties on business owners who accept stolen merchandise and people who try to sell hot goods.

"If there's a way to close that loophole, we should start with that," said Commissioner Dan Saltzman.

Foxworth said he'll begin talking with the city attorney, police officers and perhaps business owners this week about fixing the city ordinance. He has reassigned the two detectives responsible for monitoring pawn shops and secondhand stores, but said it's too soon to tell whether other personnel changes may be coming.

Foxworth acknowledged Monday that "there may have been some complacency" within the Police Bureau, but he said other factors also played a role. A recent report from the city auditor, for example, noted that Portland has fewer detectives than other similar-size U.S. cities.

The chief has ordered an internal investigation into the two detectives' behavior.

"We have to find out what was known, when it was known and what instructions were given," the police chief said. "We know we should have done better as a bureau."

Commissioner Sam Adams says outside experts – perhaps officers from other local jurisdictions – should be invited to help figure out just what happened.

"We need to dig in and determine whether this was an isolated incident or whether it represents a bigger cultural problem within the bureau that allowed this to fester," he said.

Potter, who oversees the Police Bureau, has been out of the country since early last week, visiting Portland's sister city of Guadalajara, Mexico.

He and Foxworth go back a long way; Foxworth, for example, was Potter's top spokesman during his own tenure as police chief. Despite their bond, Potter has made it clear during his first nine months in office that he wants change within the Police Bureau command structure. He thinks the bureau has abandoned, or at least minimized, its commitment to community policing, a style he helped start in Portland.

Still, city commissioners don't think Foxworth is in trouble – as long as he responds swiftly.

"When I put down Sunday's paper, I was actually reassured, because Derrick sounded very, very angry, and he doesn't often let himself show emotion like that," Leonard said. "My test of a leader isn't whether mistakes happen. It's how you respond."

Anna Griffin: 503-294-5988; annagriffin@news.oregonian.com

©2005 The Oregonian