

**CITY OF JOHN DAY
CITY COUNCIL MINUTES
JOHN DAY, OREGON**

March 14, 2017

Adjourned Meeting

COUNCILORS PRESENT:

Ron Lundbom, Mayor
Paul Smith, Councilor
David Holland, Councilor
Lisa Weigum, Councilor
Steve Schuette, Council President

COUNCILORS ABSENT:

Gregg Haberly, Councilor
Donn Willey, Councilor

STAFF PRESENT:

Nicholas Green, City Manager
Monte Legg, Public Works Director
Janine Weaver, Secretary
Valarie Maynard, Emergency Communications Center Manager
Richard Gray, Chief of Police

GUESTS PRESENT:

Rick Minster, John Day
Rylan Boggs, Blue Mountain Eagle
Antonio Roberts, John Day
Jeremy Adair, 1188 Brewery
Shannon Adair, 1188 Brewery
Dorothy Piazza, House to Home
Dave Paddock, John Day
Sherri Rininger, Etc.
Dale Rininger, Etc.
Jamie Brown, Naturally Yours

Agenda Item No. 1 – Open and Note Attendance

The John Day City Council meeting opened at 7:00 p.m. Mayor Lundbom noted Councilors Haberly and Willey were absent and excused.

Agenda Item No. 2 – Approval of City Council Minutes of February 28, 2017

The minutes of the February 28, 2017, City Council meeting were included in the agenda packets and were presented for the Council's approval.

Councilor Schuette moved to adopt the minutes. Councilor Holland seconded and the motion passed unanimously.

Agenda Item No. 3 – Appearance of Interested Citizens

Mayor Lundbom welcomed visitors in the audience.

Agenda Item No. 4 – Supplemental Budget Appropriation

City Manager Green explained the budget changes have been talked about over the past year. It increases the donation line item to accommodate the bike park donation and the Ford family grant. The new budget accounts for the revenue from the sale of the fire hall, rent from the Rural Fire District, and changes from the inter-city agreement with Canyon City for sewer services.

7:02 pm Mayor Lundbom called a public hearing on the Supplemental Budget Appropriation. There were no comments. 7:03 pm Mayor Lundbom closed the public hearing on the Supplemental Budget Appropriation.

Councilor Schuette motioned to approve Budget Resolution No. 17-767-03, A Resolution to Appropriate Fiscal Year 2016-2017 Budget. Councilor Holland seconded and the motion passed unanimously.

Agenda Item No. 5 – Report on City Manager Trip to Salem

City Manager Green updated the council on his eight hour meeting with the League of Oregon Cities' Legislative Director and staff, the Senate Republican leadership and testified to the joint Ways and Means Committee. City Manager Green received a commitment from the Senate to do an appropriation from Grant County of \$420,000 to cover the next two years' funding deficit for dispatch. This is not a final solution in funding but a bridge for two years while a local option levy can be placed on the ballot and 9-1-1 tax reform can happen. There is typically a delay between when a local option levy is passed and revenue begins to come in. The local option levy is being designed to stop collection as soon as 9-1-1 tax reform is passed. There is not intent to take more revenue than needed. City Manager Green would like to get the local option levy on the ballot September with collection to begin 2018 giving access to funding during fiscal year 19. The local option levy is only valid for five years and would allow another short term option if more time is needed to pass 9-1-1 tax reform. If the local option levy is voted down and 9-1-1 tax reform does not happen, we have followed the democratic process that tells us our local citizens do not value a local dispatch center enough to fund it. Instead there will be a two year period to allow a smooth transition for outsourcing dispatch. City Manager Green does not want to be in the same situation in two years trying to figure out how to fund dispatch.

The initiative does have to be presented to the county to be put on the ballot for the appropriation funds. City Manager Green believes we need to present other cities with the information on needing the local option levy and to be transparent with the budget. The local option levy is for \$36 per household based on a \$100,000 home. Councilor Smith believes it is important for voters to know that without this funding, dispatch may have to be outsourced. Mayor Lundbom stated that after the meeting at the courthouse he was very optimistic about the feedback he was hearing around the community. But this week there were misconceptions about how the dispatch service was being used and subsidized. The City will have to sell the local option levy to the community. Councilor Smith believes that there needs to be a clear timeline laid out for the voters on when the taxes would be effective and how the levy would not be necessary if tax reform happens. City Manager Green stated the bridge funding will get dispatch through 2019. By 2020 the City will not be able to fund dispatch if not approved by the voters or the 9-1-1 tax is reformed. Worst case scenario is that in 2020 we must outsource or cut other general fund services. If the local option levy passes and 9-1-1 tax reform passes, we would kill the levy or use it for a year. Mr. Roberts

pointed out that the six jobs lost by outsourcing dispatch would be a significant impact on the community. Mayor Lundbom did clarify that ambulance service is a customer and pays for the dispatch service used.

City Manager Green notified the council that senior leadership agreed to put a funding package together for a publicly owned broadband network. This will allow a municipally owned fiber optics line through John Day and Prairie City. Then we will work with residents to provide fiber optics at an affordable rate. If the funding is received in June, construction would begin as soon as possible. The city will contract the work to put in the lines. As soon as the funding is secured, the council can talk about the business model. The proposed one has been used successfully in Idaho. High-speed broadband is being seen as a public good that people should not be denied because of not being able to afford \$100 per month. Councilor Smith liked City Manager Green's testimony about if our community is going to thrive it needs the infrastructure to bring private industry to the community. City Manager Green stated there is a local provider that he has been trying to work with extending their current network.

The benefit of running the line to Prairie City has to do with an interconnected network. If the lines go down, the schools, police and fire departments would still be able to communicate through the network. Such as an active shooter alert where school cameras can stream the footage of a shooter to dispatch giving officers more intelligence before reaching the school. Our network could become a redundant network if the lines tie into Oregon Telephone's network. At this time we are trying to maximize access for residents rather than revenue.

Ms. Piazza compliments the council for thinking of the necessity of a high speed internet network. She knows of many people who have moved to the area with the idea of working from home but were unable to because of the lack of a consistent network.

City Manager Green wanted the council to be aware of the background on transient room tax. At this time the City does not have a transient room tax. This is revenue that would be paid by people outside the county. At some point the City may want to look at implementing one. The county currently has an 8% tax which is largely generated in John Day. The City does not get any of the money the county collects from the county's tax. If the City implemented a 3% municipal lodging tax, we would net about \$40,000. The highest in Oregon is 14%. The League of Oregon Cities wanted us to be aware that we are not utilizing all our ability for tax revenue as we are lobbying for funding. Passing a city ordinance is all that is necessary to implement besides negotiation with Airbnb.com. Mr. Rininger stated that he has received some of the county money through a grant from the Chamber of Commerce for the Farmer's Market.

Councilor Smith wondered how the local hotels and motels would feel about another transient room tax. City Manager Green believes the City would need to meet with owners for input before implementation. But the hotels and motels would be collecting the tax from their customers, not paying it themselves. Councilor Smith pointed out that our 8% is much less than others. The transient room tax would not apply to homes rented by the hospital where they house traveling doctors.

Agenda Item No. 6 – Main Street Revitalization Grant

City Manager Green was contacted towards the end of February by a group of downtown merchants who were interested in applying for the Main Street Revitalization Grant. The maximum funding of the grant is \$100,000 which is reimbursed. The meeting discussed parking which is outside the scope of the grant, but did bring awareness that needs to be addressed especially with the upcoming eclipse. One of the topics discussed was instead of putting a façade over failing infrastructure, renovating and improving the structures. City Manager Green met with business owners the night before and the majority reaction was positive. City Manager Green showed a slideshow to the council proposing to buy a downtown building, renovating the building, and reselling or renting the building. The grant is from The Oregon Main Street

Network. Since the City is the member, we would be the applicant even though we are applying for the grant on behalf of the downtown businesses. The application is due on Friday so a decision needs to be made about applying tonight. Notification of receiving the grant is in May and there is three years to expend the funding. The building is 122 years old and houses Naturally Yours, H&R Block, Etc., Karen Barntish and one upstairs occupied apartment. There are six unoccupied apartments upstairs. The building is 11,000 square feet. List price is \$299,000 and has been on the market for about 2.5 years. The county lists the real market value of the two lots at \$247,750. City Manager Green estimates the renovated John Day real market value at \$774,200. This includes four apartments at \$118,600 each and four commercial spaces at \$75,000 each. If the building is purchased at the current real market value and there is the program reimbursement, the net purchase price would be \$147,750. The restoration budget would be \$626,450. However the estimated restoration will cost \$2.08 million. The restoration would include redesigning, code compliances, structural integrity and a program to temporarily move current tenants. There is water damage, potential for asbestos and much more work. We would purchase the property, contract locally for the renovation and restoration and then either liquidate or become landlords.

There are at least five more buildings for sale and business owners are saying they are not sure they will make it. The internal rate of return is -46% annually with the restoration. We will not make money on this investment. This is also why no private sources are looking to do this themselves. Does the city have the obligation to try and fix our city ourselves? We can get outside capital, HUD money for the apartments, our cost of capital is smaller than the private sector, stimulate economy through a local work program which will hopefully entice state assistance. Negatives on the project are the amount of structural repairs, lack of community support and the potential for the city to become a landlord. City Manager Green hopes that the estimated \$240 per square foot to restore can be cut down some and we could look at grants, in kind donations and investors to help with the restorations budget.

Mr. Paddock questioned the cost of \$118,600 for an upstairs apartment when you can buy a house for less. Mr. Rininger said any house you buy for less is going to be a fixer upper requiring more money where these would be move-in ready. Mrs. Rininger stated the building downstairs is in much better condition than the upstairs but there are some improvements required downstairs. And that with downtown revitalization could increase the desire to live. Councilor Weigum stated that you cannot find a two bedroom 2 bath house in new condition for \$118,000. The cost to tear down and build new is higher than renovating. City Manager Green is more interested in the business model of investing back into our community and putting people to work which could possibly attract private business to begin investing in our community. Ms. Piazza pointed out that the downtown businesses would like the project to be a long term revitalization with phases to eventually be the entire downtown. She also pointed out the difficulty of starting a new business when the liability of buildings in disrepair is too great. Mr. Rininger pointed out that the option of buying their business location is much more viable than buying the entire building. Mrs. Adair pointed out that the private businesses do not make enough money to invest into buildings, especially without ownership, but know they need to revitalize. Mr. Paddock said he knows one of the two families that own the building and they know it is in bad condition and know they are not going to get the money and the best thing for it would be to torch it.

City Manager Green said the \$100,000 grant helps the City reduce its exposure. If nothing is done to the building and it is purchased at the real market value, the City would recover its investment on rent alone in six years. There is at least a revenue stream and there is value through its location. City Manager Green would like to reinvest because no one else will and how long will it be before the City has to condemn the building? The City would start by submitting the grant application Friday, then spend the next month and a half doing internal inspection and assessment. We do not have to accept the grant if it is decided to not be worth it. Mr. Minster pointed out that researching the HUD dollars would need to be researched such as handicap accessibility and Davis Bacon rates for construction. Pendleton and La Grande have been doing similar projects with success on a more long term basis.

Councilor Smith questioned if it would be better to tear down and build a new building which is functional and esthetically pleasing. Or perhaps better invested into helping our existing businesses? Councilor Smith is also worried the City may be biting off more than we can chew. Mr. Rininger points out that the building is not in as bad of repair as other buildings and has occupants. If tearing down a building to rebuild is the chosen path, perhaps choosing a currently empty building would be better.

Mr. Paddock suggested using the grant to reinvest in the department side of King's. Not the King's store itself but something similar. He feels it would be a more tangible investment and then perhaps selling it back to the employees. It would also save 11 jobs. Mayor Lundbom pointed out the troubles with buying product to stock the store. Ms. Piazza pointed out the grant is for the revitalization of downtown and this grant would not apply to saving a department store in place of King's. Councilor Smith emphasizes that we need to support our viable businesses now. Mr. Adair pointed out that the King's location is turn key where the downtown building is not. Where fixing the building, selling it and moving on to the next would build the infrastructure of downtown not just the businesses.

Mayor Lundbom said applying for the grant will not cost the City anything. If City Manager Green is willing to put in the work, he recommends applying for the grant allowing the City time to do more research on the project. Mr. Paddock suggest putting a smaller building with a parking lot in place of the existing building to eliminate some of the cost. City Manager Green pointed out the grant money would be used to purchase the building and what is done with it after that could be changed later.

Councilor Smith agrees with where City Manager Green wants to go but is concerned about spending the money. Councilor Weigum stated that no one is coming to save us. If we don't invest in our community, no one will. Councilor Schuette is concerned about the \$2 million but believes we should apply for the grant and have more discussions. City Manager Green stated he does not want to spend on more studies but instead invest in our community.

The Council came to the consensus to apply for the Main Street Revitalization Grant.

Agenda Item No. 9 – Other Business and Upcoming Meetings

1. March 28th is the next City Council Meeting. Eclipsed focused.
2. March 30th City Manager Green and Mayor Lundbom will be attending the Region 8 Small Cities Meeting in Ontario.

Adjourn

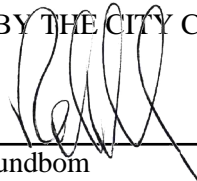
There being no further business before the Council, Councilor Schuette moved to adjourn the meeting. Councilor Weigum seconded and the session was adjourned at 8:28 p.m.

Respectfully Submitted:

Nicholas Green

City Manager

ACCEPTED BY THE CITY COUNCIL MARCH 28, 2017



Mayor Ron Lundbom