IMPROVING OUR COMMUNITY

UR COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

# JOINT MEETING AGENDA

## COLUMBIA GATEWAY
## URBAN RENEWAL AGENCY
## AND
## URBAN RENEWAL ADVISORY COMMITTEE

Conducted in a Handicap Accessible Meeting Room

**Tuesday, June 18, 2013**
5:30 pm
City Hall Council Chambers
313 Court Street, The Dalles, Oregon

I. Call to Order

II. Roll Call

III. Pledge of Allegiance

IV. Approval of Agenda

V. Discussion Item – The History and Future of the Urban Renewal District

VI. Update of On-going Urban Renewal Projects

VII. Next Regularly Scheduled Urban Renewal Advisory Meeting—
July 16, 2013

VIII. Adjournment

CITY of THE DALLES
313 COURT STREET
THE DALLES, OREGON 97058

(541) 296-5481
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# AGENDA STAFF REPORT
**Urban Renewal Agency**

| MEETING DATE | AGENDA LOCATION | AGENDA REPORT # |
|---|---|---|
| June 18, 2013 | | |

**TO:** Urban Renewal Board, Urban Renewal Advisory Committee

**FROM:** Nolan K. Young, City Manager NY

**DATE:** June 10, 2013

**ISSUE:** Joint meeting of the Urban Renewal Board (URB) and the Urban Renewal Advisory Committee (URAC), for the purpose of discussing the history and future of the Urban Renewal District

**BACKGROUND:** The City Council has requested that the URB and URAC meet to consider the future of the Urban Renewal District. In particular the Council wishes to have the two groups discuss future projects and weather or not the project orientation should return to the original purpose of public works infrastructure projects.

Attachment A is a history of Urban Renewal in The Dalles. The original UR plan was heavy on public works infrastructure; it shows that over the years the plan was amended to have more of a focus on projects with public/private partnerships that increased the tax value of properties in the UR District.

Attachment B is a memorandum that attempts to measure the effectiveness of the Columbia Gateway Urban Renewal Agency in its efforts to increase the tax base of the Urban Renewal District. The results of this analysis suggest that the agency has positively influenced the property tax base growth within the district, supported more efficient land uses within the district, and successfully leveraged Urban Renewal funds for investment.

Attachment C is the Urban Renewal End of Life Conceptual budget narrative. The purpose of this document is an effort to predict revenue projections and reductions in maximum indebtness.

**BUDGET IMPLICATIONS:** The Agency is currently overcommitted by $1,671,878 with its current planned projects based on the estimates and assumptions in this end of life budget. This shortfall might be overcome by replacing agency contributions with outside funding sources, increasing the contribution of property owners for streetscape projects, eliminating/reducing funding for certain projects, or some combination of these approaches.

**ACTION:** This is a discussion item, so no formal action is anticipated. Direction should be given on any additional research or issues the URA/URAC desires to be brought back for further discussion and consideration of action.

**A History of Urban Renewal in The Dalles**

By
Garrett Chrostek, Administrative Fellow
April 25, 2013

## Intro

With the passage of General Ordinance 90-1106 on April 23, 1990, the City Council made a finding of blight within The Dalles as defined ORS 457.010. This finding allowed the City to establish the urban renewal district and the management entity that later came to be known as the Columbia Gateway Urban Renewal Agency. In August of 1990, the Council adopted the first urban renewal plan through General Ordinance 90-1113. Since that time, the Urban Renewal plan has undergone several amendments. This document summarizes the various changes with particular focus on the size of the urban renewal district, the stated goals and identified projects, and the maximum indebtedness.

## Initial Plan

The initial plan called for a 628.02 acre district and there was no limitation on maximum indebtedness or any other limitation on the life of the plan.

Plan projects were identified in the following order:

A. Wastewater system
B. Stormwater system
C. Water supply and distribution system
D. Gutters and sidewalks
E. Streetscapes
F. Miscellaneous (Columbia Gorge Community College, Property Rehabilitation Loan Fund, City Swimming Pool, Mill Creek Pedestrian Path, Irrigation line relocation
G. Feasibility studies for civic auditorium, commodore apartments, flour mill, riverfront docks and marina, grain elevator)

The plan narrative notes that 96 acres or 15.3% of the land in the urban renewal district, generally in the Port area, had no utility services and the emphasis on utilities in the project list spoke to the barriers that non-existent and undersized utilities had on land development.

## 1st Amendment

The First Amendment to the plan occurred on July 23rd, 1991 when Council (at the time Council was responsible for adopting Plan amendments recommended by the Agency board) adopted a minor plan amendment that prohibited bonded indebtedness beyond FY 2012/2013 unless a major plan amendment was adopted. This minor amendment was triggered by changes to state legislation governing the life of urban renewal districts.

## 2nd Amendment

The second amendment enacted on March 15, 1993 followed recalculations in property taxes pursuant to ballot measure 5. Specifically, school funding issues resulted in Council dropping most areas outside of the City's UGB and within School District No. 9's service area thereby reducing the total acreage of the district to 556.16 acres. The project category priorities remained the same, but there were some revisions to specific projects within the categories. Of note, the water supply and distribution system category was amended to include a new river water treatment plant and the addition of a new river intake and pump stations. In the miscellaneous category, the irrigation line relocation project was removed and "land assemblage for development" was added.

## 3rd Amendment

On August 27th, 1996, the Agency made a minor plan amendment through resolution No. 96-025 to provide greater emphasis for the Agency to pursue road and other public improvements.

## 4th Amendment

The 4th amendment, approved by City Council on June 22nd, 1998 through General Ordinance 98-1223, established the Maximum Indebtedness of the plan at $36,799,539, but did not change any of the planned projects. The decision to include a Maximum Indebtedness figure into the plan was the result of changes in state legislation governing urban renewal. Specifically, the effect of urban renewal on overlapping tax districts under new Measure 50 property tax rules prompted a state legislative requirement that all plans include a Maximum Indebtedness Figure prior to June 30, 1998 or lose their "existing plan" status. Losing "existing plan" status effectively meant that the Agency's was unable to exercise a special option levy to collect urban renewal revenues. The $36,799,539 was the maximum amount of Maximum Indebtedness allowed under state law based on the value of the properties located within the District.

General Ordinance No. 98-1223 was repealed by Referendum Measure No. 33-22 adopted by a vote of the people at the November 3, 1998 General Election.

## 5th Amendment

The 5th Amendment originated from an agreement between the Committee to Dissolve Urban Renewal ("the Committee"), primary sponsors of Referendum Measure No. 33-22, and the City after passage of the referendum. The Committee's primary objections included the amount of Maximum Indebtedness, the size of the UR District, and the list of projects in the plan. After a mediation process, the City and the Committee reached an agreement on a series of amendments to the Urban Renewal Plan including a reorganization of the Agency to have an advisory committee.

The issue addressed by the 5th Amendment, enacted by General Ordinance No. 98-1229 on December 14th, 1998, was the size of the Urban Renewal District. The Committee argued that it was unnecessarily large solely for the purpose of raising revenue. In their opinion, the size of the district also resulted in an uncoordinated set of planned projects. The agreement called for a substantial reduction in the size of the district so that a more strategic and integrated urban renewal plan could be pursued. Accordingly, the Port area, portions of West 6th Street, and areas around The Dalles-Wahtonka High School were dropped reducing the District to 318.12 acres. The resulting District only included the downtown and certain areas bordering the downtown.

Shortly after the 5th Amendment, Council passed General Ordinance No. 99-1233 on July 12, 1999 that prohibited the City's use of the special levy to collected Urban Renewal funds pursuant to the mediation agreement.

## 6th Amendment

General Ordinance 99-1232, enacted on August 9, 1999, contracted the UR project list as part of the agreement with the Committee. The complaint from the Committee was that the Agency, which is controlled by the Council, was primarily using urban renewal dollars on City projects such as utilities and streets. In the Committee's views, these projects were not related to Urban Renewal as they produced little to no increase in property taxes. Further, the Committee posited that using Urban Renewal monies to fund City projects had the effect of driving up taxes because the various taxing districts made up for foregone Urban Renewal dollars by raising their permanent rates. Therefore, the mediation agreement called for a reevaluation of Plan projects after some opportunity for public input. Public hearings and work sessions took place and the 6th Amendment resulted in a list with projects in the following order:

1. Downtown Streetscape Improvements
2. Downtown/Riverfront Access
3. Grain Elevator Demolition
4. Commodore Building Redevelopment
5. Commodore/Penney's Block Redevelopment
6. Downtown Parking Structure and Surface Lots
7. Civic Auditorium Remodel and Reconstruction
8. Mill Creek Bridge Reconstruction
9. Mill Creek Greenway Property Acquisition
10. West Gateway Project
11. Redevelopment of Armory Property
12. Thompson Park Sidewalk
13. Property Rehabilitation Grand and Loan Fund Program

The 6th Amendment also established the Maximum Indebtedness of the UR Agency at $14,227,353. This number was based on the estimated seed funding necessary to complete the planned projects.

## 7th Amendment

Resolution No. 01-040 enacted on May 14th, 2001 made a minor amendment to the Plan map and legal description to reflect the purchase of the Commodore Parking Lot.

## 8th Amendment

The 8th Amendment enacted on November 10th, 2003 as Resolution No. 030-052 added the Wasco Warehouse & Milling Company ("The Sunshine Mill property") as a Plan Project through a minor plan amendment.

## 9th Amendment

On January 28th, 2008 the Agency added properties owned by the Union Pacific Railroad and the Oregon Department of Transportation to the Sunshine Mill redevelopment project property description through Resolution No. 08-060.

## 10th Amendment

The 10th amendment (G.O. No. 09-1301, June 22nd, 2009) was a substantial amendment that removed the 2015 termination date for Urban Renewal and increased Maximum Indebtedness to $29,126,000. The termination date was removed because the Agency was not going to reach its Maximum Indebtedness through tax collections prior to the deadline and the amount the agency would collect in that timeframe was not sufficient to complete the planned projects. Accordingly, the termination date was removed and replaced by the largest amount of Maximum Indebtedness permitted by law. Projections suggest that new cap on Maximum Indebtedness would result in termination of the Urban Renewal Agency in 2024 or 2025. The amendment also added four additional lots near the Sunshine Mill and Brewery Grade into the UR district raising the acreage to 319.7.

## 11th Amendment

Resolution No. 10-068, enacted April 12th, 2010 added the skateboard park as a Plan project.

## 12th Amendment

On May 10th, 2010 the Agency added the Granada Block Redevelopment as a Plan project through Resolution No. 10-069.

ATTACHMENT B


CITY of THE DALLES

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# MEMORANDUM

To: Urban Renewal Advisory Committee & Urban Renewal Agency

From: Garrett Chrostek, Administrative Fellow

Date: June 7, 2013

Re: Urban Renewal Performance Evaluation

## Executive Summary


This memorandum attempts to measure the effectiveness of the Columbia Gateway Urban Renewal Agency ("URA") in its efforts to increase the tax base of the Urban Renewal District ("District"), to increase the level of development within the District, and to leverage URA funds for investments within the UR District.

Identifying a true causal relationship between the Agency's efforts and development outcomes is challenging on account of the myriad external factors that influence development decisions and results within the District. However, there are a number of readily available indicators that can serve as a proxy for URA effectiveness. Specifically, this memorandum examines the changes in real market values and assessed values within the District and compares those values to figures from the City of The Dalles's taxing jurisdiction as a whole. The property tax section also examines several specific project properties for changes in real market value, assessed value, and property taxes paid. The memorandum then investigates improvement to land ratios to evaluate the Agency's ability to encourage efficient utilization of property within the District. Finally, this memorandum explores sources of urban renewal project funding to assess the Agency's ability to leverage URA dollars to pursue investment within the URA District.

Results from this analysis suggest that the Agency has positively influenced property tax base growth within the District, supported more efficient land uses within the District, and successfully leveraged Agency funds for investment within the District.

## Property Tax Analysis

*Overview:* Under Ballot Measures 5 and 50, property taxes are the lower of the real market value or the assessed value. The assessed value is a complicated formula based on 1990 property values and, regardless of whether taxes on an individual property are calculated based on the real market value or the assessed value, property taxes for that individual tax lot generally cannot increase by more than 3% per year. Because real market value growth rates have historically exceeded 3% per year there is typically a substantial gap between the real market and assed values on the average property. Within the District, assessed values average 77% of real market values. Therefore, a 3% increase in the assessed value can serve as a baseline for what likely would have occurred if the District had never formed.[1]

Annual property tax growth rates within a taxing district and on an individual property can exceed the standard 3% increase when development transpires[2] through property renovations, additions, or new constructions.[3] Stimulating development is the primary goal of urban renewal for the very reason that these actions add to the tax base above the standard growth rate. Accordingly, a basic measure of the effectiveness of the URA, and any specific project, is to determine if the effort produced growth rates in assessed values above 3% per year.

It should be noted that this analysis only investigates direct effects of URA investment in the form of property taxes. It does not attempt to measure such indirect economic impacts as jobs generated, businesses opened, houses built/purchased/improved by persons employed within the URA, or other increased economic activity outside the URA spurred by investment within the URA. Statistics on these secondary impacts are not widely available and it would take significant resources to develop these datasets.

*Property Tax Growth Rates In The District:* The District was established in 1990. To get a sense of the "normal" trajectory of property taxes without the URA, this section compares growth rates within the District to those within the City of The Dalles's taxing district. It should be noted that this is not a true with/without analysis as other financial incentives to development are available outside the URA district and growth rates are somewhat conflated as the URA is within the City of The Dalles's taxing district.

Another factor complicating this analysis is that the boundaries of both the District and the City have changed over time. The most recent major adjustment to the size of the District occurred in 1998 when it was reduced from 556.16 to 318.12 acres. The City also experienced boundary

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[1] Assessed values can be less than 3% per year when real market values fall below assessed values or when individual properties are assessed at a lower rate because the condition of the property is in decline. While this is typically a rare event, recent turmoil in the real estate market did result in declines in assessed values for some specific properties within the City of The Dalles.

[2] Increased investment in personal property will also contribute to higher aggregate growth rates

[3] When these actions occur on an individual property, the property is reappraised and an assessed value is calculated by taking the new market value and multiplying it by the average difference between the market and assessed values for similarly situated properties.

changes in the form of annexations. Annexations have the effect of inflating growth rates within the City's tax district when evaluated in comparison to the relatively fixed boundaries of the District. More precisely, annexations add to a specific jurisdiction's tax base just as new development would. However, those annexations are not genuine "new development," but rather "old development" that was simply added to the tax rolls by the changing of a line of a map. The available data does not allow for controlling the influence of annexations.

Growth rates in real market and assessed values for both the District and the City of The Dalles are summarized in the Table I below. Chart I below depicts growth rates in assessed values from 2000-2012 using 1999 assessed values as the base year.

**Table I**

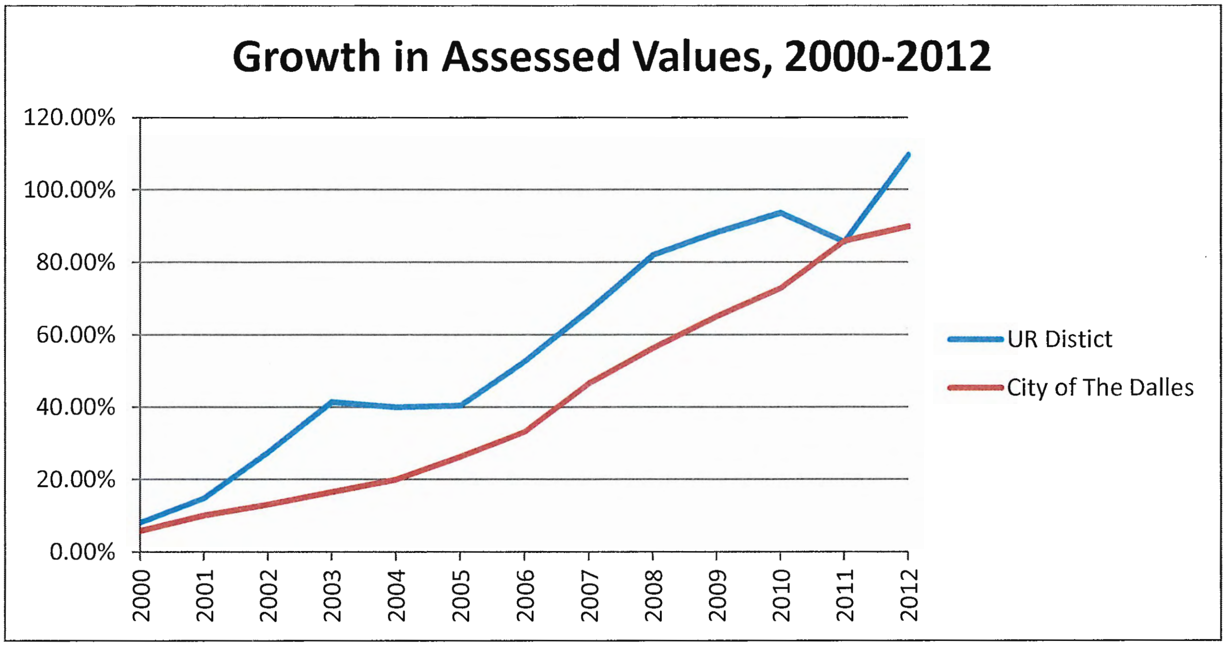
| | *Urban Renewal* | | | | *City of The Dalles* | | | |
|---|---|---|---|---|---|---|---|---|
| **Year** | **Real Market Value** | **Change** | **Assessed Value** | **Change** | **Real Market Value** | **Change** | **Assessed Value** | **Change** |
| 1991 | | | 9,901,549 | - | | | 305,002,343 | - |
| 1992 | | | 13,951,014 | 29.03% | | | 338,832,980 | 9.98% |
| 1993 | | | 8,273,833 | -68.62%[4] | | | 361,571,408 | 6.29% |
| 1994 | | | 15,167,840 | 45.45% | | | 443,768,554 | 18.52% |
| 1995 | | | 23,828,743 | 36.35% | | | 463,202,855 | 4.20% |
| 1996 | | | 36,398,789 | 34.53% | | | 495,528,450 | 6.52% |
| 1997 | | | | - | | | 432,554,315 | -14.56% |
| 1998 | | | 41,512,537 | - | | | 441,801,391 | 2.09% |
| 1999 | | | 33,782,855 | -22.88%[5] | | | 481,336,658 | 8.21% |
| 2000 | | | 36,523,548 | 7.50% | | | 509,069,413 | 5.45% |
| 2001 | | | 38,773,394 | 5.80% | | | 529,420,088 | 3.84% |
| 2002 | 74,013,132 | - | 43,063,854 | 9.96% | 767,723,582 | - | 543,933,019 | 2.67% |
| 2003 | | | 47,772,542 | 9.86% | | | 560,718,152 | 2.99% |
| 2004 | 85,917,408 | - | 47,295,805 | -1.01% | 837,845,005 | - | 577,238,384 | 2.86% |
| 2005 | 89,505,119 | 4.18% | 47,425,924 | 0.27% | 910,362,426 | 8.66% | 607,570,321 | 4.99% |
| 2006 | 98,492,382 | 10.04% | 51,577,710 | 8.05% | 1,180,153,995 | 29.64% | 640,712,244 | 5.17% |
| 2007 | 128,844,084 | 30.82% | 56,349,803 | 8.47% | 1,515,474,397 | 28.41% | 705,537,211 | 9.19% |
| 2008 | 139,225,546 | 8.06% | 61,466,735 | 8.32% | 1,582,343,795 | 4.41% | 752,003,143 | 6.18% |
| 2009 | 142,556,641 | 2.39% | 63,591,014 | 3.34% | 1,608,880,262 | 1.68% | 794,460,819 | 5.34% |
| 2010 | 122,880,239 | -13.80% | 65,429,831 | 2.81%[6] | 1,259,032,060 | -21.74% | 831,903,391 | 4.50% |
| 2011 | 122,223,619 | -0.53% | 62,695,904 | -4.36% | 1,366,065,504 | 8.50% | 894,832,152 | 7.03% |
| 2012 | 123,417,446 | 0.98% | 70,839,260 | 11.50% | 1,295,466,057 | -5.17% | 914,015,929 | 2.10% |
| **Avg.** | | **5.27%** | | **5.42%[7]** | | **6.8%** | | **4.79%** |

Since 2000, the first year growth rate data is available following a full year of the 1998 District boundary amendment, the District experienced assessed value growth rates in excess of 3% in 9

[4] UR District reduced from 628.02 to 556.16 acres by Plan Amendment #2.
[5] UR District reduced from 556.16 to 318.12 acres by Plan Amendment #5.
[6] UR District increased from 318.12 to 319.7 acres by Plan Amendment #10.
[7] Average of years 2005-2012

of 13 years. During this period, assessed values within the UR District increased by an average of 5.42% per year whereas assessed values in the City as a whole increased by an average of 4.79% per year. As a result, and as shown on the Chart below, assessed values within the District have increased nearly 110% whereas values in the City as a whole increased by nearly 90% from 1999 base values.

**Chart I**




From 2005, the second year real market values were consistently reported, real market values within the District increased an average of 5.27% per year compared to 6.80% per year in the City as a whole. As discussed above, assessed value is the more important indicator of determining the effects of UR because assessed values generally dictate property taxes and significant amounts of the development outside the District, particularly in the Port area, are subject to property tax abatement agreements.

It must be restated that although assessed values experienced greater growth inside the District than outside the District, this result does not mean that the URA necessarily caused the disparity. There are differences in the mix of businesses, land uses, and economic development opportunities between the two areas and other conflating factors such as annexations. Yet, the analysis on individual projects below supports the inference that the URA played a role in the higher growth rates within the UR District.

**<u>Specific Projects</u>:** This section analyzes several recent projects for their return on investment as measured by the difference in real property taxes between actual/projected property taxes and the standard 3% increase. As footnoted above, properties are appraised on a six year cycle by the Assessor's office. Accordingly, some projects are too new to be fully measured through an analysis on property taxes. This analysis does not include any increased investments in personal property.

**Table II**

| Project | URA Investment[8] | Real Market Value Before[9] | Current Real Market Value | Assessed Value Before | Current Assessed Value | Difference in Taxes To Date[10] | Projected Difference in Taxes[11] |
|---|---|---|---|---|---|---|---|
| Commodore II | $102,000 | $195,270 | $9,622,380 | $167,930 | $5,600,287 | $2,819[12] | $320,083 |
| Columbia Bank (2001) | $570,000 | $516,000 | $5,339,920 | $457,361 | $3,129,546 | $382,265 | $993,111 |
| Sunshine Mill (2009) | $80,000 | $469,720 | $834,100 | $461,994 | $790,728 | $46,361[13] | $359,983[14] |
| Sigman's Flowers (2002) | $72,000 | $99,350 | $282,280 | $91,939 | $99,350 | ($3,440)[15] | ($7,788)[16] |
| Canton Wok (2011) | $18,000 | $543,990 | $598,000 | $543,990 | $582,640[17] | $1 | $29 |
| Don Xi (2010) | $59,000 | $142,280 | $139,140 | $91,254 | $96,810 | $470 | $8,856 |
| Gayer (2011) | $163,000 | $191,770 | $273,930 | $131,835 | $205,459[18] | $1,355 | $36,409 |
| Hilco Gas Station (2004) | $46,000 | $79,310 | $1,037,760 | $139,270 | $784,486 | $61,631 | $291,461 |
| Creek View Townhomes (2007) | $30,000 | -[19] | $1,766,750 | - | $1,358,871 | $128,887 | $479,799 |
| Griffith Motors (2007) | $39,000 | $402,740 | $5,369,660 | -[20] | $4,113,983 | $130,038 | $1,628,661 |
| **Totals** | **$ 1,179,000** | **$2,640,430** | **$25,263,920** | **$2,085,573** | **$16,762,160** | **$750,387** | **$4,110,604** |

[8] This is the total amount of money either expended or committed to the specific project to date for which the URA does not expect to be repaid. In other words, loans and property purchases for which there is a buy-back provision are excluded. The figures are unadjusted for time value. They do not include URA funds spent on staff time or opportunity costs of pursuing other investments.

[9] The word "before" in relation to property values refers to the real market and assessed values in the year prior to the property being reappraised with the improvements funded with URA support.

[10] The "Difference in Taxes" to date and projected columns are effectively the return on the URA's investment. They measure the difference between the actual property taxes paid to date/projected property taxes with the URA investment and the amount of property taxes the property would have paid if the property had continued tax growth at 3% per year from the assessed value before URA investment.

[11] The projected difference in taxes assumes that the improvements will maintain their value over twenty years and thus is calculated for the twenty years following the property being reappraised with URA investment. Where no taxable property existed prior to the project, this number represents total projected taxes.

[12] The Commodore II is enrolled in a state historical special assessment program that keeps taxes at or below the level paid prior to making improvements. The difference in taxes to date value is only positive because they paid a year of property taxes after some of the improvements were completed at the full rate. This 15 year special assessment expires in 2017.

[13] The Sunshine Mill properties did not pay property tax from 2004-2009 and thus this number is the total tax paid on those properties since 2010.

[14] This figure only contemplates the Sunshine Mill's current uses as a winery, bottling plant, and tasting room.

[15] Sigman's is enrolled in a state historical special assessment program that keeps taxes at or below the level paid prior to making improvements. This 15 year special assessment expires in 2018.

[16] If Sigman's was not enrolled in the state program the projected difference in taxes would be $38,495

[17] Canton Wok has not been reappraised since the URA's investment.

[18] Portions of the improvements to the Gayer Building have not yet been appraised

[19] The lots where the townhomes are located did not exist prior to the development and it was too difficult to determine the value of the portions of the original parcels where that development occurred.

[20] The Griffith property on West 6$^{th}$ was in public ownership and never had a maximum assed value.

Results from this analysis show that the Agency has added $750,387 in property taxes to date from the projects listed above alone. Extrapolated to the usable life of the improvements, these projects are projected to contribute $4,110,604 in total property taxes as compared to if the projects never occurred. While not all of the projects have been winners when narrowly measured in terms of property taxes, this portfolio nonetheless presents 349% growth in URA investment and many of the improvements will last longer than the 20 years that formed the basis of this analysis.

## Improvement to Land Value Ratio

**Overview:** A second means to evaluate Agency performance is to examine the "Improvement to Land Ratio" or "I:L." This ratio is the relationship between a property's improvement value (the value of buildings and other improvements to the property) to its land value and is generally an accurate indicator of the condition of real estate investments. In urban renewal areas, the I:L may be used to measure the intensity of development or the extent to which an area has achieved its short- and long-term development objectives. Specifically, urban properties with low I:L ratios suggest that that the property is underutilized and pockets of underutilized land are indicative of blight. As identified in the Urban Renewal Plan, a healthy condition of real estate investment in the District would be 7:1. The table below shows the I:L for properties within the District over time using real market values.

**Table III**

| Year | I:L for District |
|---|---|
| 1990 | 1.70:1[21] |
| 2000 | 1.74:1 |
| 2005 | 2.30:1 |
| 2012 | 2.83:1 |

As depicted in Table III above, the level of development within the district has increased in intensity over time. In other words, land within the District is being more efficiently used today than it was prior to formation of the Agency. However, the I:L ratio remains far beneath the healthy level identified in the Urban Renewal Plan.

## Leverage

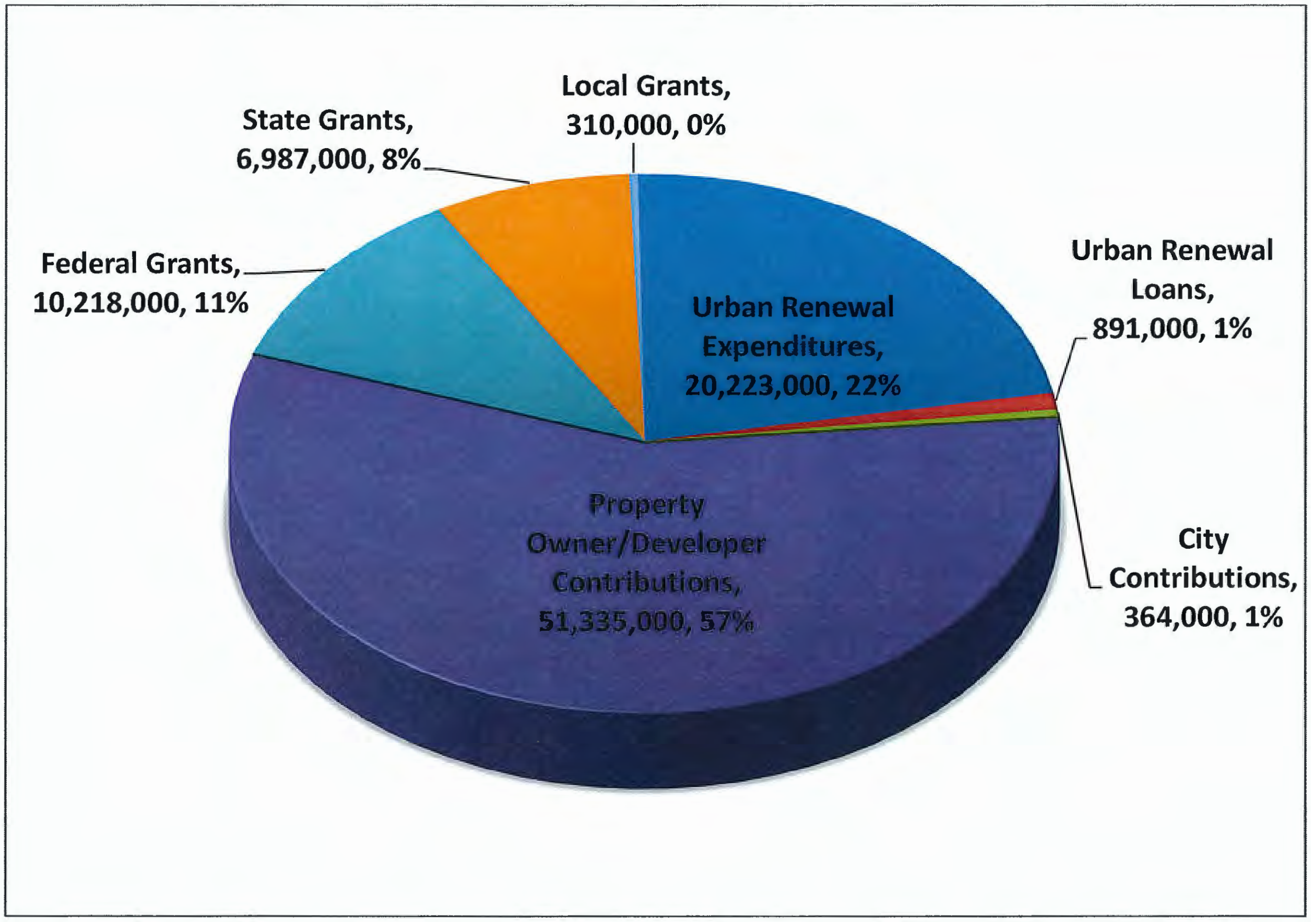
**Overview:** The final indicator of UR effectiveness in this report is the ability of an Agency to leverage its resources to recruit partners and attract outside funding from both public and private sources. Using nominal dollars unadjusted for time-value, the URA has been able to bring in over three and a third dollars of outside funds for each dollar (3.42:1) expended by the URA. A majority of these leveraged dollars (57%) came from private sources. This figure does not include loans and property purchases for which the agency expects to be repaid or to resell. Totals reported below include the estimated outside funding of projects currently in progress.

[21] This ratio is inflated because it excludes vacant land within the district whereas later figures include all properties. It should also be noted that the District was roughly twice the size in 1990 as it was in 2000.

**Table IV**

| Funding Source | Amount |
|---|---|
| Urban Renewal Expenditures | $20,223,000 |
| Urban Renewal Loans | $891,000 |
| City Contributions | $364,000 |
| Property Owner/Developer Contributions | $51,335,000 |
| Federal Grants | $10,218,000 |
| State Grants | $6,987,000 |
| Local Grants | $310,000 |
| **Total** | **$90,328,000**[22] |

**Chart II**




**<u>Specific Projects</u>:** This section analyzes several projects to assess the amount of leverage involved. Projects with private partners currently in progress are subject to confidentiality agreements and are not

[22] This total excludes loans made by the Urban Renewal Agency because those funds are expected to be repaid.

reported in this table. However, the aggregate leverage of several categories of UR projects is reported. Results shown below in Table IV provide further evidence of the Agency's ability to bring in more money from outside sources than it is expending from urban renewal funds.

**Table V**

| Project | UR Contribution | Outside Contributions | Leverage |
|---|---|---|---|
| Commodore II | $102,000 | $7,000,000 | 68.63:1 |
| Union Street Underpass | $42,294,000 | $4,826,000 | 2.10:1 |
| East Gateway Roundabout | $1,718,000 | $3,289,000 | 1.91:1 |
| Marine Terminal | $2,801,000 | $4,555,000 | 1.62:1 |
| Mill Creek Greenway Property Acquisition | $82,000 | $484,000 | 5.90:1 |
| Interest Rate Buy Down Projects | -- | -- | 4.04:1 |
| Demolition Grant Projects | -- | -- | 5.60:1 |
| Civic Improvements Grant Program | -- | -- | .82:1 |

## Conclusion

As evidenced by the growth rates in assessed values, the return on select projects, and the I:L ratio, economic conditions within the UR district have improved since formation of the District. The evidence further suggests that the Agency's efforts contributed to improved development outcomes with the District, particularly in its ability to leverage urban renewal dollars. The largest question this analysis is unable to investigate is whether the Agency achieved this level of performance efficiently. Inquiry into this questions would be best pursued through a comparison of growth rates, leverage ratios, and I:L ratios from similar urban renewal agencies. Unfortunately, such data from other agencies is not available. The Association of Oregon Redevelopment Agencies is in the process of forming a task force to develop performance measures for Oregon urban renewal agencies. When such performance measures are available, this analysis should be updated and a comparative investigation should be pursued.

# Urban Renewal End of Life Conceptual Budget Narrative
# June 2013

## Intro

The Columbia Gateway Urban Renewal Agency ("Agency") End of Life Conceptual Budget is an effort to depict revenue projections and reductions in maximum indebtedness along with the timing of projects and bond issuances. From the information contained within the attached spreadsheet, the Agency, Agency Advisory Committee, and Agency Staff can conduct long-range planning, assess priorities, and track progress. The amounts shown on the spreadsheet represent the Urban Renewal specific resources and expenditures, not total project costs.

## Resources

**UR Cash held by City:** These are unspent urban renewal funds that have accrued in Fund 018 to pay for major capital projects.

**Tax Increment Revenues:** As the tax revenue projections in the Agency Plan did not come to fruition on account of a slowdown in the economy, the Conceptual Budget sets out basic revenue projections that assume a 3% annual increases in receipts with an additional $75,000 increase in years FY 15/16 and 18/19 as portions of the Granada Block Development go on to the tax rolls. This is a conservative estimate as the historical growth rate has averaged 5.42% (albeit in large swings).

**Bond/Loan Proceeds:** To complete financing of the Washington St. Undercrossing and downtown parking structure, Staff expects to secure bonds and/or loans of $1,738,455 at 3% for ten years in FY 13/14 of which $599,780 will be backed by Urban Renewal tax increment revenues. Additional proceeds from bonds and/or loans in the amount of $2,400,000 (also at 3%) will be obtained in FY 17/18 to finance downtown streetscape projects

**Sale of Property:** Agency properties will be sold in the amounts of $845,312 for the Recreation and Blue Building in FY 13/14, $365,406 in FY 24/25 for the Granada Theater property, $305,123.69 in FY 14/15 for the Sunshine Mill, and $282,445 in FY 26/27 for the Commodore II.

**Interest:** The Agency will earn modest amounts of interest annually from funds held in interest bearing accounts.

**Misc:** Miscellaneous revenues include rental income, loan repayments, and other assorted income. Current payments include $2,824.45 per month for the Commodore II and $1,896 per month for the Sunshine Mill loan with a balloon principal payment of $600,000 in FY 14/15 for the Sunshine Mill. Starting in FY 14/15, the Agency will receive $3,651 in annual interest for sale of the Granada Theater.

## Expenses

**<u>Administration</u>:** Administration is the budgeted amount for FY 13/14 and a 1% per year increase thereafter with $40,000 budgeted in FY 26/27 to wrap up the West 2nd St. Infrastructure Project

**<u>Debt Service</u>:** The debt service figures are the current debt repayment schedule for existing debt obligations with increases based on additionally acquired debt. The Agency must retain a 1.3:1 revenue to debt service ratio. The payments in FYs 24/25, 25/26, and 26/27 exceed the ratio as there are extra principle payments made in these years to retire the debt early, which is permissible because the ratio only applies to schedule debt payments.

## Projects

**<u>1st Street, Street Scape</u>:** The 1st Street, street scape project is estimated at $1,900,000. Costs will be shared between the Agency and an LID assessment on property owners. It is expected that the Agency will contribute 90% of the costs or $1,710,000 for this project over FY 14/15 and FY 15/16 in connection with the Washington St. Underpass project.

**<u>3rd Street, Street Scape</u>:** The 3rd Street, street scape project is estimated at $2,750,000. Costs will be shared between the Agency and an LID assessment on property owners. It is expected that the Agency will contribute 90% of the costs or $2,475,000 for this project over FY 16/17 and FY 17/18.

**<u>4th Street, Street Scape</u>:** The 4th Street, street scape project is estimated at $1,500,000. Costs will be shared between the Agency and an LID assessment on property owners. It is expected that the Agency will contribute 90% of the costs or $1,350,000 for this project over FY 17/18 and FY 18/19.

**<u>3rd Place, Street Scape</u>:** The 3rd Place, street scape project is estimated at $1,000,000. Costs will be shared between the Agency and an LID assessment on property owners. It is expected that the Agency will contribute 90% of the costs or $900,000 for this project over FY 19/20 and FY 21/22.

**<u>Washington Street Underpass</u>:** The Washington Street Underpass project is estimated at $6,500,000 with the Agency contributing $2,488,000. All, but $1,446,880 of the Agency's contribution has been expended in FY 12/13 for engineering design. It is anticipated that the project will carry over from FY 13/14 to FY 14/15 to line up with the availability of federal grant monies.

**Art Fountain:** The Lewis and Clark Memorial Art Sculpture-Fountain is estimated at $395,000 with the Agency contributing $100,000 in FY 14/15. The City has also secured a $100,000 donation from a private donor. Staff will try to obtain the remainder from grants and local fundraising efforts.

**Downtown Parking Structure:** The downtown parking structure on the existing City lot is estimated at $4,888,520 with the Agency contributing 22% of the costs or $988,520 over FY 13/14 and FY 14/15. $599,780 of that amount will come from loan proceeds.

**Granada Block:** The Granada Block line item refers to costs to the City in preparing the Granada Block for development. The total cost to the Agency is projected at $912,500. The remaining $670,000 in FY 13/14 is for archeological investigations, utility relocations, and for renovation of the Granada Theater ($200,000).

**UR Projects By City:** This line item includes an OIB loan repayment, which continues through FY 15/16, and monies budgeted for opportunity driven projects in FY 13/14.

**Mill Creek Greenway:** The Mill Creek Greenway trail improvements are estimated at $1,000,000 with the Agency contributing $633,694. $40,000 is budgeted to be used as match for grants in FY 14/15 and $553,694 is contemplated for trail construction over FY 21/22 and FY 22/23.

**West Gateway:** The West Gateway project contemplates $1,600,000 for a roundabout and other improvements to the west side entrance to downtown near Cheery Heights Rd. Costs will be shared between the Agency and an LID assessment on property owners. It is expected that the Agency will contribute $1,440,000 to this project over FY 23/24 and FY 24/25.

**West 2nd Street Infrastructure:** The West 2nd Street Infrastructure project included improvements to the portion of W. 2nd Street abutting Thompson Park estimated at $1,000,000. It was anticipated that this project would coincide with a North Wasco Parks and Recreation District levy, but that levy did not pass. These funds are nonetheless still budgeted in the conceptual budget and may be incorporated into the West Gateway project with the Agency contributing $1,000,000 in FY 25/26 and FY 26/27

**Civic Auditorium:** The Civic Auditorium is an identified project in the Agency Plan. The Civic Auditorium Historic Preservation Committee is currently pursuing a theater restoration project estimated between $3 and $5 million. The Agency is expected to contribute $300,000 in FY 14/15 towards that effort.

**Property Rehab and Grants:** The Agency currently has $124,538 committed to interest rate subsidies and civic improvement grants (excluding $200,000 for the Granada Theater renovation grant which is accounted for in the Granada Block redevelopment). Additionally, the Agency has reserved $56,885 for new projects in FY 13/14. It is anticipated that future expenditures in the property rehab and grant program will not exceed $100,000 per year and will taper off at the end of the life of the Agency.

**MI Remaining:** "MI Remaining" refers to amount of maximum indebtedness ("MI") remaining for the Agency. It is calculated by subtracting debt (bond revenues and any portion of annual tax revenues above annual debt service) from the MI figure established in the plan. When MI remaining reaches zero, the life of the agency is over. The Agency is projected to end in FY 26/27.

## Conclusion

The Agency is currently overcommitted by $1,671,878 with its current planned projects based on the estimates and assumptions in this end of life budget. This shortfall is attributable to spending not contemplated by the projections in the plan including the Granada block, the Civic, and additional expenditure on the marine terminal. The shortfall might be overcome by replacing Agency contributions with outside funding sources, increasing the contribution of property owners for streetscape projects, eliminating/reducing funding for certain projects, or some combination of these approaches.

## V. THE EST. TOTAL COST OF EACH PROJECT AND THE SOURCES OF MONEYS TO PAY SUCH COSTS

### Table 8. Projects and Costs in Year of Expenditure Dollars

| Fiscal Year Ending June 30 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| REVENUES | | | | | | | | | |
| Beginning Balance | 721,354 | 186,825 | 15,755 | 6,767 | 29,966 | 63,466 | 74,838 | 675,702 | 8,849 |
| Debt Proceeds | | | | | | | | | |
| Long Term | 3,254,069 | 0 | 0 | 1,365,949 | 0 | 0 | 5,061,787 | 0 | 0 |
| Short Term | 0 | 344,686 | 509,708 | 255,905 | 467,729 | 561,358 | 284,091 | 559,430 | 1,063,356 |
| Interest | 39,754 | 5,315 | 5,255 | 16,286 | 4,977 | 6,248 | 54,207 | 12,351 | 10,722 |
| Total | 4,015,177 | 536,827 | 530,718 | 1,644,908 | 502,672 | 631,073 | 5,474,923 | 1,247,484 | 1,082,927 |
| | | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| EXPENDITURES | | | | | | | | | |
| Administration (Includes Interest Payments) | 309,000 | 318,270 | 327,818 | 337,653 | 347,782 | 358,216 | 368,962 | 380,031 | 391,432 |
| Debt Issuance Costs | 81,352 | 1,000 | 1,000 | 35,149 | 1,000 | 1,000 | 127,545 | 1,000 | 1,000 |
| Projects and Programs | | | | | | | | | |
| Downtown Streetscape Improvements | | | | | | | | | |
| 1st Street | 1,275,000 | 153,000 | 170,000 | 102,000 | 0 | 0 | 0 | 0 | 0 |
| 3rd Street | 0 | 0 | 0 | 1,114,254 | 63,760 | 197,019 | 1,894,006 | 0 | 0 |
| 4th Street | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Downtown Riverfront Access | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Festival Area | 0 | 0 | 0 | 0 | 0 | 0 | 230,601 | 63,339 | 0 |
| Washington Street St. RR Access | 0 | 0 | 0 | 0 | 0 | 0 | 2,121,532 | 582,714 | 0 |
| Marine Terminal Dock | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 182,415 | 657,606 |
| Downtown Parking Structure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mill Creek Greenway | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gateway Project | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| West Gateway | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| West 2nd Street Infrastructure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Property Rehab Grant and Loan Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Property Rehab Program | 0 | 48,801 | 25,133 | 25,887 | 26,663 | 0 | 56,574 | 29,136 | 30,010 |
| Downtown 2nd Story Rehab | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| East Gateway/Brewery Grade Street Reconstruction | 2,163,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3rd Place Street Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | |
| Total | 3,828,352 | 521,071 | 523,951 | 1,614,942 | 439,206 | 556,234 | 4,799,221 | 1,238,634 | 1,080,047 |
| Ending Balance | 186,825 | 15,755 | 6,767 | 29,966 | 63,466 | 74,838 | 675,702 | 8,849 | 2,880 |

**Table 8. Projects and Costs in Year of Expenditure Dollars, continued**

| Fiscal Year Ending June 30 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| REVENUES | | | | | | | |
| Beginning Balance | 2,880 | 136,251 | 971,048 | 728,689 | 357,170 | 334,554 | 90,497 |
| Debt Proceeds | | | | | | | |
| Long Term | 0 | 7,765,891 | 0 | 0 | 0 | 0 | |
| Short Term | 1,438,341 | 0 | 997,898 | 1,106,827 | 1,174,650 | 1,300,893 | 1,613,015 |
| Interest | 14,412 | 79,021 | 19,689 | 18,355 | 15,318 | 16,354 | 17,035 |
| Total | 1,455,633 | 7,981,163 | 1,988,636 | 1,853,871 | 1,547,138 | 1,651,801 | 1,720,547 |
| | | | | | | | |
| | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| EXPENDITURES | | | | | | | |
| Administration (Includes Interest Payments) | 403,175 | 415,270 | 427,728 | 440,560 | 453,777 | 467,390 | 481,412 |
| Debt Issuance Costs | 1,000 | 194,147 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Projects and Programs | | | | | | | |
| Downtown Streetscape Improvements | | | | | | | |
| 1st Street | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3rd Street | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4th Street | 0 | 1,730,292 | 0 | 0 | 0 | 0 | 0 |
| Downtown Riverfront Access | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Festival Area | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Washington Street St. RR Access | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Marine Terminal Dock | 822,477 | 597,989 | 153,982 | 0 | 0 | 0 | 0 |
| Downtown Parking Structure | 0 | 2,699,256 | 513,274 | 572,728 | 226,888 | 0 | 0 |
| Mill Creek Greenway | 0 | 553,694 | 0 | 0 | 0 | 0 | 0 |
| Gateway Project | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| West Gateway | 0 | 0 | 0 | 128,497 | 189,074 | 447,916 | 300,882 |
| West 2nd Street Infrastructure | 0 | 0 | 0 | 185,035 | 272,266 | 644,999 | 433,271 |
| Property Rehab Grant and Loan Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Property Rehab Program | 92,730 | 127,350 | 163,963 | 168,881 | 69,579 | 0 | 129,179 |
| Downtown 2nd Story Rehab | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| East Gateway/Brewery Grade Street Reconstruction | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3rd Place Street Improvements | 0 | 692,117 | 0 | 0 | 0 | 0 | 304,894 |
| | | | | | | | |
| Total | 1,319,382 | 7,010,115 | 1,259,947 | 1,496,702 | 1,212,584 | 1,561,304 | 1,650,638 |
| Ending Balance | 136,251 | 971,048 | 728,689 | 357,170 | 334,554 | 90,497 | 69,909 |

| Conceptual End of Life Urban Renewal Budget | FY 13/14 | FY 14/15 | FY 15/16 | FY 16/17 | FY 17/18 | FY 18/19 | FY 19/20 | FY 20/21 | FY 21/22 | FY 22/23 | FY 23/24 | FY 24/25 | FY 25/26 | FY 26/27 | FY 27/28 | FY 28/29 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Resources** | | | | | | | | | | | | | | | | |
| Beginning Balance | 495,959 | 2,408,934 | 914,906 | 1,122,896 | 166,699 | 697,603 | 187,976 | (50,067) | (230,756) | (175,657) | (60,172) | (324,420) | (841,269) | (1,436,659) | (1,671,878) | (1,671,878) |
| UR Cash held by City | 3,328,633 | | | | | | | | | | | | | | | |
| Tax Increment Revenues | 1,300,963 | 1,339,992 | 1,455,192 | 1,498,848 | 1,543,813 | 1,665,127 | 1,715,081 | 1,766,534 | 1,819,530 | 1,874,116 | 1,930,339 | 1,988,249 | 2,047,897 | 1,195,430 | 0 | 0 |
| UR Backed Bond/Loan Proceeds | 599,780 | | | | 2,400,000 | | | | | | | | | | | |
| Sale of Property | 845,312 | 305,124 | | | | | | | | | | 365,406 | | 282,445 | | |
| Interest | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 0 | 0 |
| Misc. | 25,777 | 622,166 | 6,478 | 6,478 | 6,478 | 6,478 | 6,478 | 6,478 | 6,478 | 6,478 | 6,478 | 2,824 | 2,824 | 0 | 0 | 0 |
| Total Resources | 6,599,424 | 4,679,216 | 2,379,575 | 2,631,222 | 4,119,989 | 2,372,208 | 1,912,536 | 1,725,944 | 1,598,252 | 1,707,937 | 1,879,645 | 2,035,060 | 1,212,452 | 44,216 | (1,671,878) | (1,671,878) |
| **Expenses** | | | | | | | | | | | | | | | | |
| Administration | 249,388 | 251,882 | 254,401 | 256,945 | 259,514 | 262,109 | 264,730 | 267,378 | 270,051 | 272,752 | 275,480 | 278,234 | 281,017 | 40,000 | 0 | 0 |
| Debt Service | 801,238 | 869,728 | 872,278 | 870,078 | 1,150,372 | 1,147,122 | 1,147,872 | 1,149,322 | 1,147,010 | 1,148,510 | 1,148,585 | 1,828,094 | 1,828,094 | 1,176,094 | 0 | 0 |
| Total Expense | 1,050,626 | 1,121,610 | 1,126,679 | 1,127,023 | 1,409,887 | 1,409,232 | 1,412,603 | 1,416,700 | 1,417,061 | 1,421,262 | 1,424,064 | 2,106,328 | 2,109,111 | 1,216,094 | 0 | 0 |
| Amount Available for Programs and Projects | 5,548,798 | 3,557,606 | 1,252,896 | 1,504,199 | 2,710,103 | 962,976 | 499,933 | 309,244 | 181,190 | 286,675 | 455,580 | (71,269) | (896,659) | (1,171,878) | (1,671,878) | (1,671,878) |
| **Projects and Programs** | | | | | | | | | | | | | | | | |
| Downtown Streetscape Improvements | | | | | | | | | | | | | | | | |
| 1st St. | 855,000 | 855,000 | | | | | | | | | | | | | | |
| 3rd St. | | | | 1,237,500 | 1,237,500 | | | | | | | | | | | |
| 4th St. | | | | | 675,000 | 675,000 | | | | | | | | | | |
| 3rd Place | | | | | | | 450,000 | 450,000 | | | | | | | | |
| Washington Street Undercrossing | 723,440 | 723,440 | | | | | | | | | | | | | | |
| Art Fountain | | 100,000 | | | | | | | | | | | | | | |
| Downtown Parking Structure | 494,260 | 494,260 | | | | | | | | | | | | | | |
| Granada Block | 670,000 | | | | | | | | | | | | | | | |
| Capital Projects By UR | 215,741 | 30,000 | 30,000 | | | | | | | | | | | | | |
| Mill Creek Greenway | | 40,000 | | | | | | | 276,847 | 276,847 | | | | | | |
| Gateway Project | | | | | | | | | | | | | | | | |
| West Gateway | | | | | | | | | | | 720,000 | 720,000 | | | | |
| West 2nd Street Infrastructure | | | | | | | | | | | | | 500,000 | 500,000 | | |
| Civic Auditorium | | 300,000 | | | | | | | | | | | | | | |
| Property Rehab and Grant Program | | | | | | | | | | | | | | | | |
| New Projects | 56,885 | 33,982 | 74,694 | 80,058 | 82,257 | 84,779 | 87,545 | 80,253 | 71,619 | 63,070 | 54,610 | 46,244 | 37,981 | 0 | 0 | 0 |
| Committed Funds | 124,538 | 66,018 | 25,306 | 19,942 | 17,743 | 15,221 | 12,455 | 9,747 | 8,381 | 6,930 | 5,390 | 3,756 | 2,019 | 0 | 0 | 0 |
| Project Expenditures | 3,139,864 | 2,642,700 | 130,000 | 1,337,500 | 2,012,500 | 775,000 | 550,000 | 540,000 | 356,847 | 346,847 | 780,000 | 770,000 | 540,000 | 500,000 | 0 | 0 |
| Ending Balance | 2,408,934 | 914,906 | 1,122,896 | 166,699 | 697,603 | 187,976 | (50,067) | (230,756) | (175,657) | (60,172) | (324,420) | (841,269) | (1,436,659) | (1,671,878) | (1,671,878) | (1,671,878) |
| MI Remaining | 8,756,983 | 8,286,720 | 7,703,806 | 4,675,037 | 4,281,597 | 3,763,592 | 3,196,383 | 2,579,172 | 1,906,652 | 1,181,047 | 399,293 | 239,138 | 19,335 | (0) | 0 | 0 |

DRAFT

# Columbia Gateway Urban Renewal Agency Advisory Committee Meeting Minutes

## Tuesday, May 21, 2013
## 5:30 p.m.

City Hall Council Chambers
313 Court Street
The Dalles, OR 97058
*Conducted in a handicap accessible room.*

CALL TO ORDER

Vice Chair Grossman called the meeting to order at 5:30 p.m.

ROLL CALL

Members Present: Gary Grossman, Jennifer Botts, Mike Zingg, Dick Elkins, Linda Miller

Members Absent: Chris Zukin, Greg Weast, Robin Miles, Steve Kramer

Staff Present: City Manager Nolan Young, City Attorney Gene Parker, Administrative Secretary Carole Trautman

Also Present: MCEDD Loan Fund Manager Eric Nerdin

PLEDGE OF ALLEGIANCE

Vice Chair Grossman led the group in the Pledge of Allegiance.

APPROVAL OF AGENDA

It was moved by Elkins and seconded by Miller to approve the agenda as submitted. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

APPROVAL OF MINUTES

A. April 16, 2013 – It was moved by Zingg and seconded by Miller to approve the April 16, 2013 minutes as submitted. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

PUBLIC COMMENT

None.

ACTION ITEM – Recommendation Concerning Amendments to the Interest Buy Down Program

City Manager Young noted there were seven proposed changes listed in the staff report regarding the Interest Buy Down Program (Program) for the Columbia Gateway Urban Renewal Agency (Agency). Each proposed change came with a staff recommendation and two alternate recommendations for the Advisory Committee's (Committee) consideration.

1. Maximum Interest Rate Eligibility

City Manager Young introduced the proposed change by noting that the Agency currently had no maximum interest rate eligibility requirements. Young highlighted staff's recommendation for the Committee to recommend to the Agency that the maximum eligible interest rate for the program be the lower of the Wall Street Journal Prime rate plus 6 points or 12%.

Vice Chair Grossman pointed out that the Committee would consider and make a motion on each of the seven proposed changes, one at a time.

Councilor Miller asked what interest rate was currently being used. City Manager Young stated that the Agency currently did not have an interest rate guideline, and the City was looking to develop a standard. MCEDD Loan Manager Nerdin clarified that, with the proposed change, future program applicants would need to secure a loan at or below the proposed interest rate cap to be eligible for the Program. The design of the cap, Nerdin stated, was to minimize the Agency's exposure to subsidize a high interest rate loan. Botts commented that by subsidizing at a standard rate, the cap would allow Agency funds to be utilized for other Program applicants.

Zingg asked what prompted the proposed change. City Manager Young stated that the Agency was obtaining some interest from some larger-sized projects, and as funds became tighter, staff was concerned about not having sufficient guidelines that would better enable the management of funds and maximize the benefit from the Program. Young reported the Agency had subsidized five loans thus far and had learned some lessons from the experience.

It was moved by Miller and seconded by Botts to recommend to the Agency Board that the maximum eligible interest rate for the Program be the lower of WSJ Prime rate plus 6 points or 12%. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

2. Interest Rate Shopping

City Manager Young pointed out that applicants were currently required to submit only one loan quote. The proposed change would require applicants to obtain quotes from at least three lending institutions.

Botts asked if that would create a hardship for applicants to find enough lending institutions to obtain the three quotes. MCEDD Loan Manager Nerdin stated there should be no problem obtaining three quotes. Nerdin noted that an applicant could essentially use the same paperwork completed to obtain the first quote to obtain additional quotes.

Botts asked how the Agency would use the information to make a determination. City Manager Young stated that the information would be helpful to staff in structuring the loan. The Agency probably would not require the Program applicant to use the lending institution with the lowest rate; but in its best interest, the Agency could choose to subsidize at the lowest interest rate provided and allow the applicant to choose another lender of choice at a higher rate.

Michael Leash, 306 Court Street, commented that commercial loans were fickle. An applicant could obtain one approval and two rejections. MCEDD Loan Manager Nerdin stated that the proposal only called for quotes and not approvals.

Miller asked why the change was brought to staff's attention. City Manager Young reported that staff had a concern of not getting the best deal with just one quote. Young clarified that the applicant should get at least three quotes that were acceptable to the staff administering the Program. MCEDD Loan Manager Nerdin advised that a requirement for three quotes could cause lending institutions to be more competitive on setting the interest rates which would be in the Agency's best interest.

It was moved by Zingg and seconded by Elkins to recommend to the Agency Board that applicants be required to obtain quotes from a minimum of three lending institutions prior to receiving final subsidy approval. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

3. Cap on Maximum Value of Loan Subsidy:

City Manager Young stated that the reason for the proposed change was to eliminate the possibility of one or two loans consuming the program's funds. Staff recommended the hybrid formula (pages 5 and 6, including Table IV). Mr. Nerdin explained that the intent of the proposed hybrid formula was to cap total subsidized project monies so that a majority of Agency funds would not go to one entity. The hybrid formula would combine the tools of both options (a) and (b), the regressive formula and the property tax formula. Mr. Nerdin pointed out that the hybrid formula was designed to help both the smaller dollar and larger dollar customers while at the same time limiting the total subsidized amount on any given project.

Elkins said it would be helpful to know the increased property tax dollar amounts collected annually on the projects thus far in order to evaluate the Program. City Manager Young stated staff would look into obtaining that information. Young reminded the Committee that there were other values of the Program other than increased property taxes. For instance, the Canton Wok project helped preserve the value of a building that would have otherwise lost value, and it created new jobs. Botts pointed out that another benefit of the Canton Wok project was that the renovations allowed the current tenants to remain in the building.

Chair Grossman and others commented that the formula was complex and difficult to understand. City Manager Young advised that he found the tables to be most helpful in analyzing the three different options, because the tables identified cap amounts and what type of outflow of Agency funds would occur on different sized projects. Young felt the cap and outflow ratios seemed better than the other proposed structures in that they seemed to be a good middle ground that would help accomplish goals of the project and create a stability in controlling the amount of funds put out on a single project. Botts commented that the hybrid formula offered considerable monthly savings on the larger loans and, at the same time, allowed smaller loans to be more affordable. Zingg commented that he saw the proposed amendment as a trust issue. If staff understood and was comfortable with the formula, then he would be okay with it without completely understanding the methodology.

Elkins asked if the Agency still had enough years remaining to add new projects to the Program. City Manager Young said there were enough years remaining, and all projects would come to an end in 2026, the end of the life of the Agency.

It was moved by Zingg and seconded by Miller to recommend to the Agency that the maximum value of future loan interest buy downs be capped according to the hybrid formula depicted in Table IV (page 6). The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

4. Provide Agency the Option of "Buying Points":

City Manager Young reported that this option would save the Agency subsidy funds by pre-paying interest up front in exchange for a lower interest rate. There would be some risk to the Agency by pre-paying interest if the applicant defaulted on the loan or sold the business. Staff recommended that the tool be made available to staff to be used on a case-by-case basis, and only if sufficient funds were available. Young stated the tool would probably be used only on loans where the Agency would gain maximum value from buying down points.

Zingg asked if this option would tie the Agency to a future obligation to the bank. City Manager Young advised that the Agency did not finance loans. Mr. Nerdin explained that the Agency did not interact with the banks. Interest payments were made directly to the applicant. Botts asked if buying points could be paid back to the Agency in case of a loan default. Mr. Nerdin stated that City Attorney Parker could draft something with the applicant to protect the Agency's interests. However, unless the loan was a large dollar amount, recouped funds would be fairly minimal, Nerdin advised.

Zingg asked if the Agency could ask for a personal guarantee on a loan where interest points were purchased. Mr. Nerdin pointed out that the goal of the Agency was to help preserve buildings, and if the work had been accomplished and approved, the Agency's goals were met—preservation of the property.

It was moved by Botts and seconded by Elkins to recommend to the Agency Board that future loan interest buy down agreements include an option for the Agency to buy points on the loan subject to a guarantee of repayment of the value of the buying points in the event of default.

Mr. Nerdin cautioned that there could be other case scenarios where an applicant could not pay off a loan that would not constitute a default. To propose other language that would cover other case scenarios would lend itself to micro managing, Nerdin stated. City Manager Young commented that staff did not intend on using this tool frequently. Young reminded the Committee that City Attorney Parker had proposed language whereby any point payment would go before the URAC and the Agency for approval. Doing so would give both boards the option to place conditions on buying points based on the type of loan.

Botts retracted the original motion.

It was moved by Grossman and seconded by Zingg to recommend to the Agency Board that future loan interest buy down agreements include an option for the Agency to buy points on the loan subject to approval of the Agency. Grossman, Zingg, Botts and Elkins voted in favor, Miller opposed; Motion carried. Zukin, Weast, Miles and Kramer were absent.

5. Obligatory Refinancing

City Manager Young reported that Program applicants currently had no motivation to refinance a loan because the Agency was subsidizing all of the interest payment. Therefore, this proposed amendment would allow the Agency to obligate the applicant to refinance at the Agency's expense.

Zingg asked if the proposed amendment suggested refinancing at the term of the note or at any time. City Manager Young said refinancing could be required at any time during the life of the loan. Young pointed out that some refinancing could be restricted by the type of loan, so that would need to be considered.

It was moved by Zingg and seconded by Miller to recommend to the Agency Board that applicants be subject to obligatory refinancing. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

6. Cap on Time Limit for Interest Subsidy

City Manager Young reported that currently there was no time limit on the loan subsidies. Staff recommended a time limit of the lesser of 10 years or the end of the life of the Agency.

It was moved by Elkins and seconded by Miller to recommend to the Agency Board that the time limit for the loan interest buy down be the lesser of 10 years or the end of the life of the Urban Renewal Agency. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

7. Adjusting Threshold for Agency Review

City Manager Young advised that currently staff was allowed to approve a loan interest subsidy with an annual value of $15,000 or less. With the proposed amendment, staff could approve interest buy down applications with total subsidy values of $75,000 or less without Agency approval. This amendment would allow staff a little more flexibility in approving Program applications. Young noted that any interest buy down loan subsidy where buying points would be considered would go before both the Advisory and Agency boards for review under the proposed changes.

It was moved by Miller to recommend to the Agency Board that all loan interest subsidies of $75,000 or more in total be subject to review and approval by the Advisory Committee and Agency Board.

Elkins commented that $75,000 seemed a little high. City Manager Young suggested Committee members could set the threshold at a lower dollar amount if they were not comfortable with the $75,000 limit.

The motion was amended by Miller and seconded by Elkins to recommend to the Agency Board that all loan interest subsidies of $50,000 or more in total value be subject to review and approval by the Advisory Committee and Agency Board. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

ONGOING URBAN RENEWAL PROJECTS

City Manager Young gave the following Urban Renewal project updates:

Granada Block – The Memorandum of the Disposition and Development Agreement was signed and would soon be recorded. Staff gave the developers a "per spot" price range for the City parking structure, and developers were required to provide the total number of parking spots needed by mid-July so the City could distribute the Request for Proposal (RFP) on the parking structure design. Staff approved the developers' demolition process and cost estimate submittal for the Recreation Building. Staff was developing a chart that would identify the various activities and deadlines as outlined in the DDA to track progress.

Parking Structure – Staff was considering a two-step design build process where staff would establish a firm dollar amount on the design, set a price range, then negotiate the final build based on the design. This approach would remove some of the bidding risk for contractors, Young stated. By alleviating some of that risk through this two-step process, the City could possibly get lower bid estimates from contractors.

City Manager Young announced that the June 18, 2013 meeting would be a joint session with the Agency Board. The main focus of the meeting would be to review the Agency project list and consider a possible re-prioritization of projects. Young reported that Administrative Fellow Chrostek prepared three reports for consideration: 1) Urban Renewal Performance Evaluation; 2) Urban Renewal End of Life Conceptual Budget Narrative; 3) History of Urban Renewal in The Dalles. Elkins was the only Committee member present that stated he would not be able to attend the June 18th joint session.

Vice Chair Grossman adjourned the meeting at 6:40 p.m.

Respectfully submitted by Administrative Secretary Carole Trautman.

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Gary Grossman, Vice Chairman