



APPROVED: May 7, 2015

**CITY OF ALBANY
ARA Budget Committee Meeting
City Hall Council Chambers
333 Broadalbin Street SW
May 6, 2014
6:30 p.m.**

MINUTES

CALL TO ORDER

Chair Susan Folden called the meeting to order at 6:30 p.m.

ROLL CALL

PRESENT: Albany Area Revitalization (ARA) Budget Committee Members Sue Folden, Colleen Keller, Jeff Christman, Dick Conolly, Scott Pierson, Michael Thomson; Mayor Sharon Konopa; and Councilors Rich Kellum, Floyd Collins, Bessie Johnson, Ray Kopczynski, and Dick Olsen. Member Will Summers arrived at 6:35 p.m. Councilor Bill Coburn arrived at 6:52 p.m.

ELECTION OF OFFICERS

- a. Chair
- b. Vice Chair
- c. Secretary

MOTION: Councilor Rich Kellum moved to nominate Member Sue Folden to Chair; Member Jeff Christman to Vice Chair; and Member Colleen Keller to Secretary. Councilor Floyd Collins seconded the motion and it passed 12-0.

ADOPTION OF MINUTES

- a. May 14, 2013, ARA Budget Committee Meeting

MOTION: Councilor Ray Kopczynski moved to adopt the May, 14, 2013, ARA Budget Committee Meeting minutes and Kellum seconded it. The motion passed 12-0.

SCHEDULED BUSINESS

Business from the Public

There was no business from the public.

Budget Message

Economic Development & Urban Renewal Director Kate Porsche explained the documents in the agenda packet. Porsche gave a Power Point presentation (see agenda file).

Porsche said she is an Oregon State University graduate, where she obtained both her undergraduate and Master's degree in public policy in 2012. She is also on the board of the Oregon Economic Development Association and is President of the Oregon Redevelopment Association Group, which is a group that specializes in best practices for urban renewal around the state. Porsche also owns a historic home and said she is personally committed to economic development in Albany.

Porsche explained Central Albany Revitalization Agency (CARA)'s relationship to the Strategic Plan (SP). CARA is the fourth goal in the SP; it is specifically called out and there are specific goals related to the funding of projects.

Porsche showed a map with cities using urban renewal. It is one of the few economic development tools that exists; another is enterprise zones. There are over 100 urban renewal districts (URDs) in Oregon. URDs exist as a finance mechanism to address blighting influences. Blight is defined as run-down and dilapidated buildings but can also be the absence of infrastructure.

Member Will Summers arrived at 6:35 p.m.

Porsche said in Albany, URDs have been used since the 1970s. Porsche displayed a map that showed the original district which was used to fund infrastructure related to the central commercial district, where Fred Meyer is now. Albany also created the Oak Creek Urban Renewal Area for the PepsiCo/SVC project, which has since been closed. CARA is the only URD in place now.

Porsche explained that an URD must define its maximum indebtedness in its Plan. For CARA the amount is \$56 million.

Porsche showed another map that displayed different zoning in the CARA Plan. The Plan is heavy with public infrastructure projects, with over 65% of them being that type of work. However, so far much of the work has been partnerships with public and private entities that are funded through grants and loan programs.

Porsche explained the structure of the 14 member CARA Advisory Board. It includes seven lay people and is the group that hashes out the policy and funding recommendations, and the ARA makes the final decision. The ARA is a separate government agency than the City of Albany.

Porsche illustrated how the tax increment is calculated based on declining property values. The “frozen base” is established and the increase in assessed value in that area will go to the urban renewal agency in the form of income. The tax increment is put back into projects that will eliminate blight, increase public safety, and create a stronger economy. At the end of the URD, the result is a stronger community and a higher tax base than there would be if nothing had been done. Porsche said it is similar to saving early for retirement. It is investing strategically in key projects to see improvements throughout the area.

The “Impact on Taxing Districts” table shows the costs and benefits. It is published annually and outlines the costs. It includes the money forgone by the taxing districts. Porsche pointed out the three local option levies (Linn County Local Option, the Linn County Local Option 2 for the proposed Sheriff’s levy, and the City of Albany public safety levy). She also pointed out that Greater Albany Public Schools (GAPS) is called out because the urban renewal does not have a direct effect on GAPS, rather it affects the state’s pot of funding. The revenue per pupil is still coming from the state because the legislature has deemed urban renewal to be an important enough tool that they backfill and make the education portion to the schools whole.

Porsche said that legislation has changed recently, in her opinion for the better, by fixing a mistake in the Oregon Revised Statutes (ORS). In 2013, Albany’s type of URD, called “window plans”, had an effect on local option levies. It made it so that URDs were required to take funds from the local option levies. She said staff researched extensively ways to give the money back but there was no legal means to do so. In 2013, House Bill 2632 finally fixed the language so that window plans would no longer effect new local options levies after January 1, 2013. So the proposed Linn County Public Safety Levy, if it passes, would fall under the new law and the monies that had been flowing to CARA would no longer. Porsche said there is a caveat in the new law which does allow URDs to opt out if they need the revenue to make bond payments, but the ARA will not be doing that. Porsche said the ARA sent a letter today to the Linn County Commissioners and other Linn County representatives to confirm that the ARA would no longer be taking the funds and fully support the legislation. The amount is \$325,000, should that levy pass. Porsche said they have built the budget to include the funds since they do not know the outcome of the proposed levy. If it does pass they will take it from the reserve project line item.

Porsche said another myth to dispel is that URD increases people’s taxes. On a given property tax bill, there is a line item for URD with a dollar amount. It is confusing because it looks like that person is paying to the URD, yet it is a requirement of the legislature to show it that way. In reality, if there were no URD, the total tax amount would be exactly the same. She said, URD is not an increase in taxes, rather it is the taxing districts that forgo the revenue that funds urban renewal.

Porsche showed a slide that uses a hypothetical scenario to illustrate a key point; that urban renewal creates a greater assessed tax value base than if they had done nothing at all. In other words, a rising tide raises all boats.

Porsche said that for public-private partnerships, so far today CARA has invested about \$10.2 through loans, forgivable loans, or grants. The private funds invested so far are \$74.4 million. When folks make a request, they have to justify why they need the funds to the CARA Advisory Board and the ARA. Porsche said, for every \$1 of public money, we have been able to leverage \$7.30 of private money.

The “CARA by the Numbers” slide showed that the maximum indebtedness is about \$56 million; as of April 2014 there was \$16 million used towards that \$56 million. The balance is \$40 million. The district will be complete when all the maximum indebtedness is spent and repaid. The Plan estimates a timeframe, which is 2026-2027; but CARA is lagging behind time wise because they took a break in project funding and have not been as aggressive in terms of borrowing. She said, we are about 48% through the timeframe but have only spent 29% of the maximum indebtedness.

Porsche gave an overview of the types of work going on now. CARA took about two years off to retool the program and identify how they want to target and focus the investments. There are four active funding programs now and three more related to job creation and economic development that are slated to come online soon. There are a handful of active projects that are under construction or in active drawdown. All CARA funding is on a reimbursement basis; the borrower must submit proof the work was done and their proof of payment before CARA will reimburse. Staff administers 13 loans. Porsche is working with almost 20 active clients right now who are doing a project or are interested in potential projects.

Urban renewal work has helped the community in many ways, including creating: a livable and vibrant community; stronger, safer neighborhoods; 274 new housing units; 130 plus new jobs; and by leveraging \$70 million in private investment. Porsche said that housing is an important element because if there are folks living in the downtown core area then those residents will help to support downtown businesses and economic development. Job creation has been a focus in the past and continues to be. CARA has funded projects that created 130 new jobs, not including restaurant or construction jobs. Examples are Viper NW and Hydration Technology.

Councilor Bill Coburn arrived at 6:52 p.m.

Porsche said that public safety is often discussed in relation to urban renewal and the hard cost that was given up by the taxing district. Defining how URD shapes the community and measuring it can be challenging. The “Public Safety Issues” slide shows the result of a study of eight CARA projects and found that the average number of police calls per year went from 177 to just 38. That is a substantial savings. It is literally saving money and also allowing police officers to have more time to respond to more critical issues. The investment in eliminating blight increases public safety, and that is good for everyone.

Porsche explained some assumptions for Fiscal Year (FY) 2014-15 Budget. She stated some “givens”: to use cash on hand to fund public/private partnerships, and to use borrowed funds for public infrastructure because it gets lower interest rates and is typical for bond counsel action. The current debt is for one loan, 2007 Series A, at 4.85 percent, which matures in 2022. In the current FY they achieved a number of goals: the early pay off of the 2007 Series B Bond which was at 6.25% and was paid with cash on hand; reconstructing CARA programs; and building strong reserves which was a result of the pause that CARA took in project funding.

The “Budget Overview” slide broke down tax increment (\$2.62 million); loan repayment/interest (\$60,000); Beginning Balance (\$2.04 million); and potential for new loans (\$3.03 million). The total is \$7.75 million. Porsche explained that the budget creates the borrowing authority, but it is the ARA that would ultimately make the funding decisions. Expenses total \$1.54 million for admin/program costs; debt service, reserves and loan costs; and final project draws. Porsche said that of the projects still on the books, she assumes all those will do a full draw down this year when she does her cash analysis. If they don’t draw down this year, she will roll the amount into next year’s Beginning Balance. Under projects, Porsche said that the borrowing capacity (to be used for public projects) is \$3.03 million. There will be a CARA Open House on June 4 to seek public input as to prioritizing which public projects citizens feel should be focused on next. The Reserve amount is \$3.18 million, to be used for other projects.

Porsche said the proposed budget includes the reinstatement of a full time equivalent (FTE) employee, in the Economic Development (ED) Officer role. It would increase the FTEs in for CARA administration from .8 to 1.4 FTE. Porsche explained that this position used to exist under a previous Economic Development Director and is the position she started in, but it has been vacant for some time. The “Reinstatement of the ED Officer” slide included a graph that shows the tax increment is now \$2.4 million. The scope has tripled and the workload has increased as well. She noted that this position will not be paid for by the General Fund, but from URD revenues which is in line with one of the best practices goal for urban renewal to pay its own way. The other small piece will be paid from the economic development fund which comes from Transient Lodging Tax (TLT). There is no net effect on the General Fund.

Kellum noted that if the tax increment figure includes inflation then technically that portion would need to be removed to accurately determine what CARA improvements did. Kellum said that when Porsche said there aren’t any additional taxes that is true, however it still impacts the budget. Using street sweeping as an example, he said that they have to decrease services or find another funding source, so it is still coming out of the budget. Porsche agreed but said that on the flip side, there is value on the books now that may not have been there if CARA had not been making the investments. Kellum said that while URD does make money, he doesn’t think it is as rosy as Porsche makes it out to be.

Kopczynski noted that page 3 of the Proposed Budget in the agenda packet includes two pie charts that show the public/private ratio and the CARA projects by type. He asked if going forward the trend would be reversed, in that the public infrastructure will be the largest chunk. Porsche said that is correct, based on what she anticipates the ARA will be interested in funding.

Kopczynski pointed out page 8 of the Proposed Budget, line item 69025 for Reserve Partnerships. He asked, if the Sheriff’s proposed public safety levy passes, will we take the funding from that line item? Porsche said yes, it will come from Reserve Partnerships. She assumes it will be about \$325,000. Kopczynski asked if it would have any material effect on potential leveraging for borrowing power. Porsche said it would not; it is a reserve.

Folden asked if the Sheriff’s levy is the only one that might be paid from the reserve fund. She noticed there were two other local option levies mentioned in Porsche’s PowerPoint. Porsche said the other two local option levies both have a ways to go before they expire. If they were put out for a vote again, Porsche would be sure to account for those changes in the future. She noted that they are less substantial than the Sheriff’s levy.

Christman asked for more information about the Central Service Charge for \$110,000. Porsche said that is calculated by the Finance Department. She noted that what is different is that Central Service Charges have not been charged to CARA before, but now they will because they determined that it is time for it to carry its own weight. Finance Director Stewart Taylor described the methodology used to determine Central Service Charges. The formula is based on three items: FTEs, the operating budgets, and if the department uses assessments. The charges are primarily based on 60% of the department’s operating budget and 40% for number of FTEs. The same methodology is used for CARA, which resulted in a Central Service Charge of \$110,000.

Christman said that page 3 of the Proposed Budget refers to the Retail Refinement study by Crandall Arambula. He didn’t notice any specific projects in the budget in the infrastructure or partnership projects. Porsche said it is all captured in the reserve line items. Some examples of potential projects related to that study are the slip lane and property procurement; it would be a policy decision for CARA and ARA to work through.

Proposed ARA Fiscal Year 2014-2015 Deliberations

Folden said the Committee can now deliberate on the Budget. There were no further questions or statements.

APPROVAL OF RESOLUTION

MOTION: Kopczynski moved to adopt the resolution approving the 2014-2015 Proposed ARA Budget and Summers seconded it. The motion passed 14-0 and was designated Resolution No. ARA - B2014.

BUSINESS FROM THE COMMITTEE

There was no business from the Committee.

ADJOURNMENT

There being no other business, the meeting was adjourned at 7:10 p.m.

Respectfully submitted by,

Mary Dibble
City Clerk

Reviewed by,

Kate Porsche
Urban Renewal Manager