

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

September 12, 2017

**COUCILORS PRESENT:**

Paul Smith, Councilor  
Ron Lundbom, Mayor  
Gregg Haberly, Councilor  
Lisa Weigum, Councilor  
Donn Willey, Councilor

**COUNCILORS ABSENT:**

Steve Schuette, Council President  
David Holland, Councilor

**STAFF PRESENT:**

Nicholas Green, City Manager  
Valerie Maynard, ECC Director  
Richard Gray, Police Chief

Aaron Lieuallen, Senior Project Manager  
Matt Manitsas, Agribusiness Project Manager  
Chantal DesJardin, City Secretary

**GUESTS PRESENT:**

Dale Rininger, John Day  
Sherrie Rininger, John Day  
David Thunell, John Day  
Carl Lino, John Day  
Tom Sutton, John Day  
Hannah Hinman, John Day

Louis Provencher, John Day  
Raymond Cox, John Day  
Sally Knowles, Mt. Vernon  
Shannon Adair, John Day  
Derek Daly, John Day  
Elliot Sky, John Day

**Agenda Item No. 1—Open and Note Attendance**

The John Day City Council meeting opened at 7:00 p.m. Mayor Lundbom noted councilors David Holland and Steve Schuette were excused from the meeting. Carl Lino requested to be added to the agenda.

**Agenda Item No. 2—Approval of City Council Minutes of August 22, 2017**

**Councilor Haberly moved to approve the August 22 minutes, as amended. Motion was seconded by Councilor Willey and passed unanimously.**

**Agenda Item No. 3—Appearance of Interested Citizens**

Mayor Lundbom noted that Citizen Carl Lino had requested to be added to the agenda. Mr. Lino addressed the council about concerns for public safety regarding the new sidewalk extension from the old to new fire hall. He has seen an increase in sidewalk traffic since the construction of the sidewalk and pedestrians crossing the road where the sidewalk starts in front of the fire hall. He requested that the council consider taking action to support moving the speed change from 25 to 35mph up to SW 4<sup>th</sup> avenue. City Manager Nick Green noted that Oregon Dept. of Transportation will need to make the decision but he will speak to them. Chief Richard Gray recommended supporting the request for a sidewalk at SW 3<sup>rd</sup> avenue.

Mr. Lino also expressed concern about the fire hazard of a property near his home. The property currently has a large wood pile and weeds that have grown to 2.5 feet and dry. He noted that intermittent watering has allowed green grass to grow up low to the ground. He has requested that the property owner address the issue to no avail. The property was confirmed to be 315 S Canyon Blvd. City Manager Green noted that he would look at the property and address any violation of city ordinances.

#### **Agenda Item No. 4—Housing Development District**

City Manager Green began discussing the importance of a housing development district within the City's *Strategy for Growth*. The district is the most beneficial component long term because there is a quantifiable benefit due the tax and utility revenue. A home could produce about \$10,000 more per year than revenue realized from an undeveloped lot. ORS 457 allows us to create a special district for revitalization, so long as it meets blighted conditions. Most of the city meets the conditions for blight, including housing and business districts. A housing district allows the city to incentivize new home construction and develop creative financing for infrastructure revitalization and development. The current market dynamic is such that the developers choose to build elsewhere, confirmed by the fact that only 3 site built homes and 2 manufactured homes were constructed within city limits in the last decade. The city lost \$500,000 in state shared revenue because we did not realize our 1996 *Transportation Plan's* estimated growth of new citizens. The current housing market is significantly detrimental to growth.

Mayor Lundbom noted that public involvement is instrumental and the city needs to incentivize expansion. Councilor Smith expressed concern about some regulations in ORS 457.20 and the necessity for an exemption but recognized the district as a viable course of action to improve growth. Councilor Willey supported his concern and addressed the need for growth and relevance. Councilor Haberly noted that in the past plans have not worked and we have regressed. Mayor Lundbom addressed that the council needs to represent the citizens when making decisions regarding the development district. He expressed support for developing infrastructure and incentivizing areas for development, due the lack of sites currently ready and available. Councilor Weigum recommended a course of action be taken to provide incentives for population retention and the need for investment in our city and community.

City Manager Green explained that ORS 457 would allow programs such as: grants and loans for storefronts and redevelopment, infrastructure projects, parking development for downtown, development of public buildings and assistance to private parties to redevelop or rehabilitate property. The process for the city would begin with a 3-4 month feasibility study, which includes the public stakeholder involvement. If supported, then an urban renewal district plan would be developed, which would address all of the state requirements. The plan would need to be briefed to all the affected tax districts and the public; it does not require a vote but the city council has to demonstrate that there is public support before they can create the district. A potential incentive would be a 7% rebate of the estimated ad valorem tax base; only on a redevelopment that increases the value by 50% or a new home. The value would be determined based off the home plans with the county assessor. The rebate would be distributed after the landowner closes. The city could also front the cost for system development charges as an incentive. All tax districts would continue to receive revenue on the land but any excess tax base would be frozen, until the housing district was reimbursed for the total amount of the incentive. The capital outlay for the program could be provided by the city or the state; the governor is current accepting proposals for development programs. The district will not cost the taxpayers any money, because all loaned funds would be reimbursed. Any potential incentive would need to be

presented to the stakeholders and tax districts. The goal of the incentive is to increase growth to a target of ten new homes per year.

Citizen Louis Provencher asked for clarification on whether the repayment to the district could include interest. He also asked about the potential time gap between an incentive being awarded and the increase in tax value. Green clarified that the incentive is not awarded until the homebuyer closes on the home. Mr. Provencher asked which city fund would finance the incentive. Green responded that the Community Development Fund could finance the first 4-6 homes. He also clarified for Mr. Provencher that the fund consists partially of an amount withdrawn from the water fund. Green added that under the Governors housing initiative, we could borrow from the state program and include the cost of capital in the repayment schedule.

Citizen Raymond Cox commented that he would like some more transparency for the public to investigate the proposal. Green assured that once the city council decides to proceed, they will pursue several avenues for distributing the information in order to garner stakeholder feedback. Citizen Dale Rininger commented that they have attended many recent meetings and the information is new but that by attending city council meetings he has been well informed on what projects the city council is considering. Mayor Lundbom confirmed that the information in question was presented to the council this week and reading the agenda would clear up some confusion. He invited County Assessor David Thunell to comment on the proposal. Mr. Thunell responded that it is important the tax districts understand exactly how the housing district and incentives would operate and that he will remain neutral. He expressed concerns about the ORS and the need for a clear legal description. He commented that it is hard to predict where people will want to build and therefore difficult to pinpoint a 25% land area for investment (as required by current law). Mayor Lundbom clarified that the governor is willing to re-evaluate changes to state law under the housing RFI. Mayor Lundbom and Mr. Thunell discussed how the appraised value is reached for homes in Grant County.

City Manager Green elaborated that ORS 457.420 limits the amount of a city that may be dedicated to an urban renewal district to 25%. The statute states that may be 25% of the total acreage or 25% of the total assessed value. This is difficult to apply to John Day because our entire city meets blight conditions and it is difficult to fairly identify one region of greater blight. If the council chooses to move forward with the housing district, City Manager Green would like request from the State Legislature an exemption, waiver, or latitude to the definitions of that 25 percent. City Councilor Paul Smith commented that the topography of our city affects where development can occur. Green believes that the Governor released the RFI in part because she recognizes a need for middle market homes. Many rural communities such as in John Day lack homes in the value range of \$150,000-220,000. The incentive will allow the market to determine the homes to be added, no matter the value or home type. The only proposed stipulation is that the development has to be fixed permanently to the property.

Mayor Lundbom asked Realtor Sally Knowles to speak on the potential success of this proposal. Mrs. Knowles voiced support and described her interest in developing newly constructed duplex homes to meet a housing gap for renters. If the city were to provide the incentives, it would significantly help with the financial burden of the upfront costs of beginning such a project. As a real estate broker she has seen a loss of retention due to lack of temporary housing for those looking to purchase homes. Mr. Thunell asked for clarification on what value the 7% incentive would be based on. Green clarified that the incentive would be based on the assessed value that is used to calculate taxes. Mr. Thunell elaborated for the council the difference between assessed value and real market value, a distinction that became effective in 1997 per Measure 85.

Citizen Tom Sutton asked for clarification about where the funds for the various city projects originated. City Manager Green explained that the Community Development Investment Fund was created with a loan from the Water Revenue of \$60,000. The yearly contribution is estimated at \$60,000, with the intention of the Fund to be used to generate development to increase the Water Revenue. Mr. Sutton asked what the reaction plan would be if the revenue was needed for the water system before the incentive is repaid. Green replied that the City has contingency funds in place in the budget and that our current water supply is ten times our current average daily use. A catastrophic failure of the water system would be a low probability event and the City's entire budget would not cover the cost of such a failure. Mr. Sutton questioned why the current water rate is so high. Green responded that the fixed cost of previous system improvements determines the water rate. Green elaborated that the current funds set aside for future system improvements will not be needed until the city experiences significant growth. The fund is currently at a 0.5% interest rate and could be otherwise invested for greater return..

Green stated that if the City can invest in projects to increase growth, the fixed costs would be shared by a larger number of users and per capita rates could decrease. Mayor Lundbom noted that the city in the last 10-15 years has had to re-allocate funding from the water, sewer, and street funds in order to fund 911, but Green has secured gap funding through the State for the next two years.

City Manager Green laid out the various steps for the housing development district plan. The plan will have to be compliant with the city's comprehensive plan. There will be a financial analysis of the incentive and the financial plan of the development district. All of these will be presented in public hearings and to a community advisory committee. The plan will be published before the city council can adopt the district in only a non-emergency ordinance. There will be ample time to explain the reasoning and process, along with answering any questions from the public. He sees the value of potential earnings from investing in increased population growth to be much higher than the current interest rate. Citizen Derek Dally commented that at the current interest rate of 0.5% on our net working capital; when offset by the rate of inflation, the city is actually losing purchasing power each year by not investing in our community. Green confirmed that the roughly million dollars earning \$5,000 annually in interest, once combined with inflation, is actually losing nearly \$15,000 in value each year.

Mr. Carl Lino asked for further clarification about how the 25% dictated by ORS 457.420 would be defined in John Day. Green detailed some ways the City could define the 25% but would rather ask the State if they can offer the district to exist anywhere in the city limits until the 25% cap is met. He requested that the council decide whether to move forward with organizing committees and public outreach, with the goal of being operational July 1, 2018. Councilor Smith reiterated that a financial analysis of feasibility will be completed and noted our state government's support of revitalizing rural communities, which may mean they would be willing to redefine the 25%. Councilor Willey expressed concern that the success and viability of this district hinges on the definition of the 25%.

Mayor Lundbom asked if the public had any other comments to add. Citizen Louis Provencher noted that in previous letters to the council and city manager he had expressed support for a housing district but has concerns that if the city gives out cash incentives it could develop into another government entitlement program. He further advised the council to think about where projects will receive funding after the current temporary grant reprieve runs out. The financial impacts of the future raise concerns about the long term feasibility. He warned the council to slow down and take a closer look before moving forward with any more projects. He advised we build a separate contingency fund for potential unexpected costs that may arise from these projects. He cautioned the public that there are 108 property tax exemptions currently in Oregon which amounts to double the amount of taxes collected.

Mayor Lundbom clarified that the city had not spent any money to purchase the Oregon Pine property that the city did not have in kind. Mr. Provencher explained that he had meant the city had accrued future costs associated with the property that needed to be considered. Mayor Lundbom stated that purchasing the property gave avenue to build on the north side of the John Day River by giving access through Patterson Bridge for increased traffic. Otherwise the city was looking at having to spend roughly \$1.5 million to install a donated bridge from the city of Hermiston. Mr. Provencher provided that an example of potential future cost would be the GIS position. It is currently being paid for by a grant, but if it became a permanent position, that cost would need to be considered. City Manager Green noted that as costs may go up in the future, the revenue will rise with development. Strategic investments that generate free cash flow and more residents will all contribute to greater revenue to offset the potential expenses. Citizen Carl Lino requested that the name not be called an “Urban Renewal District” due to the negative attitudes associated with such a place in Portland, he recommends the “Housing Development District” be used.

Mayor Lundbom asked if there were any other comments. None forthcoming, Green asked for a motion or consensus to move forward with the feasibility study and to respond to the Governor’s RFI with a proposal. **There was a consensus from present councilors to proceed.**

#### **Agenda Item No. 5—Street Improvement Projects**

City Manager Green elaborated on the street projects that would need to be completed to open up areas for residential development. The identified areas are: the extension of North Canton Street, storm water management of 4<sup>th</sup> and 5<sup>th</sup> Street, East Charolais Heights extension, and a 7<sup>th</sup> street extension from the treatment plant to Patterson Bridge Road. Strawberry View Estates currently has an approved engineering plan and if highway access was provided, developers may become more interested. There are improvements that the council has identified that do not necessarily open areas up to residential development but would benefit the public. The Charolais Heights/Valley View Drive Intersection has been reengineered but not financed, extension of 395 South side walk to the High School needs to be completed, and the sidewalk improvements and utility relocates need to be completed on West Main Street.

These projects roughly add up to \$7 million dollars worth of improvements and in the past the developer has been responsible for incurring all of the costs. As the city develops Oregon Pine, the Council will see the heavy burden this places on the developer. Green thinks that in today’s economy, this approach of placing the full cost burden on the developer is not feasible to build street improvements. Local Improvement Districts were used successfully in the past on Charolais Heights, and he believes this shared revenue model with the residents would have a better chance for completing multiple projects. Green also would like to approach the County about investing some of their street fund into roads within city limits, which would benefit them by increasing their tax base. The Housing Development District could significantly benefit from improvements to potential development areas. Green is asking the council for permission to explore alternative avenues for improvement, in order to expand the options for development.

Citizen Louis Provencher commented that several years ago the city removed storm water drains from 4<sup>th</sup> Street, which resulted in water damage to the street. He has not had a response from the previous two public works directors. Green responded that the residents have brought this to the city’s attention. The Transportation Bill recently underwent changes, such as allowing applications for more than one project at a time. In addition, any leftover funds will roll over to the next year. This will give the City a

chance to address several improvement projects. The engineering for most of the projects the City is considering amounts to roughly \$50,000 per project. If the city can present engineered plans and the economic benefit, they would be better suited to approach the County, State and Federal governments and request additional funding. The City does not have the revenue or tax base to solely fund the construction of improvements that need to be completed now and into the future unless the city sees significant growth. Two of the development projects, alone, could produce an additional 50 homes. Green would like to generate a financing plan for street extensions and with the council, prioritize areas the private sector is favoring for development.

Councilor Paul Smith asked for illumination on the how we would maintain street development when we have not had the funds as a city to maintain our current streets. The city has been forced to wait until a street needs a remodel before it can do any kind of improvements because even with additional funding, they have not had the money in the street fund for maintenance. Green reintroduced the idea of a shared revenue model and the appeal of amortization for residents.

David Thunell asked if the city foresaw a road from East Charolais Heights down to 7th Street. Mayor Lundbom confirmed that there is currently a private road that needs to be improved. Mr. Thunell estimated that the most valuable residential property in Grant County is overlooking 7<sup>th</sup> Street. As far as potential tax base, he feels that that area would be the most valuable investment. City Manager Green recommended that return on investment become one basis for evaluating the priority list for improvements. Mayor Lundbom requested we spend time prioritizing. Councilor Smith agreed that our best chance for success is investing in potentially large return projects, but he advises that current infrastructure maintenance should always be the baseline. He emphasized that any addition or extension should not be piggybacked on a currently faulty infrastructure.

Mr. Provencher asked if the City could set up a fund similar to the Community Development Fund. For example, one percent of the property tax would be set aside strictly to be used for street improvements. Green responded that while possible, the challenge is the net property tax yearly is only \$250,000 and setting aside a small portion would never accrue enough funding to keep up with the street maintenance, let alone significant improvements. To complete any major projects, the City will need assistance funding. The council concluded that the street improvements were well advised and needed to be considered as part of the proposal for the Housing Development District.

#### **Agenda Item No. 6—TGM Grant & Innovation Gateway Project Update**

City Manager Green stated that the council needs to sign the acceptance letter. He explained for the audience that we were awarded the Transportation Growth Management Grant in May. The Grant is for the planning and development of the Gateway and any surrounding properties, such as the 7<sup>th</sup> Street extension, the trail extension along the river, any additional parking for the area, and street extensions. It also evaluates the traffic impacts the development may have on the highway. The State funds nearly all of the costs, with the city's contribution being twelve percent. In twelve months at the end of the planning period, we will end up with a code amendment, updated transportation plan, and correct zoning for developing Oregon Pine. We are the only community in Eastern Oregon to receive this Grant.

**Councilor Willey made a motion to authorize the City Manager to submit the acceptance form.  
Councilor Smith seconded and the motion passed unanimously.**

**Action Item No. 7—Phase 2 Environmental Assessment-Oregon Pine**

City Manager Green reported that there are three places on Oregon Pine that DEQ requested the City to assess. They appear to be paint, an old transformer area, and an oil drain hole. The State awarded a \$10,000 grant for cleanup, with the city contributing 10 percent. The estimated cost to the city is \$780 for cleanup based on a \$7800 cost estimate from Yinger and Associates. If PCB's are found in the soil, DEQ may provide separate financial assistance to clean up the soil. Green requested approval to accept the grant from the state and to award a contract to Yinger and Associates.

**Councilor Willey motioned to accept the DEQ Grant and award a contract to Mark Yinger & Associates for the Phase 2 ESA. The motion was seconded by Councilor Haberly and passed unanimously.**

**Action Item No. 8—Council Vacancy**

Mayor Lundbom announced that this is Councilor Weigum's final council meeting. He noted that she has been a valuable asset and integral part to the council. He presented her with a Distinguished Service Award for her two years of service. He invited the audience to stay for cake and celebrations. City Manager Green noted that several applications have been received and the City is advertising the vacancy in the radio and the newspaper. Applications are due by Friday the 22<sup>nd</sup> and the council will make an appointment at the next council meeting on the 26<sup>th</sup> of September.

Citizen Dale Rininger reminded Green about the Planning Commission vacancy. Green announced that Tom Bupp is moving and resigned from the Commission. This would leave 3 vacancies in the Planning Commission. Dale Rininger would like to apply. Mayor Lundbom also invited the audience to apply for the Budget Committee.

**Action Item No. 9—Other Business and Upcoming Meetings**

- Sept. 19—Trip to Corvallis to meet with OSU to discuss Gateway Initiative & Broadband
- Sept. 28-30—LOC Annual Conference (City Manager speaking on Visioning, Strategic Planning and Goal Setting Processes: What Makes Them Successful)
- Sept. 26—City Council Meeting
- Oct. 12-16—Trip to Tucson (University of Arizona Controlled Environment Ag. Course)
- Oct. 20—Oregon Connections Telecommunications Conference—City Manager in panel on discussions on Digital Divide

**Adjourn**

**There being no further business before the Council, Councilor Willey motioned to adjourn the meeting. Councilor Smith seconded and the motion passed unanimously.**

Respectfully Submitted:

Nicholas Green  
City Manager

ACCEPTED BY THE CITY COUNCIL SEPTEMBER 26, 2017



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Mayor Ron Lundbom