



APPROVED: November 14, 2012

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, October 17, 2012

MINUTES

Advisory Board Members present: Russ Allen, Rich Catlin, Jeff Christman, Bill Coburn, Floyd Collins, Loyd Henion, Bessie Johnson, Gordon Kirbey, Sharon Konopa, Ray Kopczynski, Chuck Leland, and Dick Olsen

Advisory Board Members absent: Mark Spence (excused)

CALL TO ORDER

Chair Rich Catlin called the meeting to order at 5:15 p.m.

APPROVAL OF MINUTES

September 19, 2012

Richard Kellum came forward to request a revision to his comments under *Business from the Public*. He said that what he had tried to say was that with inflation over a 25-year period, you could start with the tax base, not for CARA but for the City, at 50 cents and because of inflation you could have expenses of \$4.00 or \$4.50, and he used the example of diesel being at 50 cents in 1987 and \$4.50 now.

MOTION: Loyd Henion moved to approve the September 19 minutes with the requested revision. Jeff Christman seconded the motion, and it **passed** 12-0.

SCHEDULED BUSINESS

Business from the Public

None.

Continued Review of CARA Policy Items – Project Types/Decision Making

This agenda item was held to the next meeting.

CARA Line of Credit – Next Steps

Urban Renewal Manager Kate Porsche said that the CARA Advisory Board has a \$5 million line-of-credit (LOC) with Bank of America. To this point, just under \$2 million has been drawn down and there is about \$3 million remaining. The budget anticipated and gave the authority to draw down the \$3 million for projects if the Advisory Board and Agency so chose.

Porsche said that, until now, the CARA Advisory Board has borrowed on lines-of-credit and decided on funding as projects come forward. A more typical approach is one where districts borrow for public infrastructure projects and use cash on-hand from tax increment for private projects under whatever policy program they create; this is an approach that staff, bond counsel, and the financial consultants very much embrace. When an urban renewal district borrows money to do public infrastructure projects in their urban renewal plan, they are allowed to use the full faith and credit of the city they work with in order to get a much

better interest rate. If the decision was made to draw down the remaining LOC and use those funds for public projects, the difference would be about 1% to 1.5%, or roughly \$300,000 to \$500,000 in interest over the life of the loan. One of the reasons that staff supports moving forward with a full draw down of the LOC is that pending ballot measures could potentially have a serious effect on the City of Albany which means that the urban renewal district's ability to use the full faith and credit of the City could be affected.

Porsche distributed and reviewed *LOC Full Draw-down Scenario with COA Full-Faith and Credit for Infrastructure* (see agenda file). She said this scenario was created with the help of the City's Finance Director and with feedback from the financial advisor and bond counsel. It is a very clean, very typical paradigm that uses cash on-hand for administrative costs and private/public partnerships and assumes the full draw down of the LOC for public infrastructure projects. The questions for the Board are whether it wants to draw down the remainder of the LOC and, if so, does it want it borrowed on in a way that would make it available primarily for public projects.

Porsche said that her calculations show tax increment of \$1.3 million next year and \$1.4 million in 2014-15 that could be used for public/private partnerships.

Catlin noted that the Albany Revitalization Agency (ARA) previously made a decision to suspend funding of projects. He asked that the ARA members first give their thoughts on what to do with the LOC.

Floyd Collins asked when the next opportunity for borrowing would be if the LOC were drawn down. Porsche said that one of CARA's obligations will be paid off at the end of 2015; that may be an opportune time to borrow or there may be an ability to refinance existing debt and borrow sooner.

Jeff Christman asked if the borrowing timeline would change if the LOC were not drawn down. Porsche said that not drawing down the LOC would result in less debt service payments and, one could argue, allow CARA to borrow sooner. There is the outstanding question about the effect of the ballot measure should it pass, which could result in interest rates being higher and the amount we could borrow being less. Porsche commented that the reason urban renewal districts borrow is that the sooner you get projects in, the sooner those projects make a positive difference in the community and the sooner you wind up the urban renewal district and get the additional assessed value on the tax rolls.

Bill Coburn said the question is why would we borrow money and pay interest when there are no projects lined up? Porsche said that if the LOC is not drawn down before the expiration date of December 31, 2012, another process would be required to borrow money which costs money and time. If the Advisory Board and Agency can come to policy decisions about which public projects to spend money on, it will be less costly to pay interest for few months than to go through the entire process to get qualified on another loan.

Ray Kopczynski said he likes the information on the handout that separates out cash on-hand for private projects and loan proceeds for public infrastructure. He asked where the debt service is showing. Porsche said it is included under cash on-hand. The budgeted amount includes one payment on the LOC as well as payment after the first of the year for the full draw down amount.

Dick Olsen said some of our customers have had a hard time borrowing money from other sources because it looks like the City is sitting on its hands and not doing much. He wonders if we should draw down the LOC and pay a little interest while we figure out how to spend it rather than letting it go and having to go through the loan process again. He also wonders if the banks are wondering why the City is having money set aside and then not using it. He said that Linn County has an unemployment rate of around ten percent; it seems we might do our part to get the economy going again by taking this money and starting projects that will employ people.

Porsche recalled discussion at the last meeting about the need for clear policy direction regarding the percent to be spent on private vs. public projects. Staff would suggest that this is the point at which that policy choice could be made.

Coburn asked if the City Attorney or City Manager have any comments.

City Manager Wes Hare said this is a policy choice about how to use this urban renewal tool which cities often use to create or stimulate economic development within a community. There are a broad number of projects within the plan that would be worth consideration. There have been some substantial private investments made based on the assumption that Water Avenue would be improved; that is an example of one big project. The City of Corvallis made huge public investment in its waterfront and a huge private investment followed; that is one model the Advisory Board might want to consider. Or, it could say this is a time to be really conservative.

Porsche distributed a graphic showing *CARA Projects by Type* (see agenda file). The graphic shows about 81 percent of projects have been private partnerships and 18 percent have been public projects; the urban renewal plan calls for 65 percent public projects.

City Attorney Jim Delapoer said he has no input on the question of whether to draw down funds or spend money on projects – those are policy decisions. But he wants to reinforce that if the Advisory Board wants to use the money next year, it will be dollars ahead to draw down the LOC now rather than go through another process to borrow money.

Collins said, with regard to using the cash on-hand for private partnerships, there are three options: fund private projects that come in, build up the reserve to have an ability to respond to future requests, or do what the Linn County Commissioners have asked and under levy. He asked what would happen if the \$3 million was drawn down but not used on public projects in accordance with the plan. Porsche said that bound counsel has said 85 percent of the funds would need to be used within three years. Delapoer said that there are likely fees or penalties for not using the money appropriately, but he is not sure. Collins noted that future Advisory Board and Agency members will have an opportunity to decide which public projects it wants to fund; there are many of them in the plan.

Bessie Johnson said she is in favor of drawing down the LOC. If it is not drawn down and we have to borrow again, there would be borrowing expenses and unknown interest rate.

Christman asked what it would cost to borrow early next year if the LOC is not used and not considering the potential effect of the ballot initiatives. Porsche said the borrowing costs are estimated to be between \$20,000 and \$50,000. Christman said it is difficult to do a cost/benefit analysis without that data. Delapoer said that staff could research what the borrowing costs would be if so directed. Due to the timeline, he said the Advisory Board could make a recommendation that the Agency make a final decision based on a specific cost analysis.

Olsen asked what effect the initiatives, if they pass, would have on CARA's ability to borrow more money. Delapoer said that the provision limiting city debt may create uncertainty, and staff has been told there is a risk of higher interest rates or fewer institutions interested in loaning to the City. Olsen said that, given this uncertainty, it seems we should draw down the money while we have the ability to do so.

Henion said there are a lot of public projects in the plan; he thinks we should figure out some good investments, draw down the money, and get on with it.

Gordon Kirbey said that the ARA previously voted to suspend projects and he hasn't heard that they are willing to change the suspension. Catlin said that, due to time constraints, he was hoping to get a recommendation from the Advisory Board to the ARA about this issue. Kirbey said he is hesitant because the Advisory Board was not asked for its recommendation before the ARA made the decision to suspend projects.

Coburn said that urban renewal is a good tool used by cities throughout Oregon; he is in favor of the urban renewal program as a tool. The Advisory Board is working through a list of policy items and he thinks that is a prudent process to refocus and position to be ready for opportunities. He thinks it probably makes sense to draw down the LOC and pay interest for a few months, anticipating that we will move forward on projects. He has fully intended that we would continue to move ahead with investment in the CARA district.

MOTION: Coburn moved that the Advisory Board recommend to the ARA that we draw down the balance of the line-of-credit. Kirbey seconded the motion.

Porsche asked if the intent is to draw down the balance for public infrastructure projects. Coburn said that he would want flexibility in case a great private project came in. Hare noted that the rate of interest could be dramatically lowered if the draw down is dedicated for public projects and that CARA has other resources and potential borrowing capacity for private projects that might come in the door.

Coburn clarified that the motion is to draw down the balance of the LOC for public projects.

Russ Allen asked how confident we are that the ARA will green light projects early enough to make it financially feasible to draw down the LOC. Porsche acknowledged that it would not make sense to draw down the money and pay interest if no projects are going to be funded. However, drawing down the money now to pay for public projects next year would save money. Collins added that it would not be necessary to define the specific projects at this time.

Sharon Konopa said that we need to get moving and get the momentum going; public projects will spark interest in private projects. She noted that David Johnson put \$7 million into his project; he was relying on the urban renewal plan to be fulfilled or he would not have invested that money. She said that Water Avenue is in the design phase and the design is almost done for Broadalbin Street improvements including sidewalk replacements. There are projects we can get moving forward on.

Christman said the savings in interest that would come from borrowing for public projects using the full faith and credit of the City would still be available for future borrowing even if the LOC was not drawn down. Porsche noted that there is the question of what effect the ballot initiatives would have on interest rates.

Collins said that his original concerns included the need to look at the mix of private projects and public infrastructure to ensure there would be enough tax increment to make the loan payments. He now has information that we have the ability to fund infrastructure and make the loan payments and his comfort level has increased.

Johnson said that it may have been wrong for the ARA to make the decision to suspend projects without asking for a recommendation from the Advisory Board; she thanked Kirbey for raising that issue. Kirbey said there has since been movement in a positive way. Henion said he now thinks the timeout was a good idea; it is creating good discussion and will get a better result.

Allen said his concern is that the motion recommends drawing down funds but spending on projects is still suspended; there may be an assumption that there will be a resolution to allow projects to move forward but that is not in the motion. Konopa said the motion could be amended to recommend that the suspension be lifted. Catlin said he thinks that is implicit in the discussion.

The motion **passed** 10-2, with Christman and Leland voting no.

Staff Updates and Issues

None.

BUSINESS FROM THE BOARD

None.

NEXT MEETING DATE

The next meeting of the CARA Advisory Board is scheduled for Wednesday, November 14, 2012, 5:15 p.m., in the Council Chambers.

ADJOURNMENT

Hearing no further business, Chair Catlin adjourned the meeting at 6:46 p.m.

Submitted by,

Reviewed by,

Signature on File

Signature on File

Teresa Nix
Administrative Assistant

Kate Porsche
Urban Renewal Manager