

MINUTES

Eugene City Council
McNutt Room—City Hall
777 Pearl Street—Eugene, Oregon

August 11, 2010
Noon

COUNCILORS PRESENT: Mike Clark, Betty Taylor, Jennifer Solomon, George Poling, Andrea Ortiz, Chris Pryor, Alan Zelenka, George Brown.

Her Honor Mayor Kitty Piercy called the August 11, 2010, work session of the Eugene City Council to order. Mr. Zelenka joined the meeting via speaker phone.

A. WORK SESSION - Downtown Site Development

City Manager Jon Ruiz introduced Finance Director Sue Cutsogeorge and Senior Management Analyst Denny Braud to provide planning and financial information regarding downtown site development in Eugene.

City Manager Ruiz reminded the council that it had provided direction regarding a number of downtown economic development strategies approximately one year ago. He briefly reviewed the downtown development strategies for the benefit of the council, including the Centre Court building redevelopment project and the Lane Community College development project. He noted that the Bennett Management Company's (BMC) development proposal for the vacant parcel adjacent to the Centre Court building space would represent a significant advancement toward several downtown economic goals.

Mr. Braud provided the council with background information regarding the subject property as well as an overview of the BMC development proposal for the vacant parcel adjacent to the Centre Court building.

Mr. Braud reported that the construction on the Beam Development project for the Centre Court Building had appeared to generate enormous interest in the redevelopment of nearby downtown properties and had generally boosted confidence in the economic viability of the downtown area. He said the current proposal before the council would allow Beam Development to transfer the property and development rights for the vacant parcel adjacent to the Centre Court Building to BMC.

Mr. Braud briefly described BMC for the benefit of the council, reporting it was a local firm with over 40 years of experience in local property development. Mr. Braud further noted that BMC generally retained ownership and management of the properties it had developed.

Mr. Braud stated that BMC's proposal was very similar to the original Beam Development proposal for the vacant property. The total cost of the BMC project had been anticipated at approximately \$10 million, \$2 million of which BMC was immediately prepared to invest with the remaining funds to be financed as the project moved forward.

Mr. Zelenka joined the meeting via speaker phone at 12:05 p.m.

Mr. Braud noted that the City's suggested assistance to BMC to help it meet the financial underwriting criteria for the project was summarized in the staff memorandum to the council regarding the matter.

Mr. Braud elaborated on the use of recovery zone bonds to provide tax exempt status to elements of BMC's financing for its development project.

Mr. Braud reported that BMC would be responsible for the repayment of its bank loan for the project and would also assume all of the transaction costs with respect to the project financing. He stated that the City would assume no financial risk with regard to the proposed BMC project.

Mr. Braud recommended the council approve the use of approximately \$8 million of its \$11 million recovery zone facility bond authority. He noted that the bond authority allocation was required to be drawn down by the end of the calendar year. Mr. Braud said staff was seeking the council's general support for the proposed BMC project and that his recommendation was that the council direct staff to return in September with additional project details for the council's consideration.

Mr. Braud, responding to a question from Mayor Piercy, stated that in its initial planning stages for the vacant parcel Beam Development had considered the development of housing but that the lease rates for such purposes was too low to make such considerations economically viable.

Mayor Piercy pointed out that the City remained committed to the development of housing in the downtown area regardless of the BMC and Beam Development projects and would continue to seek opportunities for such development.

Mayor Piercy solicited council comments and questions.

Mr. Clark thanked Mr. Braud for his presentation and indicated his general support of the proposed BMC project.

Mr. Clark commented on the potential financing gaps Mr. Braud had referenced regarding the BMC project and asked what portion of the City's Downtown Revitalization Loan Program might be applied to such concerns. Mr. Braud responded that the amounts for any such assistance were currently unknown.

Ms. Cutsorge, responding to a question from Mr. Poling, stated that staff had been investigating possible uses for the remaining \$3 million from recovery zone facility bonds.

Mr. Poling reminded the council the staff memorandum provided to the council indicated that the State would seek to repurpose the remaining \$3 million from the recovery zone facility bonds in the event that such funds were not committed to local projects.

City Manager Ruiz and Mr. Braud, responding to a question from Mr. Poling, stated that the City's commitment for leased space under the current proposal for BMC was 20,000 square feet whereas the City's original commitment with Beam Development for the site had been 50,000 square feet.

Ms. Cutsorge, responding to a question from Mr. Brown, stated that although the recovery zone facility bond funds had become available in February 2009 they had not yet been committed as no viable projects had been identified since that time.

Mr. Brown noted his support of every element of the BMC redevelopment proposal with the exception of the provision that the City guarantee 20,000 square feet of leased space in the developed property.

Ms. Ortiz noted her support of the BMC redevelopment project but also noted her concern that members of the community would perceive the proposal as "good old boys just helping each other out." She asked if any other local property development firms had expressed interest in the vacant parcel adjacent to the Centre Court building. Mr. Braud noted that although representatives from Beam Development had conferred with other local property development firms, the BMC proposal had been determined as the only viable project that had met the redevelopment criteria.

Ms. Ortiz was pleased that BMC was a local development firm and further hoped that the project would ultimately be constructed by local construction firms.

Mr. Braud, responding to a comment from Mr. Zelenka, stated that no City money would be used for the BMC project with the exception of certain funds to be provided from the City's Downtown Revitalization Loan program. Mr. Braud further maintained that the amount from the loan program used for the BMC project would be less than \$1 million.

Mr. Braud reinforced the information in the agenda item summary memorandum that the underlying debt on the subject property of approximately \$404,000 might need to be restructured in some way.

Mr. Zelenka asked how the council and staff might consider additional allocations of the recovery zone facility bonds for other projects beyond the BMC proposal. Ms. Cutsogeorge responded that Congress had not yet made any determination as to whether the facility bond funds would be extended. She further noted that the State of Oregon was also currently seeking recovery zone facility bond funding for another large project. She stated that if the City of Eugene missed its opportunity to use the recovery zone facility bond funding there would not be a similar opportunity in the future.

Mr. Braud, responding to a question from Mr. Zelenka, confirmed that the recovery zone facility bonds were not eligible for the development of residential housing.

Mr. Braud, responding to a request for clarification from Mr. Zelenka, stated that the staff's reference to a subordination of the existing \$404,000 downtown revitalization loan program financing addressed the City's current lien on the subject property. He continued to describe the financing process whereby the City's lien would be subordinated to BMC's financial obligations regarding the development of the property.

Mr. Braud, responding to a question from Mr. Zelenka, described the distinctions between the City's 10,000 square feet occupation requirement versus the City's additional 10,000 square foot lease requirement. He further noted that the City's lease obligations would be reduced as private sector commitments for the leased space in the building were added and that in the best-possible scenario the City would never be made to make payments on the leased square footage once the building had been constructed.

Mr. Braud, responding to a question from Mr. Zelenka, stated it might be possible that the City would be released from its 20,000 square foot commitment in the event that other interested parties stepped in to take over the space.

Ms. Cutsogeorge, responding to a question from Mr. Poling, stated that the remainder of the recovery zone facility bonds could not be used in place of the City's facility reserves for the construction or development of a new police facility.

Ms. Taylor was supportive of the BMC proposal and was also pleased that BMC was a local firm.

Mr. Braud, responding to a question from Ms. Taylor, stated that the City of Eugene currently leased approximately 40,000 square feet of space in the downtown area. He noted that the most of the leases for that space were expected to expire within the next five years.

Ms. Taylor believed that the City might transfer some of its offices from the currently leased spaces into the building to be developed by BMC.

City Manager Ruiz, responding to Ms. Taylor's comments, noted that further discussions surrounding the City's use of leased space in the downtown area, including the use of the 20,000 square feet of space in the BMC development, would occur concurrent with the September discussions regarding the fate of the Eugene City Hall facility. City Manager Ruiz further noted that information regarding what agencies the City currently leased spaces from would also be provided.

Mr. Braud, responding to a question from Mr. Brown, stated that the downtown revitalization loan used to purchase the property would be transferred from Beam Development over to BMC but that the final terms of the transfer had not yet been finalized.

Mr. Braud, responding to a comment from Mr. Brown, stated that much of the administrative and legal fees associated with BMC's use of the recovery zone facility bonds would be the responsibility of BMC.

Mr. Brown suggested it would be useful to have information regarding the allotments of square footage in the current City Hall facility once the Eugene Police Department had relocated.

Mr. Pryor agreed with Ms. Taylor and Mr. Brown's comments indicating that additional information regarding the current and future use of the City Hall facility would be useful in discussions of the City's downtown development strategies.

Mr. Clark, seconded by Ms. Taylor, moved to support the Bennett Management Company proposal in concept, and direct the City Manager to bring back additional project details for consideration including a) the transfer of ownership of the Vacant Parcel from Beam to Bennett Management Company, along with the assignment of development rights under Beam's Purchase and Sale Agreement; b) a resolution designating a Recovery Zone which would provide Bennett Management Company the opportunity to utilize Recovery Zone Facility bonds to finance the project; and c) a resolution authorizing the City to issue Recovery Zone Facility Bonds in support of Bennett Management Company's project financing. The motion passed unanimously, 8:0.

B. WORK SESSION - Downtown Parking

City Manager Ruiz introduced the item. He suggested that a primary value of providing free parking in the downtown area was that it sent a strong message that the City was committed to a revitalization of downtown Eugene. He noted his concerns regarding the use of General Fund dollars to fund free parking strategies in the downtown area.

Parking Manager Jeff Petry provided an update on the City's parking program and noted that the program supported both existing and new development. He briefly elaborated on a number of elements that had contributed to the role of downtown parking in Eugene.

Mr. Petry noted that the City's parking program had been designed with the goal of reducing the number of parking tickets issued. He noted that parking tickets issued by the City were typically half the amount of parking tickets issued in the private sector.

Mr. Petry demonstrated how the number of parking citations issued since 1973 had steadily decreased.

Mr. Petry briefly described the primary elements of the parking strategy that had been presented to the council at its February 17, 2010, meeting.

Mr. Petry also described how an easy payments strategy had been incorporated into the City's existing parking system and noted that credit card compatible parking meters had been installed in the campus parking district near the University of Oregon after a successful pilot run in the downtown area. He further noted that "pay-by-cell" phone parking capabilities had also recently been implemented.

Mr. Petry noted that the previously described easy payment strategies had not resulted in the elimination of any of the previous payment options.

Mr. Petry briefly described efforts to market the City's downtown parking program.

Mr. Petry described additional projects designed to supplement the City's parking program including the use of mobile phone applications and on-street bike corrals.

Mr. Petry provided information regarding the City's Parking Enterprise Fund and noted that the fund was unfortunately projected to decline to a zero balance within the next two years. He stated that 70 percent of the overall decline had been attributed to increases and enhancements in the City's parking garage security. He briefly described the various strategies that had been planned to help balance the parking enterprise fund over the next year.

Mr. Petry shared graphic representations that delineated the jurisdiction of the City's Parking Services Program and both off-street and on-street parking availability in downtown Eugene.

Mr. Petry summarized the direction provided by the City Council at its February 17, 2010, meeting regarding the implementation of additional free parking strategies. He reviewed the three options prepared by staff.

Mayor Piercy called on the council for comments and questions.

Mr. Clark expressed appreciation for the staff presentation. He said he believed free parking strategies were an integral part of the City's comprehensive plans for the continued improvement of the downtown area.

Ms. Taylor noted that she had served on the City Council's Downtown Parking Subcommittee and in that context had suggested that the free parking areas be extended south as far as 16th Avenue and east as far as High Street. She believed that such a strategy would make downtown Eugene a more welcoming environment. She further suggested that any free parking areas have their time limits increased to three hours in order to be competitive with the free parking areas of certain local businesses.

Mr. Poling agreed with Mr. Clark's previous comments and appreciated the breadth of information provided by staff.

Mr. Zelenka commended the efforts of Mr. Petry and also noted his appreciation of the new pay options that had been implemented as part of the City's parking program.

Mr. Zelenka maintained that there was essentially no such thing as "free parking" and that the elimination of all of the City's parking meters would represent a loss of revenue to the General Fund of approximately \$650,000.

Mr. Zelenka commented that there appeared to be no clear linkages between the availability of free parking and increased economic activity. He believed that the City's recent free downtown parking pilot program had been a failure in that it had not definitively demonstrated any positive effects on economic activity in or around the downtown area.

Mr. Pryor expressed that the availability of free downtown parking would be a good outcome for the City but agreed with Mr. Zelenka's comments that doing so might come at significant expense to the City's General Fund. He hoped that any staff proposals regarding free downtown parking would come with information regarding what other City areas might be affected by such strategies.

In response to Mr. Pryor's comments, City Manager Ruiz said it would be important for the council and staff to discuss the long-term health of the City's Parking Fund again in six months. He said while the Parking Fund would be able to accommodate the staff-recommended options in the immediate future, there were several factors that might adversely impact the Parking Fund later on.

Mr. Pryor asked City Manager Ruiz if he was optimistic regarding the state of the Parking Fund after the next six months. City Manager Ruiz stated that he was optimistic regarding the nature of the future conversations regarding the City's Parking Fund.

Ms. Ortiz said that as a result of her conversations with several downtown constituents, she was unconvinced that the free parking strategy would measurably improve downtown economic activity. She said she would support staff's third option with a sunset provision of October 12, 2010. She believed that the use of a sunset provision would encourage productive staff and council conversations regarding the effectiveness of free downtown parking strategies.

Mr. Petry, responding to a question from Mr. Brown, stated that the City's parking meter revenue increased by approximately 2 percent annually. He further expressed that it was difficult to compare the circumstances surrounding the City's parking situation in the 1970s and 1980s with more recent factors that had resulted in a reduction in the number of parking citations that had been issued.

Mr. Brown compared elements of the City's parking system to those of Corvallis and suggested that the City of Corvallis had been able to strike an effective balance between the availability of free parking and the economic needs of the community. In response, Mr. Petry said that there were several important differences between the policies of the Cities of Eugene and Corvallis that prevented the application of similar parking strategies.

Mr. Brown stated he was inclined to support Mr. Clark's motion with a sunset provision applied to it.

Mr. Petry, responding to a question from Mr. Brown, briefly described how other free downtown parking strategies had been used in the past.

Mr. Brown feared that free downtown parking would be abused by employees of downtown businesses.

Mr. Brown suggested that staff might contact parking representatives from Corvallis to learn how they had prevented the abuse of free parking by downtown employees.

Mayor Piercy stated she was inclined to support the less expensive parking option presented by staff.

Mayor Piercy hoped that additional information could be provided regarding the expenses involved in removing and potentially re-installing downtown parking meters.

Mayor Piercy expressed that there were a great deal of unknown factors at work regarding the proposed free downtown parking options.

Mr. Clark, seconded by Ms. Taylor, moved to direct the City Manager to remove the on-street parking meters listed within the boundaries of "Option 1" on the Agenda Item Summary before October 1st of this year, to install limited time parking signs within the same boundaries and to hold a Council work session within six months to discuss the long term financial direction of the parking fund.

Mr. Clark noted that he had made his motion in the spirit of best outcomes and believed that it would create a more welcoming atmosphere for the downtown area. He suggested that the time limits for individual free parking spaces in the downtown area should be made rotational with precise limits and locations to be determined on input from staff. Mr. Clark agreed with Ms. Taylor's earlier comments referencing her suggestion that the free parking area needed to be extended south the 16th Avenue.

Mr. Clark hoped that the free downtown parking strategies would not include a sunset provision.

Mr. Poling hoped that employees and business owners in the downtown area would exercise a certain level of honesty with respect to the free parking strategies.

Mr. Poling suggested that a sunset provision of two years for a downtown free parking strategy would provide good opportunities for the City to review the effectiveness of free parking on the overall parking system.

Mr. Clark asked Mr. Poling if he wished to make a friendly amendment in accordance with his previous suggestion. Mr. Poling responded in the affirmative. Mr. Clark accepted Mr. Poling's friendly amendment. Ms. Taylor, the second to the motion, also accepted the friendly amendment.

City Manager Ruiz suggested that the determination on the time limits for the individual free parking spaces be made by Mr. Petry and his colleagues.

Mr. Poling noted he would be happy to support Mr. Clark's motion because he was tired of the City of Corvallis being able to publicize its free downtown parking.

Ms. Taylor believed that the City might save money by removing some of the enforcement tools currently used in the City's parking program.

Ms. Ortiz stated that she would not support the motion. She further hoped that staff would provide more detailed information regarding the staff or services that might be eliminated as part of a free downtown parking strategy.

Mr. Zelenka hoped that more detailed information regarding the metrics used to evaluate the effects of a free downtown parking program would be provided as the process moved forward. He worried that a free downtown parking program would be used primarily by employees of downtown businesses. He did not support the motion.

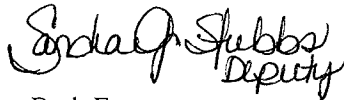
Mr. Pryor trusted that the City Manager could be creative enough to execute the provisions of a free downtown parking program in a careful and effective manner. He hoped that the meters would not be removed and that a sunset provision for the free parking program would be used.

Mr. Clark, responding to a request from Mayor Piercy regarding the previously stated motion, stated his preference for the physical removal of parking meters as part of the free parking strategy. He further that he would support whatever strategy the City Manager recommended to disable or otherwise remove the parking meters.

The motion passed, 6:2; Ms. Ortiz and Mr. Zelenka voting in opposition.

Mayor Piercy adjourned the meeting at 1:29 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Beth Forrest", with the word "Deputy" written below it.

Beth Forrest
City Recorder

(Recorded by Wade Hicks)