



MEMORANDUM

TO: JOHN DAY CITY COUNCIL
FROM: NICHOLAS GREEN, CITY MANAGER
SUBJECT: NEXT STEPS IN OREGON PINE REDEVELOPMENT
DATE: MAY 23, 2017
CC:

BACKGROUND

The City Council held a public hearing on May 9 and unanimously passed Resolution 17-768-04 to appropriate \$519,000 for the purchase of the Oregon Pine property from DR Johnson Lumber Company. The City has completed its due diligence of the property and is scheduled to sign and close on May 24. This memo outlines the progress-to-date and next steps in the Oregon Pine property redevelopment.

DISCUSSION

Purchase terms. The City has finalized the terms of the purchase and sale agreement with DR Johnson Lumber Co. The company will have a 90-day window of opportunity following the sale to remove the conveyor, debarker, saw and any associated equipment inside and outside of the steel structure containing the chip plant and sawmill. All other site cleanup and remediation has been completed or will be completed within the 90-day window. The property is being sold as-is with these exceptions. A copy of the final purchase terms will be reviewed during council meeting.

Purchase Financing. The City received a very competitive financing package from Business Oregon for the property purchase. Business Oregon's Infrastructure Finance Authority (IFA) will finance 100% of the purchase price. The award consists of a loan of \$519,000 with annual interest of 3.78% for a maximum term of 30 years. This equates to approximately \$2,350 per month. The payments will be made from the City's Sewer Fund (Fund 03) which has an operating contingency budget of \$734,426 for FY17-18. Annual payments for FY17-18 will use less than 4% of the operating contingency funds.

Annexation and property line adjustments. The site is currently in the City's urban growth boundary. The City will begin the process to annex the lot into the city limits after the sale closes. Following annexation, we will hold a public hearing related to property line adjustments needed for the property. Six acres along the northern property line will be sold to Iron Triangle as a condition of the sale. The west tax lot needs to be widened through a land exchange with Clark's disposal to allow for better access for the future Seventh Street and for Clark's vehicles. Adjoining business owners have requested lot line adjustments to allow them to retain usage of the property they are encroaching. We will need to discuss these requests during a future council meeting. The City can accommodate most of the requests with little inconvenience; however, a public hearing will be necessary to make the property line adjustments. The hearing will be held after annexation proceedings are completed.

Environmental assessment. As part of our due diligence process, the City contracted with Mark Yinger and Associates to conduct a Phase I Environmental Assessment. The cost of the assessment was \$2,300. The Phase I report identified six potential environmental conditions. Most of these conditions were also identified in Yinger's previous environmental assessment commissioned by DR Johnson. Per Yinger, the conditions consist of "localized and limited areas of contamination that do not present an unacceptable risk to human health, safety, welfare and the environment," but will need to be remediated as part of the area development plan for future use.

DR Johnson Lumber Co. has already remediated several of these findings and will remediate others as a condition of the sale. The remainder (described below) will require a Phase II environmental assessment.

The three locations to be evaluated in the Phase II are:

- 1) The sump in the floor of the mechanic's pit in the Truck Shop needs to be cleaned and investigated to determine where it drains. The sump should be sealed with concrete after cleaning. Several borings should be made through the floor of the shop to test for impact to soil and groundwater.
- 2) A reddish-orange stained soil adjacent to the southeast corner of the concrete pad on the south side of the lumber sorter shed. The staining may be ink used to stamp finished lumber products. A sample of the reddish-orange stained soil should be tested for hazardous metals.
- 3) Approximately 200 feet west-southwest of the Truck Shop is a 15-foot-by-15-foot, oil stained area. There had been a utility pole at this location with two electrical transformers on it as recently as 2013. Oil from the transformers may have been released at this location. The location will be sampled and the soil tested for petroleum and polychlorinated biphenyls (PCBs).

Soil samples will be taken of the localized areas of contamination during the Phase II and remediation steps will then be identified based on the results. The assessment is limited to the area south of the John Day River and does not affect the site of the future treatment plant north of the river.

The City will apply for a technical assistance grant from DEQ to perform the Phase II environmental assessment and for any follow-on remediation. The technical assistance grant will provide up to \$60,000 and requires a 10% match. Additional funding is available for site cleanup and remediation as needed.

Area development plan. The City is applying for a Category 2 Transportation and Growth Management Grant (TGM grant) through the Oregon Department of Land Conservation and Development. The Category 2 TGM grant helps local governments develop integrated land use and transportation plans that promote compact, mixed-use, pedestrian-friendly development; increase walking, biking, and transit options; or reduce reliance on the state highway system for local travel needs. The grant's scope includes

creating land use and transportation concept plans for areas that have been brought into an urban growth boundary; implementing Transportation System Plan (TSP) updates, code amendments, funding strategies and programs, and intergovernmental agreements; and other innovative transportation and land use planning-related projects.

The TGM grant is due by June 9. Grants generally have two-years for projects to be negotiated and completed. Award amounts generally range between \$75,000 and \$200,000. In August 2017, successful applicants will receive a grant award letter. Following award, the City and a TGM grant manager will work together to prepare a project statement of work, select a consultant (as appropriate), and complete an intergovernmental agreement. TGM requires a local grant match of 12% of the total project cost, which would be paid by the City from the Community Development Fund or as in-kind contributions.

The TGM grant will provide the planning assistance necessary to begin Phase I of the land development for Oregon Pine, including updating the City's TSP to extend 7th Street from Bridge Street to Patterson Bridge Road.

Phase one – Land development. The following key projects will be included in the scope of the TGM grant application and will be prioritized as part of the area development strategy.

- Extension of 7th Street from current terminus at Bridge Street west to Patterson Bridge Road;
- Multi-modal trail on north side of river extending to the bridge on Oregon Pine property;
- Re-decking the bridge on Oregon Pine to allow for multi-use bike/ped and single vehicle passage for public works and public safety vehicles;
- Street connection from Oregon Pine to Valley View Drive (a portion of this street is included in the 2009 Local Street Network Plan but not the connection to the future 7th street);
- New multi-modal bridge (bike/ped) connecting the Riverside Home Park to the trail system north of the John Day River (bridge to be located at the NE corner of the home park, west of the John Day River and Canyon Creek intersection);
- Parking improvements on the SW side of the Oregon Pine property adjacent to the mill and another parking/access points on the SE side leading up to the public works building (shop) and the old planer shed in the center of the complex (future farmer's market/street market area);
- Sidewalk extension along US Hwy 26 to Oregon Pine and a new pedestrian highway crosswalk;

- Redevelopment of former treatment plant area after the new plant is operational, with a crosswalk and paths leading from the eastern edge of the innovation gateway to the 7th Street Complex;
- Trail connection from east end of the gateway (current public works/treatment plant area) along 7th Street to the Bob Miles trail system (included in the 2009 Local Street Network Plan).

Development financing. The City will conduct a local income survey through Portland State University in August 2017 to determine our eligibility for federal community development block grant (CDBG) funding. If eligible, we could apply for up to \$1.5M in CDBG funds to implement the area development plan for the 80-acre complex. The \$1.5M per project limitation covers both final design and construction necessary to complete community facility projects. This would allow us to implement the majority of the land development using federal funds provided they relate directly to community facilities.

The City can also apply for Recreational Trails grants; Land and Water Conservation grants; and Heritage Programs grants through the Oregon Parks and Recreation Department for additional area development funding. These grants require a 20-50% match and can offset the cost of trails and any street improvements not covered by CDBG funds. The City has \$457,025 in net working capital in its Street Fund for FY17-18 to use as matching funds for these grants.

Phase two – Facilities development. The City will use a Progressive Design-Build (PDB) model for developing future facilities. PDB facilitates involvement of the design-build team during the earliest stages of the project development, ensuring the future construction team is part of the project team developing design solutions. This approach provides the greatest amount of collaboration between the three key players in a construction contract – the owner, the designer and the contractor.

Wastewater treatment plant. The most important facility to be constructed on the 80-acre complex is the new wastewater treatment plant. A modern mechanical treatment plant takes up 10-12 acres. There is sufficient land on the northern side of Oregon Pine to construct a mechanical plant out of the floodplain. However, our goal should be to construct the treatment plant on the minimum footprint possible within a reasonable cost. A reclaimed water facility occupying five acres or less for the treatment area footprint would allow us to maximize the space available for water reuse and community facilities for the remainder of the innovation gateway.

Community facilities. The PDB model will also allow the city to explore options for community facilities as funding and opportunities present themselves. A list of potential facilities is below. None of these has to be created or financed in the near-term, and many will depend on whether or not a reclaimed water facility is selected after the 2017 feasibility study. The city council should be deliberate about making land use decisions related to the future innovation center in order to maximize the economic value of this investment.

- **Commercial scale greenhouses.** The City can establish test-scale, pilot-scale and commercial-scale greenhouses for hydroponic crop growth. These facilities can be undertaken as a public enterprise, as a private enterprise, or as some form of public private partnership (P3).
- **Academic campus.** An academic campus for advanced research would bring funding at the state-level and would help accelerate our determination of the best product-market fit for the greenhouse cash crops. A local education campus could also be created to take advantage of economies of scale in collaborating with the City and future academic and industry investors. The innovation gateway's central location within the city and its proximity to the 7th Street Complex make it an ideal location to consider for an educational campus.
- **Open-air Market.** If a reclaimed water treatment plant is selected after the 2017 feasibility study, the City could convert the lumber sorter and planar shed to an open-air market selling direct-to-consumer produce, beef and other local products grown hydroponically at the greenhouse facilities. This would become a community facility similar to a farmer's market but with the ability to operate year round on a consistent basis.
- **Microbrewery / Restaurant.** The sawmill is structurally sound and could be converted to an indoor-outdoor restaurant with decks overlooking the gardens and ponds that will divert some of the reclaimed water from the treatment plant. A farm-to-table concept for the restaurant with 100% locally sourced meat and produce combined with a microbrewery with craft beer from locally sourced hops would fit the business model of the innovation gateway, which focuses on rural innovation and rural value creation.
- **Research park and office space.** Modern office space and research space can be created within or adjacent to the gateway to maximize the value of this investment. The City does not currently have modern office space to accommodate advanced industries.
- **Auditorium, visitor center and convention center.** A hybrid auditorium/visitor center/convention center would meet the needs of the community for an indoor public gathering space, the needs of an academic campus for an auditorium large enough to house an entire student body, and could function as facility space for a visitor's center and convention center for businesses. A facility of this type could also double as a weekend movie theater in John Day.
- **Botanical gardens and water features.** The entire complex would host themed gardens and water features to store reclaimed water for future use. These can be designed, built and maintained through local support if needed.
- **Heritage displays and public art.** During the kickoff meeting for the Oregon Solutions process, participants identified our heritage and the rural mystique of John Day as among our most valuable attributes. An interactive heritage

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museum and/or strategic displays of mining, ranching and logging equipment that guests and residents could interact with would blend the best of our past with the future technology in which the City is investing.

NEXT STEPS

Following the sale and close on May 24, the next steps will be to begin annexation proceedings followed by lot line adjustments with adjacent property owners. The City will also complete its TGM application by the June 9 deadline.