MINUTES
KEIZER CITY COUNCIL/URBAN RENEWAL AGENCY
JOINT WORK SESSION
Monday, October 10, 2011
Keizer Civic Center
Keizer, Oregon

CALL TO ORDER

Mayor/Agent Christopher called the work session to order at 5:50 p.m. The following were present:

Councilors/Agents:	**Staff:**
Lore Christopher, Mayor/Chair	Chris Eppley, City Manager
Cathy Clark, Council President/Agent	Shannon Johnson, City Attorney
Jim Taylor, Councilor/Agent	Susan Gahlsdorf, Finance Director
Mark Caillier, Councilor/Agent	Nate Brown, Community Development Director
Brandon Smith, Councilor/Agent	Tracy Davis, City Recorder
Joe Egli, Councilor/Agent	
David McKane, Councilor/Agent	

DISCUSSION

a. Keizer Station LID Debt/Urban Renewal Substantial Plan Amendment

City Manager Chris Eppley reviewed the history of the issue: When Keizer Station was developed, after consolidation of properties, the developers asked the City to finance a portion of the construction of the public infrastructure through the issuance of a Local Improvement District. The City takes a lien against the properties and, as payments come due, collects assessments from the property owners within the Local Improvement District area and makes the payments. The debt is structured so that the City is required to make interest only payments until 2031 when the balloon payment is due; but the City has made some payments on the principal to date. Over the last year one of the property owners who controls five of the LID parcels has been in default. The City has, however, been able to make the interest only payments because payments coming in from others are adequate. There is no immediate danger of defaulting on the bonds but the City is unable to make the payments on the principal as planned. Mr. Eppley explained that staff believes the best option is to put together as much cash as possible and pay as much of the principal down as possible as early as possible so that the assessments currently being received will be enough to stay on the plan and pay both the interest and principal, thereby securing the majority of the City's risk against a future default.

Ms. Gahlsdorf added that refinancing could be considered in 2018 but a

Local Option levy is currently not allowed by State law.

Mr. Eppley added that to do nothing at this time would put the City's solvency at risk and that the longer action is delayed, the larger the payoff will be. If the amount can be paid down by a certain date, then the City will have secured its future. Staff believes the most feasible solution is to take revenues available through the existing Urban Renewal District Program by discontinuing improvements to River Road, delaying program funded construction in Area C, and using those funds to pay down the debt instead. However, additional revenues will be needed so staff is suggesting extension of the Urban Renewal District by one or two years, and setting that money aside to be used solely for paying down the debt.

Mr. Eppley noted that foreclosure of the properties in question would be explored but the City might retain the properties pending a more seller-friendly economy. He added that staff believes that the only way this amendment can be done is to get formal concurrence from the overlapping jurisdictions.

City Attorney Shannon Johnson explained that Urban Renewal Consultant Elaine Howard and Bond Counsel Harvey Rogers were both working with the City on this process. Mr. Eppley added that even if Mr. Sides becomes current, the proposed action might be advisable because payments are due twice a year and the City should develop a strategy to avoid future problems.

Discussion then took place regarding taxing districts, efforts made by Chuck Sides to secure the money in this difficult economy, refinancing the loan in 2018, ensuring that funds are used to make the Urban Renewal District and the General Fund whole, principal and interest payments and the impact to the general fund if the Urban Renewal District is allowed to sunset without this amendment. Community Development Director Nate Brown noted that there are no Urban Renewal Projects pending at this time.

Ms. Gahlsdorf fielded questions regarding amounts due and amounts collected, the status of the current model, the amount available through bonds, and delinquent property taxes. Elaine Howard provided additional information regarding ensuring that urban renewal funds are spent only for this purpose. Ms. Gahlsdorf noted that an option would be to not collect the full tax increment and extend the District for longer, but this option would be more expensive because interest costs would be higher. Discussion then took place regarding guaranteeing that the District ended at a date certain.

Jerry McGee, Keizer, voiced support for addressing this issue now rather than leaving it for future Councilors to address. He questioned what experts had assisted. Mr. Eppley explained that Bond Counsel, Harvey Rogers, and Elaine Howard, both experts in Urban Renewal had assisted along with other bond professionals and financial advisors. He added that staffing costs have already been backed out of the Urban Renewal District anticipating its closure and that would not change, however, there would be some costs

associated with hiring the experts and auditors. Staffing costs have been absorbed back into the general fund which makes this extension a "double hit" because revenue anticipated with the closeout of the District will not be received. Ms. Gahlsdorf added that about $200,000 of administrative costs are being charged to Urban Renewal this budget year and she hopes to cut that in half.

Bill Quinn, Keizer, questioned if 75% of the Districts have to accept this. Mr. Eppley responded that Districts equating to 75% of the total money need to accept it. Theoretically that would be the School District, the City, and the County. He explained that the new law implies that the amendment must be initiated before the last tax increment payment in the existing District is received; this would be November or December. Mr. Quinn questioned what would happen if other properties default on their payments to which Ms. Gahlsdorf responded that most other properties are owned by a Real Estate Investment Trust and Donahue Schreiber and if they default it would devastate the City. Mr. Quinn noted that Districts have lived with urban renewal for some time and another year or two would be acceptable.

Mr. Eppley noted that this is the last possible thing the City wants to do, but it is the best opportunity to control the situation. He explained that Chief Cowan had indicated that the Fire District is a partner with the City, and controlling risk is important so he would work together with his Board and the City.

Matt Chappell, Keizer, urged a continued stable relationship with the City of Salem, cautioned against the tendency to spend our way out of the present situation, and encouraged Council to be conservative in their approach.

Joe VanMeter, Keizer Fire District Board Chair, voiced commitment to work with the City and appreciation for the way the City has worked with the Fire District and the positive effect that Urban Renewal has had on the area. He suggested that the Fire District would like to work with the City to find an option that would reduce the "hit" to the Fire District. Councilor Clark and Mr. Johnson agreed to attend the next Fire District Board meeting.

Elaine Howard noted that although the Plan at this point is not a substantial amendment, she could work with Mr. Johnson to figure out language for the Plan that would include the stipulation that income received from sale of foreclosed properties in Keizer Station would pay back the taxing entity to make them whole.

Mr. Eppley noted that staff is looking for direction from Council to initiate getting concurrence from partners and starting the process.

Ms. Gahlsdorf explained that to comply with statute requirements, the Planning Commission and Keizer Urban Renewal Board will meet jointly on November 9 and make a recommendation to Council to be addressed at the November 21 meeting. It will have to be approved without an emergency

clause. If the vote is not unanimous there will be an emergency session on November 28 so that the ordinance will be effective on December 28. This assumes that written concurrence of 75% of the overlapping jurisdictions is received.

It was the consensus of the Council to have staff move forward with the joint meeting of Planning Commission and the Keizer Urban Renewal Board, bring something back to the November 21 Council meeting, and have discussion with the overlapping jurisdictions.

ADJOURN Meeting adjourned 7:02 pm.

APPROVED:

MAYOR/CHAIR:

Lore Christopher

Debbie Lockhart, Deputy City Recorder

COUNCIL MEMBERS

Agent/Councilor #1 – David McKane

Agent/Councilor #4 – Cathy Clark

Agent/Councilor #2 – Brandon Smith

Agent/Councilor #5 – Joe Egli

Agent/Councilor #3 – Mark Caillier

Agent/Councilor #6 – James Taylor

Minutes approved:

November 7, 2011