

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

June 25, 2019

COUCILORS PRESENT:

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

COUNCILORS ABSENT:

Steve Schuette, Councilor

STAFF PRESENT:

Nicholas Green, City Manager
Matt Manitsas, Agribusiness Project Manager

Chantal DesJardin, Secretary

GUESTS PRESENT:

Rick Hanners, Blue Mountain Eagle
Logan Bagett, Elkhorn Media Group
Tom Olson
Tyler Sheedy, 300 NW Charolais Hts. Dr.
Krista Qual
Sherrie Rininger, etc.
Bonnie Watt, 727 W Main Street

Robert Watt, 727 W Main Street
Harsh Patel, 144 N Canyon Blvd.
Ron Phillips, 639 SE Hillcrest Rd.
Jessica Lane
Judy Schuette, John Day
Elliot Sky, John Day
Cam Marlowe, 371 Ferguson Road

Agenda Item No. 1—Open and Note Attendance

Mayor Lundbom called the meeting to order at 7:00 p.m., noting everyone was present except Councilor Schuette, who was excused.

Agenda Item No. 2—Approval of Prior City Council Minutes

Councilor Paul Smith noted that under staff present the Public Works Director was listed as Monte Durr and should be Monte Legg.

Councilor Holland moved to approve the minutes of May 28, 2019 as amended. The motion was seconded by Councilor Brandon Smith and passed unanimously.

Agenda Item No. 3—Appearance of Interested Citizens

Mayor Lundbom welcomed the audience. *No items added to the agenda.*

Agenda Item No. 4—Items for Approval on Consent Agenda

Councilor Holland moved to approve the consent agenda. The motion was seconded by Councilor Adair and passed unanimously.

Agenda Item No. 5—Resolution No. 19-814-15—A Resolution to Adopt Fiscal Year 2019-2020 Budget

City Manager Green noted there were no changes from the Budget Hearing.

Councilor Adair moved to adopt Resolution No. 19-814-15, A Resolution to Adopt Fiscal Year 2019-2020 Budget. The motion was seconded by Councilor Paul Smith and passed unanimously.

Agenda Item No. 6—Resolution No. 19-815-16—A Resolution to Appropriate Fiscal Year 2019-2020 Budget

City Manager Green noted the \$520,000 in unappropriated is being saved for future debt service.

Councilor Holland moved to approve Resolution No. 19-815-16, A Resolution to Appropriate Fiscal Year 2019-2020 Budget. The motion was seconded by Councilor Haberly and passed unanimously

Agenda Item No. 7—Resolution No. 19-816-17—A Resolution to Impose and Categorize Taxes for Fiscal Year 2019-2020 Budget

Green explain what it means to impose and categorize, which is essentially identifying the tax rate and general obligation bond that will be collected by the county assessor.

Councilor Paul Smith moved to approve Resolution No. 19-816-17, A Resolution to Impose and Categorize Taxes for Fiscal Year 2019-2020 Budget. The motion was seconded by Councilor Adair and passed unanimously

Agenda Item No. 8—Resolution No. 19-817-18—A Resolution of the City of John Day, Grant County, Oregon Approving Participation in the State Revenue Sharing Program

Brandon Smith noted the first statement should read “ORS 221.7770, requires cities to pass an ordinance or resolution each year stating **they** elect”.

Councilor Adair moved to approve Resolution No. 19-817-18, A Resolution of the City of John Day, Grant County, Oregon Approving Participation in the State Revenue Sharing Program as amended. The motion was seconded by Councilor Paul Smith and passed unanimously

Agenda Item No. 9—Resolution No. 19-818-19—A Resolution Extending Workers’ Compensation Coverage to the Volunteers of the City of John Day

Councilor Holland moved to approve Resolution No. 19-818-19, 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—Resolution No. 19-819-20—A Resolution to Transfer Appropriations Between Categories within the 911 Fund in the FY 2018-2019 Budget

City Manager Green restated the explanation provided in the agenda memo.

Councilor Brandon Smith moved to approved Resolution No. 18-819-20, A Resolution to Transfer Appropriations Between Categories within the 911 Fund in the FY 2018-2019 Budget. The motion was seconded by Councilor Holland and passed unanimously.

Agenda Item No. 11—Public Hearing – Resolution No. 19-820-21—A Resolution of City of John Day Approving the Transfer of Certain Real Property Located in City

Councilor Brandon Smith moved to open public hearing on Resolution No. 19-820-21, A Resolution of City of John Day Approving Transfer of Certain Real Property Located in City at 7:08PM. The motion was seconded by Councilor Adair and passed unanimously.

City Manager Green reviewed the details of the purchase and sale agreement included in the resolution and noted other details of the proposed transfer.

Robert Watt explained to the council they had been working on this purchase prior to the city buying the property and it included a little more property than was proposed. The additional land would allow them to have better access for parking for their trailers and equipment. The smaller proposed property transfer makes it more difficult to maneuver vehicles. He suggested that moving the northerly proposed property line north about 19 feet would make it a lot easier to do what they are planning. They could do without, but it would really benefit them to have the additional space and are willing to pay for additional expenses.

Several councilors noted that they did not remember all the details of their previous discussion. They noted that since purchasing the Oregon Pine property, several neighbors have expressed interest in making property changes. They have swapped land with Mills Building, are now in the process of a transfer with Watts and anticipate other property owners to have a future interest. When they reviewed the big picture, they felt it better to keep the new property boundary in line with Watts current property line. Moving the property line to jag above in front of their northerly neighbor would burden them if at some point in the future they also wanted some additional property to the west. Mr. Watt commented he had been under the impression that area would be used for parking and not available to anyone else. Councilors noted they haven't decided on any parking designs and to be fair to all eastern neighbors they did not want transfers to some preventing others from similar expansion in the future. Mr. Watt suggested he get a letter of non-interest from the owners. Councilor Holland stated the property could sell to a new owner who may have an interest. Mayor Lundbom noted he had thought there was previously an agreement to the conditions. Mr. Watt replied that he had originally requested to additional land and informed City Manager Green that he was not pleased with the council's decision to do a smaller parcel but was waiting for the appropriate time to express that to the council. Councilor's asked for clarification on the dimensions of the request. There was discussion about landmarks, property lines, proposed lines, and existing buildings to help the council understand the scope of the request. Councilors suggested various ways Watt's could make the smaller parcel work, one was the access to the property from the Oregon Pine road that had already been agreed upon. Mr. Watt noted that with three to four bays it would still be difficult with westerly access to back a trailer in and they would really prefer more space to the north. There was also further discussion about the water line going through north that would become included in the proposed larger parcel. There was discussion about the easement that would need to be filed and the restrictions that would put on Watt's to be able to do certain things over the top of the water line easement and maintaining access for the city to the water line. It was also noted that if the council decided to change their decision now to include more property, they would have to go through the process again for a new proposal.

Councilors expressed concerns about setting a precedence and wants to be fair by provide the same opportunities to neighboring property owners. Some councilors thought they had previously made this decision with more information and would want to be looking at the same picture before changing their decision. Mr. Watt confirmed that he would buy the property as proposed by the council but would really appreciate the council considering the larger parcel as it would make the property as is more usable; he would rather not tear the existing building down. Councilors discussed tabling the discussion after the public hearing to further investigate options to mitigate concerns without expanding the proposed transfer piece. Councilors requested further comments from the public. *No further comments.*

Councilor Holland moved to close the public hearing at 7:27PM. The motion was seconded by Councilor Adair and passed unanimously.

There was discussion about when the council should bring this back for discussion, with Green recommending they bring it back at the second meeting in July during executive session. Councilors discussed meeting with the property owner without a quorum or serial meeting to walk the property to help understand the full scope of their request before their meeting.

Mayor Lundbom tabled the item until the last meeting in July.

Agenda Item No. 12—Review and Approval of Weaver Building Bids and Proposals

City Manager Green noted that bidders were instructed to provide their proposed purchase price, basic description of their plans, and any unique terms and conditions. By opening the bids in a public meeting, it ensures fairness and that one bid doesn't influence the other. He explained it is a complicated sale, the council's interest is in improving downtown and adding available housing; they have signaled they are willing to get creative on how to redevelop. Green recommended they review the bids, give councilors a chance to ask clarifying questions, then schedule an executive session, if needed, to discuss the bids in more detail. Green opened the bids in the order they were received, one on June 24th and the other on the 25th. Green stated that the proposed terms in the bids included:

Harsh & Ankit Patel proposed to buy and renovate the Weaver complex. In restoring the building, they would create eight upstairs apartment units, repaint and make cosmetic changes to make it more attractive. They included a full-scale restoration plan, with several components. Based on a preliminary cost estimate from Sisul Engineering, they provided a restoration cost. They plan to begin restoration in late summer-early fall 2019 to end in 2020. The bid price for the building purchase, with owner financing at \$70,0000, with repayment terms. Green noted there are other terms that would want to be discussed in executive discussion, but they met all the requirements in their bid.

Tyler Sheedy Construction bid at \$125,000 purchase price with an owner carry through city. They provided a construction packet that outlines experience and a three-stage plan with 7-10-year timeframe with multiple phases. Some specific cost breakdowns that informed their bid price were included with a proposed floor plan. Green noted it also was a good bid.

Mayor Lundbom asked them to each say something about their bid and they would follow up with questions. Harsh Patel gave a background on his local ties to the community and desire to address apartment housing needs in the community. He also sees potential for additional vacation rentals through AirBnB, which would provide additional tax revenue for the city. He noted that they were willing to negotiate the purchase price. Adding their architect couldn't give a concrete cost for the

renovation and he was told anywhere from \$200,000-\$700,000. He would like to see some due diligence from the city with inspections such as for termite, rot, and foundation so they can determine that actual cost of renovation. It is important to know the materials of the foundation. Upon inquiry by the Mayor, Green noted there was never a full structural inspection of the building done, just hazardous substances and fire inspections because a full structural could not be done until the beams were exposed with all the hazardous substances gone. Mr. Patel continued that Blue Mountain Custom Homes had advised him it would be more valuable to demolish and rebuild the building, but he would like to renovate and maintain the structure. Councilor Adair asked about what quality of apartments they plan on; Patel replied they plan on putting the best quality forward, at least half-million dollars of construction inside. They will assure it passes code, the architect informed him it does not pass fire codes and is not ADA compliant, even the main street stores; compliancy and codes are the number one priority.

Tyler Sheedy passed out copies of the bid to all councilors, then gave a review of his establishment in community, construction work experience and experience as residential landlords. His wife, Krista Qual, also spoke about her rental experience and their family dynamic. She also noted they would like to see the city get a return on most of their investment but could not quite match the full assessed value, under the owner carry, they plan to turn all the commercial tenant rent over to the city for payments each month of around \$1,400 and potentially more as rentals are completed upstairs. She noted there is another viable financing option, but it would they likely cause a little delay in their remodel start time. Mayor Lundbom asked about their priorities with the commercial spaces. Mr. Sheedy clarified that Green had stated the construction timeline was 7-10 years but that was the payoff to the city and they actually anticipate a 3-5 year remodel timeline. He noted after speaking to the State Building Inspector, State Fire Marshall, and an engineer, some future obstacles became apparent due to the major demolition upstairs. He thinks it's great to have everything exposed to start over but now the whole downstairs has to have a type of fire suppression system like several layers of sheetrock on the ceiling to protect the upstairs. Thankfully, one unit is not occupied so they can work on the three sections in phases and rotate tenants into the free space while they remodel and tackle compliance. They plan to begin with bringing that empty space up to code and remodeling three west apartments in the first stage. Councilor Paul Smith asked about ADA compliance and if the units are grandfathered in. Mr. Sheedy noted they are not, and it is likely due to the number of units, there will have to be two units that are ADA compliant upstairs. He noted the inspector did not make any comments about ADA compliance downstairs. He added that everything has to be engineering with this project, which is a nightmare for him; he did his best to estimate costs, considering some of the hurdles, with a buffer but until the final engineering shows what all has to be done, it is just a guesstimate. Councilor Adair asked if they knew whether an elevator would be required. Both bidders commented that they didn't believe so; Mr. Sheedy stated that work would need to be done on the stairs and deck to make them more fireproof. Mr. Sheedy stated that part of his Stage 1 scope includes a facelift to the front of the building. He feels it is very important and is excited to get creative, potentially with some stonework. He elaborated further on the kind of design and aesthetic he would be aiming for, noting that he has seen Mrs. Randleas's vision for downtown and feels his plans will work with the theme.

Councilor Paul Smith asked what both their plans are for the current tenants. Mr. Patel noted he planned to shuffle tenants into the empty space as they remodel, but Mr. Madden had offered to provide them space at the same rent if they wanted to temporarily relocated to the Center. Mr. Sheedy noted he also would shuffle tenants and not increase the rent more than 15% following a 5-year period, once the spaces have been remodeled and the property looks better. He went on to outline that in the second phase, they would remodel the larger middle two upstairs apartments and downstairs. The final three apartments and eastern commercial, currently H&R Block would be the third phase. He noted they

are asking the city to carry the loan on the commercial rent payments. It will be a priority to pay off the city loan and bank loan as soon as possible rather than reinvesting rental revenue because they prefer to operate in cash and avoid debt. Sheedy also stated that he had spoken to local and regional contractors to give estimates for working on the project. His vision is for nice, class apartments that are affordable, people need to be able to rent them. A final discussion point was regarding the power panel in the hallway, he noted that he intended to leave an option to move them to a utility room, depending on available funds because they are an eyesore.

Councilor Adair asked Mr. Patel about a plan for a budget or available funds for investment. Mr. Patel noted he had spoken to the City Manager and indicated they would like the city to finance, with their state connection of a good interest rate. They intend to pay the city off within a couple years as well, while the city can collect some interest on the loan. Councilor Adair asked for clarification on the scope of the financing; Patel noted they are asking for financing for the building and remodel.

City Manager Green suggested he take the bids and prepare term sheets, clarifying any questions with bidders if needed. He would send those out to councilors for review on their own with the original proposals, to come back in executive session at end of July to meet individually with bidders. If they are able to make a decision following the executive session, they could announce that following executive session or take more time, if necessary. Mayor Lundbom noted he had concerns based on Mr. Patel's comments, that the building isn't sellable. Green noted that those concerns mostly regard to the upstairs renovation, the building can be left as is and still have commercial tenants downstairs. He noted there are commercial buildings up and down Main Street in the same condition. Lundbom asked about the concerns regarding termites and foundation rot. Green noted they would have to discuss whether the city wanted to spend the money to do additional inspections. There was discussion and clarification that the comments about the building not being fire safe pertained to the readiness for residential occupation. Currently the building is fire safe for the commercial tenants but there are additional fire code requirements if changing the use to include upstairs residential use. Councilor Paul Smith asked if these were obstacles. Patel stated you have to comply with the code either way and Qual noted they were hiccups, but they included downstairs remodels to make sure the downstairs is not just adequate but fully up to code, with an improved appearance. Green remarked this is the problem they are trying to address with the Main Street Revitalization; all the buildings are old and have not been improved to current code conditions in most cases. By leaving buildings alone, they aren't forced to bring them up to code, it is during major remodels they must bring up decades worth of delay to buy the next twenty to thirty years of compliance. The only other reason buildings are forced into code compliance is in the case of a clear, massive threat to public safety and health. As a 120-year-old collection of buildings, it is going to be a complicated remodel that is doable; the matter comes down the cost-benefit and someone's willingness to invest.

Tyler Sheedy asked about the other stipulations renters had requested. Green noted that all but one are on month to month leases, to include all by November; they would like to continue as tenants at reasonable rental rates. There had not been any changes to the lease agreements, it could be discussed, based on the proposals as part of the terms. Councilors concurred for Green's suggestion to present term sheets with the bid for councilors to review before meeting with bidders in an executive session. Councilors thanked the bidders for interest in investing in the community and local infrastructure.

Agenda Item No. 13—Local Street Naming

Green reviewed the proposed addressing explained in the agenda memo. Councilors were in support with the proposed street naming, they also discussed the numbering. It was clarified that number designation was up to the City Planner, but the proposed numbers leave room for additional assignment depending on development. Councilor Holland noted it coincides with the current naming patterns.

Councilor Adair moved to accept Johnson Drive as the designated new street name and approve the proposed numbering. The motion was seconded by Councilor Haberly and passed unanimously.

Agenda Item No. 14—REDS Debrief and 2019 DOT Build Grant

City Manager Green gave a debrief on the REDS, further elaborating the information included in the agenda memo. Councilor Brandon Smith noted there was a full room, with a variety of elected officials and funding agencies; it was amazing to see the number of people interested in the success of John Day to the point of putting their time and resources into backing the city's efforts. There are a lot of positive energy and great opportunities to work with those funding agencies. Mayor Lundbom discussed distance traveled, noting there were usually just a handful for even local meetings; for a regional meeting, it had surprisingly even larger turnout. They had also noted it was the best planned and supported; he felt like it was a huge success. Paul Smith thanked City Manager Green for bringing it to fruition and all his work inspiring people; seeing action not just talk. Councilor Adair also commented on the positive energy and investment in coming to an invitation only event. Tom Olson noted there was a positive article in a Pendleton newspaper regarding the city. Councilor Paul Smith commented on how the excitement about these project tie into the City Manager's invitations to speak and present at that state level and now at a national/global level in Chicago at WEFTEC.

Green celebrated one big action from the summit already, a recommendation to apply for the 2019 BUILD Grant. Green reviewed information included in the agenda memo, noting staff had looked at this grant but were not previously planning to apply in 2019. The representatives at the summit thought the City of John Day would be competitive, noting last year all the money was not allocated. Green suggested they go for it, not knowing the full scope yet, but suggested including: 7th street extension, Gov't Entry Road, and maybe bridge improvements with additional street network. They have been working with property owners, city staff, federal agencies, and engineers. They will continue working while Green is gone to bring back a final scope for review July 9th; the application is due July 15th. Mayor Lundbom discussed the urgency by the representative that the city should apply in 2019. Green talked about the already planned work the city is going to do that will count as match, such as Charolais Heights, Canton, and the park system bridge. He emphasized that you must begin work within 24 months of the funding award and the City is in a position to begin once awarded, which strengthens the application. Councilor Brandon Smith highlighted Green's note that even if not awarded, it helps them know where to strengthen their proposal for the next application cycle. Councilors were in consensus that they would like to see an application submitted for the 2019 Build Grant for much needed street networking.

Agenda Item No. 15—Other Business & Upcoming Meetings

Green reviewed the other business stated in the agenda memo. Matt Manitsas noted they plan on first harvest being mid-August to September. Councilor Brandon Smith added that he was not certain he would be able to attend the July 23rd council meeting but will try. Council thanked him for his year of

service stepping in to fill a vacancy and his vital contributions during that time. There were further comments on Green's speaking engagements. Mayor Lundbom noted he would like the city manager evaluations to review on July 9th in executive session.

Tyler Sheedy stated it was great that the city brought local contractors together to work on the greenhouse, big projects are going by the local contractors and he appreciates the approach the city took. He hopes they were encouraged by putting money back to local people, despite bumps with EuroMex, while saving tax dollars. Green noted they saved a lot of money and received a higher quality of work due to local investment in the results. There was discussion about the success of finding a clean way to keep the work local within contracting rules. Councilor Holland thanked Green for the newsletter. Sherrie Rininger thanked city staff for repainting downtown lines.

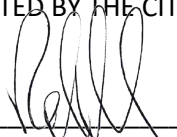
Adjourn

There being no further business before the council, Councilor Brandon Smith moved to adjourn the meeting at 8:31 p.m. The motion was seconded by Councilor Adair and passed unanimously.

Respectfully Submitted:

Nicholas Green
City Manager

ACCEPTED BY THE CITY COUNCIL ON JULY 23, 2019



Ron Lundbom, Mayor