

MINUTES

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

March 8, 2010
5:30 p.m.

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

Her Honor Mayor Kitty Piercy called the work session of the Eugene City Council to order. She adjourned the Eugene City Council meeting and convened a meeting of the Eugene Urban Renewal Agency.

A. WORK SESSION: Downtown Financing Strategy

Agency Director Jon Ruiz said the agency was being asked to initiate the process for reviewing changes to the downtown urban renewal district and the agency's action would not be binding. He said the discussion of financing and strategies represented a multi-pronged approach to fostering a vibrant downtown, boosting the local economy and creating jobs.

Finance Director Sue Cutsorge reviewed the direction to staff to examine funding options for four projects: Lane Community College (LCC), Veterans' Administration (VA) clinic, Farmers' Market and downtown safety. She said the agenda packet included extensive information on the following funding options:

- Existing resources
- General obligation bond
- Local option levy
- Downtown urban renewal

Ms. Cutsorge used a slide presentation to highlight the costs associated with the projects and funding strategies. She noted that in each scenario the City would have to borrow money to pay for some of the projects and interest on that debt was included in project costs. Total administration through FY09 is \$1.2 million. Debt issuance costs are about \$150,000 for each kind of debt issued. The interest amount on new debt varied among the funding packages; legal costs are estimated at \$150,000, and administrative costs were estimated at \$150,000 annually through FY13 when construction is complete, and then would drop.

She identified the one-time funds that would be available to taxing districts if tax increment collections ceased, as well as the ongoing funds. She said that staff was researching whether the funds available to Eugene School District 4J would be an actual increase to revenue or an offset to State school funding. She estimated that the average taxpayer's bill would decrease by \$1.66. She said local schools would receive about \$31,000 in ongoing funding and other schools throughout the state would receive \$629,000. The impact of Measure 5 on District 4J's local option levy was unknown.

Mr. Ruiz compared the four funding options in each of the following areas:

- Funds all recommended projects
- Creates new jobs
- Improves image of downtown and community
- Subsidized private developers
- Administrative costs
- Public cost
- Maintains downtown/economic development loan program
- General fund impact
- Local schools impact

Mr. Ruiz recommended downtown urban renewal as the funding option for projects because it was responsive to community desires; limited economic impacts to individuals, projects and the General Fund; was immediately available to implement projects; accomplished downtown goals with resources intended for those purposes and allowed for the continuation of the Downtown Revitalization Loan Program. He reminded the agency that the recommendation was limited to the four projects identified at the beginning of the presentation and the urban renewal district would terminate at the conclusion of those projects.

Mr. Clark observed that all funding options included borrowing money and the question for him was the impacts on the City and other jurisdictions of that indebtedness. He asked the Agency Director to explain why tax increment funding was a better approach than the other financing options, including an intended motion by Ms. Taylor, and whether there could be opportunity costs in the future if the agency accepted the Agency Director's recommendation.

Mr. Ruiz noted that Ms. Taylor's intended motion was to fund the LCC project only, not the other three downtown projects, and was not directly comparable to the other funding options. He said the total cost of the urban renewal option was less than other options and it did not ask voters to increase current taxes. He said in terms of an opportunity cost, if the urban renewal district was terminated, some funds would become available, but they would not be sufficient to fund all four projects. He noted that the net amount of funds to be redistributed to the school district was fairly small.

Mr. Clark asked if expanding the boundary of the urban renewal district to include the potential site for a VA clinic required the approval of any other jurisdiction. Mr. Ruiz said it would not require other approvals; the expansion would only occur if the site was selected for a clinic and the VA wanted financial assistance.

Mr. Poling asked how effective the Downtown Revitalization Loan Program had been. Mike Sullivan, Community Development Division, said the loan program had assisted with the Broadway Building, which housed Adam's Restaurant, the building at One East Broadway, redevelopment of Rubenstein's furniture store as office space, Harlequin Beads, Full City Coffee and the Zenon restaurant. He said staff was currently in discussions with the potential developer of the former Taco Time building.

In response to questions from Mr. Poling, Ms. Cutsogeorge clarified that local schools would receive approximately \$31,000 annually in additional ongoing funds if the urban renewal district was terminated. Mr. Ruiz said he envisioned the citizens' review panel being structured and functioning in the same way as the panel overseeing expenditure of funds from the bond for street repairs.

Mr. Brown objected to using the urban renewal district to fund projects and thought it was destructive to Lane County and did hurt the schools. He asserted that the projects could all be accomplished using existing resources and a revenue-backed bond, which did not have to be referred to the voters. He said the council did not know what, if anything, LCC required for its downtown project. He stated that the other projects could be funded from the money the City would receive if tax increment collection ceased, plus liquidation of the loan program and Facility Reserve. He did not understand the reluctance to use Facility Reserve funds on veterans when it was being used to relocate other first responders like police officers.

Ms. Taylor expressed concern about the diversion of funds from schools. She said the VA clinic was not a reality and the focus should be on doing one project at a time; LCC was the urgent project and the City should provide financial assistance if it was required. She was certain that an urban renewal plan amendment would be referred to the ballot and LCC would not have an answer for many months and be unable to move forward with its project. She felt it was possible to fund LCC's needs with existing funds and without continuing urban renewal or raising taxes. She said it was not necessary to move forward with all the projects at once.

Ms. Solomon asked when a decision on the VA site location was expected. Mr. Sullivan replied that the VA had received responses to its request for proposals and would be conducting site visits and due diligence over the next several months. He thought a decision could be made by the end of the year, but it was a federal project and he did not have any more specific information.

In response to a question from Ms. Solomon, Ms. Cutsogeorge confirmed that use of existing resources for the projects would require reprogramming \$450,000 of current General Fund money, which would be permanent cuts in addition to the budget cuts already being made.

Mr. Pryor said, from his perspective, the discussion focused on the two funding options that did not increase taxes: use of existing resources or urban renewal. He said the existing resources option would obligate the City to repay indebtedness until 2032; the urban renewal option would result in termination of tax increment financing in 2019. He stressed that no one was advocating for retaining the urban renewal district past that date. He said the City would pay \$3 million less in interest with the urban renewal option and those were funds that could be used for other purposes. He felt retaining the urban renewal district long enough to fund the projects was the most prudent choice, but wanted definitive information on the impact to schools.

Mr. Zelenka thanked staff for the detailed analysis of funding options. He supported pursuing all four projects as they were catalysts for creating a more vibrant downtown. He said the existing resource funding option was initially appealing, but the need to reprogram \$450,000 in the General Fund was of concern because that could mean cuts to many of the services that were important to downtown, such as the library, parks and recreation, fire and police. He said eliminating urban renewal would save the average homeowner \$1.66 per year, or about the cost of a soft drink.

Ms. Ortiz remarked that the City would not give LCC more than it needed to complete its project. She stressed the importance of having a VA clinic in Eugene and said the City should do everything it could to encourage the selection of the downtown site. She said many in the homeless population were veterans and could benefit from the services a clinic would offer.

Ms. Piercy said there was no perfect funding mechanism for the projects, but the recommendation would address many of the council's priorities. She said supporting a VA clinic as part of the package sent a strong message about the community's interest in helping returning veterans.

Mr. Clark, seconded by Ms. Taylor, moved to forward to the Planning Commission and overlapping taxing districts the proposed amendments to the Downtown Urban Renewal Plan, consistent with the draft plan and report included in Attachments K and L.

Mr. Clark said he was not a fan of tax increment financing, but acknowledged that it was a legitimate tool for increasing property value. He said the tool had been used for some private development, but when it was used for public development it did not increase property values in the downtown area, which could harm other jurisdictions. He did not want to let his ideological opinion stand in the way of a pragmatic approach to making downtown more vibrant. He felt the cost of using existing resources was too high and was willing to move forward with the urban renewal option in order to achieve many benefits to downtown and the community.

Ms. Taylor remarked that urban renewal was never intended to continue forever and the County desperately needed money. She said location of a VA clinic downtown was between the federal government and PeaceHealth. She agreed that assistance should be provided to LCC.

Ms. Taylor, seconded by Mr. Brown, moved to substitute the following motion: "I move that the City Manager prepare and return to the council with a plan to support LCC's 10th and Charnelton project in the amount of \$8.2 million (\$8 million plus \$200,000 bond issuance and transaction costs) using the \$2.4 million that would be available after terminating tax increment financing; the \$1.9 million balance in the downtown loan fund; and a \$3.9 million bond paid from the additional \$810,000 in property tax dollars that will come to the City's general fund if tax increment ceases. In addition, the manager shall consider other sources of funds in lieu of part of the \$3.9 million bond."

Ms. Taylor said the option she proposed would not leave LCC in suspense about the City's support.

Mr. Brown pointed out that the funding option in Ms. Taylor's motion did not require reprogramming any General Fund resources. He said there were other viable funding options that did not include continuation of the urban renewal district. He said future councils and staff could decide to extend the district beyond 2019 and it was time to let it go.

The motion to substitute failed, 2:6; Ms. Taylor and Mr. Brown voting yes.

Mr. Zelenka said he did not support the existing resources option because it had impacts on other City services and meant the end of the revitalization loan program, and the general obligation bond and local option levy options asked people to pay more taxes in economically difficult times. He said that left the urban renewal program, which had no net increase in taxes or cuts to the General Fund, maintained the loan program and was the least expensive option for moving all four projects forward. He said the impact to School District 4J was modest and if the motion passed he would ask the City Manager to develop some creative strategies for keeping the school district whole. He liked the concept of a citizen review panel and could not support using the Facility Reserve because it was clear that the current City Hall building could no longer house City functions.

Ms. Taylor commented that the Tualatin School District was rejecting urban renewal. Mr. Ruiz replied that the Tualatin School District had voted to support urban renewal.

Mr. Clark reiterated that he felt urban renewal was the most intelligent and pragmatic approach to accomplishing the goals the community desired. He said the elected officials on the council would make the decision and then, if the issue was referred to the ballot, it was up to the general public to decide if they wanted those four projects to move forward downtown. He said putting the urban renewal plan amendment on the ballot and voting it down was killing the opportunity to make downtown more vibrant. He hoped the community would trust the council's decision.

Mr. Brown said he supported the projects, but not the financing option. He hoped the council would refer the plan amendment to the ballot and not require that to be done through a petition.

Ms. Piercy said the recent earthquakes in Haiti and Chile were a reminder of the possibility of a seismic event in the Pacific Northwest and the need to be mindful of the safety and well-being of people in the community. She said the urban renewal option presented the opportunity for a winning result for everyone: the four priority projects could be funded and the urban renewal district would be terminated when they were completed.

The main motion passed, 6:2; Mr. Brown and Ms. Taylor voting no.

Mr. Zelenka, seconded by Mr. Poling, moved to request the City Manager to complete the analysis of the financial impact on Eugene School District 4J and should there be a financial impact, present to the council options for keeping 4J whole either through an exchange of services or financial assistance.

Ms. Ortiz cautioned that school districts were allocated a certain amount of funding per student and in the case of the Bethel School District additional funds had to be returned to the State.

Mr. Clark cautioned that the County was also in need of funds and the City could eliminate its proposed savings if it attempted to assist other taxing districts.

The motion passed, 6:2; Mr. Brown and Ms. Taylor voting no.

Ms. Solomon asked how a plan amendment would address the issue of the VA clinic if the federal government was not scheduled to make a decision until the end of the year. She was concerned about the potential impacts on funding for the other three projects in the plan amendment. City Attorney Glenn Klein said the plan amendment language would indicate that the urban renewal agency could spend up to a specific amount for each project; if the VA clinic did not materialize, those funds could not be spent for another purpose and the termination of the urban renewal district could conceivably occur earlier.

In response to a question from Mr. Poling, Mr. Klein said if the boundary of the district was expanded to include the potential clinic site, that territory could be relinquished if the VA selected another site.

B. BRIEFING:

Office of the Police Auditor

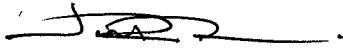
Police Auditor Mark Gissner remarked that he met biweekly with council officers and also received feedback from other council members. He said the purpose of his briefing was to describe the subject of the upcoming Civilian Review Board (CRB) meeting. Agenda items included the following:

- Report on the work of the Policies and Procedures Subcommittee, which was almost completed
- Discussion of what constituted a public record – differentiation between public employees and public safety employees
- Police Chief Kerns' response to the Civilian Review Board's request to reopen a closed Taser case
- Monthly case review – an arrest incident involving the interference and subsequent arrest of another person and an attempt by the person arrested to injure himself

Mr. Clark asked for an explanation of the City's current practices with regard to public records requests involving employees.

The meeting adjourned at 6:45 p.m.

Respectfully submitted,



Jon Ruiz
City Manager

(Recorded by Lynn Taylor)