MINUTES
City of Newport Planning Commission
Work Session
Newport City Hall Conference Room 'A'
Monday, March 24, 2014

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

Planning Commissioners Absent: Jim McIntyre *(excused).*

Citizens Advisory Committee Members Present: Lee Hardy and Dustin Capri.

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 6:02 p.m. and turned the meeting over to CDD Tokos.

A. Unfinished Business.

1. Further Discussion regarding the potential formation of a North Side Urban Renewal District. Tokos noted that the Commissioners had in their packet a copy of the draft report from ECONorthwest. Additional information showing the impacts to the various taxing districts that was not included with the draft were handed out. Hardy asked if these additional tables show the losses of revenue these districts would experience. Tokos confirmed that. He noted that one thing these do not include is the release of the urban renewal tax increment with the South Beach District in 2027. Tokos thinks they need to add that in. That is a helpful piece of information. Hardy asked if these are the amounts per year or accumulative. Tokos said it is per year; the total is on the bottom. Tokos said we are talking about a frozen base. The first year he's not sure it's a big deal. After 20 years there is still the frozen base, and that's a pretty substantial bit of annual money. When the URD closes, all that excess releases back to the taxing districts. Hardy said so they are gaining in the long run; but it will hurt in the short range.

Fisher said, so we have three options for making a recommendation to the City Council; and the fourth option would be to not do anything for a period of time and maybe review it in three years or something. He asked, or did the Council say they wanted to do a district and asked the Commission to suggest how to do it. Tokos said the Council wanted a feasibility study done. He said the recommendation by the Planning Commission can be that you think it's not feasible to pursue for the following reasons, or you think it's feasible and suggest the Council strongly considers option "blank" as a priority. Tokos said tonight the Commission is not focusing on a recommendation. Tonight, he wanted to walk through the report and get the Commission's comments and field questions to see if there are changes to pass on to ECO. He said he does believe ECO needs to factor in the release of South Beach. It will have an impact in a positive way. Hardy asked if ECO did the feasibility study for the South Beach URD. Tokos said they didn't; it was a different firm in South Beach. Lee thought it would be helpful to have a comparison of the actual versus the previous in South Beach. Tokos said that we did redo the growth projections based on the first three years. It was corrected as we went into the second phase of the South Beach District just last year. Tokos noted that the South Beach Urban Renewal District was originally put in in 1982; and was extended in 2008. For information, Tokos handed out two pieces of paper pulled from the South Beach Urban Renewal Plan. The first gave the projected revenues and growth projections for the South Beach District; and the other was a table talking about the taxes being lost with the South Beach District.

Tokos said first he wants to go through the draft report, and it's his hope to pull together comments from the Commission and get those to ECO so they can make revisions. Then he will take this information to the different taxing entities and have conversations with them and get their feedback. Tokos said he has seen preliminarily with the County that they look favorably on this because of the potential infrastructure improvements with the fairgrounds. If the hospital is able to get infrastructure improvements that otherwise they would have to do with their expansion, that's a big bonus for them. Similarly for the County. He said those are things to keep in mind.

Tokos said that the first page of the report talks about what is compiled in here; background information, methodology, results, and a discussion about compression. Tokos noted that the school district is clearly in compression; there was a half million dollars that they couldn't collect. He said that urban renewal districts help with compression. Then the rest of the report contains the conclusions and map exhibits. Going on to the next page, Tokos said the report is broken into sections: "Introduction," "What is urban renewal," and "What is TIF;" which are all straightforward. Then on page 3, under the section "What is Revenue Sharing," Tokos noted what he believes is an error in the second paragraph. It talks about 10% and 12.5%; it's not both, it's either. He said that just doesn't read right. What it's talking about is whatever threshold was set in 2009 when the Legislature adopted a bill to say when an URD gets fed with tax revenue, there is a certain point where they shouldn't be able to collect

without kicking some back. He said, say it is 10%, with $30 million maximum indebtedness, as soon as you are at $3 million you hit the cap for the maximum you can bring in; and anything above that would be kicked back. Tokos said that he will tell ECO to incorporate the revenue sharing. We should account for it in the losses if it will be kicked back to the districts. Patrick agreed if that's true, they need to show that on the charts. Tokos said that he will ask ECO if that is reflected in the losses. Patrick said and to clarify whether 10% or 12.5% applies; it's like saying the same thing twice.

Continuing on page 3 with the next section, "What is maximum indebtedness," Tokos said it's straightforward. The section, "How does Oregon property tax work," Tokos believes is a good explanation of a complicated system. Then on page 4, they cover "what is compression." Patrick said if urban renewal will help compression, they need to put that in there. Berman said they mention it later on, but it's just a brief thought. Patrick said they should highlight that in the report; not just barely mention it. Tokos said that he noted to have ECO show the positive of urban renewal as it applies to compression. Branigan thought it would be helpful if they gave an example. Patrick asked if urban renewal would help the school district with compression just in that district. Tokos said it would be the entire county for the tax district. Patrick said then it would help countywide. Tokos said that is one of the side effects of urban renewal; and it was actually done intentionally to minimize impacts to school districts. Branigan wondered if it would help that ECO specifies that presently LCSD is under compression and this would actually help to ultimately alleviate the issue. Tokos said we can put some informational materials together to help with that understanding.

Tokos noted that page 5 includes sections, "Methods" with steps 1 through 6, and then discussion of "Step 1: Define boundary options." Tokos noted that the small option is the original option 1. The report lists the amount of land, and there is $40 million maximum indebtedness for the small option. There is a relatively heavy project load. The assessed value determines the maximum indebtedness per area. Tokos said that with the larger option more TIF is generated and the district can shut down sooner. One of the big ramifications of a small district is that there is not as much TIF, and it takes longer to shut down; which can have as much impact to the taxing entities. He noted that these different outcomes are set up so policymakers can make a choice. Patrick noted that we have limitations on acreage and how much assessed value can be in urban renewal districts; but we are under both of those by quite a bit. Tokos said, as it mentions somewhere in this report, the district could be a combination of the three options. The small option has $40 million for projects you can take on, the mid option has $30 million, and the large option would be $45 million. Tokos said that projects are a big piece of this. It's not an easy thing to create a district, so you want to hit the mark pretty well. You don't want it too low so there's not as much success; and not too high because you don't want to create more of a hit on entities than is appropriate. He said it is a juggling act. The City is the biggest hit, and the school district gets hit hard. Everybody takes a hit and hopefully benefits. Branigan asked if on the map on page 6, ECO could highlight some streets so you can see where the boundaries are in association to the streets. Tokos said maybe change the type from black and increase the font.

Moving to Exhibit 2 on page 7, Tokos explained that it goes through the projects and how they differ between the options. He noted that from a prior work session, the Commission would recognize that this is the urban renewal contribution toward the project, not the sum total cost. He said for example the couplet would be $25 million; half would be from urban renewal, and the other half comes from another source such as the State. Berman noted that since the estimates are not the total costs for the projects, in the paragraph below the table it should point out that the total of $37.3 million for the projects is the urban renewal portion. Tokos said that's a good catch and noted that correction for ECO. Patrick wondered if we wanted to list what the total cost would be. Tokos said he almost thought the best way to reflect the actual total cost would be in a column. He noted that part of utility undergrounding would probably be coming from another source as well. Patrick asked why the couplet wasn't the same across all three. Tokos said it has more reduced time. The public safety building also was pulled because it's the type of project that's cleaner for a GO bond. He said the concept of taking the couplet down to $10 million is that $2.5 million would come through an LID because certain properties would benefit more than others. It would be an LID, urban renewal, state funding package. Patrick asked, actually the cost doesn't change? Tokos said that's right; the contributions change. Capri asked where these amounts were drawn from. Tokos said he took the cost estimates from the 2012 TSP and escalated them. Others were guestimates; like parking improvements. Strategic site acquisition was put in at $5 million. That is for buying properties to help aggregate with others. There is flexibility in terms of where we set this number. This was done from the feasibility study pulled from the different plans and concepts to make sure that they could be viewed by a firm that does this all the time. Tokos noted that the City Council may change some projects because the Council will pull together an advisory committee. But he suspects that it's likely the major premise won't change. There may be some revisions, but he wouldn't expect huge dramatic changes. Capri asked if for further explanation, maybe where these were pulled from could be included as an appendix. Patrick thought we should do the history of Nye Beach and South Beach districts. He said especially South Beach where we changed course. We only did half of the stuff on the original list, and it's not on the table any more. We totally changed that one. He said that Nye Beach was pretty straightforward. He said the South Beach district is a good example of one that changed tremendously. Capri said the projects are pretty vague; but defining these may make more questions. He said that maybe some of these could be more combined if that is the intent. Tokos said it's hard. You want to be clear enough to understand the concept but vague enough so you are in a better position for when you know what the project will be. He gave the example of the South Beach Refinement Plan. We had the line item for improvements to existing ROW. When we did the Coho Brant project, we took the generalized column and developed specific projects. That way you don't have to do a major amendment; you can do a minor amendment.

Fisher asked if wayfinding means street signs. Tokos said it could include signs. It is directing you where to go. It can be signage or a compilation of other things. There has been talk about using kiosks. It can mean that kind of thing.

Berman said the end of this is roughly 10-20 years away, and these projects are in today's dollars. Tokos said no, he escalated a few years. Berman wondered if a timeframe is something to show, or will there be phasing of projects over time. Tokos said if we move forward with a plan, the couplet will probably be broken in three phases. His sense is this is good for the feasibility study to give a sense of the general target for maximum indebtedness. In the actual plan we would be updating and refining these numbers a bit. Berman said so Tokos did inflate the figures. Tokos said he tried to as best he could. As the next step, he would put more time into that. At this planning level, the figures are rough.

Tokos noted that what you see on the small option is that it doesn't include Agate Beach, but it does include the public safety building and utility undergrounding. The mid option doesn't include Agate Beach or the public safety building; and it has $10 million instead of $12.5 million for the couplet, and the utility undergrounding is reduced. You can scale that if you have $5 million for undergrounding, you can do that amount of that type of work. If you have $8 million, you can do more. The large option includes everything effectively. It includes Agate Beach. Tokos noted that in Agate Beach the boundary was refined and moved further south along 101 after talking with Tim Gross. This picks up a planned major water line upgrade that will basically create conditions where more robust development can happen on the north side. That is appropriate for an urban renewal district. That would use $600 thousand from urban renewal and $1.2 million over all. There would be a lot of benefiting properties outside the district. That didn't change acreage much. Berman asked if the total project costs in here can be shown by adding columns. Show a grand total or something. Tokos said they can possibly do it as one column. Tokos was asked if there could be one more column showing whether urban renewal is paying for the whole thing or not. Patrick noted to be sure that the total is labeled as "estimated total project cost." In answer to a question from Capri, Tokos noted that right-of-way acquisition and parking improvements are the total costs. He said as you get into the actual implementation, you begin engaging stakeholders. If you end up where the right-of-way acquisition needs to be $750 thousand, you pull from another line item that is acceptable to the citizens and the City Council. This gives the policymakers which ones are likely to have partners contributing. He said for example, the fairgrounds is estimated at $9 million. Capri asked how funding works with several organizations. Tokos said we essentially can enter into an intergovernmental agreement with the funding partners. Capri asked if we ever have issues with say ODOT funding. Tokos said where we have found success is to engage the State early and keep them plugged into the process as we go through the concept planning. The couplet for instance will probably be plugged into all three phases; the first three years would be refinement, then ROW acquisition for several years because we will be acquiring developed property. You are engaging with ODOT so you can hook up their funding. If the State has been engaged in the process for 6-10 years, they will find a way. Also, the State is looking for partners that bring some funding to the table; it's nice to get to the front of the line.

Tokos noted that Step 3, "Determine applicable tax rates," discussed on page 8 contains Exhibit 3 that is a compilation of what every entity is currently doing. Step 4, "Forecast growth in assessed value," is also described on page 3. Tokos said he was wondering if we shouldn't ask ECO to do the growth at 3.5% not 4.5%. Exhibit 4 shows annual growth from 1.2% to 5.7% per year, with an average of 3.65%. Fisher said that looking at other years, he thinks 2008 to 2012 was really dead. Berman said we know there is a minimum of 3%, except those in compression are less than 3%. Tokos said it has been 3.65% on average the last ten years. For their analysis, they are assuming 4.5%. The consensus was that that is too high; 3.5% seems reasonable. Tokos said that he will talk to ECO about that. Patrick said unless ECO can demonstrate someplace that that is where it should be. Tokos noted that on page 9, for the assessed values from 2010 to 2013 there was virtually no increase at all. He said for ECO to go to 3.5%, it's just changing the calculations. That will impact the ramp up and closure of the district. Patrick said he would rather have it conservative than overly rosey. Tokos said when the South Beach district got extended in 2008, nobody thought that 7.1% was bad. Then we hit the recession and had to recalculate it at 3%.

Tokos said that Step 5 on page 9 is "calculate TIF and revenue sharing." We already talked about that a little. Berman asked if Tokos can ask ECO if the small option table, Exhibit 5 on page 10, doesn't have an error in it. He said the first number shouldn't be "0" in excess value. Berman is sure that this table is wrong; the others are okay. He noted that the large option has "0" in it, but it balances out. He said that the mid option excess on the first line is the difference between those first two numbers. He thought that it looks like on the small option that the whole column is shifted down one. The excess value should be shifted up one cell. There is another number at the bottom, he thinks it was 407. Patrick said that will affect the limit. Tokos said you shouldn't have excess value your first year; so why not "0" in the others. He said he will talk to ECO about that. We can get those numbers fixed. Patrick said that will change this stuff. If 3.5%, their assumptions are going to change pretty quickly. Tokos agreed these fixes will change stuff.

Looking at the advantages of the small option listed on page 11, Tokos noted that a smaller boundary requires less acreage, which leaves more capacity for other districts. That provides added flexibility to add in other properties because we haven't maxed out acreage. Capri asked Tokos from his expertise, if he saw other urban renewal areas in the future. Tokos said not a large-scale one. He noted that Wilsonville, for example, will form urban renewal districts with a handful of properties for economic opportunities as a way of financing infrastructure for those types of properties. Tokos said that we could do that if we wanted; but he doesn't see anything in the area. Berman said Agate Beach could have potential, but probably not as a stand-alone. Tokos

said all the industrial land on the north side might be a good area; but he said maybe we should shut down South Beach before having that conversation. In response to Patrick, Tokos noted that we are getting close to acreage on the large option. That doesn't account for the annexation. Another advantage of the small option is that it signals the entities that we are being more targeted with the district; and it might be more popular. The disadvantages listed on page 11 include that while it may be more popular, it may be more costly because you have to stretch out the life of the district. Tokos talked to ECO, and the point they made is that if there are more diverse property types, the district is stronger. If you have residential with commercial, if there is a downturn on one side, your urban renewal revenues should be more consistent. With only commercial, it is exposed to ups and downs based on growth. Berman said what happens if all of a sudden revenues are short. Tokos said you just don't do some projects. Typically with urban renewal you are fortunate to complete 70-80% of the projects; you're not going to get 20% because you don't have the partnerships or the timing's not right. He noted that in South Beach phase 1, we did a pretty good job on the projects at over 80%. The wetland mitigation didn't happen because there wasn't a partnership, and we didn't do it. He noted that that is normal. You try to accomplish what you can and take advantage of the window you have.

The advantages of the mid option that ECO lists on page 13 includes the fact that this boundary has the smallest maximum indebtedness and can be funded by other sources. It could potentially be funded by LIDs or things of that nature. The district can ramp up and shut down faster. The disadvantages to the mid option are that it's all commercial; and if you go with the smaller maximum indebtedness, the other funding sources have to come through.

For the large option, the advantages shown on page 15 include that you can do the most projects; and it has the most diverse portfolio, which means it is less susceptible to real estate downturns. There is the potential to experience more rapid growth in TIF. There are maximum resources brought to the table to start working on the projects. The large option has the biggest impact on the taxing districts. Agate Beach waters down the focus a little bit because it is a different type; a residential area. As opposed to Highway 101 and Highway 20 corridor improvements. Fisher noted that Agate Beach is the area that is most stepchild-like and most needy. Tokos said he thought ECO's observation is a fair one. Including residential in an urban renewal district takes more public outreach. Residents are going to be more skeptical about it, and they don't understand it necessarily. They are more likely to be engaged and oppose it where commercial is a little more removed. It was noted that infrastructure and streets are big selling points to people that live up there. Patrick said they are in dire need of stormwater management. Tokos said we are not going to realize as much in terms of increased tax revenue from investments in Agate Beach as we would in downtown. Paving streets in Agate Beach doesn't carry that much weight. Berman said it would be taking money that could be used for real economic development projects and using it in Agate Beach where it doesn't really need that. Tokos said most of Agate Beach is developed residential. Capri asked if there is vacant land up north where there would be more impact. Tokos said if you pull in residential areas like Blue Water Ridge, which at build-out would be a substantial number of units. He noted that the residential area of Southshore is pumping money into the South Beach district. Fisher said if we're not showing a number of projects in Agate Beach, then we shouldn't include it; if we are, then we need to show those projects. Tokos said that he thinks it's a reasonable option. It is on the table as an option. The Planning Commission will decide whether you want to recommend a specific option. Croteau said you could consider going further north. Tokos said he doesn't know if we can get that much more acreage. Branigan said with annexation, we can do that. Tokos said that he doesn't think we need to for purposes of the feasibility study; we covered what we need to. If the large option has traction, there would be the opportunity to fine-tune those boundaries. This gives the Planning Commission and the City Council a good feel for what the large option would look like; and that is what we were shooting for. Patrick thought these were pretty valid options and was a good mix. He said, less money, big district, or little district; pick what you want.

Tokos noted that the next section of the report on page 16 is about compression. He explained this is effectively when the assessed value hits the real market value. He noted that Exhibit 9 on page 17 is where it shows the shift with urban renewal adjusted rates. Tax rates shift more into general government and fall out of education. Tokos said this is where you want to see that factor. He said in the chart on page 16, you can see that under compression in FY 2013-14, the school district loses $576 thousand. If that trend continues, urban renewal actually helps them quite a bit. Berman asked if theoretically the assessed value came up to the real market value, compression would be 100%. Tokos said that Measure 5 limits general government to $10 per thousand and education to $5 per thousand of real market value. When the assessed value hits the real market value, you are working off the real market value. Anything above the $10 or the $5, you don't get. Normally it's off the assessed value. When you hit the real market value, the Assessor changes to another way of calculating this. Berman asked how you determine real market value to compare. Tokos said that is a question for the County Assessor. Hardy said they are required by law to reappraise properties every five years. Tokos noted that the ones they don't reappraise, there are factors that they take into consideration when making an adjustment. Hardy said they consider recent sales, cost of construction; they have three to four approaches to make an educated decision on the average. Fisher said, unlike in California where whatever a property sells for becomes the taxable value at that moment. Tokos said the tough part about compression is that it is tough to determine how long we will stay in it. As we are coming out of recession, the real market value will start climbing. The cap should increase, and the school district won't be in the hole close to $6 thousand.

Berman said that something he had highlighted was in the last paragraph on page 18 regarding passage of local option levies increasing the risk of compression losses. He said that he can't imagine that there is very little chance that utility rates will

continue up and that GO bonds aren't going to be a distinct possibility in the next few years. ECO makes the statement in this paragraph that compression comes into focus more. He noted that we do have that major thing hanging out there that will have to be handled one way or another. Tokos noted that he will ask ECO if they did account for the pool. He said he would ask Tim Gross; but he believes most of what Gross is doing is revenue bonds, which borrow off utilities revenue. GO bonds are what key off property taxes. Revenue bonds won't affect compression because they're not tied to property taxes. He added, but the swimming pool is. He said if the Health District goes out for something that could hit them. Tokos will ask ECO. Any of the other taxing entities would have impacts with GO bonds they put out. Tokos noted that on the South Beach table, it shows GO bonds for Lincoln County and Lincoln School District. That was an impact already issued. He said urban renewal does impact GO bonds. He said that he can ask ECO to talk more about that in here. He thinks one thing to update is the impact sheets; they don't show the complete picture. You have another district closing, and revenue will be coming back in. He said maybe even another table that reflects it. Tokos thought that compression is the other one that they need to show. He said the question is are we comfortable with it in its entirety. That is what we want to talk to them about.

Tokos noted that on the South Beach table showing the revenues foregone, it shows that the City is foregoing a million dollars we would otherwise recognize if we didn't have the South Beach district. If the GO bonds were retired, then there would be no more hit. Effectively what you would have when South Beach closes is that you would have the release of your annual amount, so the permanent rate goes up and the urban renewal increment goes away. He noted that on the FY 2026-27 line you get a sense of what those entities are going to get back on an annual basis. He said that you have the remaining uncommitted revenue in Table 2. He added that we may be able to retire the district sooner. He said those are all projections. At 3%, it's pretty conservative.

Tokos said that under "Conclusions" on page 19, Exhibit 10 provides a summary of the three options. Berman said again, the urban renewal portion of the total project costs needs to be shown. Tokos said that the small option closes out in 2041; and the 3.5% will make it worse. Tokos noted that the rest of today's handouts are showing the full list of projects. It was noted that the one for the small option was missing. It is in the appendix of the report. Patrick thought they should show an example of South Beach now and historically. Tokos noted that South Beach had a small frozen base. With a larger frozen base, you can ramp up quicker. He said maybe that looks better to the taxing entities if they are looking at the next 20 years and not 30 years down the road. By the time the South Beach district closes, it will have had almost 40-50 years of life. Croteau asked what tax areas 104 and 107 mean. Tokos explained that those are Assessor tax codes in the city. How the district breaks is that they are those properties in tax codes 104 and 107.

Tokos summed up his notes of the Commission's comments and questions.

- Factor in the release of the South Beach District in 2027.
- Make sure revenue sharing is reflected in the losses; and on page 3, ECO needs to clarify the revenue sharing threshold; whether it's 10% or 12.5%.
- On page 4, need to highlight or discuss the positive impact of urban renewal on compression in terms of the shift from schools to general government and discuss the effect a little.
- On page 6, improve the street labeling on the map (white text).
- Exhibit 2, add total cost column.
- At bottom of page 7, clarify the total is for the urban renewal project costs and not total costs.
- On page 9, recalculate the table at 3.5% or demonstrate why 4.5% is appropriate.
- On page 10, fix Exhibit 5 excess value column.
- Look at Exhibit 6 & 7 for the same issue as Exhibit 5.
- On Exhibit 8, compression, can we show a trend in just one year? Show where we are likely to go and how this plays out with the formation of a district. Did they make up some of it through no longer being subject to compression; which would be good for the school. Give picture of financial impacts either good or bad.
- On page 18, did ECO capture the pool bond in the calculations? Discuss the impact of general obligation bonds taken out by other districts.
- On Page 19, Exhibit 10, add urban renewal total project costs.

B. New Business.

1. Reminder of Volunteer Appreciation Banquet, April 22nd at 6:00 p.m. at the Oregon Coast Aquarium.

C. Adjournment. Having no further discussion, the work session meeting adjourned at 7:25 p.m.

Respectfully submitted,

Wanda Haney

Wanda Haney, Executive Assistant