

CANBY CITY COUNCIL
SPECIAL SESSION
FEBRUARY 28, 2001

Mayor Terry Prince presiding. Council members present Randy Carson, Patrick Johnson, Shirley Strong, Walt Daniels, Corey Parks, and Teresa Blackwell.

Also present: City Administrator Mark Adcock, City Attorney John Kelley, Recreation Services Director Beth Saul, Community Development Director Jerry Pineau, Police Chief Jerry Giger, Planning Director John Williams, City Engineer Curt McLeod, Marty Moretty, Linda Runyan-Finden, Craig Finden, Jim Newton, Buzz and Pat Weygandt, Roy Zimmer, Bev Doolittle, Lisa Weygandt, Vernon and Donna Walker, David Howell, Joyce Peters, Betty Postlewait, Ray Hoen, Rudy and Carol Prael, Wayne Scott, Leighton Perkins, George Lorange, Kay Lewelling, Craig Lewelling, Jim Gibson, Jean Rover, Ryan Oliver, Jack Parsons, Barry Cain, Woody Harris, Ted Kunze, Ron Berg, Bill Cassel, George Diamond, Nancy Wilmes, Mark Gross, Doug Sprague, Allen Patterson, Nathan Clayton, Ray Burden, Tom Scott, Ron Yarbrough, Vicki Adamson, Jeff Scott, and Lila and Curtis Gottman.

Mayor Prince called the special session to order at 7:00 p.m., followed by the opening ceremonies.

CITIZEN INPUT ON NON-AGENDA ITEMS: Craig Finden spoke on behalf of the CBR Board, committees, and interests of Canby Business Revitalization. Many of their members were attending a facade workshop at the Adult Center and couldn't be present but he did want to invite the Mayor and Council to participate in the CBR Board meetings which are held the last Tuesday of each month at 7:30 a.m. in the Library Community Room.

Rudy Prael spoke on the subject of tonight's meeting. As a downtown business and property owner for the last 25 years, his livelihood depends on the decisions made here tonight. He did not undervalue the learning curve the Council faced to accomplish the task and thanked them for their commitment. Canby's economic future is being threatened and over the continued reluctance to move the town forward. Many groups have been working hard for over six years better, securing a master design plan and marketing plan to benefit all. He had been encouraged anticipating the URD and its ability to fund needed redevelopment of the business community. Accommodating businesses like Milgard through an URD could well be the launching platform for all the work that has gone on before. The arrival of such businesses would accomplish several things: generate funds that could flow into Canby's redevelopment for many years to come; provide family wage jobs; send a message to other good neighbor industries that Canby's doors are open and want to be a town where people live, work, shop and play.

The Urban Renewal is a good tool with which to control industrial growth. Please use it and don't back away for fear of learning how to implement it. Decision makers are seldom popular as it is difficult job. Many businesses in Canby will suffer if wrong decisions are made. Please consider the entire community as Council weighs the outcomes and decisions made.

COMMUNICATIONS: City Administrator Mark Adcock called to Council's attention three items of correspondence brought into City Hall, one from Peter Angstadt the Chairman of URD Advisory Committee, another from Fire District Chief Ted Kunze, and the last one from Patrick Allen, the Regional Manager of the OECDD who clarified that the Sequoia Parkway project would be eligible for a loan, not a grant. Georgia Newton also placed an informational piece before them tonight.

Mayor Prince announced that today's earthquake did not disrupt any City services and hopes for the best for Seattle.

Councilor Carson announced that he had handed out a memorandum that estimated Canby Utility's in-lieu-of taxes at the Industrial Park

NEW BUSINESS: None.

UNFINISHED BUSINESS: Discussion re: Funding Mechanism for Securing Oregon Department of Economic and Community Development Special Public Works Fund Loan for Sequoia Parkway/SE 4th - City Administrator Mark Adcock restated that this special meeting was being held to come to some decision on options and alternatives in funding of the project.

Barry Cain with Gramor spoke on behalf of a group of industrial property owners and of common goals with the IAA. Some animosity has grown over the last few months between the industrial property owners and the City Council. He knows that there is a new Mayor and Councilors elected who want to be cautious about moving ahead and understanding the facts. But there are also property owners who have worked for a number of years in what they thought was a "good faith" effort to resolve some complicated issues.

There are some identifiable common goals between the two groups. There seems to be good agreement that a gradual increase in the daytime population would be good for Canby; having Sequoia completed to 4th would provide a benefit allowing drivers on the south part of town to access this part of town and Fred Meyer's without having to access Hwy 99; the downtown area is worth preserving and enhancing, and a source of money to do this would be beneficial.

The property owners would like to make a proposal is being offered:

- A) No Advanced Financing District
- B) Sequoia Parkway must Connect to 4th Avenue
- C) \$734,000 (6.1 Acres x 2.75/sq) of Right of Way to be Contributed
by Property Owners
- D) Balance to be funded by Urban Renewal
- E) City Council to Support, at a minimum, Annexation Requests of
Property Owners Contributing Land.

He listed the property owners who would contribute land to the annexation for the project, amounting to 61.64 acres. He also offered cost projections based on this proposal. Infrastructure costs including engineering, construction, and contingency amounted to \$1,909,000 not

including the cost of the traffic light at the main access to Fred Meyer. The right-of-way amounting to \$734,000 has the property owners contributing 27.8% of the cost of continuing Sequoia.

The final chart showed an assessment projection of the Urban Renewal. The chart was based on a \$74,390,650 base which was the assessed value at January 1, 2000. The 2000-2001 figures were then calculated on the increment over that base amounting to \$211,743 which includes Tax Lot 901 which had previously been omitted by County in their calculations. With that correction from County, there was an additional gain of \$23,092 of Urban Renewal taxes. The total amount of URD funds available for current year is then \$211,743.

Using the assessed value from January 1, 2001, the amount then grows to \$303,584 to the City. In the next year, they projected the same increase (2.75%) and the amount becomes \$411,343. He felt comfortable with the numbers used as they are only working with projects that are completed or under construction. The rest of the calculations are based on possible development such as Milgard, and Cintas, and additional Gramor projects, showing the potential to build additional assessed value. Just for putting in Sequoia, the District should not have any problem receiving these amounts. If Sequoia is built, Milgard would most likely proceed and others would follow in the time frame.

Mr. Cain had wanted to make the presentation using these numbers because he had heard somewhere in the area of \$265,000 for the City to pay administration and pay the debt on the \$2 million for the bond and these figures bear out that there would be money to cover those for this year.

Mayor Prince indicated that the figures he was presenting did not reflect personnel expenses to operate the URD and Mr. Cain agreed that this presentation showed only a schedule of the assessed value and the increment value of how much money would be coming to the City, it did not reflect expenses which would be allocated as the City decided. Mr. Cain said that he had heard some concern that somehow this would cost the City money to administer and he was surprised to hear that because chances are persons already on staff could be paid for out of urban renewal funds for administration, as well as urban renewal designated projects that would otherwise have to be taken from the general fund. Those projects are ones that the City would identify and this financing method becomes a very beneficial mechanism to use.

If the City thinks this industrial property will develop on its own without any help or if there is no need for any source of money to put into any other part of the town, then there would be no point in doing this, stated Mr. Cain. But, if you see there is a need to have the industrial property developed faster or at a higher quality than would happen otherwise, and also a need for a source of money to put into the downtown and the City have a hand in that process, then this is a great way to do it and by far, the cheapest method. To do a general obligation bond, the citizens of Canby will pay 100% of the bond, but to do urban renewal and contribute \$2 million towards downtown, every citizen in the State of Oregon is going to help pay for it. You might not agree with that in principle, but that is where the money comes from.

Mayor Prince restated that it would be a loan and that URD money would pay it back and that would be taxpayer money from the City. Mr. Cain agreed, but that it would be every taxpayer in the State that would be helping, rather than just Canby citizens. Of the \$16.90/per thousand assessed value, the City only gets \$3.50; in an urban renewal district, the City would get it all. Even if the Council doesn't agree in principle, the fact is that every taxpayer is already subsidizing every other urban renewal district in the State.

Mr. Cain spoke with the City Manager of the City of Lake Oswego who relayed to Mr. Cain that their use of the urban renewal has been a wonderful financing alternative for them. They have spent money doing things in their downtown that they never could have done otherwise, such as Millennium Park and road improvements on "State" and "A". Lou Ogden of Lake Oswego also called upon Mayor Prince to contact him and talk to him about the benefits of urban renewal as that town has two districts.

Councilor Parks wanted it clarified that the 2002-2003 figures included no additional build out in Sequoia Parkway which would bring in \$411,000 a year and if a \$2 million loan were obtained just for downtown, that funding could be used to pay back the loan. The figures are conservative since the figures for Milgard would probably show up in that year also.

Mr. Cain also stated that if the \$2 million was all the City wanted to do, they could ride out for 5-6 years, pay off the loan and close down the Urban Renewal District.

Councilor Parks moved to the question of "No Advanced Financing District" in this proposal. His primary concern would be to fund downtown first, and Sequoia Parkway second although he balances that with what he perceives to be a tremendous need in the County and City for industrial jobs. Considering that the City needs to assume some of the risk, what if an AFD were proposed wherein the property owners affected by the road paid 50% of the road construction cost. What risk is it to the people who don't want to or never develop, isn't the City assuming risk? Mr. Cain stated that it was true that the risk would be on the City if build out didn't occur as the City projected, but the property owners were afraid of multiple AFD's placed on their property over the course of many years and not knowing where they would all be coming from. There are some of the property owners whose parcels are so small that their homes are actually worth more than their industrial land and when it is finally developed, a chunk of advanced financing would need to be paid off. This prospect is frightening for several of the property owners. This is when Ray Burden offered to take the initial hit by trading property with Roy Zimmer and dedicate the property for the road; it worked out to a 70-30 split. Mr. Cain said that the AFD method would never be as good to use as the urban renewal. The URD is already set up and the funding is already in place to cover the risk.

Mayor Prince referred to staff's numbers and that they differed from Mr. Cain's presentation. Community Development Director Jerry Pineau stated that the staff report numbers were projected assessment values which were prepared in the 1999 Urban Renewal Plan and compared them to Mr. Cain's factual present numbers and projected future numbers. Mr. Cain felt that his numbers were more accurate considering that some of his figures were the actual County numbers and rightly so, since the document from staff had been completed two years ago.

Councilor Parks asked what the figure of \$2.75/sq ft for right-of way was based on and City Engineer Curt McLeod clarified that the reason he had put the \$2.75 in the original estimates was to reflect post-developed property value.

Councilor Parks asked if there were an estimate as to how much this would go for based on non-serviced, annexed industrial property - no power, no water, no road. Mr. Cain stated that it would be very speculative but in this case it would be based on industrial developers price and what they would pay and stated that it would depend on what it would cost to bring those services to the property. Councilor Parks referred to an article he had just read in the *Oregonian* about a lack of industrial, buildable land in the Metro area saying that it is hard to even find a ten acre parcel. If the going rate is around \$4.00/sq ft, what would the discount be for no services and Mr. Cain thought that it would depend upon how reasonable it would be to get services to the property. Another consideration is that a company like Milgard goes out looking for property to build on now, not in the future. Someone is going to need to step in and see that the roads and utilities are set up to make this happen for them, and that's worth something.

Councilor Parks' understanding is that almost all URDs have a separate funding source for city services, a separate industrial base from which to draw income for the City general budget that is not in the urban renewal district. His dispute with this from the beginning has been that everything was incorporated into the URD, effectively locking the City into a situation where it cannot gain any benefit of industrial development for property that is already inside the city boundary. In order to capture any of those dollars, they would have to go out and annex and hope that the highest and best uses are put on those properties in order to collect the tax monies that will hire police, fire, city workers. The pressure will be on with additional people in town.

Mr. Cain answered that one of the problems in Canby is that there is relatively little commercial property compared to residential, therefore a lot of takers and no givers to the system. Here now is a chance to get some givers and taking it a little further, the City could be someplace significant.

Councilor Parks asked what would be the harm in shrinking down the URD including only those businesses that are going to be needed to provide funding, and then to build Sequoia with the district shrunk to an effect that tax money can be picked up necessary for essential city services. If you end up with a developable property, do you care if it is based on URD, if that tax mechanism is in place? Mr. Cain responded that he did not, but that the URD was the best way.

Mayor Prince questioned the right-of-way portion in the proposal to be dedicated to 4th Ave. and was told by Mr. McLeod that it was based on 74 foot, not 60 foot. It also includes the connection between Sequoia and 4th. Mr. Cain had also shown the construction estimates prepared by Curran-McLeod for the City to Doug Sprague, who confirmed that they were accurate and reasonable.

Councilor Johnson asked for clarification of the portion of the proposal that referred to Council support of annexation requests. Mr. Cain stated that it was the wish that the City would state that

the property owners' contribution of land to the project is equitable and would not oppose annexation. Councilor Johnson also wanted to know if the City were to be the applicant, and Mr. Cain responded "no".

Councilor Parks added that the buildable lands supply shows that over the next 20 years, the City would need 117-120 acres and at this time are only at 36 acres.

Councilor Carson felt that the number was low and in reading further into the buildable lands survey, that number could be doubled depending on how it was built out.

City Attorney John Kelley clarified that as a land use process, all annexation applications would be reviewed first by the Planning Commission, and then on to the City Council with a recommendation. The City Council cannot be asked to pass the annexation because it has to be reviewed through the application and the criteria. They could agree in principle to the concept, but could not say that they would approve or pass any annexation application that comes before them.

Mr. Cain said that he understood and that to the extent that it meets the conditions for annexation, he would think that this proposal request is reasonable to support and there should be some way to legally word this condition that would be appropriate.

Mr. Kelley responded that Council could probably give an agreement of support in concept, provided that it meets all the annexation criteria for approval.

Council appreciated the information provided by Mr. Cain.

Mayor Prince recessed for a break at 8:03 p.m.

The meeting was reconvened by Mayor Prince at 8:13 p.m.

Wayne Scott residing at 1988 NE 19th in Canby, stated that he had come with mixed feelings about the URD but in reality it he felt it would produce more money than the conservative projections made two years ago. There should be some limited risk for property owners but wanted Council to think about what this could bring into the City. He felt that the 300 acres potential of industrial land is the largest in the County, everyone desires it. Some of the downtown business owners are struggling and over four years ago an EID district was set up to try to fund improving downtown and here now is a mechanism to take some of it. Milgard will hire some new employees now but within five years, that number will probably grow to over 250 new jobs.

Shrinking the URD is probably a good idea; the thought should have been put into that when it was being created. The newest Fire District levy will cost around 30+ cents but with the URD, both could be financed as well as allowing the community to grow, which will occur anyway. He questioned the School District selling 10 acres and promoting in excess of \$100,000 an acre for residential when they cry about overcrowding of schools.

Residential homes cannot pay all the taxes; homes cost this city money. He doesn't think that the City could be funded now at the current levels if it weren't for the growth that has occurred over the last eight or nine years.

He urged Council to look at the possibility and act upon it. Don't stumble over the dollars to get to the nickels makes no business-sense. There could be advanced financing implemented similar to what was done on the N. Redwood storm drainage AFD. Council could get the loan, build, and affect the properties when they sell for the developable price. He felt that the \$2.75 amount was low, but in using that number, there would be ample money to pay back the loan. In his opinion, the risk to the property owners would be low and they would have the capabilities of the handling an AFD.

The Economic Improvement District set up over four years ago to help with improvements in the downtown, has been struggling. The \$80,000 amount barely covers the administrative cost and that is burdened with a "hodge-podge way" of determining what the EID district is. He urged Council not to make that mistake again. Look at it, incorporate it, move forward. Build the road, tax the property owners to the degree of helping fund it, not charging them interest, and pay the debt off. Help the community, it cannot afford the residential taxes it is now paying and going to pay to support this.

Councilor Carson asked if the right-of-way donation for the road was fairly equitable and Mr. Scott responded as a developer he probably wouldn't agree with it, but what's equitable? It is what it is, was his response.

Councilor Carson also asked if he saw a percentage he would be willing to pay on an AFD if he were sitting in the middle of this property? He felt he couldn't respond since he did not have any property in that location.

Councilor Strong wanted to clarify that he would encourage use of both URD and AFD financing. Mr. Scott answered that the URD was already formed and had the ability to borrow the money and in fact, has already received the first installment of URD money. Council has total control of how that money is spent. The numbers presented say that the debt can be repaid. How much of that is the City responsible for, initially 100%. At that point, some of the affected properties can be attached with the AFD, and if they sell, they need to pay.

Mayor Prince stated that N. Redwood was attached with a similar AFD and to date, the City is on schedule with the loan payback. Because of the way that AFD is set up, the money allows funding of police and fire.

Councilor Johnson restated that the landowners' proposal stated "No AFD". Wayne Scott said he was not addressing this issue as one of the property owners, but only his personal opinion. But Mr. Scott felt that Council needed to negotiate with them, not just turn it down.

Ted Kunze, Chief of the Fire District No. 62, spoke clarifying the Fire Board's position in regards to tax increment financing and Sequoia Parkway. In November 2000, the Fire Board had

met informally with the industrial area owners and in that meeting realized that they did have a lot of issues and concerns in common. At that meeting, they talked about building consensus, coming to an agreement as far as what an issue would be. Unfortunately, they haven't done that yet, it wasn't able to happen at that meeting. But he has still found that meeting encouraging. There was room for give and room for "consensus" which means that you are 70% happy with what happened, and will support it 100% when you leave the room. That is what the Fire Board maintains, as well as the property owners, and probably where the Council wishes to be. Caution comes to mind when thinking about what is being discussed tonight, another eleventh hour decision. The establishment of the URD, the annexation to a vote of the people, and now the loan, all get rushed through. The rush now is around the March 5th deadline, not whether fair agreements can be reached with the property owners and this is what really concerns the Fire District. He used an analogy of thinking you can have the "Cadillac" only to find out all you can afford is the "Chevy". Some of the compromise or consensus is reducing the area to allow the Fire District to bring on some more tax base. One of the reasons the Fire District opposed the plan was that it encompassed all most every square foot of buildable, industrial property in the City of Canby. There was no room for growth for the Fire District and froze them out of the circumstances. But, Canby is growing, their call volume is up, and they are trying to make ends meet and it doesn't help when their revenue sources are drained, cut, or diverted. The Fire District would encourage Council to take time to build consensus and wait for the next opportunity to apply for a loan.

Councilor Daniels restated that then Mayor Taylor and himself had been appointed to try to meet with the Fire Board, they had not wished to meet with the Council. He felt they had indicated that they were willing to negotiate, but they had come out against the annexation. Council tried to meet with them since last October and were never able to get a meeting set and were then told that they would not meet until after the election.

Chief Kunze disagreed with Councilor Daniels and stated that looking back at the history of this process, the Fire District had spoken at the hearings of their concerns about urban renewal. He remembered that it was the Council who cut off negotiations with the Fire District, wanting to wait until after the annexation election. It was after that decision made by Council on a Monday night that the Fire Board met the following Wednesday and decided not to meet based on Council's statement. For the record, he wanted it stated that it had been the Council that had postponed meeting.

Mayor Prince announced that the Council and Fire Board have set a date to meet on March 14, 2001.

Councilor Parks asked Mr. Kunze if they would be willing to meet on regular basis in an attempt to come to an agreement in case the Council decided to try for another loan application at a later date and Chief Kunze said that the Board had relayed through him the desire to work towards a consensus to solve this issue.

Woody Harris with Milgard addressed to two broad areas that his company feels it would bring to this community:

1) Milgard will bring 250-300 employees, of which 20 to 50 are current Canby residents. Ultimately, they all will be spending money in Canby either at lunch or before they leave town which creates economics coming out of Milgard employees that are not taxing on the community. The company also brings a positive growth pattern that will be slow and gradual over five to fifteen years. Milgard also brings clean, modern, efficient industry with minimal impact on City services. His is most proud of the formalized community action program the Company will bring to Canby. The action is formalized so that each division gets involved with the community and they expect their employees to take part in the community. It is the fun part of being an employee of Milgard and knows Canby would enjoy this relationship.

2) Mr. Harris next addressed his observations after last week's meeting and spent several hours trying to put himself in the Council's shoes and determine what their concerns might be and came to these conclusions as an outside observer. There have been a lot of uncertainties expressed by Council of the location of the road; annexation of the Zimmer property necessary to put in the road; loan payback; and property owners making concessions, i.e. free rides; and the methodology of payback. He wondered how in a short week could all those be addressed but it sounds like the property owners got together and tried to address those uncertainties. There might be reasons to delay the building of Sequoia and those uncertainties could be used to delay the construction, but Milgard is so sure that this is a good community step that if you look at the list of uncertainties he had mentioned, they are not there anymore. The location of the road is now a certainty all the way to 4th, allowing for a few inches one way or the other. Mr. Cain has demonstrated that the money will be there to pay back the loan if the City moves forward with the State bond. The City should not have a concern with the property owners getting a free ride as shown by the paying for 30% of the project cost by dedicating the right-of-way. He hopes that the Council all recognize the significance of this proposal and give them credit.

He was concerned when he heard the proposal that the property owners didn't want any part of advanced financing. But when he thought more and in actuality, they really did that by coming up with the 70-30 split in terms of cost sharing. they have not only participated in the 30% but have said that the City needs to use urban renewal, thereby giving the City an opportunity to make money and help downtown. He feels that the property owners have come up with a better plan than one that could have otherwise been proposed.

He appreciated Mr. Kunze's comment about consensus theory of coming away 70% happy, since no one will come away 100% happy, but get 100% behind it.

Councilor Carson asked about SDC fees that Milgard would be paying on the property and stated that they would be above and beyond the right-of-way costs. The builders, developers, or landowners will also have to be contributing to those SDC charges as well.

Curt McLeod added that the property owners have also donated the SDC component of the right-of-way so that cost will not be spread throughout the Transportation SDC and reduces the SDC cost the City would charge because they offered to contribute that property.

Barry Cain also added that before this proposal, some of the computations showed that some of

the infrastructure would be paid for by the SDC fund and in the proposal that is not included. If Council chooses to do it this way, then the SDC fund can be used for something else. He also wanted to emphasize that the reason he and the property owners got together is that they want a decision now, not to wait. The offer was made to get things moving, to go ahead, work something out and move forward.

Council Deliberation -

Councilor Carson referred to letter from sent to the Council from Peter Angstadt, the Urban Renewal Advisory Chairperson and read excerpts "You should focus tax increment dollars, especially in the early years of the urban renewal area, on projects which are likely attract significant private investment that, in turn, will generate more immediate tax increment dollars." This means you need to fund the basic services, roads, and utilities first with TIF funds in order to have the URD grow and produce increased TIF funds. Creation of primary jobs, i.e. Milgard, is where the money is going to come back into the community. Secondary money is nice, but the primary money coming from payroll into the City that they can spend here, is the main thing." As Mayor of Pocatello, Idaho, Mr. Angstadt would have to search for businesses to come to his town. There are other towns who would like Milgard and they could certainly go elsewhere.

Councilor Carson also shared a memorandum from Canby Utility which stated that the electrical/water fees that Milgard would be paying to them, then pass to the City in the form of in-lieu-of-taxes fees. Along with other industries such as Cintas and Gramor Phase 2, the dollar amount would be around \$30,000 per year. These franchise fees go directly into the City general fund.

Councilor Daniels recapped the decisions the Council made at the meeting of February 21, 2001, stating that the motion tabled, if passed, would negate this special meeting. He had asked at that meeting if there were any common developments that could be agreed on that would allow Council to move forward. The following was agreed on. Council wants an industrial park, Sequoia Parkway, and extension SE 4th Avenue; infrastructure improvements to service Milgard Mfg.; and revitalize the commercial downtown area.

In the State-of-the-City address, Mayor Prince stated "It is my belief that urban renewal will remain a viable, economic development tool for this community and that the URD should give careful consideration to initially focus on the downtown area for placing urban renewal dollars." The Mayor also hoped that the Council as an agency would re-evaluate the scope and focus of the URD and prioritize its projects.

Councilor Daniels stated that the big question is not to debate on the pros and cons of the URD or AFD, but to come to some agreement as to how to secure a loan through the OECDD. An application was made by the City Council on August 22, 2000, and a special public works program fund was made available to the City of Canby with the URD Agency pledging tax increment revenues for the loan payments thus assuring payment by the Agency during the debt life of the District without any general obligation to the City. In other words, the Agency would make all the payments, not the City's general fund. At the unveiling of the Canby Downtown Master Plan on February 21, 2001, a comment from the audience was made that the plan looked

great, but how would it be financed? Without URD funding, it would not be built. There have been two Council workshops, and one prior Council meeting and now tonight's meeting with tremendous support given for the URD and the S. Sequoia Parkway extension. So now we come to this meeting with some idea of funding for the Parkway extension between extremes of an AFD to a URD. The URD is established already with a loan in place, the tax increment system has a source of payment and the loan would be secure. On the other hand, an AFD is opposed by the IAA, and if Sequoia Parkway is built and little development occurs, the City is on the hook to pay the loan.

As Budget Committee Chairman, Mr. Daniels cannot see where the City could pick up a debt of \$160,000 if the worse case scenario happened and there were a lack of development under an AFD. After this past Monday's Budget meeting, the City is expecting a budget shortfall and will need to make some serious cuts, not more liability. It is not prudent to postpone a decision until fall. It may give the Council time, but time for what? There is already a loan, there are businesses that want to make the payments and waiting will give no assurances of getting another loan. He believes that the Council is in a transformation leadership stage, transforming meaning "change". Council has created a vision of the Industrial Park and the URD and there is support from the IAA, the Chamber of Commerce, CBR, and individuals. Now Council needs to make the vision a reality and do the right thing.

Councilor Johnson stated he has followed his campaign slogan to listen, learn and lead. Tonight, Council is at a juncture to lead. He also heard on Monday night at the Budget meeting, that the City would be short and it is not a matter of which projects will be funded, but what is going to be funded and how to do it. He used the example of the parent not co-signing a loan for a brand-new car for the teenager if he can't make the house payment. It amounts to personal finance. He doesn't care that Mr. Cain feels that the City can pay for this loan, no matter what.

From the Oregonian, he read that industrial property is scarce. According to the Clackamas County Complete Community Congress, "Charge developers for full impact on the regional area, including transportation and growth, recommended residents focusing on growth and land issues." Mr. Johnson stated that he is not willing to take the risk. The City is paying out more than they are taking in and with the current urban renewal plan, it will continue down the same path. He agreed with Councilor Parks for the need to modify the boundaries to get some of the industrial growth inside the City coffers. And also agrees that for a long-term financial plan, the urban renewal district seems like a good plan, if one can afford it.

Councilor Johnson agreed with Mr. Kunze that Urban Renewal never went to a vote of the people, that had been recommended by the Planning Commission. It was set up with the Council acting as the Urban Renewal Agency and didn't prioritize projects except for this one, and now are facing a March 5th deadline and still don't have an agreement with the Fire District. He would question how the Fire Board would feel if Council went ahead tonight with the URD without negotiating with them, what message would Council be sending to them? He has not liked this plan from the beginning and still doesn't like it. He would treat this like a math problem - stand up, find a new piece of paper and start over. He feels that the urban renewal process and the subsequent chain of events has been tainted from "Day One" and would vote

against the City securing the loan with the general fund obligation in the background. He would like to see this whole process start over from beginning to end.

Councilor Daniels said in response to Mr. Johnson's statements, that someone else would be making the payments and when the road is built other businesses will be coming in.

Councilor Johnson replied that the City has no industrial land that would go into the general fund. He wants a new approach and wants a chance to try.

Councilor Daniels asked what that would be and Mr. Johnson responded to go back to the Task Force and listen to what they had to say. He felt that property owners and relatives in the industrial area shouldn't be involved with the process and lastly, to send this to the voters to see if they want an industrial park such as this and an urban renewal district.

Councilor Parks didn't think the URD was appropriately applied to buildable, vacant land. He had learned tonight from Mr. Cain's numbers that in two years from now, there would be \$411,000 to spend on projects to revitalize the blighted downtown area and would like to see Council focus on that. He sees merit to the City spending some money, and in this case, forgoing some tax money to see that the road is built. What he is concerned about is that the urban renewal plan was designed to incorporate every piece of buildable, industrial land in the City, locking the City, the Fire District, and all the tax districts into a sum certain value from which they can draw their resources. There is a \$300,000 shortfall in the City budget that will need to be addressed. In six months, they can find a better combination of programs to build the road. He is committed to see that the road is built. He participates in the Clackamas County Economic Development Commission because he wants to see this county, city, and community have some better economic development. He thinks that at this point both sides have slapped the blinders on and decided that there is only one way to do it, and that is not so. At this point, if there is no more development besides Milgard and what is already in the Urban Renewal District, there will be no money for downtown.

He personally feels that industry will go in whether the City builds the road or not. He would like the area to be formed in such a fashion that the City can reap some of the benefits for its general fund, its services, and for its people that it cannot currently extract. He thinks it says a lot for the property owners to be willing to dedicate the property to get this project done, but it is also about what the Council can do to protect the integrity of the City Budget. And with what is now on the table, he doesn't think Council can do it. He would be willing to sit down with anyone. In his educated estimation, this is a bad plan to pass tonight and he will be voting "no". He would encourage industrial development but feels that it needs to be done responsibly.

Mayor Prince stated that the budget shortfall was approaching \$400,000.

Councilor Daniels said that a letter given to Council from the OECDD stated that the City was not eligible for any grants and there is no guarantee that they would give us another loan in six months, especially after turning this one down. Revenues are still declining and we might not be in a better position then; costs could be greater for a new loan.

The City of Wilsonville has a 38% industrial tax base and they are having a hard time finding a ways to spend all their money. We can't live on residential taxes alone unless the citizens decide this is just going to be a bedroom community.

Councilor Parks replied that no one is disagreeing that industry will provide a benefit to this community, but industry taxed through the urban renewal district doesn't provide additional services. This is not set up to gain what Wilsonville has; it could only be spent for capital improvement. He felt that it was not set up the correct way.

Councilor Daniels felt that the information and recommendations they had gotten from the consultants had been sound.

Councilor Strong asked of Community Development Director Jerry Pineau if the loan weren't applied for at this time and Council waited six months, would OECDD turn us down? Mr. Pineau responded that "in reality, he did not know".

Councilor Carson felt that without URD to help fund Sequoia, it would send the message to new businesses, the IAA, and the downtown businesses, that the City really isn't trying to work this out. Taking money through the URD to help fund the street allows money to be available to spend other places, freeing up revenue in the general fund. People will think that Council doesn't want to help downtown businesses. Sequoia is the only road that the people in the industrial park have said "No" to AFD's and LID's, feeling that it is a main artery going through town. The IAA has made an offer, and Council is going to make a decision tonight without even coming up with an alternative plan or negotiating. Everyone is hamstrung by not being able to sit down and talk back and forth to try to come up with an agreement that all can get along with. New businesses will have a hard time coming in. Even Wayne Scott is a proponent to get the URD funds moving and to get growth in the Industrial Park.

Councilor Blackwell's concern goes beyond the IAA, the budget, and Milgard. It goes to the developers who paid their own way with AFD's. She would recommend passing on the March 5th deadline and wait, do not fast track. She wants to fully understand the implications and the boundaries. She feels that there is enough information and understands the process. Everyone understands the need for economical development to counterbalance, although some citizens don't see anything wrong with Canby remaining a bedroom community. She thinks Council would be doing a disservice to the citizens who have not been here and a part of the process.

Councilor Daniels expressed disappointment, hoping that the common ground would be discussed but this is the same talk as last week. The funding needed to be decided but now, everything is going to be thrown out; none of the proposals are being considered.

Councilor Strong had hoped that they could come to some combination of funding using AFD's. She wanted to ask the question of the property owners whether or not they would look at any portion of advanced financing. She also agreed with Councilor Parks that the District needed to be shrunk so that the general fund could capture some of the industrial land. She feels that they

should pay for part of that infrastructure and would be willing have that conversation now.

Councilor Parks acknowledges that they have offered 30% funding but has other concerns and doesn't want to remove Council's ability to negotiate in good faith going forward.

Mayor Prince has always felt that URD was a good vehicle for downtown but not for the industrial area because of its effect on the budget. In the second industrial area that was put in, the City got a loan, paid for the City's fair share of the road and upsizing, and the rest of the cost was split between the property developers through an AFD. Hopefully, the City will get all of that back over the next twenty years. Taxpayers did not have put any money into that Redwood-Pine Street road. He thinks the taxpayer has been forgotten in this whole discussion. Last September, the citizens voted down the annexation for the industrial area to come in. Granted, it was very large, but they were also uncomfortable with the URD and the funding going with that. It is also a matter of fairness to the taxpayers who would have to pay 70% of the road. There need to be agreements on advanced financing. But it is not the only problem, due to the fact that half of the road isn't even annexed into the City yet.

There are significant budget cuts coming to the City and the full extent will not be known until March 22nd. We need money to operate the City and he would feel very uncomfortable to have to go to the voters for a serial levy after having given away \$1.9 million in taxpayer money. The URD is taxpayer money because it is money that would be in the budget right now. The Fire District has not been addressed yet. The voters need to be on board; they turned down the last annexation. They need to feel that developers will pay their own way.

If Fred Meyer's would have come before Council and said they would deed the right-of-way to the road but the City would have to pay for the light, the infrastructure, and the road, they probably would not have gotten into the City. There needs to be more compromise through discussions with the Fire District, and the shrinking of the URD District. If the funding is taken away from the City through the URD process for twenty years, he doesn't feel it can be done, especially with the deficits that are coming up.

****Councilor Parks moved to bring back the tabled motion to withdraw the application for Special Public Works loan for Sequoia Parkway at this time for the March 5, 2001 deadline. Motion was seconded by Councilor Johnson and passed 4-2, with Councilors Daniels and Carson voting nay.**

Councilor Daniels responded that Council says it's listening to the public, the public spoke, and Council is still making this decision.

Councilor Johnson agreed.

****Motion was made by Councilor Johnson to withdraw the application for a Special Public Works loan for Sequoia Parkway at this time for the March 5, 2001 deadline. Motion was seconded by Councilor Strong and passed 4-2, with Councilors Daniels and Carson voting nay.**

Mayor Prince recessed for a break at 9:30 p.m.

Mayor reconvened the meeting at 9:38 p.m.

MANAGERS' REPORT: None.

COUNCILORS ISSUES: Councilor Parks asked to move his request to New Business.

NEW BUSINESS: Councilor Parks would like to get a better understanding of who in the industrial area is interested in annexing. He would like to instruct staff to inventory those property owners who would be willing to come into the City, independent of this action tonight.

****Councilor Parks moved to direct staff to survey the industrial area owners who would consider annexation into the City. Motion was seconded by Councilor Johnson and passed 4-2, with Councilors Daniels and Carson voting nay.**

Councilor Daniels felt that as of tonight, Council was aware of the owners who had been willing to come into the City but felt uncomfortable surveying people because the City has never initiated an annexation.

Councilor Parks responded by saying that the City's funding decisions and the way in which structure is used to go forward, depends in a large part on what is foreseen as the income source. If staff discovers, in light of this decision, that no one wants to annex, then that changes the funding discussions and focus on others.

Councilor Daniels felt the figures would be tainted until such time as the voters go to voter-approved annexation.

Councilor Parks still feels that people in this community do have a desire to add industrial land to that park, but this is primarily a funding difficulty.

Councilor Blackwell felt that a major part of the discussion is lack of communication, education of the community, and importance of getting the Advisory Committee back together to begin conversation. Would the URD Advisory Committee perhaps be the appropriate body to do the survey?

Councilor Carson felt that if this had been done six months ago, they would be a lot closer than they are tonight. He felt that the meetings had been suppressed and the lack of meeting is reflective of tonight.

Mayor Prince once again addressed that he is in favor of the URD for downtown development and this administration has only been in office for just one and a half months.

Councilor Parks just wishes to get past this part.

Councilor Daniels asked how much time this project would take staff. Community Development Director Jerry Pineau answered that if it were a matter of calling each owner and finding out a "yes" or "no", that would take a much shorter time line than in depth contacts to find reasons why and then a report on it. That process could take somewhere in the area of 30 hours.

City Administrator Mark Adcock asked if it could be something that could be accomplished after the budget document is prepared. If the expectation is for this survey to take somewhere in the area of 30 hours according to Mr. Pineau, sometime after March 22nd would be more accommodating to staff.

Councilor Parks also asked of Jerry Pineau that bond funds matriculate and are issued as they collect enough people to go to market, so not necessarily in the fall, but perhaps sometime a little earlier or a little later. Mr. Pineau confirmed the statement.

City Attorney John Kelley answered Mayor Prince who had responded to Councilor Daniels' concern about the City having contact with the property owners inquiring about annexation. Mr. Kelley said that as long as there were no annexation applications from that area, there would be no problem in doing the survey since it was not a land use issue.

ACTION REVIEW:

1. Directing staff to communicate with OECD to withdraw the application for the Special Public Works loan.
2. Contacting property owners regarding their interest in annexation to return with that information sometime after March 22nd, 2001.

Mayor Prince adjourned the special session at 9:53 p.m.

There was no Executive Session.



Chauncey F. Seifried,
City Recorder pro tem



Terry L Prince
Mayor



Prepared by Marty Moretti,
Office Specialist