

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

June 12, 2018

COUCILORS PRESENT:

Ron Lundbom, Mayor
Paul Smith, Councilor
Steve Schuette, Council President
Gregg Haberly, Councilor
Shannon Adair, Councilor
David Holland, Councilor
Brandon Smith, Councilor

COUNCILORS ABSENT:

STAFF PRESENT:

Nicholas Green, City Manager
Valerie Maynard, ECC Director
Monte Legg, Public Works Director
Matt Manitsas, Agribusiness Project Manager
Casey Myers, Water Systems Operator

Chantal DesJardin, Secretary
Anna Bass, City Recorder/Solutions CPAs
Ron Smith, Fire Chief
Mike Durr, Interim Police Chief

GUESTS PRESENT:

Louis Provencher
David Thunell, Grant County
Ken Olson
Tracie Unterwegner, Grant School Dist. #3
Donna Steele
Bradlee Smith
Alea King
Ann Myers
Derek Daly, Blue Mtn. Hospital Dist.
Rick Hanners, Blue Mountain Eagle

Logan Bagett, Elkhorn Media Group
Sherrie Rininger, Etc.
Bruce Ward
Mike Springer
Jeff Nelson
Jo Stearns
Natalie Stearns
Elliot Sky
Hannah Hinman
(via phone) Elaine Howard, Elaine Howard
Consulting, LLC

Agenda Item No. 1—Open and Note Attendance

Mayor Lundbom called the John Day City Council meeting to order at 7:00 pm and noted that everyone was present.

Agenda Item No. 2—Approval of City Council Minutes of May 22th, 2018

Councilor Paul Smith moved to approve the May 8th minutes as presented. The motion was seconded by Councilor Schuette and passed unanimously.

Agenda Item No. 3—Appearance of Interested Citizens

Mayor Lundbom welcomed the audience and asked if anyone had any items they wished to be added to the agenda. *None were added.*

Agenda Item No. 4— Ordinance No. 18-173-03, Ordinance Making Certain Determinations and Findings Relating to, and Approving, the John Day Housing Incentives Plan; and Directing that Notice of Approval be Published.

City Manager Green recapped the background and discussion included in the agenda with regard to the housing incentive plan and the ordinance under consideration. He stated this is the culmination of nearly 18 months of staff work and multiple public hearings and meetings held by the city council, the city's advisory committees, and the John Day Planning Commission, all of whom have recommended the final report and ordinance for adoption.

Mayor Lundbom opened the public hearing regarding Ordinance No. 18-173-03.

Councilor Holland asked City Manager Green if there had been any additional interest in the incentive program since it was announced. Green replied he had been approached by several interested in participating, people asking when the program will begin, but had not received any negative feedback during the public comment period for the ordinance. Public Works Director Monte Legg added he spoke to a gentleman from Salem who heard about the incentive program; he bought property within the Renewal Boundary and is very interested in being in the program.

David Thunell, County Assessor, asked about the addition of an administrative fee and the effect on the timeline of repayment. City Manager Green noted that up to \$30,000 per year had to be earmarked for administration. When the bylaws are adopted a more realistic cost recovery schedule would be developed; it is not possible to collect \$30,000 if no one develops because the increment is only \$9,000. Green also explained the Community Development Fund is a city fund that the Agency will be able to draw from to finance the incentives. The intention is to keep the administrative fee low enough to keep the repayment timeline to seven years; if no development occurred there would be no fee and the increment would be divided up among the jurisdictions. Assessor Thunell asked if any of the taxing districts had come forward with questions; he noted that none of the districts had come to speak with him. Green noted that none had. Mayor Lundbom said the jurisdictions would see no increase if not for the incentive and would not forfeit money to the Agency if development did not take place. He then asked Mr. Provencher for his input. *Mr. Provencher provided the following statements and questions.*

1. There have been people against the program. Letters have been sent to the city (by himself). He feels the adoption of this ordinance was decided before the meeting but hopes the council listens with an open mind. He has been against the financial incentive from the beginning. It can be said that the incentive is a rebate, the city will recoup the cost, but not considering that no interest is being collected. He considers this a redistribution of taxpayer's funds to a limited few and for a limited benefit which may have otherwise been obtained from natural development. He stated it cannot be said this is the only reason people are building houses; a lot of people are going to build them anyway. Also, over several years, residents of John Day have been paying annually increasing water and sewer rates with hopes of having sufficient funds to support the new wastewater treatment facility and qualify for various grants. Recently, there was an article in the Blue Mountain Eagle, in which, the City admitted they do not have enough funds to construct the new waste treatment facility and would be looking at other funding options. It conveniently left out what is in his opinion the strong likelihood for the need for a general obligation bond that would go out to the voters to build the plant. If approved, property tax would increase. Over the past few years, the city has been looking at legal ways to utilize water and sewer funds, ways to get money out of the funds, such as the interfund transfer to finance the completion of the fire station. The City also adopted a John Day Community Development

Ordinance, which residents or property owners are currently paying six dollars per month; this rate came from the reduction of the base rate for water.

2. What happened to the waste treatment plant being a top priority?
3. Is the adoption date, the date the homebuyer that is building can apply? A lot of the houses that already have building permits, are they eligible? He feels they should not be eligible until the Plan is adopted and that is when the program starts. He reiterated the \$30,000 administrative fee was a surprise to some and was just added; he did not believe it had been discussed in the past.
4. How often and how much of a rate increase can be expected for the Community Development Fund? Will it be an annual increase, like the water and sewer rates, going up from six dollars? He stated there has been no discussion about that or the impact on the community.
5. What is the maximum indebtedness acceptable for the city operations and projects, not just for this project?
6. He recommended: do not consider adopting Ordinance 18-173-03 until the city has a firm handle on the financing of the new waste treatment plant; residents have been willing and paying extra to see that happen but the city is doing all these other projects and putting that (treatment plant) on the back burner. It needs resolved before any other funding incentives, for other projects, are provided. He also recommended, if the program is so good for the city, the council should refer this to the voters.

City Manager Green noted he will try to address everything and asked for feedback. He noted the date of application is effective this tax year; it is not based on property owner actions but tax year. This year the taxes will be frozen and for the next twenty years; they will under levy, so if no one participates there will be no change. The administration fee has not been decided and \$30,000 was the cap amount rather than a realistic amount. Mr. Provencher asked for clarification whether people who got permits back in July are eligible to apply for the incentive. Elaine Howard replied when the plan is adopted, there is a waiting period while the assessor certifies an effective date. Green noted only those developments made after the freeze are eligible. Elaine Howard confirmed there is always a long lag between when something happens, the assessor certifies the tax roll in October but it is based off what happens in the previous year. The money will be collected from the assessor in FY19-20 based on 2018 frozen values. Green said the first rebate would then be issued in October 2019. Elaine Howard confirmed. Mr. Provencher asked for clarification on when someone applies. Green replied that participants don't apply for the program; eligible properties are established in the Urban Renewal Area by ordinance. *It was clarified the application referred to in the plan is Land Use Review.* Mr. Provencher stated the plan describes eligibility begins after an application for review is received. Green replied that is when development starts but the rebate doesn't happen until the end, when the new home is on the tax rolls. Mr. Provencher asked if people who have already started building are eligible. Green stated it depends on what the change in assessed value is when the base is frozen, whatever the incremental change is they are eligible to receive. If the home is partially constructed when the base is frozen the assessor establishes that value and the change moving forward is what the rebate is based on. Mr. Provencher replied he thinks if people have already gotten building permits and started, you are defeating the purpose of the incentive and just giving money away because they have already made the decision to build here. Green replied that if people have done that and are building because of the incentive but the city created some artificial construct to delay it they would probably just surrender the building permit and reapply. Mr. Provencher replied that would be their choice. Green stated he does not understand why they should create that artificiality when the point is to build new homes, not delay their construction. He suggested for the sake of time to move on to the other questions. Mr. Provencher added that some people started building a few years ago and are looking at getting the incentive; he

thinks it defeats the purpose of the program. He also stated they could move on. Green responded the admin fee was already covered and the time for return on investment is five to seven years depending on whether System Development Charges (SDCs) are included; if there are no SDCs it is five years. So in year six or eight, 100% of the investment has been recovered and the property is under levied (effectively removed) in subsequent tax years. The Community Development Fund was created independent of this program, and is being used as a revenue source. There has never been a discussion about raising its fee in a city council meeting. He stated he forgot question five. Green noted the question regarding maximum indebtedness of all city projects is better saved for a budget discussion. He stated the net position of the city increased by three million dollars and net working capital is up; the city has been looking better financially each year for the past two years. Mr. Provencher noted the projection of this program's indebtedness is over four million dollars and the projection for the other taxing districts is over four thousand dollars. Green asked Elaine Howard to explain the difference in maximum indebtedness with the way John Day is proposing to use the program versus the tradition Urban Renewal. Elaine Howard explained maximum indebtedness is a terminology tied to Urban Renewal; it is set up so there is a definite, total ending point for any urban renewal program. The maximum indebtedness of this program is based on the amount of homes the city hopes get to use the program, spanned over twenty years. It is the total amount of money the city can spend on the rebate program, out of the fund from the taxes, and whatever amount is allocated for administration. If the program goes quickly, more people are interested, and the city can fund houses, the program doesn't have to go the full twenty years. It is important to understand how urban renewal works. Given the fact that John Day hasn't seen new construction or substantial rehabilitation, you're helping to create something that the taxing districts would not have seen, unless you were able to provide these kinds of incentives. Mr. Provencher interjected that was an assumption. Howard continued, although, they will be forgoing the taxes for a period of time, they probably wouldn't have gotten those taxes if the program wasn't able to encourage that housing to develop. City Manager Green stated it is very clear in the last ten years of tax increases, the City's net receipts have gone up by about \$8,500 a year. Mayor Lundbom noted that if you don't believe this program might incentivize construction, if you stay with what we have--what did the city have, nothing--hardly anybody has built a house, something like three houses in fifteen years. He also added Mr. Provencher is misleading the people, the city may not have to go out for a bond for the sewer plant. If the city went back to an old style lagoon system, which they wouldn't get a permit for, they would have to go out for a bond. The difference is a Class A plant attracts more outside interest, a lot more opportunities for outside funding. Mr. Provencher noted he is not misleading, he is trying to point out there are other costs, major costs, coming up that citizens have to recognize. He thinks they will have to go out for a bond, so that is another cost to property owner, just like the six dollars a month is a cost to property owners. Whatever other projects are lined up are going to cost the city, they are going to borrow money on things like the broadband, the Weaver building, the fire station, Oregon Pine area, etc; there are a lot of costs. He stated he has been saying, since this started, there are a lot of irons in the fire and we need to slow down a little and work out some of the costs before we do something like this, especially, for the wastewater treatment facility because it is a major expense. He reiterated, as far as he is concerned, this is redistributing wealth.

Councilor Brandon Smith noted that one of the misconceptions is how the funds are recovered. The incentive will be recovered from the taxing on the lot that created the tax value; it's not like you're redistributing taxes from someone else's; it is being levied off the lot from the owner and when the incentive is paid off it slides back into the rest of the taxing districts. He stated his taxes don't go to paying for someone else's incentive; the taxes that are paid on that lot, that wouldn't otherwise have been received because the incentive wouldn't have been there to build. Councilor Brandon Smith also added the incentive is paid back into the CDVL fund and the maximum indebtedness of four million does

not come all at once, that is spread out over the lifetime of twenty years; that's the maximum that the city could pay out in incentives, but there is a rolling payback of that incentive that happens from the moment the home is built. You are never going to see that four million all at once. Mr. Provencher stated he was well aware of this. Councilor Brandon Smith stated he was clarifying because it is misleading to say four million maximum indebtedness; it leads you to think that it is coming all at once. He added in past city council meetings, the council has talked about the funding they have received; they have had a leverage ratio of 40:1, or, one city dollar for forty dollars of outside money that they have been able to leverage for grants and other assistance, to help the irons in the fire—for broadband, the sewer treatment plant, the weaver building; to the City Manager and staff's credit, they have very wisely leveraged the minimum amount of city money in order to acquire a lot of outside funding to support this. Mr. Provencher stated he understood. Councilor Brandon Smith stated he is clarifying because it is misleading to say the city has taken all this debt because the truth is they haven't had to; they have had a lot of outside money come to fund this. It is important for the public to understand that and it be clear in their minds. Mr. Provencher stated the projects are not complete yet, there are second and third phases. Councilor Brandon Smith stated that was true but they [city staff] have been handling and managing the projects well and accessing the funding, along with outside resources and expertise that is needed. In his short time in the community, he feels it has been managed great and will continue. These are positive things for our community, great opportunities, and he doesn't think they are overburdening themselves on debt or spreading themselves too thin, rather, they are being aggressive in fighting for a vision of our community that we need.

Councilor Adair commented it seems, from surface, it might make more sense to do one thing at a time but when you are looking at the projects that are happening all of those projects support each other for economic development. Without economic development in our community, we will continue to decline. By trying to make all those happen at once, have all of those projects support each other with all of those outside monies, it is just going to benefit our community. If we try to do one thing at a time, we are not going to get the support of the other projects, to support everything else; it all goes together.

City Manager Green touched on Mr. Provencher's recommendation, stating if those 100 homes existed today the increase in utility revenue annually would be \$97,200. That would go a lot farther toward financing a wastewater treatment plant than a bond; adding customers is the best way to finance, it widens the revenue base and lowers the cost for each individual household. One of the first things recognized was that many undeveloped lots within city limits have water and sewer lines adjacent to them and many already have water meters; the city has already incurred all the capital costs to service the properties but receives zero dollars a year in revenue. In a way this would lead to cost recovery in expenditures already incurred, in addition to providing a lot of the indirect benefits of more customers to shop at our businesses, more customers to take out loans from our banks, more people to employ our general contractors. Green stated he thinks if the program is successful, we will see significant economic benefits; if it is not, the city is not out money, just time. Councilor Haberly noted there is more positive than there is negative.

Bruce Ward testified, as a builder, this is really exciting to him. Somebody has to take the risk. He is looking at a lot, and stated of course he would be interested if there was some help to build a house. He added that Derek Daly had stated at a meeting: you have a qualified person come to John Day, looking for a nice home, who passes up an important, high paying job because there is no housing inventory here. Ward stated out of the dozen or so builders here none have the money to go up and build the house out of pocket, there needs to be an incentive and a spec loan to be able to have inventory. He stated he would not even consider building a house if there wasn't an incentive, unless, like most,

people approach him to build a house for them outside of the city. The city needs the revenue, he will go find the lot and build a house and take advantage of the incentive and get some inventory to get people here; it is the chicken and the egg.

Mayor Lundbom stated it was time to move on and thanked them for their comments. Mr. Provencher asked about his two recommendations. Mayor Lundbom noted he heard them and the decision was not made before the meeting. Councilor Haberly noted that Prineville has already done it—a tax relief has incentivized growth. Valerie Maynard asked what percentage of growth was seen. Mr. Provencher asked who gave the tax relief and stated earlier in the process Boardman was referred to, because they were one of the only places with a cash incentive, but the cash incentive was paid by the Port of Morrow not the residents. Mayor Lundbom stated he looks at it like we are investing in our community. Councilor Holland stated the six dollars is not an added fee, it was just moved from the water fund to the community development fund; there has been no cost increase to any citizens for this project. Mr. Provencher noted less money was put in to the water fund to help get the waste treatment plant. Councilor Holland responded that the water system and sewer system are two separate funds and cannot be spent on each other; the six dollars going into the CDVL fund is not coming out of the water fund and has nothing to do with the sewer treatment plant. Mr. Provencher stated he knows it is not coming from the water fund because the city did an ordinance to reduce the base rates of the water fund, which he could reargue, but he had made his point. Mayor Lundbom thanked him and asked for further comments. *No comments were made.*

Councilor Adair motioned to close the public hearing on Ordinance No. 18-173-03. The motion was seconded by Councilor Haberly and passed unanimously.

Councilor Adair moved to read Ordinance No. 18-173-03 by title only. The motion was seconded by Councilor Holland and passed unanimously.

Mayor Lundbom read Ordinance No. 18-173-03 by title.

Councilor Adair moved to adopt Ordinance No. 18-173-03, An Ordinance Making Certain Determinations and Findings Relation To, and Approving, the John Day Housing Incentives Plan; and Directing that Notice of Approval be Published. The motion was seconded by Councilor Brandon Smith and passed unanimously.

Agenda Item No. 5—Resolution 18-787-11, A Resolution to Adopt FY2018-19 Budget

City Manager Green stated this is required under Oregon Budget Law to adopt the budget approved and recommended by the budget committee.

Councilor Holland moved to adopt Resolution 18-787-11, A Resolution to Adopt FY2018-19 Budget. The motion was seconded by Councilor Adair and passed unanimously.

Agenda Item No. 6—Resolution 18-788-12, A Resolution to Appropriate FY2018-19 Budget

City Manager Green stated this resolution shows the appropriations categories for the budget just adopted and is consistent with what was presented to and approved by the budget committee.

Councilor Adair moved to adopt Resolution 18-788-12, A Resolution to Appropriate FY2018-19 Budget. The motion was seconded by Councilor Schuette and passed unanimously.

Agenda Item No. 7—Resolution 18-789-13, A Resolution to Impose and Categorize Taxes for FY2018-19 Budget

City Manager Green stated this is an annual resolution that allows the city to collect a levy rate of 2.9915 per thousand of assessed value and also collect the general obligation bond debt payment of \$64,045.

Councilor Paul Smith moved to adopt Resolution 18-789-13, A Resolution to Impose and Categorize Taxes for FY2018-19 Budget. The motion was seconded by Councilor Adair and passed unanimously.

Agenda Item No. 8—Resolution 18-790-14, A Resolution of the City of John Day, Grant County, Oregon, Approving Participation in the State Revenue Sharing Program

City Manager Green stated several of the city's taxes are state shared revenue and in order to receive those from the state, this resolution has to be passed.

Councilor Schuette moved to adopt Resolution 18-790-14, A Resolution of the City of John Day, Grant County, Oregon, Approving Participation in the State Revenue Sharing Program. The motion was seconded by Councilor Holland and passed unanimously.

Agenda Item No. 9—Resolution 18-791-15, A Resolution Extending Workers' Compensation Coverage to the Volunteers of the City of John Day

City Manager Green stated this applies to police reserves and firefighters; the city provides workers compensation and insurance coverage as they are volunteers of the city. The resolution extends the coverage into the next fiscal year.

Councilor Brandon Smith moved to adopt Resolution 18-791-15, A Resolution Extending Workers' Compensation Coverage to the Volunteers of the City of John Day. The motion was seconded by Councilor Haberly and passed unanimously.

Agenda Item No. 10—Recreational Trails Program Grant Application

City Manager Green noted the trails have been surveyed, planned, construction staked, and are ready to apply for state funding to see if they can be developed. The RTP Program is open and closes June 15th, city staff have prepared a grant application and are requesting \$180,000 of the total project cost of \$240,000, with the balance paid as in kind or cash match. Some of the cost has been incurred this fiscal year in creating the plan and doing some surveying. The exciting thing is these are areas of the city that were either privately owner or exclusively used by the city but are now open to residents and visitors, with over a mile of riverfront, to connect five different neighborhoods to 7th street and the river. It is a key part to the Innovation Gateway, to get people out and interacting, making the riverfront more accessible. He feels they have a competitive application and are excited about the grant. Mayor Lundbom encouraged the public to check out the map of the proposed trail system.

Councilor Schuette moved to approve the City’s application to the 2018 RTP cycle and authorize the City Manager to submit the grant on behalf of the city. The motion was seconded by Councilor Holland and passed unanimously.

Councilor Brandon Smith asked in regards to the map and trails, could there be signage to direct people to and from downtown to tie it in, making the path from 7th street to Chester’s on a walkable trail. Green responded this is Phase One, what the city can currently do, but those intentions are included in the long term vision.

Agenda Item No. 11—Kirby Nagelhout Contract Amendment

City Manager Green noted this expenditure was approved in the budget but a contract amendment needs to be issued to allow them to resume work. It will amend the current construction manager/general contractor contract that was already competed by the city; it adds the scope of work for the tenant improvements and is a guaranteed maximum price. Work is scheduled to begin on July 9th and be completed by September 28th; they will begin ordering materials once the contract is executed.

Councilor Holland moved to approve the GMP amendment to the CM/GC contract with Kirby Nagelhout and authorize the City Manager to sign the agreement. The motion was seconded by Councilor Adair and passed unanimously.

Agenda Item No. 12—Other Business and Upcoming Meetings

City Manager Green noted the RFP for the greenhouse, farming systems, and associated mechanical systems was released and will close on July 6th, with intentions to open and score the bids that day. Separate contracts will be issued for excavation, grading, concrete, plumbing, electrical, and technical assistance. He also noted he has been speaking with various state agencies about how to prepare the main street building for redevelopment; the hazardous substances evaluation, done by Paulsen Environmental Consulting, identified: general asbestos throughout the structure, lead in numerous locations, and a large boiler covered in asbestos, in addition to the interstitial spaces. The city is working with DEQ to get grant funding to allow for interior demolition and hazardous substance abatement so they can come back and do the fireproofing and draft stopping. There are funding sources and the city is working on it but it takes time. Councilor Holland noted we should be working towards grant money, not city revenue. Green replied that is the intention but many grants do require a small match of around ten percent. *There was discussion about a mailing received regarding utility repair insurance program for homeowners, Green stated he will need to do some research and try to report at the next meeting. There was also discussion about the ongoing work at the commercial space that was previously occupied by Naturally Yours.*

City Manager Green gave a brief update about the financing one stop for the treatment plant; he explained it is very complicated and includes a presentation that addresses the alternatives and their analysis. The city will not have this type of presentation at the one stop scheduled the following week; rather, it will be an opportunity to present the project to a wider range of financing authorities than are approached for a traditional system. A sophisticated approach, with a long range view, will be needed to address multiple problems plaguing the community. At the next council meeting the results of the feasibility study will be presented and give the council an opportunity to ask questions.

Mayor Lundbom reviewed the other business and upcoming meetings.

Chief Durr stated the new patrolman will start July 1st, is scheduled to go to the police academy in September and should be running solo by 2019. Also, one of the donated vehicles from Beaverton has been withdrawn due to difficulties and Officer Martin is working to get another donated charger within the next few weeks and will only need the John Day decals.

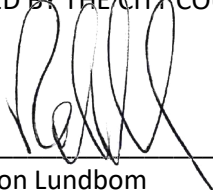
Adjourn

There being no further business before the council, Councilor Holland moved to adjourn the meeting at 8:07 P.M. The motion was seconded by Councilor Brandon Smith and passed unanimously.

Respectfully Submitted:

Nicholas Green
City Manager

ACCEPTED BY THE CITY COUNCIL ON JUNE 26, 2018

A handwritten signature in black ink, appearing to read 'Ron Lundbom', is written over a horizontal line. The signature is stylized and cursive.

Mayor Ron Lundbom