# AD HOC URBAN RENEWAL CITIZENS ADVISORY COMMITTEE MEETING MINUTES

**Monday April 13, 2020, 5:30 PM**

## CALL MEETING TO ORDER

Chair John Bridges opened the meeting at 5:32 PM.

## ROLL CALL

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| Members Present: | John Bridges, Chair | Patrick Johnson |
| | Molly Olson | Loni Parrish |
| | Shannon Buckmaster | Angel Aguiar |
| | Cassandra Ulven | Joe Morelock |
| | Francisco Stoller, Vice Chair | |
| Members Absent: | Don Clements | |
| | Don Griswold | |
| | Rick Rogers, Mayor, Ex-officio | |
| Staff Present: | Doug Rux, Community Development Director | |
| | Brett Musick, Senior Engineer | |
| | Matt Zook, Finance Director | |
| Consultants Present: | Elaine Howard | |
| | Nick Popenuk | |

## **Public Comments**: none

## APPROVAL OF MINUTES

Approval of Urban Renewal CAC meeting minutes dated March 9, 2020

Sharon Buckmaster noted an error in the motion third line down,

**MOTION:** Angel Aguiar and Molly Olson moved to approve the March 9, 2020 meeting minutes as amended, Motion carried (9 yes/ 0 no).

**NEW BUSINESS:**

Financial Analysis:

Elaine Howard / Nick Popenuk presented slides showing boundaries used for the financial analysis. No changes after last meeting but put together information on the acreage amount and assessed value amount as a percentage of the City of Newberg. The limitations are 25% for both assessed value and acreage.

Assessed value is way below the 25%. And the acreage is at 16.74%. Elaine noted she would check but is sure that it is still under 25%.

Nick gave preliminary forecasts for financial capacity for the Urban Renewal Area. Based on the assumptions about future growth in the Urban Renewal Area it is helpful in context to look at the Historical Growth in value. He showed the growth in real market value and in assessed value since 2008 for both County and City. He noted in Oregon there is a big difference in real market value and assessed value. Real market value is volatile and changing annually based on marketing conditions, where assessed value is slow and steady at 3% per year, unless there is new construction that boosts that rate above 3%. Neither the County or the City has seen a loss in assessed value from one year to the next, it has continued to increase in the past 12 years. The long term average for the County has been around 5% and the City has been around 5.5 %.

Question was brought up on the increase in assessed value for the City at 12.76% last year and Nick said he will look into why such an increase.

Nick continued onto the next slide which was the same data but in a chart instead of a table and explained the meaning. Assessed values are consistent, real market values are all over the board and that the City and the County are close together.

Nick continued with the financial projections which is the crux of the analysis. He said what we are looking at is the financial capacity of the Urban Renewal Area and several different measures showing four different growth scenarios for how fast the assessed value could grow in the area. The growth scenarios range from 4% to 7%. 4% would be a conservative assumption which is less than the average growth for the County and the City. We are entering a recession so large industrial development is unpredictable and 4% is conservative but a realistic alternative. The 5% and 6% numbers are just on either side of the historical trend for the City, so that would represent this area receiving its fair share of the growth that the City gets long-term. 7% looks a little aggressive especially compared to historical numbers, but there is a lot of opportunity for new construction in the proposed Urban Renewal Area.

Nick noted those are scenarios, and average annual exception value makes the scenarios more realistic. How much new assessed value has to come on tax roll each year in order to achieve the growth rates that were talking about and make the scenarios happen? How much new construction do we need to achieve our 4% 5% 6% scenarios? On the 4% growth rate scenario that would require only about $1.8m dollars in new construction activity taking place each year. 5% scenario would require over $4m dollars of new assessed value each year. 6% scenario we're looking at $7.7m dollars of new assessed value. In the 7% scenario, it would require $12m dollars of new assessed value coming on the tax rolls every year.

Nick noted the amount of new construction value sustained long term to get that difference in growth and that those are contrasts in terms of how the future of this proposed Urban Renewal Area would unfold.

Nick continued with maximum indebtedness (total MI). Maximum indebtedness is where we distinguish between the principal amount that you're funding on projects and the interest that you're paying on debt long-term. Looking at the 4% scenario we go from $62m to $52.7m dollars the difference between those two is roughly $10m dollars that we're anticipating would be spent on interest over the life of the Urban Renewal Area. The remaining amount $52.7m dollars is the total principal amount spent on projects. The Maximum indebtedness figure is key because by State statute that is the limiting factor for Urban Renewal Areas. If the City Council adopts an Urban Renewal Plan, it is required to state a matching indebtedness. That's the total limit amount that can be spent on projects in the Urban Renewal Area and cannot be exceeded.

Nick noted that a lot of the dollars are not going to be available for many years down the road. We look at the timing of when those dollars will be available and adjust for assumed inflation long term and we end up with our estimated capacity in today's dollars which is the 2020 estimate.

Nick also noted it is going to be up to this group and the City to recommend a maximum indebtedness figure and to understand what that likely relates to in terms of how long the Urban Renewal Area would be in order to achieve the maximum indebtedness.

Nick went over one more slide on maximum indebtedness.

Nick explained we think that the maximum statutorily allowed indebtedness would be around a $146m dollars. On our high forecast of 7% for 30 years we would be looking at a maximum indebtedness of a $138m dollars. He suggests not going up to your frozen base projection but to leave some cushion just in case your numbers are different from your projections.

There was a question for Nick if he can give the growth for the last 10 years excluding the 2019 number. Nick responded he could run that calculation and provide it before the end of the meeting.

The next question was if there is a typical approach that communities take to selecting one of these numbers.

Nick responded saying, on establishing a growth rate, between wanting to make sure that you're being conservative and assuming projections that are going to be unreasonable and set yourself up for failure long-term, while also not being so overly conservative that you're not giving yourself any room to capture future construction. In reality you wind up having more growth, but you've already set such a low maximum indebtedness for yourself that you can't really take advantage of that growth. All you do is wind up shutting down your Urban Renewal Plan very early because you achieve your maximum indebtedness much faster than you anticipated. It is a balancing act of trying to say what do we think is the most likely outcome here and based on that is it a comfortable impact to the taxing districts that are helping to fund this Urban Renewal Area. You want the dollar amount to be enough to fund the projects.

Nick noted a comfortable impact to the taxing districts helping to fund this before the big jump occurred and the percent of growth in the City was 4.8%.

Matt Zook, City Finance Director explained how the jump in percentage for the City occurred. He noted in 2018 there were a couple major events that occurred. One was the Comcast settlement. Comcast settle with the State and that affected quite a number jurisdictions. In Newberg there was a retrospective amount set of that adjustment as well which moved that 2018 tax assessed value growth artificially down. Because this was a one-time event it makes the following year look artificially higher.

Elaine noted when the feasibility study is written we will work with the City and get input from the advisory committee to figure out what percentage to use, knowing that a large portion of the property is undeveloped land were you're expecting a lot of growth, so you don't want to be too conservative.

Chair Bridges stated he would be comfortable using what our historical trend has been. He didn't feel comfortable with this number because of that outlier.

Member Aguiar asked if we project that on the lower amount and we actually end up having more success than we had actually anticipated, does that not affect us.

Nick replied with a possible situation that could occur. When you're establishing your Urban Renewal Plan, let's assume only 4% growth. You have to be able to justify the maximum indebtedness put into the plan, let's say no more than 30 years. From that basis, you could establish a financially feasible maximum indebtedness of $2.7m dollars. If you can get growth that winds up being 7% per year, you could have the ability to fund your $52.7m dollar maximum indebtedness. Now 15 years down the road and at that point you've now funded all the projects you're allowed to because you've hit your indebtedness and your Urban Renewal Area is going to close down real fast because you were conservative in your projections and actually wound up being much more aggressive than in reality.

Member Olson asked if we went with the scenario on the other end, let's say we went with 7% and got 3% or 4%, what is the impact?

Nick responded, with the other extreme you need to keep in mind that in those situations you can wind up where an Urban Renewal Plan lingers much longer than anyone anticipated. A way to prevent that is to put an expiration date in your plan and the maximum indebtedness is a required limitation. Also choosing to say even though it's not required by law we're not going to issue any debt after 20 -25 years whatever the period time is. In those situations, you can prevent your Urban Renewal Area from lingering on forever because you did put a sunset provision in it, but you still have to deal with the sort of failed expectations for your community where you went out and adopted a plan that told folks we're going to fund a $100m dollars' worth of projects and in the end you only funding half of those projects. Then there are streets and parks and whatever else that you planned on funding with this that now never gets done.

Member Ulven commented on the sunset clause and maximum indebtedness. She noted we prefer to have a sunset clause because if the plan is not performing to expectations after decades then we don't want to keep writing blank checks.

A question was asked if there is a typical time period that you would do these for if they do have a termination time limit.

Elaine responded it is typically 30 year time limit.

Chair Bridges commented if we have these tools, you can expand the footprint by a certain percentage. If you put in that time limitation, is that something that City Council in 15-20 years can change and if so, how do they do that?

Elaine responded that it depends on how you structure the amendment section of your Urban Renewal Plan.

Elaine also talked of a substantial amendment by statutory requirements. So statutory requirements are if you increase your maximum indebtedness, it's a substantial amendment. But if you change the duration you either address that in the amendment section of your plan separately and or you assume that it's just a minor amendment that can be done by the agency by a resolution.

Member Olson asked if there is a time limit on when you can add an acreage expansion. Elaine responded that there are limitations you can do 1% of the existing acreage by a minor amendment, which is just agency resolution. Anything over 1% of your acreage is a substantial amendment meaning you have to go through the same process as an original Urban Renewal plan.

<u>Impacts on Taxing Districts</u>:

Elaine continued with the PowerPoint slide referring to taxing districts. The two districts that are not direct impact are the School District and the Education Service District. All of the other taxing districts are a direct impact to their tax receipts from the assessor. The School District and the Education Service District are indirect impacts because they are funded through the State School Fund on a per pupil allocation which is set by the legislature. Urban Renewal impacts the permanent rate property tax revenues that go to the state school fund.

Member Morelock asked if the direct and indirect impacts mean that over the 30-year period is about a $59.5m dollar at 7% impact to the State School Fund. Elaine replied that is correct coming from our local revenue and stays within the community.

Member Olson asked if we got into a 7% scenario that the committee could start funneling money to these groups earlier than the end of the urban renewal.

Elaine noted under any scenario an Urban Renewal Area has the ability to do what is called an Under Levy. An Under Levy really depends on how much money you're getting in and how much money you have obligated to do projects. Also whether you have excess funds that you can redistribute through an Under Levy.

Member Aguiar asked if we have made other attempts previously, has this point of discussion ever come to the forefront as a catalyst for some reason before the rejection of the Urban Renewal Program. Member Aguiar noted he doesn't think that the Urban Renewal District is going to generate enough tax revenues to compensate for the amount that he is losing over the next 30 Years.

Chair Bridges noted using education as an example, under the current law this $22m dollars is still going to go to the school district. So what we are doing is setting that aside for our benefit of our community. The State does a pupil per pupil funding of schools throughout the whole State. So almost all of that $22m dollars is still going to go to the school district. It's just going to come indirectly from the State.

Elaine noted this question will be addressed in our open house and Urban Renewal 101 presentation.

Elaine responded to Member Aguiar's discussion on other previous attempts. She noted this Urban Renewal Plan will only have an impact on permanent rate property tax levies. The individual property taxpayer does not see an increase on their property taxes due to Urban Renewal.

Member Ulven asked about the impact from School districts and that all Urban Renewal Districts are statewide. Does it impact the amount of revenue that is sent to the State for redistribution on a per-student basis? Member Ulven doesn't think it's completely accurate to say that there no impacts because it does collectively impact the Statewide revenue which could impact where the state receives money from. Elaine noted that is correct, that is why we say it is indirect.

Chair Bridges asked if a community doesn't have an Urban Renewal District, are they subsidizing all the other communities that do have Urban Renewal Districts.

Elaine responded $59m dollars stays in your Community and you get to use that in your community instead of it going to the State School fund. Urban Renewal cities who are doing Urban Renewal across the State are able to use funds that would have gone to the State School fund locally in their community and if they don't have Urban Renewal they are not able to do that.

Matt Zook noted the City has never projected only a 3% growth and that $11m for a 4% growth is not too far off. The City's ongoing revenue at 1% impact might be $150,000 to our budget but he would have to run through the numbers.

CDD Rux noted back to the conversation of looking at what might be a potential list of projects given the numbers that Nick has put together on the growth rate of 4% to 7% and on the map putting the numbers into our long-range financial model to see what those numbers are and we haven't gotten to that point yet.

CDD Rux said we need to get with the committee to get insight feedback about 4% and 7%. Our last meeting we went through an extensive list of potential projects based upon plans put together from the Riverfront to the Downtown and the subset elements out of our Transportation, Water, Wastewater and Storm Water plans. We need to look at all of the numbers be able to come back and share with the committee.

CDD Rux continued on with the preliminary projects and estimated costs. Last meeting was focused on infrastructure, Transportation, Water, Wastewater, Stormwater system plans and showed the numbers that were updated to 2020 values. The Downtown area is at $38.5m dollars' worth of projects and that there are some projects that need to be talked about and may not be eligible for Urban Renewal funding. The Riverfront area is about $49.5m dollars and brings the total over $88m dollars. CDD Rux has passed on to Brett Musick, City's Senior Engineer and the Committee the identification of the boundary. He noted Brett is going to be working up some numbers, and one of the sub consultants is working on some planning level estimates for undergrounding the overhead utility lines along Second Street, pedestrian, and ADA improvements along Blain Street and Ninth Street. This is a preliminary set of numbers. We will continue to revise and bring those revisions back at a future meeting, likely in June.

Preliminary Estimated Cost of Projects:

Chair Bridges asked if there was a developer percentage on these projects or a list showing the amount that we can get out of the Urban Renewal Plan. Elaine responded the answer doesn't come from the consultant that it would typically come from the City. For example the City has SDCs of xx amount that can be allocated towards some of the transportation projects or have other funding source or State grants they might be able to get. Elaine noted we do look to the City for other funding sources and what they anticipate could be funded from their other funding sources.

Nick joined the conversation noting that $88m dollar project cost is in 2020 dollars. If you're looking at the earlier slide of financial capacity, we don't want to compare that to the maximum indebtedness line item, which is inflated dollars. You want to compare it to the line just below that financial capacity in 2020 dollars. For example if we wound up with a 5% projection over 30 years we would have capacity for $41m dollars of projects which is less than half of the project list here. It's common for Urban Renewal areas when they're getting set up in the feasibility stage to identify a list of project costs that greatly exceed their estimated capacity. It really is a game of trying to decide which ones are highest priority and which ones you think you could wrangle other funds for, whether City funds, developer funds, SDCs or either building some of these projects directly or paying through an LID or having a supplemental SDCs in place on them. It's all looking for what are other funding sources that we could reasonably assume we might be able to get over the next two or three decades.

Question was asked, Will we have a conversation where the City gives us this information?

Elaine responded, yes, we will be working with the City once we get this list completed as we get ready for both the City Council briefing and for your next meeting which is June 8. We'll be looking at those questions because you don't have to make all those decisions now this is just the feasibility study. It raises all of the issues and says this is the amount of money given these kinds of estimates. The potential project list, other potential funding sources and given that information a decision is made whether or not you then want to take those next steps of preparing an Urban Renewal Plan narrowing down that project list or identifying where there are other sources of funding that will help fund those projects and move forward. You will not have to make all those decisions now, that this is just a feasibility study phase which presents the financial information, boundary and a potential project list.

Open House:

Elaine began by saying her Doug and Lacey Dykgraaf had a discussion about having two different scopes of information. The first open house providing Urban Renewal information. What is it? How does it work? Why is the city looking at Urban Renewal, and having an Urban Renewal 101 basically. The second open house was to talk more about what are the kinds of things the City might do, what are the projects and where are the financials. Because of COVID19 we could not have these meetings.

Elaine shared that she created an Urban Renewal 101 for Bend OR, that they taped their audio that went with a PowerPoint it was like a movie. She noted this would be a good idea for the first phase and Lacey could put it on Facebook, the City website and different groups to start giving information. We also have the fact sheet that you all reviewed and Lacey will input some of that text to all the methods she uses to distribute information. Elaine said she could go ahead and develop an Urban Renewal 101 with a voice over that we can post and transmit that would start the process.

Member Ulven brought up the City of Tigard 101 video that was specific to their City. She thought it was clever and we could put something like in Newberg. Also specific things like mailing postcards in advance with its go live date, use the social media platform and challenge those of us on the Committee to share information. You could recruit people to participate if you were to do some kind of town hall type forum.

Elaine noted the expense of the City of Tigard 101 video and that it is not likely Newberg could do this. Chair Bridges noted there are some resources locally, for example Brandon Porter shoots a lot of local video of businesses. There are also at least two or three other kinds of local PR providers that do this on a professional level. He thinks we have the ability to work with some of those younger technology minds to put something that is a bit of what the educational piece is for the Urban Renewal 101 to make Newberg what it is. There are two others locally that might do something like this one owns a retail store and is very artistic and creative.

The discussion continued on other possibilities locally that might do something like this such as Brian Gross with Jungle Media, Pulp Circumstances, Ashley Lippard does graphic design and promotional bits, also to check with George Fox and the opportunity to work with them as well. It was noted that it is a good idea to work with George Fox.

Member Olson asked about the second meeting and if it will be scheduled after the middle of June. Elaine said we don't know yet and that they are still trying to figure out what we can do well for the first one. We will start thinking about what the second one becomes as we get closer and know what our capabilities are.

Elaine noted the next steps going forward:

May 4th CDD Rux has a briefing with City Council with updates from the committee on the boundary, financial scenarios and the potential project list so they know where we are. Since there will not be an online open house the briefing will not have any public education. June 8th is our next meeting. The open house is to be determined and may not be that date as planned but can be later. There will be the draft feasibility studies for the Committee to review on June 8th and then the meeting on June 29th.

CDD Rux noted the briefing with City Council would be a virtual/zoom meeting and that he would take support from the Committee members to participate. This will be part of the City Council work session that starts at 6:00pm and concludes no later than 7:00pm as they go into their regular business meeting.

Chair Bridges noted he can assist with the City Council meeting, also Member Buckmaster will log on and give support as well.

Elaine noted sometime in May they should have the video/audio Urban Renewal 101 ready for the Committee to review before getting out for public information. Member Olson mentioned testing with people who haven't been through these meetings because we're probably not a good target audience for a test and the Committee agreed.

**Items from Staff:**

Doug noted that the next meeting is June 8 and will be a virtual meeting through Zoom.

**Items from Committee members**: None

Meeting was adjourned at 7:03 p.m.

**Approved by the Ad Hoc Urban Renewal Citizens Advisory Committee on June 8, 2020.**

*Doug Rux, Recording Secretary*

*John Bridges, Ad Hoc Urban Renewal Citizens Advisory Committee Chair*