

DATE: August 22, 2019
TO: Nick Green, City of John Day
FROM: Bob Parker, Matthew Craigie
SUBJECT: JOHN DAY TECH MEMO #8 INNOVATION GATEWAY PLAN – FUNDING AND FINANCE-
REVISED DRAFT

This memorandum describes a proposed funding and financing plan for future transportation improvements to support new land use development, as identified in City of John Day’s Innovation Gateway Plan. This document meets partial requirements for Technical Memorandum #8 under the Oregon Department of Transportation (ODOT) Transportation Growth Management (TGM) project with the City of John Day. The other requirements are met through two companion memoranda that are being produced by Angelo Planning Group and DKS.

Purpose and Background

The City of John Day is striving to overcome multiple challenges that have resulted from decades of population loss and economic stagnation. The City and community are committed to reorienting towards a growth and economic diversification mindset. Simply put, the City and its partners have outlined concrete actions to attract more visitors and residents to incrementally stabilize and start to regrow the local population and economy. To accomplish these high-level goals—population growth and economic stability—the City adopted the Strategy for Growth in 2017. This is a visionary document that outlines the City’s goals and how they intend to achieve them. The City of John Day understands that leveraging their investments to achieve multiple goals is the best way to achieve the City’s desired outcomes. The Strategy for Growth has led to several City ambitious economic development initiatives, including:

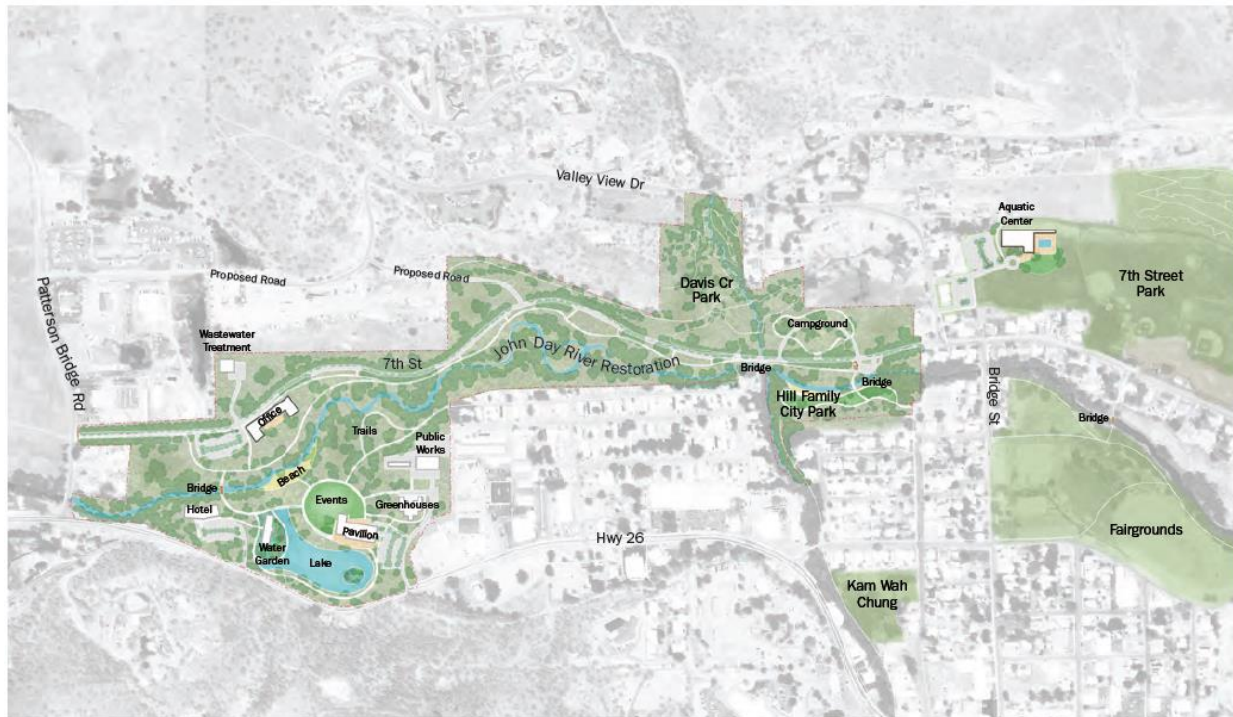
- The John Day Community Investment Strategy (CIS)
- Investments in housing supportive infrastructure, broadband internet, and greenhouses
- The Innovation Gateway Plan

The purpose of this document is to summarize the proposed funding plan for the Innovation Gateway Plan (the Plan). This memorandum, along with other technical memoranda, will be used to document the details of the Plan.

John Day’s Innovation Gateway Plan

John Day’s Innovation Gateway Plan seeks to coordinate redevelopment of a 90 acre+ riverfront property to function as a gateway and focal point for the community. As shown in Exhibit 1, the Innovation Gateway Plan study area is anchored by the former Oregon Pine mill site to the west, and then follows the John Day River to the east (upstream) and into the central part of John Day.

Exhibit 1. Oregon Pine/Innovation Gateway Concept Plan



Source: Walker Macy

Specifically, the Plan focuses on the redevelopment of the Oregon Pine mill property and new development on adjacent City-owned land. The Plan identifies new investments in local transportation systems and open space to support future redevelopment efforts. Major Plan elements include:

- The development of a **new wastewater treatment plant**—an innovative \$14 million facility that will reuse and repurpose 100 percent of the city’s solid and liquid waste. Reclaimed water will be tied into other new investments such as greenhouses focused on local food production and new city parks.
- **An extension of 7th Avenue** that runs along the north side of the John Day River and includes connections to key investment areas.
- A redevelopment concept for the **Oregon Pine** site that incorporates park spaces, access to the river, greenhouses that will grow food for local consumption, a planer shed that will be redeveloped into a community space, and identified areas for future office, hotel, and employment uses.
- A **restoration of the John Day River** and creation of a linear riparian area park.
- **Connections to other areas of investment**, including; the Hill Family City Park, Davis Circle Park, the 7th Street Park, the Kam Wah Chung national site, and the Grant County Fairgrounds.

Innovation Gateway Plan – Phasing

The timing of capital projects and new development is reliant upon funding. Currently, the City has identified three phases of development for the Innovation Gateway Area and associated investment areas¹.

- **Phase 1.** The first phase is almost complete. The first phase featured property acquisitions and land assembly activities along the John Day River, environmental site assessments, initial fundraising of \$1.5 million from multiple sources. Key sources included securing ODOT Transportation Growth Management (TGM) and Economic Development Administration grants that funded the Innovation Gateway Area Plan and the Community Investment Strategy. Phase 1 culminates in October of 2019 with the City Council adoption of the Innovation Gateway Plan.
- **Phase 2.** The second phase will feature development of the new wastewater treatment plant (scheduled completion in 2021) and transportation infrastructure in the western portion of the area, including an extension of 7th Street, connections and/or enhancements to connector roads. In addition, this phase includes new trails (concrete and gravel), parking areas, interpretive overlooks, a pedestrian bridge, and enhancements to the current bridge located at the Oregon Pine Mill site.
- **Phase 3.** The third phase will feature an extension of 7th Street in the eastern portion of the city, the creation of a 3rd Avenue bridge, and utility and infrastructure improvements to the industrial area within the Innovation Gateway. If funding is available, Phase 3 will also feature river restoration activities along the John Day River.

¹ As advised in the scope of work for this project, this memorandum is directly focused on funding for the Innovation Gateway Plan transportation improvements. There are investment areas in John Day that are inter-related and tie into the Innovation Gateway. Most prominent among these areas is the Riverfront Recreation Area—a series of properties along the John Day River to the east and south of the Oregon Pine site. While we do not detail the investments in those areas in this document, their connections to, and relationship with, the Innovation Gateway is crucial to the success of investments in both areas.

Innovation Gateway Plan – Funding and Finance

Funding and Implementation Approach

The City of John Day has taken the lead to promote the local area and organize economic development activities. However, the City has severely limited financial resources. To overcome this constraint, the City has initiated a project funding and implementation approach that relies on strong partnerships with sponsors and partners at the local, regional, and national level.

The City has been successful in acquiring funds for new investment. In fact, the City has already secured funds and invested in multiple Phase 1 projects; over \$1.5 million in public funding has been spent on activities aimed at reinvigorating the local economy. These recent investments include the following:

- The Oregon Pine property purchase and greenhouse development were financed with \$850,000 in Special Public Works (SPW) loan through Business Oregon. Local contractors were hired to complete the greenhouse facility at a total cost of just under \$150,000 provided by the City of John Day.
- Business Oregon Brownfield Redevelopment Funds were used to complete a Phase 1 and Phase 2 environmental site assessment and remediation of the Oregon Pine property.
- The riverfront trails connecting the Oregon Pine were funded with \$191,300 from the Oregon Parks and Recreation Department (OPRD) Recreational Trails Program (RTP) grant with \$48,900 in matching funds provided by the City.
- The area development plan for the Innovation Gateway was created with \$192,000 in grant funding from the ODOT and the Department of Land Conservation and Development (DLCD) through the Transportation Growth Management (TGM) program with \$27,000 in matching funds provided by John Day.
- A community investment strategy was developed with a \$50,000 local economic opportunity fund through Business Oregon and a \$70,000 grant from the Economic Development Administration to evaluate future uses of the site and other economic investment opportunities.
- A joint investment by Business Oregon and the Oregon Water Resources Department provided \$70,000 to create the conceptual design for the new reclaimed water facility that will act as the engine to provide over 80-million gallons of reclaimed water to the community on an annual basis.
- DLCD contributed through an updated Economic Opportunities Assessment as part of the Eastern Oregon Economic Development Planning Project.

Roles in Economic Development

The City sees itself in the following project funding and implementation roles:

- Lead coordinator of economic development activities;
- Steward and careful manager of local infrastructure; and,
- Supporter of business development and private investment.

The City recognizes that the successful implementation of the Plan will require a community effort and ongoing collaboration with partners. Strong partnerships already exist, and the City is working to create new partnerships and recruit project sponsors. However, not all partners will play the same role. Some partners will be expected to contribute funding, while others are primarily partners in implementation, and others may play multiple roles. Exhibit 2 provides an overview of the core partners for all of John Day’s current economic development projects.

Exhibit 2. Overview of Partner Roles

Implementing Partners: Organizations that will take a necessary and active role in project implementation	Funding Partners: Public, private, and nonprofit organizations that will support strategic investments	Dual Role Partners: Implementation and Funding
<ul style="list-style-type: none"> • City departments (public works) • John Day / Grant County Chamber of Commerce • John Day Canyon City Parks and Recreation district • Grant County municipalities: Canyon City, Prairie City, Dayville, etc. • Greater Easter Oregon Economic Development District (GEOEDD) • North Fork John Day Ranger District (USFS) • School District • Regional WIB • Eastern Oregon Regional Solutions Team • Community organizations • Universities • Consultants 	<ul style="list-style-type: none"> • USDA Rural (broad array of funding programs) • Business Oregon • Oregon Department of Transportation • U.S. Department of Commerce, Economic Development Administration (EDA) • Oregon Department of Land Conservation and Development • Oregon Parks and Recreation Department • Oregon Housing and Community Services • U.S. Housing and Urban Development 	<ul style="list-style-type: none"> • Grant County (economic development, roads) • Travel Oregon • Private businesses

Source: City of John Day, ECONorthwest

The Innovation Gateway Plan is a large-scale project that will require substantial funding. To fully fund and implement the Innovation Gateway, the City is looking to outside partners. As described in the following section, the City has identified several partner opportunities to fund the projects identified in the Innovation Gateway Plan.

Funding Sources Identification Process

To identify and coordinate funding sources for Innovation Gateway Plan investments, the City of John Day worked with a consultant team and sought feedback from a Project Advisory Committee and the John Day City Council. The City and partner agencies will leverage funds from a variety of local, regional, and federal sources to fund the implementation of the Innovation Gateway Plan.

The City of John Day public and nonprofit partners have already leveraged over \$13 million dollars to fund projects across the community. These funds are being used to improve local streets, expand a runway at the airport, build a shelter for vulnerable community members, and to develop plans for everything from restoring the river to fortifying the local economy and bringing broadband to the John Day area. Of this total, about \$2.8 million dollars has gone to projects that are directly linked to the Innovation Gateway Plan. These dollars include funds from the Oregon Department of Transportation for street improvement projects, safe routes to schools planning, and the Transportation Growth Management (TGM) project that funded the Plan. Additional funds that have supported Innovation Gateway Plan efforts to date include those from the Oregon Parks and Recreation Department, Business Oregon, and from the Federal Department of Housing and Urban Development.

The City is currently seeking additional funds to restore the portion of the John Day River that passes through the community, to expand the local street network to allow for new development of homes and businesses, and to enhance their initial investments in greenhouses to enable an export scale of local food production.

The City is actively pursuing funds for Innovation Gateway projects, including the first phase of the Innovation Gateway Plan, the construction of a new wastewater treatment plant, connecting the community to broadband internet, and developing a new community aquatic center. But the City needs more funds to fully support their Strategy for Growth.

In June 2019, the City of John Day hosted a one-day Regional Economic Development Summit (REDS). The purpose of the REDS was to work with potential project funders and sponsors to identify sources of capital and partnerships to propel the Strategy for Growth projects forward. The discussions during the summit were positive, with many sponsors offering guidance on how to secure federal funding. Specifically, federal funders encouraged the City to pursue a BUILD grant. BUILD, or Better Utilizing Investments to Leverage Development, is a U.S. Department of Transportation grant that is awarded annually through a merit-based process. Formerly called TIGER, BUILD grants are tailored for investments that can leverage private investment, save on project costs, and be delivered efficiently.

In July 2019, the City of John Day submitted its BUILD grant application for the Innovation Gateway Plan. If awarded, the BUILD dollars would provide funds for a substantial portion of Plan projects. In fact, if the City receives the grant, the grant dollars would fund all of the transportation capital projects listed in Technical Memorandum #6: Revised Innovation Gateway Area Design Concepts (**Error! Reference source not found.**).

Additional Funding Incentives to Consider

As described in the previous section, the City has worked with its partners to identify several potential sources of funding for the Innovation Gateway Plan's transportation infrastructure investments, parks, employment areas, recreational amenities, and housing supportive infrastructure. The City may want to consider additional funding sources, especially those that provide incentives for private developers to include project priorities as part of private investment. The following funding tools and programs could fund key Plan priorities.

- Local Improvement District
- Reimbursement District
- Seasonal Fuel Tax

For more details on some of these tools, see Appendix A.

Preliminary Innovation Gateway Financing Plan

The City is seeking funds to start transportation infrastructure improvements, and to move forward with more detailed plans for parks, employments areas, recreational facilities, and a development of a new wastewater treatment plant.

Error! Reference source not found. below provides an overview of how the City intends to implement the transportation infrastructure projects listed in Technical Memorandum #6: Revised Innovation Gateway Area Design Concepts. All of these projects have been prioritized to take place during the first phase of the Innovation Gateway Plan. As is shown in the Exhibit, the projects on the list are identified to receive funding from the Federal BUILD grant. Additional dollars from Non-Federal source (e.g. the State of Oregon) will also be used in the both phases of development².

² The second phase for the Innovation Gateway Plan will rely on the BUILD Grant and Non-Federal fund sources.

Exhibit 3. Funding for Innovation Gateway Plan Refined and Prioritized Projects³

Project	Cost Range	Identified Funding Source	Triggers	Phased Actions/Timeframe
Study Area Roads				
7 th Street Extension (West)	\$4,826,779	BUILD Grant	Funding acquired	Phase 2 – Implementation /near-term
7 th Street Extension (East)	\$324,182	BUILD Grant	Funding acquired	Phase 3 – Implementation /mid-term
Government Entry Road Extension	\$652,363	BUILD Grant	Funding acquired	Phase 2 – Implementation /near-term
Gateway Drive	\$684,097	BUILD Grant	Funding acquired	Phase 2 – Implementation /near-term
Johnson Drive	\$131,080	BUILD Grant	Funding acquired	Phase 2 – Implementation /near-term
Wastewater Treatment Plant Facility Access	\$165,968	BUILD Grant	Water treatment development initiated	Phase 2 – Implementation /near-term
Campground Road	\$57,000	BUILD Grant	Funding acquired and campground development initiated	Phase 2 – Implementation /near-term
Study Area Roads Subtotal	\$6,841,469			
Other new City Roads				
3 rd Ave Bridge and Charolais Heights Street Ext.	\$6,257,636	BUILD Grant and Non-Federal Sources	Funding acquired and development initiated	Phase 3 – Implementation /mid-term
Charolais Heights Intersection Improvements	\$244,143	BUILD Grant and Non-Federal Sources	Funding acquired and development initiated	Phase 3 – Implementation /mid-term
Other City Roads Subtotal	\$6,501,779			
Trails and Recreations				
Oregon Pine-area trails	\$136,000	BUILD Grant and Non-Federal Sources	Funding acquired	Phase 2 – Implementation /near-term
Oregon Pine Bridge	\$90,000	BUILD Grant and Non-Federal Sources	Funding acquired	Phase 2 – Implementation /near-term
Oregon Pine-area concrete paths	\$122,000	BUILD Grant and Non-Federal Sources	Funding acquired	Phase 2 – Implementation /near-term

Multi-use Trail along John Day River	\$460,000	BUILD Grant and Non-Federal Sources	Funding acquired	Phase 2 – Implementation /near-term
Campground Trails	\$34,150	BUILD Grant and Non-Federal Sources	Funding acquired and campground development initiated	Phase 2 – Implementation /near-term
Integrated Park Transportation Infrastructure	\$555,864	BUILD Grant and Non-Federal Sources	Funding acquired	Phase 2 – Implementation /near-term
Interpretive Overlooks on River	\$204,000	BUILD Grant and Non-Federal Sources	Funding acquired	Phase 2 – Implementation /near-term
Gravel Parking lot/Trailhead	\$23,970	BUILD Grant and Non-Federal Sources	Funding acquired	Phase 2 – Implementation /near-term
Gravel Parking Lot (Planer shed)	\$153,000	BUILD Grant and Non-Federal Sources	Funding acquired and planer shed renovation initiated	Phase 2 – Implementation /near-term
Trails and Recreation Subtotal	\$1,778,984			
Grand Total	\$15,122,232			

Source: Walker Macy, ECONorthwest

³ Rounded values include contingency, contractor overhead and profit, and soft costs (at 30%)

Appendix A: Potential Additional Funding Sources - Details

Encouraging new development and redevelopment of properties in the Innovation Gateway Area and improving infrastructure to meet the needs of new and existing users will require financial tools to fill feasibility gaps, and capital funding programs to construct infrastructure projects. Filling these gaps and financing infrastructure could take several forms and come from several sources. We suggest that the City of John Day use the following criteria when evaluating these tools:

1. **Economic feasibility.** This category covers everything related to creating and maintaining net revenues. We break efficiency into four subcategories: (1) revenue-generating capacity, (2) administrative costs, (3) revenue stability, and (4) revenue flexibility:
 - a. **Revenue-generating capacity** considers how much money the source can generate.
 - b. **Administrative cost** considers the portion of gross revenues that will be spent on administration. The easier it is to administer the tax or fee, the more of the gross revenue collected that will be available as net revenue for transportation projects and programs in the corridor.
 - c. **Revenue stability and predictability** considers whether the source is likely to avoid large fluctuations each year and whether the source is likely to be close to the forecasts analysts might make.
 - d. **Revenue flexibility** considers limitations on the types of projects that can be funded with a given source. A funding source may be a little less useful to jurisdictions if its use is limited to certain types of projects.
2. **Political acceptability.** Will stakeholders accept or support the tool? Political acceptability considers whether elected officials and the public at large are likely to support the funding source. This depends to a large extent on the efficiency components described above: if a revenue source is legal, efficient, and fair, then it should get political support from the public, advisory groups, and decision makers. For this analysis, we evaluate whether a source is politically acceptable using two approaches: (1) is the source widely used elsewhere in Oregon? And (2) does the source collect revenue mostly from non-locals (as opposed to local residents)?
3. **Fairness.** In the context of infrastructure funding, the key question related to fairness is “who pays?” A standard definition of fairness in public finance, especially relating to transportation infrastructure, is that the charges that fund the infrastructure system are tied to the users who receive benefits from (or impose costs on) the system. Fairness may also be referred to as equity.
4. **Legality.** All the benefits of a funding source are moot if the source is not legal or cannot become legal within the desired timeframe. If the source is currently prohibited by State statute, then there is a very big administrative hurdle to be surmounted up front.

Using the above criteria, ECONorthwest narrowed the range of potential funding tools that the City of John Day might want to consider to a list summarized in the tables below.

Local Improvement District (LID)

Summary	Enables a group of property owners to share the cost of a project or infrastructural improvement.
How It Works	<p>A special assessment district where property owners are assessed a fee to pay for capital improvements, such as streetscape enhancements, underground utilities, or shared open space. For residential property, the estimated assessment cannot exceed the pre-improvement value of the property based on assessor records.</p> <p>An ordinance must be passed through a public hearing process which must be supported by a majority of affected property owners. Part of this process includes an estimation of the improvement costs and the portion of those costs in which property owners will be responsible to pay for. The public hearing process allows for LIDs to be challenged by property owners.</p> <p>The City collects the funds and regardless of whether the actual cost is greater than the estimated cost (on which the assessment was based), the City may make a deficit assessment for the additional cost, which would be prorated among all benefitted properties. Another public hearing would be held, in the event that an additional assessment were placed with property owners (due to underestimation).</p>
Fund Sources	LID bonds are backed by revenue committed by property owners (which can be public as well as private). Property owners can obtain low-interest financing through the City.
Benefits	<ul style="list-style-type: none"> • <i>Politically acceptable:</i> Organizes property owners around a common goal. • <i>Economic feasibility:</i> <ul style="list-style-type: none"> ○ Allows property owners to make payments over time to bring about improvements quickly that benefit them individually. ○ Improvements within smaller areas can enhance catalytic and redevelopment value of the area. ○ LIDs can be bundled with other resources such as TIF.
Drawbacks	<ul style="list-style-type: none"> • <i>Equity Challenges:</i> <ul style="list-style-type: none"> ○ Setting up fair LID payments for various property owners, who are located different distances from the improvement, is challenging. ○ Small geographic areas may not have sufficient LID revenues to support bonds for the desired improvement. • <i>Administrative Challenges:</i> <ul style="list-style-type: none"> ○ Some lenders insist that LIDs be paid off when properties are transferred. ○ LIDs require significant coordination, attention to detail, and administrative time to manage. • <i>Limited Scope:</i> <ul style="list-style-type: none"> ○ LIDs only address the financing of improvements to existing infrastructure rather than construction of new infrastructure.

Reimbursement District

Summary	Provides reimbursement from one party that benefitted from an infrastructural improvement made and paid for by another party.
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How It Works	<p>A Reimbursement District is a cost sharing mechanism, typically initiated by a developer. The purpose is to provide a reimbursement method to the developer of an infrastructure improvement, through fees paid by property owners at the time the property benefits from the improvement. A developer applies to create a Reimbursement District by demonstrating benefit to properties beyond their own. In addition, the size of the improvement must be measurably greater than would otherwise be ordinarily required for the improvement</p> <p>Eligible Reimbursement District projects typically include (but are not limited to) construction of or connections to a sewer, water, storm water or street improvements. Applications typically include: a fee sufficient to cover the cost of administrative review, a description of the project, properties that would be impacted, and a detailed methodology and calculation of how the estimated costs would be reimbursed by payments from benefitted properties over a specified timeframe. A report from the City Engineer is generated in review of the submitted application. After a public hearing process, the council will approve, reject or modify the proposal. The approval of a Reimbursement District results in a resolution and distribution of notice among benefitted properties before construction can begin.</p> <p>Benefitted properties must pay the Reimbursement Fee when they make a physical connection to the improvement (or in the case of a sewer project, when the benefitted property creates an impervious surface that drains into the public sewer) within the Reimbursement District Area. Reimbursement fees are collected by the City and are distributed to the developer for the duration of the Reimbursement District, which are typically 10-15 years.</p>
Fund Sources	Paid by benefitted properties at the time the property benefits from the improvement, typically at connection to the sewer, water or storm drain system.
Benefits	<ul style="list-style-type: none"> • <i>Economically feasible:</i> <ul style="list-style-type: none"> ○ Encourages development by ensuring compensation to installer. ○ Developer/applicant/installer fronts the cost and is paid back over time by any/all property owners who initiate their benefit to the improvement, regardless of their acquisition of the property ○ It mitigates the cost of financing public improvements that the City would typically incur. • <i>Politically Feasible:</i> <ul style="list-style-type: none"> ○ They generally work best when a developer or property owner would be highly motivated to construct a particular segment of infrastructure, for example, when one segment of infrastructure serves a large development parcel or parcels, and that infrastructure is necessary to allow development to occur. ○ Benefitted property owners arguably have an option to connect to the infrastructure improvement and incur the Reimbursement Fee.
Drawbacks	<ul style="list-style-type: none"> • <i>Administratively Challenging:</i> <ul style="list-style-type: none"> ○ Reimbursement Districts require City staff involvement to review the application, conduct an engineering report, make a decision through a public hearing process, and collect Reimbursement Fees for the duration of the Reimbursement District agreement term.

Seasonal Gas Tax

Summary	Generates revenue that can be used to fund public provisions, services, or projects by taxing gas consumption.
How It Works	Tax is imposed on the sale per gallon of gasoline sold in jurisdiction over the course of a pre-determined length of time. The geography must be large enough to capture an adequate amount of fees. Typically, gas taxes are enacted at the county level. Seasonal gas taxes, that is those that are enacted for only part of the year, usually during peak visitor times, enables higher collection rates while reducing the tax burden of local residents.
Fund Sources	Sales tax paid by gasoline consumer.
Benefits	<ul style="list-style-type: none"> • <i>Economic Flexibility:</i> <ul style="list-style-type: none"> ○ Revenues can be directed to specific maintenance and new transportation projects.

Drawbacks	<ul style="list-style-type: none">• <i>Politically Challenging:</i><ul style="list-style-type: none">○ Requires public vote.• <i>Economically Challenging:</i><ul style="list-style-type: none">○ Takes time and money to run a campaign for public vote.
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