



APPROVED: December 19, 2012

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, November 14, 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, Mark Spence, and Dick Olsen

Advisory Board Members absent: Chuck Leland (excused)

CALL TO ORDER

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

APPROVAL OF MINUTES

October 17, 2012

MOTION: Ray Kopczynski moved to approve the October 17 minutes as presented. Gordon Kirbey seconded the motion, and it **passed** 12-0.

SCHEDULED BUSINESS

Business from the Public

Aaron Watts, representing the United Steel Workers Local 6163 Union, gave an update on funds granted from CARA for their training center project. He said that the Union is unable to secure the purchase of the Salvation Army property at this time. He thanked CARA for the loan and said that the funds won't be used at this time. He went on to say that he believes in the work that CARA is doing in the community. He said that the Union will continue to pursue a training center site in a different location.

Update on Line of Credit

Urban Renewal Manager Kate Porsche discussed the Bank of America line of credit. She said that last month the CARA Advisory Board reached consensus about the idea of changing to a more typical paradigm of borrowing for Urban Renewal to do infrastructure-type projects because this would allow for the best interest rate possible. She said that cash the group had agreed that on hand would be used for public-private partnerships. After last month's meeting, Porsche met with Finance Director Stewart Taylor and the City's financial consultant about different credit options and what Bank of America might be able to offer in terms of extending the timing of the line of credit and the potential for full drawdown. She said that the rate Bank of America offered for the conversion of the line of credit to long-term financing was not very favorable. Additionally, Bank of America wanted to charge an extension fee in addition to the charge they are already paying on any unused portion of the line of credit. She said they began to think about what CARA's goals are. If the goal is to have some funding available (around three million dollars) for infrastructure projects, then does it need to be with Bank of America? She said the group thought about a different plan. What staff is considering now is paying off the \$1.97 million dollar line of credit balance and then researching rates in January 2013 for new borrowing; this would allow staff to find the best interest rate available to CARA. The financing may include refinancing of old debt from 2007 because the debt has a high interest rate of about 4.85 percent and 6.25 percent for the two existing loans.

The rates and structure offered by Bank of America would require a payment of the fee and costs related to the extension and preparation of the paperwork; a payoff of the line of credit would be a better financial move. There is cash available to pay off the line of credit, and CARA is still on track to do the larger borrowing for public infrastructure projects in January 2013. The payoff of the line of credit would allow CARA to save money now. Porsche went on to say it is an agency decision, but she is bringing it forward to the CARA Advisory Board because the Board had a discussion about the line of credit at last month's meeting. She summarized that the plan is to pay off the \$1.97 million to Bank of America and then work on new loans for public infrastructure work and potentially refinance the debt that has a high interest rate.

Floyd Collins asked what the outstanding value of the debt is. Porsche said that the 2007 tax-exempt debt is \$2.822 million and the taxable amount is \$764,000. She said that one scenario she is considering is paying off the taxable debt because it carries the highest rates. Collins asked what the current cash balance is. Porsche said that there is at least \$2.4 million dollars and there should be enough to pay off the \$764,000 portion from 2007. Collins said that there wouldn't be enough to pay off the taxable amount. Porsche said that it is pretty close because CARA saves money and doesn't have to make a payment on the taxable piece. She said that CARA will likely be able to pay off the full amount.

Bill Coburn asked if staff will be able to get better rates next year. Porsche said yes, staff should be able to find a rate that is a half point less than where we are at now.

Kopczynski said that he would like to see something on paper so he can better understand the current balances CARA has and where we are now with each of the accounts with Bank of America.

Jeff Christman said that this is about CARA paying off a loan, saving on interest, and then seeking a better rate in January to re-borrow. It is shifting the debt and getting a better rate in order to save money

Porsche said that the question is if CARA wants to use cash on hand to pay off the \$1.97 million which saves CARA from paying the interest and the fee associated with having the line of credit. She said that this is a good way to maximize dollars and minimize fees and interest payments.

City Manager Wes Hare said that the reason for this strategy is to avoid paying for the availability of the money when there is no benefit. If CARA was lending out sums of money regularly and there was a demand for resources, then it might make sense to maintain the line of credit. He said that CARA's activity level has been low and has been paying a fee and higher interest rates for no reason. This will cut the interest costs but will still allow CARA to accomplish its goals. He said the reason the analysis gets complicated is because there are many different scenarios that could occur when refinancing.

Catlin said that it is before the Board tonight because the line of credit was discussed last month. Porsche said that a motion from the CARA Advisory Board would be helpful because it solidifies a resolution for the ARA. Catlin said that this doesn't change the way CARA does business for the next six months. Porsche said that is correct; it doesn't significantly change anything.

Bessie Johnson said that she agrees with Kopczynski and wishes that the Board had something to look at. She said that the Board doesn't get to participate in the banking part of this process and appreciates Porsche's and Taylor's work on this. She asked if CARA paid off the debt, will staff be certain as to what the rate will be in January. Porsche said that staff won't know until January. She said that CARA has the option to leave the funding in place with Bank of America. This would mean extending the loan with Bank of America, paying interest on the \$1.97 million, paying half of a percent on the three million that hasn't been drawn down, and paying other fees to the bond counsel and the financial advisor to draw up documents. Johnson asked if staff could go to another bank and ask for a better rate before the deadline is up. Porsche said that staff is under a very tight timeline because the line of credit expires December 31, 2012, so there is not time to go out to other banks now. She said the financing is complicated. CARA will need to either extend with Bank of America or pay off the line of credit in order to save money. Johnson asked if the perception of what is going to go on the ballot will make a difference to the banks. Porsche said no.

Mark Spence said that paying the \$1.97 million dollars means CARA can wash our hands of Bank of America. Porsche said yes, but Bank of America is one of the few urban renewal lenders, so CARA could end up going with them again.

Hare said that what we are talking about is trying to get cheaper money because it is better secured money. The line of credit is money that is immediately available, but it is only secured by Bank of America's belief that we are going to pay it off, so they charge a higher rate for that money. He said what takes some time, is the documentation of the ability to repay. The savings results from having better security just as you would if you were financing a home. It is not a complicated concept; it is just that the execution gets complicated when dealing with public bond issues.

Spence said that the driving issue isn't that CARA wants to have three million dollars on hand but that we hit a bump in the road and want to save money. Porsche said that there are two issues: we want to borrow three million dollars for public projects and we want to get the best possible interest rate.

Russ Allen asked what is important about the three million dollar amount. Porsche said that it is the amount CARA had been approved for before and it is a figure that the Board has been comfortable with. Allen said that while the rates are shopped, it will reduce the flexibility of CARA. Porsche said that is correct; she said the other timeframe she is cognizant of is the potential impact of the ballot measures that could affect CARA's ability to use the City's full faith and credit for borrowing so would recommend having the loan closed prior to March. She would like the Board to think about what public projects they would like to do, bring those ideas back in December and January, borrow the needed funds, spend it on the infrastructure projects, and have everything wrapped up prior to March.

Collins asked if the existing balance includes the receipts from the latest tax collection. Porsche said that it does include that amount. She said that her analysis includes the budgeted amount of \$1.7 million in tax increment; she said that Taylor has heard from the tax assessor that the actual receipts will be two million. She didn't include the extra \$300,000 in her analysis as a cushion. Collins asked if the 2007 taxable amount was all for public/private partnerships. Porsche said that it was.

Kirbey said that he is unclear about how a lender evaluates the ability to pay back the money with the knowledge that there are issues out there that can drastically impact CARA. Porsche said that until something is passed by the voters, it is not on lender's radar. Hare said that neither of the initiatives affects the City's ability to repay the money. Collins said that CARA has full disclosure and the City's bond counsel has told the Board this.

Christman said that he sees this as a two-step process; the first step is paying off the line of credit to save money and then decide on the amount of funds to borrow for the projects that need to be taken care of. He said that it isn't that complicated. He said that it is great to pay off the debt and save some money. A lender is not going to look at the ballot measures; they are going to make sure there is a cash flow to pay the loan off.

Johnson said that the October 17 minutes indicate that a motion was made to draw down the line of credit. She asked if that motion doesn't mean anything. Collins said that there is additional information to consider now, and that is why staff has brought this issue forward. Porsche said the crux of the question really hasn't changed; it is still "should CARA borrow the money at the most affordable rate?" Collins said that a new motion would supersede the motion from last month.

Coburn said the cash-on-hand would probably be limited for a period of time. Porsche said that is correct; there will probably be \$200,000-\$800,000 available. Johnson asked if there is a guarantee that CARA won't end up paying more fees and charges. Hare said that a bank will give us a better rate if better security is used and that is what is being proposed. CARA will be in a better position to finance in a cheaper manner. He said CARA is not confronting some immediate demand that it cannot meet. This is about managing the resources to get the most out of them.

Porsche said that next year's cash flow will be \$1.2 million dollars which will be available July 1. The harder policy making is for public/private partnerships. She said that it does affect this fiscal year's cash flow, but the harder policy making decision is what the Board has to do for the public/private partnership.

Catlin asked if it is possible to split the payoff from cash so that we pay off the balance of the line of credit and defer the decision on the 2007 debt. Porsche said that the 2007 debt isn't on the table tonight; it will be part of the analysis that will come forward at a later time. What is on the table tonight is the full amount of the line of credit which is \$1.97 million dollars. This amount can't be split up.

MOTION: Spence made a motion to direct staff to proceed with paying off the \$1.97 million dollars plus accrued interest and closing the line of credit with Bank of America. Kirbey seconded the motion, and it **passed** 12-0.

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

Porsche referred the Board to page seven in the agenda packet. She said that two columns have been added to the right-hand side that summarize the topics that have already been discussed.

Catlin directed the Board to number five, Public Projects.

Collins said that his first question to consider is if a specific project is within the scope of the original plan. He said another question would be if a project is preceding private investment or in conjunction with private investment.

Spence said that a third condition could be if the private project is occurring after public funds have been made. Collins agreed. Catlin said that there is a geographic component to consider as well.

Sharon Konopa said another consideration would be how the public project would benefit the whole district. For example, would fixing a portion of Main Street be as much of a benefit for the whole district versus revitalizing the downtown core first to have a connection to downtown Albany. She said it is important to think about what will benefit the overall district and what people will connect CARA with.

Collins said that the Board needs to consider infrastructure and street improvements. He said it is important to lay a good foundation and build from the ground up. He agrees with considering what projects will be of the most benefit to the entire district and favoring those first.

Coburn said the way that CARA is going to repay the loan is by an increase in value on the property. He said if there isn't an increase in the property value, then there isn't a return. He said that there is a value to tying public and private projects together.

Johnson asked if loans versus grants have been discussed. She said that she missed a couple of meetings and didn't know if that has already been addressed. Porsche said that it hasn't been discussed yet, but it is on the list.

Collins said that before we go in debt to borrow money for public projects, he wants to make sure we have the TIF to drive the repayment schedule. He said the information that Porsche provided at last month's meeting, showed that 65 percent of the original plan is for public improvements and 35 percent is for private improvements. He would like to see the TIF information being brought to the CARA Advisory Board on a quarterly or semiannual basis so that we are able to make sure there is sufficient cash coming in to pay for debt for X number of projects. Porsche said that when banks loan money to CARA, they are taking a close look at this as well because they need to know that CARA has the funds to repay them. She said that there needs to be a balance of the public projects in order to create a ripple effect.

Spence said that he wouldn't want quarterly reports to drive decisions that operate on a three- to five-year window. He said that returns can take a while to show up. Collins said that the analysis would be considering if there is a sufficient margin from past actions to pay the debt that will have a return in the future. It is important to consider past decisions.

Coburn said that CARA is steering the development to get private investment. Part of the responsibility of the CARA Advisory Board is to have a definitive plan and making sure that due diligence has been done so that we can attract private developers. Hare said that in the history of urban renewal in Oregon there has never been a default by an Urban Renewal Agency. The issue is how to get the best return on the investment.

Loyd Henion said that if the Board looks at what public projects to do first, it should first address any bottlenecks and areas where the most obstacles are. It is good to have some successes as early as possible.

Allen asked if the projects have been prioritized. Porsche said that there is an early implementation plan and the retail refinement plan. Porsche will give Allen a copy of the retail refinement plan. She said that CARA has not prioritized the projects yet. Allen said that he understands some projects have to precede other projects. He asked if the Board will come up with some type of point process to evaluate projects. Porsche said once the Board has gotten through the list in the agenda packet, staff will start working on policies to bring back to the Board. The policies and guidelines will be used by Porsche to evaluate and review projects in order to bring them back to the Board for their consideration and decision.

Christman said that if the Board wants to be proactive about the direction of where urban renewal happens, then it is important to identify the areas and then the projects. He said once the public framework is put together, then the private development will happen. Catlin said that he agrees with this.

Olsen said that the Board needs to keep in mind that we have consultants who have been working on this project for many years. He said George Crandall specializes in revitalizing crumbling downtowns and has been successful doing it. It is important to consider Crandall's recommendations and guidance.

Spence said that Albany is competing with other cities within Oregon. If Albany doesn't have something unique about it, then it will be hard for Albany to compete. He said the one thing that distinguishes Albany is the downtown set in an extraordinary situation which is the confluence of the two rivers. He said it is important to consider what developments will reverberate throughout Albany and benefit the whole town so we can continue to compete and attract more development. He said that this is a guiding sentiment for him.

Kirbey said that the discussions about First Avenue were as openly conflicted as the discussions the Board is having now. In that discussion, the Board didn't know what the impact of that project was going to be. He said the Board has learned a lot from that development and can look back to see the history of making a public investment that encouraged private investment.

Kopczynski said that if there are some geographical areas that the Board would like to focus on, then it would be advantageous to do some public investment in that particular area.

Catlin said that he would like to wrap up this discussion for now. He said the next item on the list is number six, Private Partnerships. There has already been some discussion on this and the Board will come back for further discussion at a later date.

Catlin said the Board will talk about number seven, Project Evaluation. He asked if the Board is interested in a point system for decision making.

Kopczynski said that the point system is a good thing to do, but we have to follow it in order for it to work correctly. If the Board doesn't believe what they are reading based on staff's input, then the system doesn't work. Porsche said that what she has learned over the years is that when there is not a policy framework to follow and the Board has a project that looks pretty good in front of them, it is hard to turn it down. She said the Board needs a policy system that they can point at to help guide their decisions.

Christman said that having guidelines and some sort of prioritization will help guide decisions. He said there needs to be some kind of weighting system for the times when the Board is reviewing multiple projects at one time. The Board can then decide what project fits in the prioritization guidelines best. He said this will also give staff a framework to answer the questions before the projects ever come to the Board. Porsche said that she agrees with this.

Collins said that a weighting or point system is good, but there still needs to be an evaluation of the project. A weighting system can be used as a guiding tool but shouldn't be the final decision maker.

Olsen said that part of the problem is developers show the Board a project and the Board feels obligated to make a decision right away. He suggested waiting until the next meeting before making a decision on projects.

Kopczynski said that it has only been once or twice where there have been more applicants than money available. He said it is hard to say no when the applicants are the only ones with a project before the Board.

Johnson asked what the Board will be doing differently and if it will become more stringent. Catlin said the Board is looking more at where a project falls in regards to the priority list. He said it will be a softer approach that will still leave room for some negotiation.

Konopa said that she agrees that there does need to be some sort of prioritization system. She said that it should include a community benefit category. She used the Carousel as an example; it is a huge community benefit and a downtown area attractor.

Allen said that he is concerned about the term community benefit. He said CARA should focus on the reason it exists which is to remove blight and increase tax values. The criterion needs to drive the goals and core aspects of CARA.

Coburn said that he is looking for a similar tool for the public improvements CARA is going to do. It can be similar to the form Porsche uses for private/public investment. He said that George Crandall's recommendation is a tool that can be used, but he also wants to consider driving development in a certain geographical area, too.

Spence said that the Board does need criteria for these projects. These criteria will help the process and back up the decisions made by CARA.

Catlin said that the Board may end up with two different approaches. On the public side, he would like to list the potential projects that need to be funded and then prioritize them based on importance. Porsche said she likes that idea. There are 51 projects, and it is a great idea to go through and look at the projects and decide which ones take precedence.

Coburn asked if there is an opportunity to look at the list with Public Works to see if any of the projects match up to what they have planned. He said this could also be used as criteria. He said another criteria could be the potential for private development to follow along with the public improvements.

Porsche suggested nailing down the public projects component so it will be easier to figure out the private partnerships. She said next month's meeting can include a review of public projects. She said that she will meet with Public Works staff to see what Capital Improvement Projects will be taking priority.

Olsen asked about the east anchor. Porsche said that this is something the Board should be thinking about as it is listed in the retail refinement plan.

Johnson said that one of the main things that bring people in is water. She would like to see something done with the paths along the river. She believes CARA needs to go a little bit further to improve the blight along the canal and waterfront.

Catlin said that he believes the Board can check almost everything off of the list with one more meeting. He suggests sticking to the list for next month's meeting and then focus on ordering the public projects in January.

BUSINESS FROM THE BOARD

None.

NEXT MEETING DATE

The next meeting of the CARA Advisory Board is scheduled for Wednesday, December 19, 2012, 5:15 p.m., in the Council Chambers.

ADJOURNMENT

Hearing no further business, Catlin adjourned the meeting at 7:10 p.m.

Submitted by,

Reviewed by,

Signature on File

Signature on File

Diana Eilers
Administrative Assistant I

Kate Porsche
Urban Renewal Manager