

CITY OF ALBANY
CITY COUNCIL WORK SESSION
Council Chambers
Wednesday, July 7, 2010
7:15 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 7:16 p.m.

ROLL CALL

Councilors Present: Councilors Bessie Johnson, Jeff Christman, Bill Coburn, Floyd Collins, Dick Olsen, and Ralph Reid, Jr.

Councilors Absent: None.

BUSINESS FROM THE PUBLIC

Mike Quinn, 4455 Sunset Ridge Drive, said the Pepsi money belongs to the citizens of Albany. We are in a recession with over 10% unemployment. Lots of people are hurting. They can't pay their water bills. Some have stolen water from their neighbors. Most economists say to pay down debt or incur debt with cheap interest rates for bond measures. He said he has talked to many people and paying down debt is number one on their list. On the other hand getting low interest rates on bonds is great, so what do we do?

Quinn asked, how close is the City to paying off current bonding debt so we could put out a new bond measure for a fire hall, so the Albany Fire Department (AFD) doesn't have to lobby for it in the newspaper? Also, if the Pepsi money was applied to the water facility, how much would it reduce the rates? He asked, will the Council form a task force or committee to consider the best use of the money?

Quinn asked, do we need to move the Albany Police Department (APD)? It is already next to the jail - why are we not negotiating for a regional use like Corvallis and the Benton County Sheriff did? He asked, why not acquire the land behind the APD? The City could pay a fair market price or use eminent domain. He asked, is Linn County ready to pay through the nose to create a mini-justice system? Quinn said, we went from the Weyerhaeuser site to a professional plaza site at opposite ends of town. Most city planners, including Albany's, would tell you to centralize the location. If the City builds a new police station will it have a jail in it? And if we don't have anyone to operate it then will we have another levy like Linn County did?

In closing, Quinn suggested that the City put out a bond measure for the addition to the APD and to build a new Fire Station so the City doesn't spend \$9.8 million but rather about \$2 million. He said that his construction company would offer to build the facility at cost. Quinn said, remember the train station and the other over-charged facilities that are shocking the taxpayers of Albany. Give tax payers a break and perhaps don't make a decision about this until after the fall election.

Ron McDonald, 3589 Bernard Avenue, is a member of the Veterans of Foreign Wars (VFW) and the American Legion. He is hoping that someone can help to rebuild the American Legion. It has been in Albany 90 years. He agreed that APD should add a second story, they don't need a new building. He said, we need some help at the Legion, as well as the veterans.

Konopa spoke on behalf of the Council to McDonald, extending empathy for their loss of the Legion building due to a recent fire. She said the American Legion is part of our community and she is sorry for the veteran's loss.

Heather Hill, 1183 11th Avenue SW, owns Legacy Ballet. She said that what most citizens and business owners find important for Albany is ways to bring business and tourism into the area. She suggested the money be used to build a theater, which could house a larger audience than what is now available in Albany. Albany performers use Corvallis High School which seats 630, or the LaSalle Center at Oregon State University. The City also has the amazing River Rhythm concert series during the summer, but doesn't have it the rest of the year. With a theater we could have it both indoor and outdoor. A theater would provide jobs for construction and management, and would generate tourism.

Wendy Kirbey, 2135 22nd Place, spoke regarding the Brass Ring (the Carousel project). She said perhaps it is low on the list of priorities, but during the month of June they had 2,000 visitors come through. She believes it will continue and will create jobs, and also bring people to Albany. She is trying to network with local

businesses so visitors can eat and shop in Albany. She said it brings people to town and it will generate a lot of energy.

Jo Rae Perkins, 1033 Maple Street SW, said there is a lot of ways this money can be used. Some call it a windfall, and in some ways it is. The City is carrying debt which carries interest. The longer we carry it the more it will cost the tax payers. All these are great ideas but we need to do something about the debt. Debt is killing families, municipalities, and our country. If there is some near-term debt that can be eliminated without prepayment penalties, that is the prudent thing to do.

Dwayne Strickland, 1110 Sherman Street, said it seems the Albany Fire Department (AFD) has been complaining for many years about the lack of facilities and the APD has been complaining for about the last ten years. He asked, why has the City not set aside money for these facilities? Maybe some money needs to be set aside for future facilities. There are a lot of City buildings that are going to start falling apart.

Konopa said that the City does set money aside for facilities but it is at a slow pace.

Leah Latta, 310 Green Acres Lane, said a natural area is being considered for North Albany (the East Thornton Lake Natural Area). She thinks this is an opportunity to solve a lot of problems that could result from future development. A natural area is a great opportunity for Albany to show that we are considering our environment as a whole and care about wildlife. It could be used for education for children and to observe wildlife. We should jump on this opportunity.

Konopa asked for the audience to raise their hands if they are in support of the East Thornton Lake Natural Area. The majority of the audience raised their hands.

Several letters in support of the East Thornton Lake Natural Area were sent to the City after the agenda packets were distributed. The letters were sent to the Council via e-mail, prior to the meeting. The letters were from: Michael Waldock; Johanna Omelia; Matt Bennett; Joe Martines; Sue Martines; Jeff Howard; Vicky Howard; M. Morse; Linda Hallmark; Dale W. Anderson; Troy Williams; Becky Williams; and Elizabeth Burdick (see agenda file).

PEPSICO SETTLEMENT ALLOCATION

City Manager Wes Hare said his staff memo summarized the ideas that have been communicated to staff from a number of different sources. Hare said Finance Director Stewart Taylor took the lead on a proposal that would serve as a basis for discussion. It is a suggestion for a way to look at making the most of this resource.

Taylor said it has been 90 days since the City received the settlement and the City Council chose to defer discussion in order to receive public comment. The 90 days also gave time for staff to consider options and funding strategies. Taylor's presentation includes strategies that could be used, as well as projects for illustration. He pointed out that any of the projects listed could be replaced with other projects. Taylor's plan includes three goals: avoid on-going costs, target tangible assets, and maximize financial opportunity.

Taylor began the PowerPoint presentation, which was included in the agenda packet. The PowerPoint document in the agenda packet includes text explaining each slide in detail.

On page 5, Taylor explained that there was work done on Ellingson Road for street improvements, but the City participated with Linn County to receive a contribution from them for future maintenance of the roads. That is why Ellingson Road is not on the list of projects, though it certainly could be added.

On page 8, Taylor pointed out that the \$114,500 shortfall shown as the carry forward does not include any interest earnings, yet the Central Albany Revitalization Area (CARA) project interest earnings alone would be over \$400,000.

Taylor noted a correction to page 10 under the "Other Reimbursements" category: it should list Ellingson Road, not 53rd Avenue, for \$854,301.

Taylor said these are the types of options that are good for the Council to weigh in order to accomplish as much as the Council would like to.

Councilor Floyd Collins asked, what is the rate per thousand on the current bond that is set to expire in 2015? Taylor said he didn't have the rate per thousand on hand, but that the payment in next year's budget is \$2,118,000. He will find out the rate per thousand for Collins. Collins calculated that for \$100,000 per million on a 20 year bond at a 7% interest rate, we could potentially, by 2015, with the same approximate rate and cash

flow per year, have about \$10-20 million for a potential project. Taylor said the final payment in 2015 is \$1.38 million so the payment does decrease over the next five years.

Collins really likes some of what Taylor did, such as prioritizing the payment of debt. Collins said he may have different projects he sees as priorities. If we defease bonds to free up money currently dedicated to General Obligation (GO) and Parks & Recreation bond payments, it would free up other resources that could be subject to Budget Committee discussion. It could be freed up for operations and maintenance beyond the existing levels, or the Council could put restrictions on the resources. They could direct them to building reserves, for example, based on what the Council ultimately decides the priorities are.

Councilor Dick Olsen asked, under Taylor's plan, at the end of 10 years would we have a new police station, half of a fire station, and a couple of roads; and financially we might break even or we might be short by just \$100,000? Taylor said the short answer is, yes.

Hare said, we have heard the term "windfall" applied to the PepsiCo money, and he doesn't want to let that comment pass. He said it didn't just fall in our laps; it happened based on very good work by City Attorney Jim Delapoer, and heavy investments in staff time. It is also due to the Council having the will to hang in there during litigation with PepsiCo and not take their first settlement offers. Hare said using the word "windfall" trivializes the effort and the skill that went into this settlement.

Hare asked Delapoer to present his plan as outlined in the staff report.

Delapoer said the reason the Council and staff was motivated to work with PepsiCo in the beginning was to bring manufacturing jobs to this community. Economic development and specifically manufacturing jobs has been a priority for many years. The City took a risk by sizing the new water plant in such a way that we could attract large industry. PepsiCo came to us because we had a large water resource available. If PepsiCo had built in Albany, it would have brought a lot of jobs and created all the associated economic ripple effects. That was the goal of the project. The settlement that was negotiated represents the financial loss to the community.

Delapoer said the PepsiCo property is a unique asset. PepsiCo bought it and invested \$18 million. If PepsiCo sells it, and someone pays their current asking price of \$20 million, one could assume the purchaser would build an industrial facility and would contribute substantially to the community. What is preventing it from being the most desirable industrial site on the west coast with highway and rail access, is that it does not have the overpass it needs. Delapoer described the trucking route and rail track. Delapoer explained that the Oregon Department of Transportation (ODOT) will not let traffic from a major industry at that site use Highway 99 because if there is a train, there could be traffic backed up on the tracks. ODOT will not allow it. ODOT requires that for that kind of facility an overpass has to be constructed so there is not an at-grade crossing.

Delapoer said there is another property out there, called the Piano property because of its shape. It is at 53rd Avenue and is zoned for a regional shopping center. However, it cannot develop because it doesn't have an intersection. ODOT won't allow a major retailer to have the access it needs due to the traffic congestion, so they require an intersection. The overpass for PepsiCo would have provided an intersection for the Piano property. So by completing the overpass, both the PepsiCo and the Piano properties would be more attractive and more likely to develop. It would bring jobs in manufacturing, commercial, and construction.

Delapoer said another piece of the PepsiCo plan was that the City was going to form an Urban Renewal District (URD). A URD is a mechanism, allowed by law, to finance public improvements that are necessary for a property to develop. Right now the property is bare land so it is taxed as bare land. But if a new business comes in, the taxes will increase; and if it is zoned URD, then all the increase in taxes is dedicated to the URD. The property owner does not pay more taxes; it is just that the URD gets all the increase in tax value. Delapoer suggested the City could create a URD, loan the URD \$10-14 million in PepsiCo money, and then use the money to build the overpass. Then as soon as development occurs, whether on the PepsiCo or Piano property or even residential property, it would generate the tax increment which would be used by the URD to repay the City for the loan. Eventually the City would get all the money back, and the PepsiCo property would be used for what the intent was – to open up that part of town to regional commercial or industrial development.

Delapoer said another reason he likes this approach is that the City had already spent several million on the project before PepsiCo pulled out. The City had completed the engineering for the entire project which cost over \$1 million. If it isn't built in the next 10 years, then that expenditure would be a waste of money because the standards and codes change, and the drawings become dated. Engineering plans have a limited shelf life. The City has also paid for a wetlands analysis and purchased wetland permits for the Piano property. The cost of

wetlands permitting through Division of State Lands (DSL) is another substantial expense that has a limited shelf life.

In closing Delapoer said his idea is to find a way to attract family wage jobs, which was the original intent of the PepsiCo project.

Assistant Public Works Director/City Engineer Mark Shepard added that when PepsiCo sells their property, according to the contract they forward another \$5 million to the City. Shepard said, the total amount of the settlement funds needed to complete the overpass is \$10,600,000, assuming it is bid now to take advantage of the favorable bid climate, and assuming the Piano property owner would donate right-of-way (ROW) which they indicated they would do in lieu of being assessed for the improvements.

Delapoer explained that the original plan included a condemnation for ROW from Epping, which was being challenged in court. Under this scenario no one would be assessed because it would all be an URD. The owner has agreed to donate the ROW since they won't be assessed under this plan. This plan however is still risky because it would take all the PepsiCo settlement; all that money would be gone until such time that the URD began to see tax increments following development.

Collins thanked Delapoer for his idea, however he thinks the citizens would perceive the 53rd Avenue overpass as a "bridge to nowhere", because we don't know when the property will sell or develop. Collins thinks it would be more prudent to set aside a piece for economic development to be used for this property or elsewhere in the community. If we got the \$5 million when PepsiCo sells we could set aside a total of \$10 million, for example, and still form the URD. At that point we would not have built the project but would have the ability to build it in a short-time frame. Collins said he has some ideas that provide flexibility for future investment but also give immediate relief to our citizens.

Olsen likes Delapoer's plan since the property is vacant now and has low value. If we form the URD later, after development has already started, then we lose part of the tax increment. Olsen thinks Delapoer has given good advice so far and thinks we should consider his idea.

Collins said, Delapoer's idea means that we become our own bank for a potential future property, as opposed to becoming our own bank for debt we have on the books today. He said, we could allocate the interest earnings we make by being our own bank to economic development if we want to; but if we build the overpass, it could be 20 years before it sells.

Olsen said that if the lack of the overpass is the key to attracting industry then it is worthwhile to build it. He thinks there might be some interest in the property already. Hare said there has been some interest, but nothing firm.

Councilor Bessie Johnson thanked Delapoer for bringing the idea forward because it would bring the state and county together again, since they also invested in PepsiCo. When PepsiCo pulled out they were left hanging too. The City proceeded and won the lawsuit. Her understanding is that currently Albany does not have any shovel-ready sites and Delapoer's plan would help. Johnson asked Shepard, is the overpass the only piece missing for the property to be considered shovel-ready? Shepard said it depends on what the industry might be. For example, there is sewer and water across the front already but if the developer is a heavy water user they might need to extend the water line to Columbus Street. Also there is natural gas and power available but perhaps not in quantities needed for development if they are heavy users. As to the City's infrastructure, the roadway is key to development; without a transportation link Shepard doesn't think it can develop. The other utilities depend on the specific needs of the potential industrial buyer.

Shepard said it would cost \$10.5 to \$13.7 million of the settlement funds to complete the overpass infrastructure, again depending on favorable bids (recently they have been coming in 20% lower than engineer estimates). The \$10.5 million represents not putting in street trees or sidewalks east of the overpass. If the City waits several years, the wetland permitting and engineering design work will be out of date. Shepard discussed the shelf life of the wetlands study explaining that it is valid for another 1.5 years.

Hare said, there is one state-certified, shovel ready site near I-5; the Kempf property, which is 40 acres and has been state certified for 6-8 years. It has never sold.

Hare said that there are issues with the PepsiCo property, such as the wetlands. The DSL sent an e-mail to the City that says whoever uses the property will need to start the wetlands permitting process over again from the beginning. Shepard was speaking to the wetlands associated with the overpass, but Hare is speaking to the wetlands delineation on the site. Hare said, for example, if someone wanted to buy it and wanted to build in one

year, it couldn't happen now without the overpass, and there would be some question as to when it would happen because of the wetlands. Part of the problem is that the City cannot guarantee the results since so many issues lie in the control of other agencies outside the City, such as ODOT and ODOT Rail for the overpass, and DSL and the Army Corp of Engineers for the wetlands. Hare said it took PepsiCo at least a year to go through the wetlands permitting process. He clarified that the overpass is key to development but the overpass does not make it a shovel-ready site.

Collins said an advantage to doing the overpass now is that we would not have to fight ODOT again. He asked, can 200-300 feet of the overpass be built using the plan ODOT approved, just to the point where we would have to clear the ROW required by ODOT, thus taking them out of future decisions? Shepard said that is a good question. We would be issued an access permit from ODOT. He said there was recent legislation that weakened ODOT's ability to dictate what happens at these public access sites. Shepard would have to discuss Collins' idea with ODOT. He said, we would likely have to assume some sort of development on not just the PepsiCo property but the other properties as well, but whether we would have to go through new access approvals in the event we build just a portion of it, he does not know. He would have to check with ODOT. Discussion about ODOT's involvements in the ROW of different projects followed. Collins said it might be prudent to set a small amount of the PepsiCo money aside to get ODOT off the table.

Delapoer said, if we built far enough to create access for the Piano property, and the URD had already been formed, all the tax increment would be captured revenue for the URD. He agreed that for a relatively smaller sum, if it was far enough to the east and had the access permits, it might work. Shepard said there are technical issues with the grade at the Piano property. The grade would have to be engineered.

Konopa said a URD can be formed even without industry there.

Konopa asked staff to speak to using PepsiCo monies to reduce water and sewer rates. Public Works Director Diane Dennis-Taniguchi said staff looked at different scenarios to pay down debt. There is \$72 million sewer debt (including the wetlands project) and \$33 million water debt, for a total of \$105 million.

Taniguchi-Dennis said, the City considered paying down sewer debt to see if that could alleviate the rate impact to the community while meeting loan covenants with the state of Oregon Department of Environmental Quality. Optimistically it would take \$10.5 million and would only take care of one year. Rates are driven not only by debt payments but also costs for operations, labor, maintenance, and capital investment, which are all subject to annual inflationary increases that are market driven. For every one percent off in revenue projections it takes an additional \$1.63 million in debt principal reduction. So pessimistically it would take \$14 million and it would not reduce sewer bills, it would just allow us to forgo the scheduled sewer rate increase for one year only. A bigger issue facing the community is that we are now beyond the 200-year replacement cycle on the sewer system which means we are not investing near enough in capital and which puts us at more risk for failure in the sewer system. After a while, as Albany experiences catastrophic failures in its infrastructure, impacting homes and businesses, the public will ask why we are not replacing leaking lines and why we are not investing in capital improvements. She said the sewer issues are more profound than the water issues.

Regarding water rates, Taniguchi-Dennis said Albany has 18 miles of steel water main that need to be replaced. There is still a 22% leakage rate. The bigger issue facing the community beyond replacing the leaking and corroded steel pipes is the replacement of the 42% percent of water mains that are asbestos cement (AC). The AC water mains installed before 1961 are nearing the end of their useful service. Staff is monitoring the AC mains and hope that Albany can experience longer service life. Albany has a lot of investment that it still needs to make in the water system. In concern for the community because of the current economic climate, staff recommended and Council has adopted the third year of forbearance for water rate increases. She cautioned that the City can defer rate increases only so long because that means investments in the water system are also being deferred, placing citizens at higher levels of risk for service disruption. She gave the example of an elderly woman in North Albany whose home was flooded when an AC water main in the street broke and flooded her property. We want to avoid these types of situations.

Olsen asked what interest rate the state loan is at. Taniguchi-Dennis said the federal government has money through the Environmental Protection Agency (EPA) that they provide to the states, called the State Clean Water Revolving Loan Fund (SRF). The SRF interest rate is between 2.9% and 3.14% with a half percent loan fee. For the wetlands project they loaned Albany \$8 million but gave a \$5 million principal reduction between the two cities (Albany and Millersburg), for a net \$3 million at a zero percent interest rate. They also charge an annual administrative fee on the outstanding principal. The average interest for all sewer debt is a little over 3%. There was a time when the federal government provided up to 70% grants for infrastructure but they don't

anymore. Communities like Albany and others across the country have to self-fund these projects with the help of low interest loans. Olsen said since these water and sewer loans are low interest loans the City should focus on paying the higher interest debt instead. Taniguchi-Dennis agreed that these interest rates are low compared to other City debt at higher interest rates that would generate a better return; yet at the same time we are trying to find ways to help the community with their water and sewer bills. Taniguchi-Dennis described the City's programs available such as the low-income, senior and disabled, program managed by the Community Services Consortium to help the most vulnerable citizens. She said that overall, the stability of the rate payer is still very good.

Collins asked, regarding the rate increase that the Council recently voted on for the sewer system, is it correct that the residential customer class would have generated \$500,000 and all customer classes would have generated \$800,000? Taniguchi-Dennis said that is correct. Collins asked, can our billing system implement the rate increase, then show a credit on the bills for that amount across all classes? Taniguchi-Dennis said it would be complex. She asked, would it be the same credit applied to all customer classes, or would the credit be based upon their water usage? There is also a difference between customer usage from year to year. Staff could bring to the Council different scenarios. Discussion followed.

Councilor Jeff Christman asked if the City were to make the loans under Taylor's plan, would payments continue beyond ten years? Taylor said that the Local Improvement District (LID) and System Development Charges (SDC) payment plan in his proposal is on a ten year schedule. Christman clarified that under Taylor's plan, the City would have a new fire station and police station, but we would not have paid off any debt that would not have been paid anyway. Taylor said that is correct, the GO bonds would be paid off during that timeframe anyway. Additionally Taylor's plan includes the defeasance of \$750,000 Limited Tax Pension Bonds during the first year. Christman clarified that the projects listed in Taylor's presentation could be switched out for other projects, so long as the totals are the same. Taylor said that is correct.

Konopa asked Parks & Recreation Director Ed Hodney if he was prepared to present a financial plan for the East Thornton Lake Natural Area. Hodney said he did not have a formal presentation because there are too many unknown details to work out, but he could describe the project so far. The property is \$2.25 million. The Trust for Public Lands (TPL) has said at this point that they could carry a note for about \$1 million for 12-15 months after closing. The option on that property is set to expire December 2010. The City would have to come up with the balance, \$1.25 million to be placed in escrow, and come to an agreement with the TPL in order for the TPL to feel comfortable issuing a promissory note. The question is where does the first \$1 million come from and then where does the additional \$1.25 million come from. The mix of different funding sources discussed in previous work sessions is potentially still there but nothing is firm yet. Other than parks SDCs, he doesn't anticipate other available revenues.

Collins recalled that the possible funding identified so far is the TPL, SDCs, marketing the existing park off of Hickory Street, and other interested parties. Hodney said that is correct, but pointed out that the TPL does not give grants, rather they make short-term loans. There may be other entities that may have grant opportunities, but not from the TPL, though they may be able to help find other sources. The timing is critical for the potential Oregon Watershed Enhancement Board and the state parks grants since those decisions get made shortly after December 2010. Collins asked, if the City gave \$1 million then it would help to secure the future funding? Hodney said that if we added Parks SDCs and potential grants then yes, it could be manageable. SDCs originally were projected to be \$300,000-400,000 but might be able to be stretched to \$500,000 over 15 months, with some risk. The sale of property might bring in \$250,000 to 300,000, conservatively.

Olsen asked Hodney, how much time would you need and what is the timeframe? Hodney said the TPL will be looking for \$1.25 million before the December 2010 deadline. Then there will be 12-15 months to figure out how to get the remaining \$1 million. There are multiple grant sources to pursue.

Johnson asked what interest rate the TPL would charge. Hodney said it has not been negotiated yet, though he anticipates it would be a favorable rate because their goal is to facilitate these projects. Johnson asked, if we put all the SDCs to this project, what happens to the rest of the projects? Hodney said it would not take all the SDC monies. He has \$400,000 currently unallocated, but the question is, what other types of projects will unfold in the next 6-12 months? For example, there is a potential Oak Street LID payment to make over the next few years that he will have to reserve funds for.

Collins asked, how much is the potential Oak Street LID? Hodney said it is \$312,000. Collins said, Parks & Recreation is paying \$180,000 for a bond payment currently; if we paid off that bond, as suggested in Taylor's plan, it would save \$720,000 over four years and Parks & Recreation could use \$312,000 of the savings to pay

off the Oak Street LID. Hodney said yes, that is one way to free up the cash. The bond was used to build Swanson Pool.

Councilor Ralph Reid said, we have an avid North Albany group that awhile ago approached the City with an idea. They were pointed in a direction and told to go for it; however, now they say they have no money. The project they brought back (East Thornton Lake Natural Area) results in a 16% property tax value increase for those properties within 1,500 feet of the lake. Reid said, we should tax their property tax increase through an LID on properties within 1,500 feet. They can pay that back over a 3-5 year period and the money can be used towards funding the project. They are gaining the benefit through increased property values, so they should be a potential revenue source to help pay for the project. Hodney said there may be some private donations for the project. Reid said if a property owner in the LID makes a donation to the project, the donation could offset their LID portion. Collins said they wouldn't see the value increase until they sold their property. Discussion followed.

Konopa said it is not fair to have the surrounding property owners pay for it, if it benefits the whole community. Reid said he is not suggesting they pay for all of it but they should pay for a portion of it, since they will experience a direct benefit to their property values that others in the community will not.

Konopa invited Police Chief Ed Boyd to talk about the Police Station. Boyd said that based on updated information the total cost is closer to \$8-9 million. That total would cover the building, property, and infrastructure. Boyd said that is a high number but they prefer to have enough to cover costs as opposed to guessing too short and having to return to the Council for additional funds.

Johnson asked Boyd to speak to the comments in the newspaper about why the Police Station can't stay where it is and build out or up. Boyd said the current site is 1.7 acres, which is not sufficient for their current needs. As it is they park in the surrounding neighborhoods on a daily basis, so they can't build out. Building upward was considered but contractors report there are too many seismic issues associated with requirements for a public safety building for that to be an option. Even if those types of improvements were made, the cost would be similar to new construction.

Olsen asked, could a new public safety facility be incorporated in the 53rd Avenue URD and be built with URD revenue? Hare said one of the issues is the percentage of property allowed inside the boundaries of all URD within a city. The calculation varies for cities with populations under 50,000 and over 50,000. his guess is that it would be a stretch for Albany.

Collins said the downtown Fire Station is in already within CARA. Delapoer said legally it could be done but the question is, will it likely generate an increase in property taxes? Discussion followed about the ability of a public safety facility being able to spur development which is the intent of URD. Hare said it is a political issue, not a legal issue. It is happening in other communities, where a public facility is deemed to be an appropriate use of URD dollars.

Olsen thinks the 53rd Avenue URD revenues could fund a Police Station.

Collins wants to look at Taylor's three main objectives and consider the 53rd Avenue URD or some variation of the plan he proposed.

Olsen would like staff to project revenue from the URD based on the property being occupied.

Christman is still looking to have the Council categorize and prioritize goals. He doesn't want to allocate funds to specific projects until we define what our goal is. It has been done for the Council by the newspaper, but we as a Council have not done it yet.

Hare said the principles staff used in guiding their recommendation to the Council is the City's Strategic Plan (SP). The SP puts a high priority on City facilities and public safety. If the Council desires to move away from the goals in the SP, then staff would appreciate that guidance.

Christman said he agrees with Hare that the Council has not provided guidance to staff other than the SP. For example, Taylor's presentation was based on the goals identified in the SP. But what if the Council decides that facilities are not more important than economic development, for example? This is a discussion that the Council needs to have, to identify one or two priorities and then fit projects into them.

Konopa asked, should we poll the Council to see what their priorities are?

Councilor Bill Coburn agrees with Christman. He doesn't think this can be resolved tonight. He said this work session didn't proceed the way he thought it would and he wants to consider a different process. He thought there would be a board to list all the ideas on, even ideas the Council may not be in favor of. He wants another work session to be used for brainstorming and prioritizing. He said some ideas from citizens have not been thoroughly discussed.

Johnson said she doesn't think we need to rush this decision. It needs to be discussed thoroughly and the Council needs to discuss their priorities.

MOTION: Johnson moved to have the City Council wait another 90 days to make a decision about spending the PepsiCo settlement and Reid seconded it.

Collins said he doesn't know what an additional 90 days would provide because we might be right back where we are tonight. Also there are some ideas and projects that are timely and we could miss opportunities.

Coburn asked staff to schedule another work session. The Council has not talked about many topics that he wanted to talk about.

Christman clarified that the motion does not preclude the Council from discussing the PepsiCo Settlement, it just precludes decisions about spending it. He would like to have a plan at the end of the 90 days on which the Council can vote. Johnson and Reid agreed. Reid does not want to wait 90 days to have a meeting though.

It was pointed out that the Council could override this motion with another motion at any subsequent meeting.

Collins is concerned that if we tell the public we are waiting 90 days to make a decision and then we don't wait, we are breaking down the public's trust.

VOTE: A vote was taken on the motion and it passed 4-2, with Collins and Coburn voting no. This does not preclude discussion about options during the 90 days; it only precludes decisions about how to spend it.

Hare would like the Council to give the staff guidance on the process for the next PepsiCo work session.

Johnson wants all the e-mail suggestions sent in by the community to be compiled on a list. She has not had time to read all of them. This would also help citizens to know they were heard.

Olsen strongly supports Delapoer's idea to form the 53rd Avenue URD to fund the overpass. He would like staff to make revenue projections for the URD based on the property being occupied. Staff explained that making such projections would be difficult since we do not know what kind of industry would move there. Delapoer suggested we inquire with PepsiCo and the Piano property owner to see if they have forecasts they might share based on their industries. Delapoer also pointed out that they control the property and the sale of it, not the City. Staff will estimate potential revenue from the URD based on the property being occupied in years 2, 3, 4, and 5, so the Council can evaluate the risk.

Olsen wants to generate jobs in Albany.

Johnson reminded the Council that PepsiCo had an enterprise zone. Delapoer said if we had an URD we would not offer an enterprise zone because then we would not have tax increments to pay for the improvements. It would not be practical and we are not obligated to do so.

Reid is disappointed that Linn County contributed \$1.5 million to the PepsiCo project yet is getting nothing out of the settlement and a repayment to them is not listed in the proposals tonight. Also, they weren't invited to this meeting. He said it is not conducive to good relations with Linn County. Hare said he invited Linn County Commissioner Roger Nyquist to the meeting. Hare said he and Nyquist had a long discussion about economic development. Nyquist declined to attend the meeting tonight, though he did share with Hare how he thinks the money should be spent. Hare agreed with Reid that Linn County is a good partner to the City. Hare said the \$1.5 million was in exchange for the City's commitment for maintenance of Lochner and Ellingson Roads. The benefit to Linn County was that they were able to unload an ongoing maintenance issue via a road transfer agreement. It is not uncommon for agencies to have these types of agreements.

Reid thinks the \$1.5 million for the two roads should have been included on the lists. Collins noted that since we are responsible for those two roads, perhaps we should put money aside and that is not on tonight's list either.

Christman wants staff to categorize the list of projects as follows: economic development, city facilities, pay down City debt, and help for water and sewer rates.

Coburn said, our intent was to build a plant to get the jobs, but we are left with the money instead. We could consider what benefit there would have been to the community if PepsiCo had built and provided jobs, and spend the money in such a way that it would mirror that scenario. For example, the state and County would have benefited from additional tax revenues; the citizens of Albany would have benefited with jobs and hopefully rate stabilization in the water and sewer rates; the schools would have benefited from increased property taxes; and the City would have benefited from increased property taxes and increased revenue from the sale of water and sewer. Coburn said he struggles with spending all or most of the money in one area, such as just economic development, because as he demonstrated with his examples, there are many factions that would have benefited from the plant being built. As another example, he described that when public buildings are constructed the agency allocates certain percentages to be spent on different categories (such as art or green energy); Albany could follow the same kind of model for how we spend this money.

Olsen said, if we spend it on economic development, all the things Coburn identified would happen automatically. The bonus is that since we are the ones loaning the money, we are also earning the interest.

Coburn understands the concept of the 53rd Avenue URD, but there is a risk. What happens if we pour all the money into it and it doesn't sell for 20 years. What then? It is still a risk.

For the next PepsiCo work session, staff will compile a list of all suggestions from the Council and from citizens and categorize them according to Christman's four categories (economic development, city facilities, pay down City debt, and help for water and sewer rates.) Staff will also make projections of urban renewal revenues generated by development of properties in the 53rd Avenue area.

Collins believes the Thornton Lake project should be categorized under City facilities. Also he has a plan for the Thornton Lake project that includes funding that is a combination of Taylor and Delapoer's plans. It will be included in the next work session agenda packet.

Olsen has heard a lot of support for the Carousel.

Collins asked, is there anything the Council can agree to take off the list? There were no suggestions.

Staff will schedule a future work session to be held in the Council Chambers and to be streamed.

COUNCILOR COMMENTS

Olsen mentioned that the clock tower at the train station seems to have the wrong time. Staff will check.

Johnson said a woman commented to her that there is something going on every weekend in the Willamette Valley.

Collins asked for an update on progression analysis for Lowe's and ODOT. Shepard said that Kittelson will be starting work at anytime. The first step is getting the scope hammered out with ODOT; then Shepard, Delapoer, and Perlenfein will come to an infrastructure funding agreement. Collins is concerned about the timing because Lowe's had a specific contractual closing deadline. Shepard said that Lowe's indicated they will not close until ODOT issues the permit, sometime in December or January. Collins asked Shepard to double check the deadlines with Lowe's.

CITY MANAGER REPORT

There were no comments from the City Manager.

ADJOURNMENT

There being no other business, the Work Session adjourned at 9:47 p.m.

Respectfully submitted,

Mary A. Dibble, MMC
Deputy City Clerk

Reviewed by,

Stewart Taylor
Finance Director