

**MINUTES**  
**City of Newport Planning Commission**  
**Work Session**  
**Newport City Hall Conference Room 'A'**  
**Monday, October 28, 2013**

**Planning Commissioners Present:** Jim Patrick, Bill Branigan, Gary East, Rod Croteau, Mark Fisher, and Jim McIntyre.

**Planning Commissioners Absent:** Glen Small (*excused*).

**Citizens Advisory Committee Members Present:** Lee Hardy and Bob Berman.

**Citizens Advisory Committee Members Absent:** Suzanne Dalton (*excused*).

**City Staff Present:** Community Development Director (CDD) Derrick Tokos and Executive Assistant Wanda Haney.

Chair Patrick called the Planning Commission work session to order at 6:00 p.m. and turned the meeting over to CDD Tokos.

**A. New Business.**

1. Discussion about developing concepts to kick off a new North-Side Urban Renewal District. Tokos said that this was the kick off conversation about the process of the feasibility to form an Urban Renewal District (URD) north of the bridge. He noted that the City used to have a north-side district for many decades, but it is effectively closed. Tokos had a PowerPoint presentation to outline some of the information in the materials he gave the Commissioners in their packets. He included a brief overview of the statutory considerations, which were in the staff memo; the rationale for forming a district; the feasibility study framework; and the initiation concepts. He was hoping to get the Planning Commission's recommendation of whether this sounds like it's going in the right direction or not and if the Commission has an opinion on appropriate study area boundaries. Tokos explained that an urban renewal program is to improve certain parts of a city; those that are poorly developed or underdeveloped. It's called blight. It might be an area with no sidewalks, substandard streets, where the development is dated and old and not worth as much as it otherwise could be on the tax rolls. Also in these areas you typically don't have the best quality of life either. An Urban Renewal District is developed through public process.

Tokos noted that this proposal for the north side is entirely within the City, so there is no requirement that the County approve it. In South Beach there was because portions of the district are in unincorporated areas. A feasibility study would be done first. Assuming an option comes out of that, the Planning Commission and the City Council will actually form a district where it gets into more detail. Tokos explained that once formed, a URD provides a funding mechanism; tax increment financing. It's not a new tax. It taxes a portion of the existing tax base and allows for it to be reinvested back into an area. It allows the district to upgrade public infrastructure; to buy and assemble sites for development or redevelopment; and it allows the district flexibility to work with private parties that we don't have with the Council. Tokos said that raises the question of whether the Council should consider a separate Urban Renewal body as in the past. He said there is an Urban Renewal Agency that exists. Currently it is the City Council, which is commonly done. They have to open their meeting separately. The City had a separate body back in 2007 or 2008. Fisher gave a background story of how there was a disagreement, so that body was dissolved and the Council took over those duties.

Tokos explained that the most common type of projects under an Urban Renewal District are construction of streets, utilities, water lines and sewer lines, burying utility lines, and other public uses. The Performing Arts Center, City Hall, the Visual Arts Center, and the Parks and Rec Center all came in under the prior north-side URD. Also included were the Bay Front boardwalk, the Abbey Street Pier, and the Archway and turnaround walking area in Nye Beach. Tokos added that most people probably don't realize how much water and sewer work was done under the north-side URD. Fisher asked if two districts can overlap. Tokos said no they can't, but the Nye Beach district is done. He said it is officially closed as soon as a minor obligation debt is wrapped up within the next six months or so. So, it is effectively closed; and that increment was released. Tokos continued that other projects can be for the demolition or rehab of buildings, acquisitions and improvement of property, and repair of property.

Tokos explained the concept of tax increment financing. At the time a URD is put in place, the tax base is frozen in place (i.e. a frozen base). Every increment above that goes into urban renewal; and that is what finances projects. Tokos said, assuming that it's 3%, that 3% increment each year is what would be funding the URD. He said that a given year's annual collections usually isn't enough to fund a project; so a financing plan is put in place and you borrow in phases and pay that back with those increments. Berman asked if then we get a plan and wait for the money to build up; and Tokos said it takes a few years. Patrick asked how long the South Beach URD is running. Tokos said that he thought it maybe began in 1982. It was extended in 2007 or 2008 to 2020. The City let the north-side go so that that increment could be released. Croteau asked when the frozen base is

established; and Tokos said at the time the district is put in place. The base will be whatever you are getting at that point in time. He said at some point, when it is put in place, the base would be frozen at a certain level. It is based on the assessments at that time. They cannot go backwards. The collected increment is invested into capital projects over a period of years. The assessed values are increased; and when it is released, the taxing entities benefit from the growth in assessed value attributed to the URD investments. Tokos had included a 2012 report from Elaine Howard, LLC because he thought it might be interesting for the Commissioners to see. He noted that there were some 40 odd districts formed over the last ten years. He showed the districts that had closed since 2002. For the Newport north-side that closed, the frozen base was \$9,910,265; and the excess value at closing was \$33,666,500. Tokos gave an example that a district is created and say that a fire district is part of that URD; if there is a project for a public improvement such as a new fire hall, that's a benefit to the fire district that occurs during the period of time that the frozen base is in place.

Tokos said that, as explained in the staff memo, under ORS 457.420 we have limits. The City can only have so much in urban renewal at any given time. We can have no more than 25% of the total assessed value within the city limits and no more than 25% of the city's acreage. He said that what hurts us a bit in South Beach are portions of the district that are outside the city because they still have to be counted against the city's overall assessed value and acreage. He said that the City may want to pursue annexation to address that. Once they are in the city, it equals out. Patrick agreed that is the long-term goal. Tokos said that the South Beach URD otherwise is just under 13% of the City's total assessed value. Just a little over half of our threshold is tied up in South Beach. He said it is a larger percent of our total acreage. There is only about 600 acres left, unless we factor in future annexations. With the 307 acres of the city reservoir site, that goes up to 677 acres of capacity. Tokos said that the South Beach URD closes in 2027; 2020 for new projects, and the last seven years for debt retirement.

Fisher talked about how there were those that had wanted to take all of that South Beach Urban Renewal money to build a convention center, and the urban renewal folks said no, it's mainly for infrastructure. The convention center eventually fell through, and the money was available to do infrastructure like streets, utilities, and undergrounding. He said he would hate to see something like this happen and build something like an "Eiffel Tower". Tokos said it has to do with the plan and what it says. He said the more general it is, the more flexibility there is to do what Fisher was just talking about. The more specific it is, like the current South Beach plan, there is not a lot of wiggle room. Patrick thought that if the City is limited to 25% assessed value and 600 acres, we will run into the money sooner than acreage. Tokos said it would be pretty close. He said that he doesn't have the new assessment rolls yet, so the numbers are ballpark and would be fleshed out during the feasibility study process. He noted that if the pockets in South Beach were annexed, in addition to the reservoir land, the allowance for the north-side would increase to 762 acres. Patrick asked, and Tokos explained that districts do not have to be contiguous; you can have two distinct pockets. Tokos continued that ORS 457.190 sets the city's maximum indebtedness for each new urban renewal plan at \$50 million. If you go over that, you have to have the taxing entities buy off. The maximum indebtedness for the South Beach plan is \$38,750,000.

Tokos' PowerPoint presented how we got here to this conversation. He explained that there had been a lot of work to get to this point. Throughout 2010-2012 the City did an economic opportunity analysis. There was a lot of analysis that went into that work. ECONorthwest was brought in to assist with data collection, mapping, and technical analysis. There was a large Technical Advisory Committee formed. He presented a list of the names of the members and their affiliations. The employment lands were inventoried. There was a summary of the City's economic development objectives. He said we went through a long, lengthy process to get there. Part of what came out was the improvement to land ratio values, which gives a good sense of whether these properties are really valuable and if they are really adding to the tax base. If there is a low improvement to land value ratio, then a property is at a point where it will likely be redeveloped. He said along the corridors, you see vacant buildings and old commercial buildings that are not desirable to prospective tenants. This study just bore it out; the corridors are dragging us down. One recommendation that came out of the group was for the City to encourage better use of underutilized commercial properties by evaluating the creation of a new URD north of the Bay.

In 2013/2014, the City Council said they were taking the first step in implementing these policies with a goal to prepare the initial concepts for a new north-side Urban Renewal District from the bridge to Walmart. Tokos thought that at least one of the concepts needs to fit closely to that, but that doesn't mean something couldn't come in to pull in Agate Beach as Patrick had mentioned. He thought we should have up to three feasibility study concepts in order to have a variety. A broad range of project categories would be developed and high, medium, and low projections would be prepared for assessed value growth. Here it would be very general; but as we move forward, we would want to get very specific. The analysis would be summarized in a memo format with an estimate of financial impacts to the other districts. We would then meet with the taxing entities to get their feedback on which approach to take. ECONorthwest would be retained to assist. The cost would be up to \$10,000 for that. CDD has funds budgeted for that this year. Tokos said we want a third party to develop those numbers.

Berman asked if the impact is that these districts don't get any of that 3% increase. Tokos said it can be set up that way. You can also elect to take partial increments. It has to be fleshed out. He thought on South Beach there was a percentage increment that it took; but he would have to look. The feasibility process is where we would flesh out what the impacts would be and what the options are in setting that. Tokos presented a list of affected entities, which includes Lincoln County, LCSD, Linn-Benton-

Lincoln ESD, Lincoln County Extension Service, OCCC, Hospital District, Port of Newport, and Lincoln County Transit. Berman asked, and Tokos said that they don't have to sign off on it. It goes through public hearings process. Taxing district sign-off is required if the city proposes a maximum indebtedness limit that is over the \$50 million. Patrick said that we could go over later on, but we have to get permission. Tokos agreed, saying that we have to go through a substantial amendment formal hearing process because we are messing with our indebtedness.

Tokos continued, that Phase II is forming the district. He said that assuming there is general consensus on an approach to take coming out of the feasibility study, we would actually form a district where we would identify specific projects and prepare cost estimates, detailed assessed value growth projections, and findings establishing blight conditions and that the urban renewal plan conforms to the Comprehensive Plan. Presentations would be made to the affected taxing districts. There would be additional community outreach. Finally there would be the Planning Commission and the City Council hearings. Tokos said we are having this conversation now because we wanted to use the most recent tax rolls coming out in October. We can move this process along as soon as that comes out.

Tokos showed the Transportation System Plan concepts. He noted that in putting a URD concept together, we want to think about what we have in the Comprehensive Plan for future capital projects. That should be what we are using to put projects together and for setting the district boundaries. A lot of this work has already been done. The map Tokos presented shows the concepts to do that couplet that would split traffic on US 101 downtown. Options were to utilize SW 7<sup>th</sup> Street or SW 9<sup>th</sup> Street. Those are expensive projects that urban renewal could be a potential funding source for. Tokos noted that we don't finance everything in South Beach with urban renewal money. The Safe Haven Hill is \$200 thousand from urban renewal and \$600 thousand from FEMA. The Hatfield project was less than \$2 million urban renewal and about \$1.1 million from State. The 35<sup>th</sup> and 101 improvements are \$2 million State and \$1.5 million urban renewal. Tokos said that having urban renewal funds puts you in a position to come to the table and leverage other resources. It puts you in the front of the line with more limited funding coming from the federal level. He said that if you put 30%, 40%, or 50% down, that is a big deal. Tokos presented a concept map showing what a new district boundary might look like. Indicating on the map, Tokos explained that Area 1 picks up the areas with the lowest improvement to land values from the Economic Opportunity Analysis. It encompasses a little over 500 acres and 9.8% of assessed value; keeping the city under the 25% limit. If you draw it to include Fred Meyers and Walmart, it puts the district over 600 acres and 1/2% over 25%. That could be added, but we would probably have to take a few properties strategically out; or if we did the South Beach annexation, it would change it a little bit. If the reservoir annexation went through, we would be fine for acreage but still over on assessment. The next slide showed that he tucked it tight to the commercial districts. Both 9<sup>th</sup> and 7<sup>th</sup> Streets are entirely in. That is one of the TSP concepts, so you would want it in. It is retail and heavy commercial for the most part. McIntyre asked what the benefit was of having the Walmart and Fred Meyers section in a URD. Patrick said it is the Council's goal to underground those utilities. McIntyre thought that is probably one of the better parts of the city. Tokos said the intersections could use improvement. The only real area for development would be the Safeway property. There is some potential there; but that's about it. Patrick suggested maybe if we just cut Walmart out, we possibly could do this. Tokos said there are some other places like some heavy commercial off Yaquina Heights that we may not want in there. We probably would want to have the batch plant in there because it is at the intersection of Hwy 20 and John Moore.

Tokos said that he just wanted to give the Commissioners something showing what 600 acres and an additional 12% might look like. He believes that we could form a pretty meaningful district. This may change with the 2013 assessed rolls, but we would be able to do something that addresses the three areas along Highways 20 and 101 that have the most depressed value. Croteau suggested that we could go further up 101 into Agate Beach if we had any extra. Tokos agreed that there is a lot of infrastructure work that could be done up there. He noted that this area depicted is exclusively commercial. It's solely focused on commercial. In Agate Beach we can get into residential properties easily. He said that maybe we could have ECONorthwest include that and have a conversation about the benefits of involving residential versus all commercial. Patrick agreed that gives options, but he thinks that sticking fairly tight to the corridors is what we want to do. Berman asked if you can develop them as you go along, like if you decide you want to buy the old Salvation Army building and tear it down. Patrick said that NOAA wasn't in the original plan. Tokos said we had to do an amendment. Tokos said these are living documents; and it is expected that you will have a fairly large number of amendments over time. When you form a district, the detailed plans may make sense but then some opportunity comes along in the next 5-10 years and you might want to come in and adjust that. He noted that we have a nice structure to the South Beach plan. We put in detail as much as we could and in other areas set out categories knowing that they would be refined in the future. Then you can do that as a minor amendment because that concept is already in the plan. He gave an example of public structure construction. If you had that public structure concept in there and it had to be refined, then it would be a minor amendment. Tokos said that is the way the South Beach plan is structured. The north-side was a very old plan and was very general and very flexible. The South Beach plan has just bullet categories and breaks them out by phasing, which gives them relative priority. In South Beach, projects have been moved from Phase 1, 2, or 3. There were some Phase 1 projects that didn't get done, and we are done with that element of the plan.

McIntyre asked how the hospital fits in. Tokos said that is something that we want to talk to them about because they have expansion plans. But any project of consequence will have impacts on somebody. He said that the couplet opens up additional commercial property for development. It would make those properties abutting it more attractive for development. Then the

city center can redevelop. Those types of projects have the potential of positive impacts on assessed values. Croteau asked if there was any talk about moving the armory. Tokos said there has been some conversation about if we can't move them up to the airport. He believes there may be a reversionary clause in the deed. He doesn't know definitively that the state would give us the property back; but there is opportunity there. It's maybe not the best for the armory to be in the city center; maybe it's better at the airport. We have the FAA grants to revamp the runway because they feel that the Newport airport will be accessible in the event of a catastrophe. So maybe it would be nice to have the National Guard down there with all of their equipment.

Tokos said that his question to the Planning Commission is if this sounds like a reasonable approach. He will have a similar conversation with the City Council at their next meeting; and he can convey the Planning Commission's thoughts. Tokos said at the regular meeting, the Commission could make a motion if they wanted to pass something along. Patrick said he was happy with it just being informal at this point. He thought that \$10,000 for the study sounds good. He thought a concept with what is shown here and maybe adding an option for Agate Beach. Fisher thought the idea is reasonable, but said that the devil's in the details. Croteau thought maybe we could incorporate an option of what would happen if the annexation of the reservoir and the pockets in South Beach happen and would increase our assessment base and our acreage. Tokos noted as a third option a bigger concept based on annexation.

Berman wondered if there were any other areas for potential urban renewal. Patrick said that other than South Beach, which already has a district, there are Highways 20 and 101 and Agate Beach. Nye Beach used to be in a district. Croteau wondered if through this we could think of a new bridge or bridge construction. Patrick said it is too far out and too much money. Croteau said that what we do through urban renewal might be impacted by an additional bridge. Tokos said that if this is a district that will be closing in the next twenty years, the only thing with the bridge might be funds for part of the study work. The rationale would be that by contributing money for planning, it might make the replacement process go smoother and faster. Patrick thought maybe it could be in there as a line item. Tokos said we are just starting the bridge planning work. In terms of actual replacement, it's likely 40-50 years.

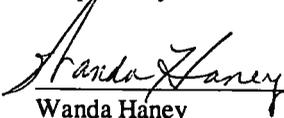
Tokos said that what he got from the Commission is that they are comfortable with the approach and are in favor of three scenarios: the district just shown, an Agate Beach option, and a US 20 and 101 option that is a little bigger that includes acreage through annexation.

Patrick thought an Agate Beach option could help the north entry to look better. In answer to a question, Tokos said that the City has an ODOT Scenic Byways grant to improve the parking area up by Roby's with restrooms, showers, surfer access, and Gilbert Way will get completed. Fisher asked about OMSI in South Beach. Tokos said that South Beach Urban Renewal is actually putting in a large amount of money for that with close to a million dollars between 30<sup>th</sup> and Abalone and probably a little more from OMSI and Investors XII. It is a three-way contribution.

Tokos will add a slide to this PowerPoint for the City Council talking about what the Planning Commission's conversation has been. He noted that the City Council, probably as the Urban Renewal Agency, can initiate the feasibility study; and we will retain EcoNorthwest. When we actually do the plan, it has to go through hearings before both the Planning Commission, who makes a recommendation, and the City Council.

**B. Adjournment.** Having no further discussion, the work session meeting adjourned at 6:56 p.m.

Respectfully submitted,

  
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Wanda Haney  
Executive Assistant