Harrisburg Redevelopment Agency Minutes
June 14, 2017

The Harrisburg Redevelopment Agency met this evening at City Hall, located at 120 Smith St., at the hour of 7:54pm. Presiding was Chairperson Robert Duncan. Also present were as follows:

- Kimberly Downey
- Robert Boese
- John Loshbaugh
- Mike Caughey
- Sarah Puls
- Adam Keaton
- City Administrator Brian Latta
- City Recorder/Asst. City Administrator Michele Eldridge
- Public Works Director Chuck Scholz
- Finance Officer Tim Gaines

Concerned Citizens in the Audience: All present were here for items on the agenda.

<u>The matter of Discussing Finance Options for the HRA Plan; Specifically Revenue Bond for a Loan/Grant Program</u>

STAFF REPORT: Latta told the HRA that back in April and May we had meetings in regards to Revenue Bonds. In April, we raised some concerns about interest rates. In May, we came back with a crash course in bonds. What he has done here in preparation for this meeting is to give you a huge amount of information; likely more than you wanted. One of the first things he wants to emphasize is to make sure that we look at this in the right context. Redevelopment is a completely different animal than other budgets. The nature of it is that you find, and carve up an area that is blighted, and finance money in order to fix the blight. The changes you make brings in more in property taxes, and then funds in terms of taxes over time accrue. The whole purpose of the HRA is to get debt. That's what it is for; although some people don't like the thought of debt. Our Maximum Indebtedness is a little over eight million. We have spent some of that, so we have roughly about four million left. We've spent some of that on the Moore St. improvement. The plan adopted by the agency is that we would sell bonds for identified projects in the plan. The duration of the bonded debt, at 22 years, was also taken in consideration.

On page 4, he's shown interest rates for just the $500,000. Those are shown in table 1. Since the interest rates are higher for this purpose, we would pay it off faster; that why there are only 5 years shown. Table 2 on the next page shows the interest rates for $2.6 million. That is for infrastructure projects, which assumes the debt would be paid back immediately. It would start with 1.05%, and then would grow to 2.97%. [He noted to the side, that Matt Donahue is available via phone if the board has any questions he's not able to answer.] With the $500,000 debt, we would pay approximately $60,000 in interest. If we sold bonds for both the $2.6 million, and the $500,000, the interest rates on the $2.6 million would increase by roughly $190,000. That's because we wouldn't be paying towards the principal on the $2.6 million, until the $500,000 was paid.

The agency had asked how long it would take to acquire the $500,000 needed for that program, if we sold the bonds for $2.6 million; that is shown on table 3. As shown, it would take approximately 8 years to accrue $500,000 for that program. A 3rd option is to not pay the principal payments on the $2.6 million bonds for the first 3 years; which would allow you to accrue more property taxes. Then in year 3 and 4, you would get more payments. You get $500,000 faster in that scenario; however, you also end up going through the maximum indebtedness sooner than the amount of time we had settled on. That would be paid off in 18 or 19 years. The only benefit to that is that you'll pay it out, and resume regular property taxes faster. So the question is, do you want to sell bonds for projects today, or do you want to raise money over time?

The other questions that you had were in regards to the CWCOG (Cascade West Council of Governments), and there are 5 to 6 different programs there. In comparison to what we have available, we have no rules or guidelines, which means each request is evaluated and considered individually by the agency. The CWCOG has much more structured programs. When you create a flexible program, it does mean that you may subject yourself to requests that you don't necessarily want. He noted that they were interested about how much interest that there had been in the program, and there is interest in it. In fact, there is someone in the audience tonight, asking you for some of the $500,000. Finally, the agency was concerned about what to do with the $500,000 if there wasn't interest shown in the program. He described a program that the City of Sandy came up with. In a proactive approach, they identified the buildings that they wanted fixed. They hired an architect, who did some basic mock ups on how the building should look if they followed a cohesive mountain theme. Then they approached those owners, and asked them if they wanted a facelift. If the owner agreed, they did the work for them. Only one person said no; they ended up revitalizing the entire area, without spending large amounts of money. So we don't have to sit back on this money, pay interest, and not do anything. The main issue tonight is, do you want to do these projects or not. His recommendation is that with the streets in disrepair, that we should obtain the money we need for both the capital projects, and the property improvement grant/loan program.

- Mayor Duncan said that he agreed. (As did Puls) He was terrified that we would never get the program paid off, but it's been quite wonderful. We didn't want to do it for nothing, so it would be his recommendation that we move forward also.
- Caughey concurred, and felt strongly that we need to fix the stuff that's broke, not to mention that we have an opportunity to help the community. We'll shoot ourselves in the foot if we don't do it.
- Loshbaugh concurred as well.
- Latta said that he and Gaines had been working on getting the materials needed by Bond Counsel. It's all in the works, and has just been waiting for you to decide how much money you want.

- Caughey wanted to know what they are going to charge us for doing all these bonds? We are refinancing our current bonds, at a lower interest rate, plus we are collecting another $2.6 million, plus a revenue bond for $500,000. If we did anything separately, it looked like it would cost $30,000 each time, but they said that by bundling them, we would save on that.
- Downey knew that it was in the tens of thousands.
- Keaton thought that the main area that we had the question on was whether to proceed on the $500,000 revenue bond. That's where most of the concerns were previously. Option 1 is that particular recommendation that Latta is making, that allows getting all of what is suggested.
- Latta summarized each of the options again for the agency. All the scenarios anticipate that the program will run for 22 years. The cheapest thing to do is nothing, and the program ends in 15 or 16 years. To him personally, he doesn't think it's a matter of interest. He thinks that if you get the money to do the projects, then you'll get to the property taxes you want more quickly, for when all the projects are finished. The other side is that you pay more interest in order to have the opportunity to fund the projects you wish to.
- Caughey said that the problem with not obtaining the $500,000 right now, is that we lose opportunities to do the things that the town needs to have done.
- Puls thought that because the economy is better now, more people are interested.
- Caughey then **motioned to have the HRA secure the $2.6 million for the capital projects and the $500,000 for the property improvement grant/loan program. He was seconded** by both Downey and Loshbaugh at the same time. **The HRA Board then voted 5 to 1 in favor of the motion to fund the $2.6 million and the $500,000. Keaton said that he was not in favor of capital investment, and holding off on debt for 3 years. He understands the interest in it, but just doesn't think that any agency should do that.**

<u>The matter of Discussing a Property Improvement Request for Debby and Norman Magnuson</u>

Staff Report: Latta noted that the Magnuson's are here this evening. When we approved Substantial Amendment No. 5, the board agreed to do projects like this, and the board just agreed to get a bond to finance projects like this. The Magnuson's have asked the agency to take advantage of that, and the board has the ability to modify that. He noted that they have asked for $400,000 with a 0% interest loan, with $200,000 of that to be forgiven. Because we don't have any restrictions, it does give you the flexibility to impose requirements if you want, or not, as long as there is money there to do it.

He drafted some suggestions in his agenda bill, that you may want to consider. He does feel that the current project cures blight; we know that a vacant lot in a commercial zone, that is also a historical zone, would be a considered blight. With the historical zone overlay, it's important to get a building that fits that area. Another consideration is how long it will take a project to pay for itself with tax increment financing. We have to be a good steward of the citizen's money, with an investment on the return. The commercial tax assessor is fairly new to her job; she's been there for 11 years, but not on the commercial side of things. She said that there were 3 or 4 ways to look at it, which includes looking at the construction cost itself, the value of the building, and how it's all put together. She gave a range for property taxes from

$5,900 to over $12,000; which is a huge range. He asked her if she felt that $5,000 was conservative enough, and she felt it was. He felt that a 1.5% increase would be relatively safe, especially since the county doesn't go negative very often. So assuming the 1.5% increase, with a $200,000 amount that is forgiven, then it would be 32 years; in 2049 before we realize the $200,000. Once again, he was fairly conservative, so he feels that the actual would likely be faster. The applicant has asked for 0% interest, but the board can choose any amount; and you should be looking at how fast you'll be able to recover the money. There are public benefits to this request, because it's downtown, and it's the only dentist office in Harrisburg. Their office in Cedar Square is only temporary. He doesn't think the agency should approve the request as it is proposed but he would like the agency to give him some guidance on what would be acceptable.

- Downey saw this, and felt that we haven't even established our criteria for this program yet. When we had the façade grant, we had that criteria. She feels like we are putting the cart in front of the horse. As an agency, we need to develop guidelines; and we do have other requests here. It's also a lot of money; to have only $500,000, and to give the majority of the available money to this project, when the doctor is also inquiring about the money. She's just not comfortable doing this without established criteria, and wouldn't be comfortable making a decision tonight.
- Latta said that there are no criteria, but we did get a request. With urban renewal, you technically aren't required to have criteria.
- Downey said yes, but we did before.
- Latta said that was established previously. He said we could do that, but nothing says that we can't have several programs available.
- Downey repeated that we haven't discussed the program yet, and we haven't decided what to do with it yet.
- Latta agreed with her. He said that we received the request, so that's why we are discussing it now.
- Caughey said that he has no problem with them paying back half of it, but he is looking at how long it will take to get the taxes to pay it back. Another suggestion is if instead of paying $3,333 a month, over a five year period, they instead pay $2,900 a month, for ten years. That would pay us $348,000, and based on the taxes for that period, it would pay us back $53,500, which brings it almost exactly to $400,000. The cost of getting $400,000 is really $47,160. It's really costing us $247,000 to provide them with $200,000. He doesn't feel that's good stewardship. Another way to look at this is that the city would be restricted in what we loan; because we can't loan it out unless we get it back. He thinks the program is worthwhile, but he's really concerned about giving away $200,000 with no return, even though eventually, we'll get taxes.
- Puls agreed with Caughey.
- Caughey thought we could change periods, and/or monthly payments; he thinks' that there is a way for the city to do that.
- Mayor Duncan asked if we would be able to rework those payment plans?
- Latta told him right now, that there is no structure, and no requirements, other than to fix blight, and you only have $500,000 available to you. That is currently the only criteria that we have.

- Downey said but we can create more programs.
- Latta said that was what he was referring to earlier. Whether we structure a different program, or create enough flexibility for any other request. There are pros and cons doing it both ways. As of right now, we don't have those requirements. He is recommending, especially because there is some concern, that from his perspective, to be good stewards of the money, we need to get some kind of return on the investment. We have the Magnuson's, who want to give to our community. He doesn't want to see that go away, but the agency does need to identify what you want. Do you want interest payments? Would you like the money to be recovered that you are forgiving? We haven't discussed this before so he's not sure what you want. He's sure that they want to talk as well. This whole program is very fluid right now, and you can do what you want.
- Caughey said that he'd like to see some kind of guidelines in general, but we can be flexible. We need a basic framework for this.
- Latta said that the City of Albany has five separate programs. You can also look at the programs at the CWCOG, and see other examples.
- Debbie Magnuson, the applicant this evening, said that she is now renting the Cedar Square building, and is paying rent, but she has no income. She's bringing a practice into town, but nobody has called, or made any appointments. Without going into the new building, or anything, they have to hire a dentist in order to get the practice going, and to get service in here. With all the costs, and the equipment they have to buy, it comes to about $2 million. She's 61 this summer; she doesn't want to go into debt to the point that she can't retire. She brought a preliminary floor plan for the building, which she hasn't shown to Brian as of yet. It's just a scratch plan. (Please see Addendum No. 1). Now they are thinking about dividing the land so they won't be owing for just their own building. The question is whether anyone is interested in that because for most, Harrisburg is not their first choice. Her first choice was actually Coburg. But this program and land dangled in front of them, so they took the risk on it. So not only will they be paying taxes on this, and paying for a building in the future, but now they are also dividing the land.

  They are bringing people to town with this business. They have people that are customers already in Monroe, and Halsey; with their business here, they'll come and spend money in this town. Your investment would also be supporting community endeavors; she's already contacted the football team, she would like to provide money to them, just like they've done in town. They've also given out over $750,000 in free dental services over the years. They are hoping to hire locally, one or possibly two people. As far as the taxes, 2022 is only 4 years away. Her son plans on working a long time, and with what they've figured out with property taxes, if their building is valued at $750,000, then it would come to $9,510 a year. If we could sign on the dotted line for $5,000 a year, she would love that! They are planning on being in practice for many years. They are paying out extra money to be here. That's her risk; and maybe this is not as good an investment as she thought it would be. They are already modifying some of the things they had planned for the building due to the requirements in the historical zone.

- Caughey said that if the taxes are really that much, then we could rescale the whole thing, because we'd be recovering more taxes sooner.
- Magnuson said that the costs for the business are really high. As an example, the costs to furnish a doctor's office with needed equipment are $100,000 to $150,000 alone. Just one room probably costs around $10,000 in equipment.
- Mayor Duncan said that we understand your desire, and your investment, both in money and in time. However, the bottom line is that the money belongs to our citizens; it's not our money.
- Magnuson said then hopefully, they'd approve of a loan of $400,000.
- Mayor Duncan added that from a personal basis, he can't understate the importance of a dentist. But we have to think about how things will be 80 years in the future. Will what we do today be a burden on our children? We want to see you prosper, and be profitable, but he doesn't see any reason why we can't give it the old college try.
- Latta said that as noted, the property tax scenario is the most conservative. He truly believes that the tax will be far more than $5,000 a year. In the first scenario, it's based on construction value. Her stated value is $814,982; which is the value that he gave, plus the land value. He thought it seemed high. The assessor said that another appraiser would look at comparable's, and this is a good estimate. It's not perfect; they plug in multiple scenarios, and determine what feels comfortable and good. It's going to raise more taxes than $5,000 a year. So the question to answer is where do you feel comfortable for the risk of doing this? What level do we think with property taxes should we be at, that you think it's a good measure of being a good steward of the citizens money? If you estimate that perhaps she'd be charged $9,000 a year, then the $200,000 within the planning horizon of the HRA would be adequate. That's $400,000 in a loan, with $200,000 as a write off, at 0% interest. Then you decide, should we invest in one business that is here now; because you'll be tying up a good chunk of our money before you get the payback in five years. You will get enough to do small projects, but not enough to do large projects.
- Downey said that without criteria set in stone, she feels like we would be setting a precedent if we did this tonight.
- Latta said you could if you treated the first project in a different way from others in the future.
- Caughey thought that we should have general guidelines laid down, but he wants it made very flexible. We don't know what the future will bring.
- Latta said that he's thrown out a couple of ideas, but we don't have to make a decision tonight. We can create some guidelines, based off of other programs in other parts of the state. We can decide how to change that to suit your needs, and then we can see how this fits. We can do that at the 2nd meeting of the month, on the 28th. (The Board provided a consensus that this was acceptable.) He told Magnuson that we working as fast as we can to get a scenario that will hopefully work for her.

With no further business to discuss, the HRA Board meeting adjourned at the hour of 8:50pm.

Chairperson	**Secretary**

Site Plan
Magnuson Dental
205 Macy St. Harrisburg, Oregon

In March 2017 Norman and Debra Magnuson purchased a vacant lot at 2nd and Macy in Harrisburg Oregon. We are going to put in a dental clinic for Magnuson Dental. Our long-term plan is to practice dentistry 3 days a week and to rent the office space to an Orthodontist at least once a month. The

We will build a 2-story office (diagram 1) with the clinical part of the practice on the first floor. This will include 4 treatment rooms and necessary support portions (sterilization area, lab, consult room and reception area). The upstairs will house an office, storage and a meeting room. This meeting room could be used by the community for a variety of functions.

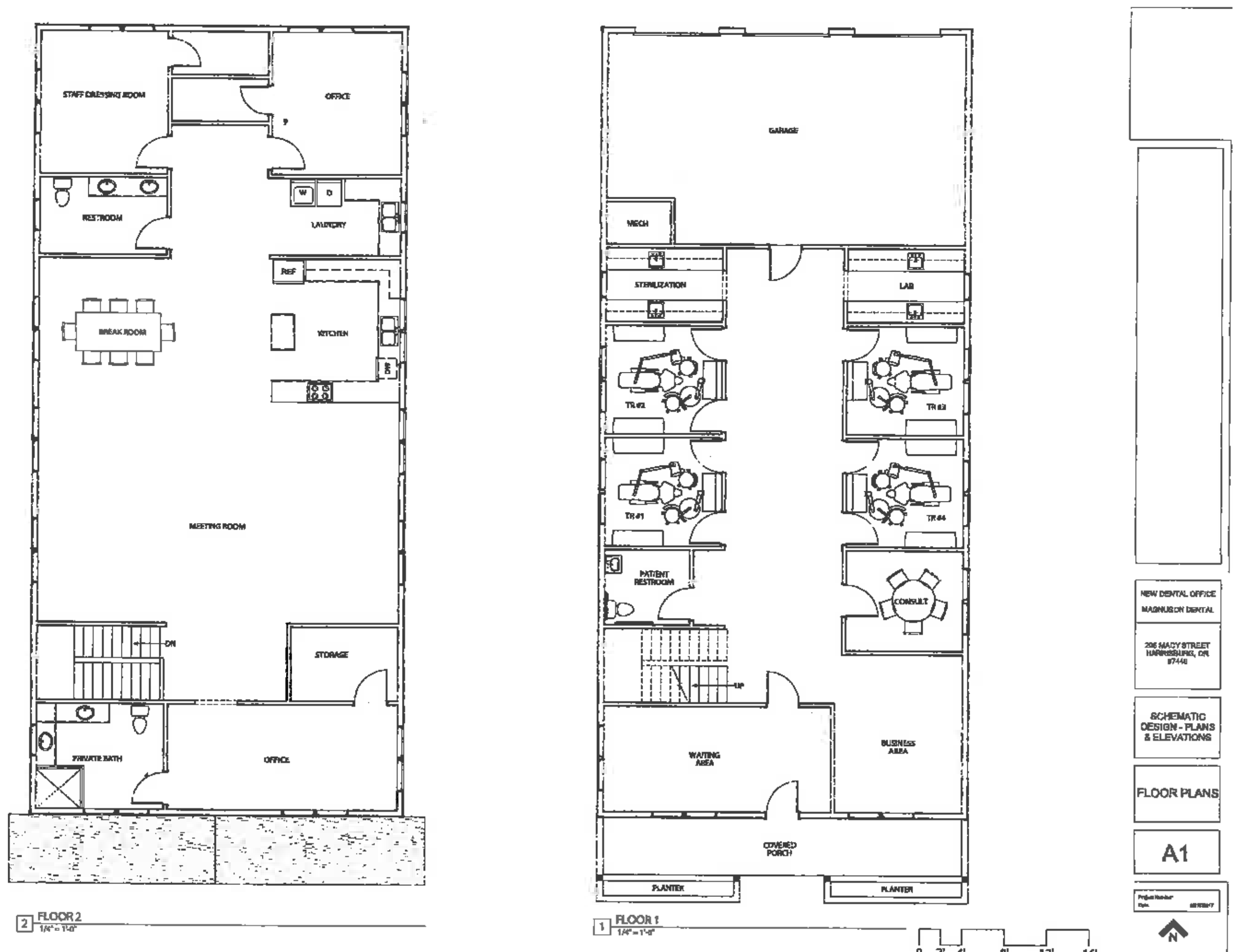
There is only a shed on the property now, which will be removed. The lot that the dental clinic will be built on is 100' X 88' (8,800 sq ft). The adjacent lot is 100' X 50' (5,00 sq ft). Since this will be new development all water flow will be directed to the street and storm drains. Diagram 2 shows the location of the office and parking lot. The building will be offset of the sidewalk by about 2 feet for planter space. There will also be a green space between the office and the parking lot.

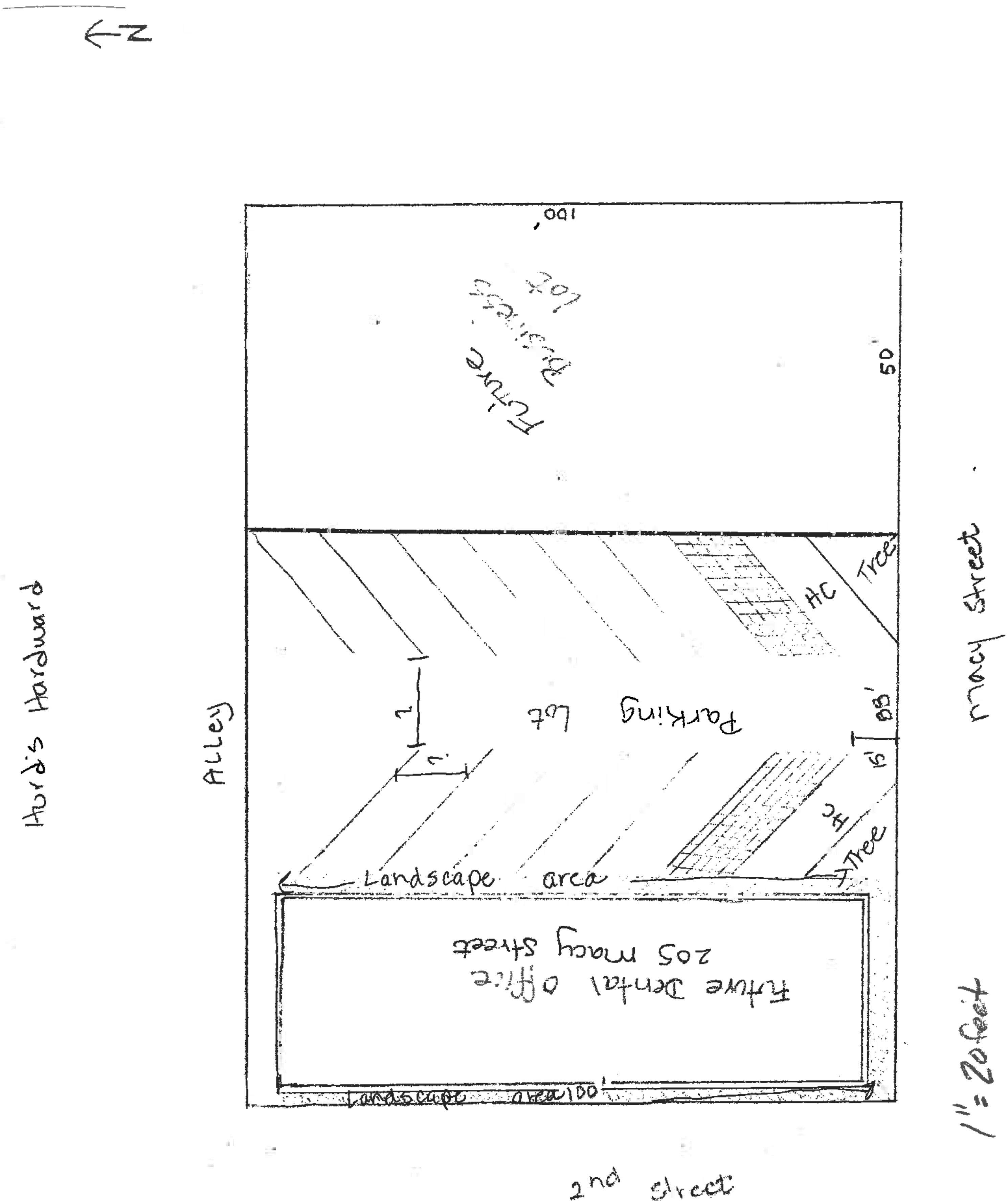
The parking lot will enter from Macy Street and exist in the alley between the dental office and Hurd's Hardware. This will be an asphalt surfaced lot. The approximate office size is 4200 sq ft. With our goal to practice 3 days a week, it will take approximately 6 employees (2hygienists, 2 assistants, 1 front desk) including the dentist. The parking requirements of 1 space per 400 sq ft (10.5) and 1 per 2 employees (3) would allow for 13.5 spots. The Historic District requirements allow ½ of these spaces therefore 7 spaces (round up from 6.75). We will have 2 handicapped spaces and would like to have 4 spaces for future business in the adjacent 100' X 50' lot.

Addendum No. 1

(1)

1


STAFF DRESSING ROOM
OFFICE
RESTROOM
LAUNDRY
REF
BREAK ROOM
KITCHEN
MEETING ROOM
DN
STORAGE
PRIVATE BATH
OFFICE
2 FLOOR 2
GARAGE
MECH
STERILIZATION
LAB
TR #2
TR #3
TR #1
TR #4
PATIENT RESTROOM
CONSULT
UP
WAITING AREA
BUSINESS AREA
COVERED PORCH
PLANTER
PLANTER
1 FLOOR 1
0 2' 4' 8' 12' 16'
NEW DENTAL OFFICE
MAGNUSON DENTAL
SCHEMATIC DESIGN - PLANS & ELEVATIONS
FLOOR PLANS
A1
N


N
Future Business lot
100'
50'
Hurd's Hardward
Alley
Parking Lot
HC
Tree
88'
15'
HC
Tree
Landscape area
Future Dental office
205 macy street
Landscape area 100
macy street
1" = 20 feet
2nd Street