



## Harrisburg Redevelopment Agency Minutes June 28, 2017

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The Harrisburg Redevelopment Agency met on this date at City Hall, located at 120 Smith St., at the hour of 7:28pm, directly following the Harrisburg City Council meeting. Presiding was Chairperson Robert Duncan. Also present were as follows:

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

### The matter of Approving the Minutes of May 24, 2017

- Downey **motioned to approve the minutes and was seconded** by Caughey. **The HRA Board then voted unanimously to approve the minutes for May 24, 2017.**

### The matter of Approving the HRA Budget for Fiscal Year 2017-18 and Resolution No. HRA-52, “A RESOLUTION MAKING APPROPRIATIONS FOR THE HARRISBURG REDEVELOPMENT AGENCY, HARRISBURG, OREGON, FOR THE FISCAL YEAR 2017-2018”

- Downey **motioned to approve Resolution No. HRA-52, “A RESOLUTION MAKING APPROPRIATIONS FOR THE HARRISBURG REDEVELOPMENT AGENCY, HARRISBURG, OREGON, FOR THE FISCAL YEAR 2017-2018”, and was seconded** by Loshbaugh. **The HRA board then voted unanimously to approve Resolution No. HRA-52, and thereby adopting the 2017-2018 Fiscal Year Budget for the HRA.**

### The matter of Approving Resolution No. HRA-53, “A RESOLUTION OF THE HARRISBURG URBAN RENEWAL AGENCY AUTHORIZING INDEBTEDNESS FOR CAPITAL PROJECTS DESCRIBED IN THE URBAN RENEWAL AREA PLAN”

**Staff Report:** Latta said that this is in regard to the \$2.6 million in street infrastructure projects that has been discussed for a long time. The \$500,000 is not part of this at this time; it will be dealt with in July. We are moving forward in discussion of it, but we do need to formally request it in the future.

- Caughey motioned to Approve Resolution No. HRA-53, “A RESOLUTION OF THE HARRISBURG URBAN RENEWAL AGENCY AUTHORIZING INDEBTEDNESS FOR CAPITAL PROJECTS DESCRIBED IN THE URBAN RENEWAL AREA PLAN.” He was seconded by Downey, and the HRA Board voted unanimously to approve Resolution No. HRA-53, and thereby authorizing the indebtedness for \$2.6 million for capital projects as outlined in the HRA plan.

The matter of Discussing Property Improvement Program Options, and Approving:

1. Resolution No. HRA-54, “A RESOLUTION ESTABLISHING A PROPERTY IMPROVEMENT GRANT PROGRAM AND REPEALING RESOLUTION NO. HRA-37;”  
and
2. Resolution No. HRA-55, “A RESOLUTION ESTABLISHING A TARGETED IMPROVEMENT LOAN PROGRAM”

**Staff Report:** Latta told the board that at the last meeting, they had discussed the request for the \$500,000 in funds that we could have available for property improvements. The board asked him to create some criteria and boundaries, while still trying to be flexible. He looked at other agencies in the state, and all of them had some type of façade improvement program. There were also loans for interior work, and some had loan programs as well. He went back and looked at our original façade program, that was authorized by HRA-37, which was adopted in 2008. Staff decided that we could modify that grant program, and establish some new criteria, but keep the cap on that program at \$50,000, which is what it was kept at previously. He suggested modifying the program to say that it should be in a C-1 zone, and also that it cures blight, it complies with city code, its visible from a city right-of-way, or is limited to patron areas, it's not tax exempt, and all fees and liens are paid. That's consistent with other programs that he researched.

- Downey thought it was general and similar to established criteria. She liked the \$50,000 limitation, and was anxious to see what happens next.
- Latta liked the flexibility of it. By allowing some interior work, if a restaurant wanted to redo seating, or a bar area, then they can consider that. A lot of the other programs that he saw was limited to \$5,000 to \$15,000, but this gives them the ability to also change exteriors slightly, with items like awnings and signage.
- Downey asked about the Ron-D-Voo building for sale. It needs a new roof, could they use this program for that?
- Latta said that he thought they could, but then again, roof maintenance is something that is an expected expense for property owners. Other jurisdictions said no for that use. He thinks that ongoing maintenance expenses should be a normal thing that a property owner is responsible for. He doesn't feel that this should be for a roof-only project.
- Downey thought though, if it was combined with other things, such as a façade improvement.
- Latta agreed with that.
- Caughey asked if it was for a different roof altogether, and improves the lines of the building in the front, could it apply?
- Latta thought so, if it's on the face of the building. To continue, he told the board about the second program, which is a loan program. Again, he looked at other jurisdictions,

and tried to give them flexibility. The loan he thought could be between \$50,000 and \$150,000. He proposed a \$150,000 cap on an annual basis. That way if we had multiple property owners asking for assistance, we would be able to say no, we've spent the max his year, but they could return in the following year. He didn't think many of the other programs had a cap. Again, the money is stretched out over time. It does require a 75% private match, so the majority of the project costs are borne by the property owner. We also would only reimburse costs; the owner would spend the money, and we would allocate money to reimbursement them after getting the receipts for the work. He included a clause to give them the ability to forgive up to 40% of a loan; you can lower that to 10%, or 20%, or anything you'd like under the 40% cap. He also limited the amortization schedule to ten years.... there are only 19 years left in the HRA. We don't want to be paid back after the HRA is sunsetted. You can determine interest rates as well. He did exclude national chains, because he wanted to emphasize local businesses. The other thing he included was a competitive process, where we only allow the loans to be applied for on a quarterly basis.

- Downey asked why he wanted to have it exclude non-profit groups.
- Latta told her that he wants it to apply to groups that aren't tax exempt, because the property taxes should apply in this basis. On this, he had also felt that we should limit the loans to apply to not only the HRA boundaries, but to the C-1 zone, as well as the historical zone overlay.
- Downey asked him why he wanted to limit it to the historical zone?
- Latta said that he really wanted to focus these efforts on the property located downtown, in these surrounding 3 to 4 blocks.

Keaton would prefer that it apply to more locations. Downey said that H-1 would exempt the old barber shop, which is outside the historical district. She would like the HRA to be able to help them. Could we make an exception to include areas that are touching the HRA boundaries told her that the building is just outside historical zone. These are just recommendations. If you don't want to limit it to the zoning he suggested, they could just limit to the commercial zones. Downey thought we could have extenuating circumstances that might warrant a loan to be outside those areas. Latta said that we aren't excluding a whole lot of properties; maybe about 5 or 10. Caughey liked the numbers he's come up with. We don't want to loan out all the possible money in the first three weeks, because we'd be out all the money if we spent it all at the beginning. He agrees with Downey, that it shouldn't be required to be in the H-1 zone, but it does need to be in the HRA boundaries. The HRA talked about some of the areas that are commercial, that aren't in the HRA boundaries, such as the ones north of Territorial. The Chairperson remarked that his home is both in the C-1 zone, as well as on the historical list. Downey noted that her old gas station was the same. Latta noted that there are design guidelines for the historical zone and we haven't always been good at enforcing that; we are good at that now! The design guidelines are to keep it looking like the late 1800's, with brick facades, parapets, and flat roofing. In the residential areas, that's horizontal siding, etc.

Dr. Bailey, in the audience, asked if that vision is what Harrisburg wants; to just focus on these 3 or 4 blocks? Latta said it's a good question. The program has been in effect for about 26 years. Previously, the maximum indebtedness was around \$2 million. It largely went to the infrastructure in the southern industrial areas of town. We are limited to the HRA boundaries,

but now, we don't want to focus our funds on industrial properties, we need to focus it on commercial. Downey liked the program that he's outlined, but she does want to modify it to not include the historical zone boundaries; and to keep the limitation to the commercial zone.

- Downey then **motioned to approve Resolution No. HRA-54, "A RESOLUTION ESTABLISHING A PROPERTY IMPROVEMENT GRANT PROGRAM, AND REPEALING RESOLUTION NO. HRA-37"**, and was **seconded** by Keaton. The HRA Board then **voted unanimously to approve Resolution No. HRA-54, and thereby establishing a new grant program with a cap of \$50,000.**
- Downey **motioned to approve Resolution No. HRA-55, "A RESOLUTION ESTABLISHING A TARGETED IMPROVEMENT LOAN PROGRAM"**, amending it to **remove the criteria that properties must be located within the H-1 zone.** Both Loshbaugh and Caughey **seconded the motion at the same time.** The HRA Board then **voted unanimously to approve Resolution No. HRA-55, which sets up a targeted improvement loan program, that must be located within the HRA boundaries, within a C-1 zone.**

#### The matter of Discussing Two Property Improvement Requests

**Staff Report:** Latta said that the board knew that we had one request already, which they saw at the last meeting. Since then, we've received a request that was submitted from Dr. Bailey. He suggested that the agency listen to what the applicants had to say tonight. Because the resolutions are effective immediately, and they want loans and grants, we can hash it out tonight, or you can have them come back and fill out an application to show that they meet the criteria.

Keaton commented that the language specifies that the times they can apply include June, correct? Latta told him yes; it's specified that the timing is quarterly, in September, December, March and June. Downey said that since it's June now, let's do it. Latta said it's not just convenient timing; it's matching our fiscal year. Caughey added that we are only two days off from that. Mayor Duncan said that the Magnuson's requested this last month, so they should get to be heard first. Downey asked her if there were any changes in their thought processes, after reviewing the information?

- Deborah Magnuson said that she had kind of a verbal agreement, or so she thought when we first started looking at this project, of what she might be able to get from the program. That's why she asked for the amount that she did. After all, she's over 60 years old, and she doesn't want to be debt for the rest of her life. She's sort of disappointed, because of what she came to believe. She doesn't know if she can go on with the project, but she is already over ten thousand dollars into it.
- Downey asked Latta if she decides to stop the process, then she would need to wait until September to come back again?
- Latta told her yes.
- Downey said that she realized that obviously, with the change in criteria, they might have their plans change.
- Latta wanted to comment, that when he was first approached by the Magnuson's, and others, we didn't really have any criteria. When they asked if we had any assistance programs, he told them sure, we have the HRA, and the agency is looking at putting in

\$500,000 for redevelopment projects. There wasn't a plan in place for how it would be spent yet. So, when we were talking about the project, to build a new building, and how much that cost, we were thinking the project would be in the ballpark of a million dollars. Looking at the programs, and the match requirements, it wasn't out of the realm of possibility for the program to cover 25% or 30% of the project costs. So, \$250,000 to \$300,000 loan from the agency would be in that range. Those were the numbers he talked about with them, which he felt was a reasonable request, when we are talking about that amount of money. But he told them there was a caveat; the program itself was undefined, and the agency hasn't tackled the request. He told them (Magnusons') and the doctors that they needed to put together a proposal, and then come to the HRA Board with that. Looking at typical programs out there, and projects in excess of \$900,000, the request proposed was reasonable based on that information. He warned them that he didn't know what the HRA would decide.

- Deborah Magnuson said that she came to you guys, to let her know what might work. She wasn't thinking that the terms would change.
- Latta said that he thinks it was the very first meeting that he had with them, that they had that first interaction.
- D. Magnuson said that she thought it was turning out well.
- Latta said that here we were, losing a dentist, and then they came to him, and started talking about this project.
- D. Magnuson said that she was probably too trusting. When she bought the property, she was told the square footage on the property, but she didn't get a title company to run a report, and she didn't verify the square footage herself. Then she found out it wasn't the square footage she thought it was. It's smaller. So there, she was trusting, and she shouldn't have trusted it. She should have gotten a title company, and should have researched the square footage. She took it all at face value. When this came up, and was an opportunity, she thought great, here's something we can do for their son. If she doesn't work another day...she'd be happy. They now have an associate who is coming on July 1<sup>st</sup>, and she'll have more time to devote to this. She doesn't know if you want to propose something, and she has the right to turn it down.
- Downey said that you've already made the application, so your project is on hold. We just created the criteria. She can't go back and do anything about what was said previously. She didn't think about the amount being \$150,000, because that's the amount we had mentioned many years ago. That's when she and Eldridge went to Albany, to see how their program worked. We saw that higher amount being used there. The thing we must make sure of, is that the criteria is fair to the tax payers, and to the City. She's very sorry that it turned out that way.
- D. Magnuson asked what the offer would be then?
- Downey said that she can't make an offer herself; it must be done by the board. But the loan is up to \$150,000.
- D. Magnuson asked if she can get a \$150,000 with that?
- Keaton said that that would be \$150,000 out of the HRA total of this program in this year. She could also go on to the next year.
- Downey said then that this is the end of the year, so she could reapply next year.

- Keaton said but if we allotted \$150,000, then we couldn't do any other loans that year.
- Downey liked that thought, if the money isn't used, then she can re-apply in the future, right?
- Latta said yes, the agency can give up to \$150,000 for a loan in a year. The terms you come up with can be decided. You are limited to a loan of ten years, and the 40% loan forgiveness. (D. Magnuson added don't forget the 0% interest that she'd prefer). He said that there is one person here tonight, asking for a loan, and another person is here as well. We have a maximum of \$150,000 submitted for your request.
- Latta reminded the board that they can decide on any kind of a percentage to use for an interest rate.
- D. Magnuson asked if she wanted the \$150,000; what would the terms be?
- Latta told her it would be a \$150,000 loan, with a ten-year amortization, and up to 40% loan forgiveness, and whatever interest rate percentage that the board wanted to impose. The best scenario for them was the \$150,000 for ten years, with a 40% forgiveness, and 0% interest.
- D. Magnuson asked what if they had the loan for only five years?
- Downey said yes, they could do that, but 40% of the loan is the maximum part of the grant.
- Caughey asked when the 40% was supposed to kick in?
- Latta told him once it's paid back to the principal. When 40% of the principle is reached, you can forgive that.
- Caughey said that wasn't stated anywhere.
- Mayor Duncan said then you can come up with that.
- Latta said that's from the resolution, and was what was stated.
- Caughey said that \$150,000 is the biggest loan that any of the other cities do.
- Latta said that up to \$150,000 is what we have, and the program is flexible for the money we have. Your limitation is the maximum you can offer.
- D. Magnuson said that she and her husband needed to have a time out to think about this. She and her husband, Norman left the council chambers.
- Dr. Bailey said that you are changing the rules in mid-stream, from what we were originally told under these rules. He thought you were going to announce the total. 25% of what the loan request we were hoping for was \$84,000. the project we have laid out in the packet, and what we were originally requested is around \$350,000 or so. This is for the vacant part of the building located next to the EZ Stop. You can see that there is no floor there.
- Caughey realized it was gravel inside there.
- Dr. Bailey said that the really, the exterior wouldn't really need much work; he's not sure how old the building is. The ground is gravel at this time. He said that he could ask for \$75,000, which is about half of what you have available. He understands that there are other interests in town, and that you have to pick and choose. That should make it easier.
- Latta told the agency that you have two requests. You can talk amongst yourselves about the value of the projects, the proposal they are asking for, and then decide on how

and what you want to fund, if you do want to fund. Then you can make a motion, consistent with what you want to approve tonight, to enter into any agreements.

- Gaines asked if the program was based on the fiscal year?
- Latta told him yes.
- Gaines said that this fiscal year isn't quite over, so you would be able to use those funds set up for the old program.
- Keaton was thinking, that we assumed that the original \$150,000 is the maximum per year, so that gives us the leeway to spread out payments over time, and that gives us the option to have more money to give out. That's so we don't have the option of bam! having it all gone in the first month. Does that make sense?
- Latta said that the maximum you can spend before July 1<sup>st</sup> is \$300,000; and you still have \$200,000 to spend.
- Puls said we haven't done anything previously with this, correct?
- Gaines told her we haven't done anything with this grant for a long time.
- Mayor Duncan asked how long we had to decide.
- Latta told him 2 days.
- Norman Magnuson, who had returned to the Council Chambers, said that he really needs to know what you can offer us. Deborah Magnuson added that we can try to cut our request in half. N. Magnuson added that there are things that they can do, that might help to do it in phases; but we need to know what you can do.
- Downey said that it will still take the entire board to decide things, but she can say what she thinks. She's willing to make a motion to approve the doctor's project, because he's formally asked, and she is willing to approve the dentist project as well, although they haven't asked, for the maximum that is allowed under the program at 0% interest.
- Latta said that with that, and Tim's comments, would the agency approve a loan today, and carry one of the projects into the next fiscal year; that way, we can allocate the \$150,000 for the Magnusons, and the \$84,000 for the doctor.
- D. Magnusons said that their project was still at the engineer; everything keeps getting pushed back.
- Latta said that would help you have confidence, that when July comes in, we will approve a \$150,000 loan at zero percent interest. We don't meet until the end of July, but you'll have the confidence that it will happen.
- D. Magnuson said that they could structure their project in such a way, as to say that phased approaches are complete, in order to get reimbursement. There could be benchmarks. For instance, they could include the foundation request, and when it's completed, have the reimbursement made. If the loan is for \$150,000, and you want to see the project to completion, they could maybe get \$50,000 when 1/3 of the project is done, another \$50,000 when it's 2/3 done, and the rest when it's completely done.
- Latta said that he will have something written up in a legal agreement, and we can include that.
- Caughey said that it's specified by the program, that it will be after it's done and paid for.
- Latta said that we only pay as a reimbursement. So, if they are 4 weeks in to the project, and they've spent \$60,000, then they can give us a receipt, and we can pay like

that. What her point is that in the formation of the agreement, we can allocate those reimbursements, and the final reimbursement won't be made until the project is final.

- N. Magnuson said that maybe for Dr. Bailey, you could approve him for half the money, at \$35,000, and the other \$75,000 can be used for another project in July.
- Latta said that we will need to decide over the next two days, because then it resets to \$150,000. Dr. Bailey's agreement would be based on this fiscal year, and yours will be on the next fiscal year.
- Keaton said that we could apply \$75,000 for one loan, and \$75,000 for another, and then repeat that again, for both.
- Gaines said to remember that it's based on a fiscal year.

The Board then started discussing the various amounts, and how they could be split out. Puls pointed out that nobody is talking about forgiveness; we need to talk about that. Keaton added that we also haven't talked about interest rates, and amortization. Downey said that it's limited to ten years. Puls said that we can do whatever we want. Latta said that they could work off the basis of Downey's idea, to give the max for Dr. Bailey and the Magnuson's, to spread it over two years, at zero percent interest. Is the agency interested in loan forgiveness? Downey said yes, she's interested. If we had a ton of people asking for façade grants, that might be different, but we don't.

Latta wanted to speak to the loan forgiveness part. The purpose of getting the \$500,000 is to spend it all, so that we have zero at the end. If we gave out loans, and had no forgiveness, then you would always have \$500,000. You need to spend it. He would recommend that we allow loan forgiveness. We want to incentivize this program, only one or two people heard about it, but they wanted more information. Now we can tell them more. The loans being paid back will give you more that you can grant in the future. Downey didn't think that there could be a better use than to have medical facilities in town. Latta said that he would recommend that you allow the 40% forgiveness; for \$150,000, that's worth \$60,000, which is a worthy investment to gain a dentist in town. Puls was concerned on how to split it. If you give out \$84,000, then it leaves \$66,000 for the other. Keaton thought it would be simpler to go to \$75,000 and \$75,000. The doctor could come back with another request. The max he wants is \$84,000. Latta said that you could give the full amount to come up to \$150,000 and then come back next month with more. The board discussed the options a little more, mostly with Puls and Keaton crunching numbers.

- **Keaton motioned to direct staff to enter into an agreement with Dr. Bailey for \$87,500 for a targeted loan under the program directives at 0% interest, with a ten-year amortization period, with 40% forgiveness towards the principal. He was seconded by Puls, and the HRA Board voted unanimously to approve the targeted loan as stated for Dr. Bailey.**
- **Puls then motioned to direct staff to enter into an agreement with Dr. Magnuson for Magnuson Dental, for a targeted loan for \$62,500 with 0% interest, with a ten-year amortization period, with 40% forgiveness toward the principal. Downey seconded the motion, and the HRA Board voted unanimously to approve the targeted loan as stated for Magnuson Dental.**



- Latta encouraged the Magnuson's to come back in July, to make another request, or they could make it before then. He would then have our attorney draft an agreement as based on the motions, and we'll work out the details and get that to both of you.
- The Magnuson's, and Dr. Bailey, thanked the board for their time and votes.

**Others:**

- Caughey asked when we were going to apply for the \$500,000?
- Latta told him as said before, the bond counsel said that we would do this not as an ordinance, but by resolution. We'll do that on the 26<sup>th</sup>. We will likely receive the money sometime in August. The doctor and dentists won't submit a reimbursable before then, and we'll have the money. He asked Gaines if that was correct with what he understood.
- Gaines said it was.
- Latta said then we'll have the full \$500,000.

**With no further business to discuss, the HRA Board adjourned at the hour of 8:40pm.**

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Chairperson

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Secretary