

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

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

Planning Commissioners Absent: Gary East (*excused*).

Citizens Advisory Committee Members Present: Lee Hardy and Suzanne Dalton (*by conference call*).

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. Unfinished Business.

1. Review ECONorthwest's technical analysis of the three options for boundaries for a North Side Urban Renewal District. Tokos started by covering the points that ECONorthwest made about the additional capacity under the 25% limitation for both the assessed value and acreage. On the assessed value, Tokos was under the assumption that the assessed value in the South Beach district was as of the last certified roll; but that's not how the statute is interpreted. As it's interpreted, the value is assessed at the time the district's base is established; the frozen base value. Instead of having 12% remaining in assessed value, we have 24% remaining; which is what is shown in ECO's memo included in the meeting packet. Patrick said, so instead of South Beach containing 13% of the assessed value, it's only 1%, which gives a whole lot of room. He said so they don't use current assessed values; it's what the value was when the district was formed. Tokos said it's more or less when it was established. He talked to legal counsel about it and she contacted Portland. That is how they do it. So if that is how the big guys interpret it, we are safe. She couldn't find any case trials on it, so it hasn't been litigated apparently. Tokos said so we have additional capacity there and also on acreage. When he did the mapping in GIS, there are different projections of the earth. Different projections display a geographical area differently. The projection Tokos used was meter-based while measurements were in feet so it was off. He said as shown in ECO's memo, when it comes to acreage, the original 576 actually is 282 when they went to the correct projection. Tokos changed the projection, and that was in fact correct. Berman said, anyway it's all good news. Tokos said yes, we have additional acreage capacity as well.

Tokos said ECO came up with a couple of options that we could do, which are shown on the colored maps. Option 1, which is our original Option 1; and Option 2, which includes Agate Beach and picks up everything else and includes up through Fred Meyer and Walmart. Option 2 kicks up the assessed value for the frozen base but is still within the limitation, since we have 24%; and it's still within the acreage capacity. He said the issue becomes the more assessed value that is thrown into the frozen base, the quicker you generate funds and can close the district down. It's a more significant near-term hit on the taxing districts. There is more impact near-term, but because it can shut down earlier, they reap the benefits sooner. Fisher asked if the taxpayers would see anything different; and Tokos said it would be transparent to the taxpayer. Hardy asked if it would have an impact on any other area of the budget. Tokos said no. He said there will be an impact to the city's budget, the county's budget, and maybe the school district; but the Commission will get to see these numbers for the different options. He noted that there are some things in the statutes that protect school districts. Patrick added that there will be impact on the Port, too. Tokos said all of the taxing districts we discussed before. He said there is the county school one, a three-county school one, and the transit. Tokos said what the Commissioners had are the maps ECO put together for Option 1, which is more or less the original option without Agate Beach, and Option 2, which is the expanded area; their chart showing project costs for Option 1 and Option 2; and then two additional sheets that Tokos put together showing the urban renewal portion of the overall costs. He said that Urban Renewal only supplies a third or half of the funding; not the overall total.

Berman asked why on the table where it lists 6th Street realignment, it goes up by \$2-3 thousand just because the URD got bigger. Tokos said for Option 2, there was a slightly higher estimate plugged in for that work. There are less resources in Option 1 to apply as opposed to a larger district with more resources. Berman noted that is the only one with a difference. Fisher said if this district goes ahead, it doesn't have to be given to the voters; and that's the same problem he has had through the years. He said the general terms "as needed or desired" scares him. He said they can do a lot with that money. Tokos said what we are trying to do here is define it enough to understand what the general categories can be so that ECO can guess what kind of impact the projects would have. Fisher said for example, "strategic site acquisitions" is such a general term that it scares him. Tokos said it's the Council's expectation that if we proceed to form a district, that they would actually put a plan together with a steering committee with members from the public. Tokos said it is a balancing act on this too. We don't want to be so specific that we don't have options. Hardy described it as building a workable skeleton. McIntyre agreed that it has to have some flexibility in

it. Berman asked if the numbers that actually get allocated are moveable. For example if you find that you need more than a million dollars for parking and didn't need all of it for site preparation, could you move it? Tokos said we do the best we can by keeping it flexible. If the Council says let's form a district and a steering committee is put together, the projects may get more specific when the plan is implemented. You try to figure out where your willing partners are. He said you can do minor amendments. You can move money around categories based on opportunities in the project period. He said maybe 6th Street doesn't happen because you can't find partners for that; but there are some business owners struggling to accomplish something else and need help, you can shift funds around. Sometimes, we don't even exercise line items. He said there was a South Beach wetland mitigation that was never used because there was never an opportunity or desire to do something with it. Berman asked if you can add categories. Tokos said that requires a substantial amendment by statute; a public hearings process. A minor amendment is just a resolution by Council. Patrick noted that NOAA was a minor amendment, it just changed what it was used for. Tokos said we had a category of improving street rights-of-way, which is pretty vague. We defined what that meant and shifted it up to Phase 1. It was a minor amendment. Although there was actually quite a bit of public outreach, with open houses, design charettes, and such. There was a lot of community engagement. If there is any significant change, the Council wants to see public vetting of it. The vaguer the projects are, the steering agency needs to play a key role in overseeing them. The more specific; the less input there is and it's easy enough for Gross and Tokos to say OK.

Berman said then on Option 2 that is \$40 million that would not go to taxing districts that would have had there not been an urban renewal district. Tokos said over a 23-year period. Fisher added unless paid off before. Tokos said it can be retired early. Tokos said basically the less funding you have the less capacity for projects. With a larger frozen base, you can start backing off projects faster. All projects are completed four years earlier in Option 2. The maximum level of debt plays into this as well. The smaller the district, the more constrained the base and it takes longer to get projects done. Berman said the funding starts getting set aside the very first year the district is in effect; but are there bonds sold also when you do the work or build something. He asked how you project what that is going to cost. He said ten years from now, who knows what interest rates will be. Tokos said that is done by ECO. He said you will see the debt schedule, but he can ask them to elaborate on outlying years and about the assumptions they have made. Berman asked, it's not in this schedule. Tokos said those are project costs. Interest does not count against your maximum indebtedness under statute. Berman said but it still comes from the taxing districts. Tokos said it comes out of increments. He said you can make interest off tax increment as well. Berman thought he was told you can't invest this money. Fisher said if you have a bond issue to build a building, you can't invest it until the building is built. Tokos said he would talk to ECO about it, and they can lay all that out.

Berman asked what the breakdown is on \$40 million; which agencies don't get how much of that. Tokos said that is coming. That is the impact to the taxing districts, which is a scheduled piece because we have to talk to the taxing districts. Patrick agreed that we have to do a sales job. Tokos said he thinks we stand a good chance of convincing them. He said look at the projects. The county fairgrounds; they will need it for reinvestment. That is part of it. If they get \$3 million in the fairgrounds, they are not losing \$3 million. Otherwise they would have to come up with it. He said similarly for the hospital if we are addressing their access and parking issues that they would otherwise have to spend for. He said for the public safety building the City otherwise would have to come up with those funds. Fisher said there is a good chance that the county couldn't get a bond issue passed. He said a lot are getting something for sure without risking anything. Croteau said as pointed out, that is the advantage; there is something for almost everyone to rally around.

Tokos said the couplet is something that we may want to talk about, and we may want to water it down. We want to emphasize the biggest deal for the downtown area. If we are doing a refinement plan in downtown, perhaps the couplet isn't the solution. Perhaps it's improvements to 9th Street, maybe taking out some downtown buildings for parking that is visible from 101, or maybe we do some other package. He said, as has been noted, it is building that skeleton. Berman said the couplet has a lot of issues. It's not like 101 is going to get less congested; but there are a limited number of solutions to deal with that. Tokos said the couplet would have a positive impact on the commercial base and would make 9th Street more attractive for re-development; but he's not saying that is the only solution. Hardy asked if that's an alternative route away from 101 if you don't want to use 101. She was told no, it's two one-ways like through Philomath. Tokos said 7th Street would just flip the concept around. Northbound traffic would travel on either 7th or 9th.

Croteau asked if inflation is built into this length of time. Tokos said ECO asked if he had factored it in; and he did somewhat, but he doesn't have a lot to go on. It's about \$8 million for a public safety building, there is \$10 in here. The couplet was estimated at \$19 million, and in here it's \$25 million. So Tokos has put something in there for inflation, but it's rough. Berman asked if these will be refined in the final plan. Tokos said yes, they will change around; there will be some refinement. ECO assumed a 4.5% TIF revenue based on their review of the City's historic records. That will fluctuate from time to time up to 7-8% and down around 3% at others. Tokos said that is not an unreasonable assumption. He noted that then the rest of the chart shows the numbers by project and the total debt. Down in the footnotes, you see that Option 2 would assume the final debt payment in 2042; and Option 1 final debt payment and closure in 2047. Option 1 would finish projects later and close later; Option 2 would have a shorter window.

Tokos said we have under contract three options. He wondered if new Number 2 is a good option. The existing Option 1 is good, and Option 2 might be a slight variation of Option 1 but pick up Walmart and Fred Meyer to increase the maximum project load. It would close even quicker. Patrick asked why pick up those properties. Tokos said one project on the list that would benefit them would be the line undergrounding; and it might be beneficial for site acquisition as well. So it's not adding properties that would not benefit; they would benefit from the list of projects. That is a lot of assessed value to add in here. The more you stick in there, the quicker you can ramp up for projects and shut down. Berman asked what is the northern most for Option 1 now. Tokos said he thought it was 15th. This would be just an extension. Patrick said to make Option 2 shown on these maps Option 3. Berman asked if we could have more undergrounding if we go up 101. Tokos said by adding commercial to increase the frozen base, we could shut that district down faster. There may be more utility undergrounding. PUD's estimate is \$8 million up to Walmart. Now it stops at Highway 20. The City has an undergrounding fund, and urban renewal is not assessed 100% for that anyway. Patrick said he likes three options: Option 1 as is here; Option 2 adding the commercial up to Walmart onto Option 1; and Option 3 being that entire area plus Agate Beach. Tokos said he can convey that to ECO as the general consensus. He said it is reasonable. ECO will take a hard look at it. They have done a lot more work. They have a spreadsheet breaking out figures from the assessment rolls and the level of development in these boundaries. That will be their direction. They will come back with comments about what looks good and some factors to consider on the projects lists. We may want to tweak the boundaries; so we may possibly have another conversation about boundaries. Details will get finer and finer, and we will get more targeted feedback from them. Tokos said that we ended up here because of the differences in the values. Fisher said that Agate Beach is a natural part of Newport and including it makes sense. The others agreed. Tokos said Agate Beach by itself doesn't have a lot of assessed value; but it could be a small district. Fisher said, but it would take forever to pay it off.

Berman asked about the five-step process that ECO outlined. Tokos said we are in step one. There will be a 1 and a 1-A. Steps 2-4 will go fast because they have done a lot of the work already. We need to get back to them that this approach is good. We will provide a third option. The next meeting will be feedback about relative advantages of the projects and concepts we mapped out and their feedback on how viable this is based on what we have on the ground. Berman asked if we could get a little more detailed maps showing street names. He said it looks like when we add up to Walmart we end at Fred Meyers on that side. He asked why not include Safeway, too. Tokos said it's all commercially-zoned properties up there. Berman asked about the little triangular area. Patrick said that is the triangle where Sizzler and S&W are. Berman said, so Safeway and Rite-Aid would be included. Tokos said there is a lot of assessed value sitting up there and we don't want to lose that. He said to look at the difference in the assessed value in the memo and when we established the South Beach district. The frozen base was \$18 million and the assumption he was making under Table 1 based on the last assessment data was \$146 million. He said those investments in infrastructure pay off. When districts close down, that gets released back to the taxing districts. It's "near-term pain, long-term gain." On the flip side, it is the only way to do meaningful infrastructure investments. We can get only a few street overlays through the gas taxes.

Berman asked how much we looked at where the non-urban-renewal portion is coming from; is that specific or we'll find a way. Tokos said those are the projects where we would likely have a partner to do the project. If it's on 101, the State is a likely player. If it were the couplet, the State would make it a priority if we are providing half. Given the limited funding the State has available, if a local jurisdiction comes up with a meaningful match, they get to the front of the line. Fisher talked about what the Port came up with for the NOAA project and what the State provided. Tokos said if it's a good project, the State will step up and find a way to help financially. The \$3 million funding for the multi-purpose building at the fairgrounds will come from multiple parties.

B. New Business.

1. 2013 CDD Land Use/Building Annual Summary. The meeting packet included a memo that Tokos had presented to the City Council today. He said it would have been nice to discuss this with the Commission before the Council goal-setting; but it didn't work out that way. Berman noted that he thought it would be better if the charts at the bottom of the first page were presented in the opposite order. Patrick noted that the valuation has changed but the number of permits hasn't. Tokos said the construction value has fluctuated if a big project landed in a given year. If we had the construction value for Teevin added, it would have been closer to 2012.

Berman didn't think Teevin was in the city limits, but was told it is; the city limits go out just past the LNG tank. Fisher said sewer and water goes out there to Running Springs. Tokos said there is some schematic for extending sewer down to that area, but there hasn't been a use for that demand. Teevin looked at making that connection, but it didn't pencil out for them. They decided to do a storage tank. If the Port would have an industrial user that had discharge to our system, it's not hard to extend from Running Springs.

Tokos noted that the Community Development Department is involved in land use planning, building services, and urban renewal programs. He gave the City Council this brief synopsis of the building permit activity. He said we are still in post-recession recovery. It has been relatively flat on the residential side. This year there seems to be some up-take, but he doesn't see a huge amount of residential this year. Commercial will still be reasonable. There is still some reinvestment in commercial sites and a

few new sites. O'Reilly's should happen in another month. They just hired the general contractor for the project; so they are getting close. We probably will see the hospital building go; they just held their groundbreaking. Lincoln County schools are still not finished with their renovation work. There is some work on county buildings. They are working on remodel of the new extension office. So there are some institutional investments too. Tokos said what he conveyed to the Council is that commercial is steady and residential is slowly recovering.

In terms of goals, the ongoing goals include economic development strategies; and urban renewal is part of that. Another ongoing goal is to involve citizens in all aspects of planning. Tokos said we certainly had that with Teevin Bros., and we are doing that with Nye Beach where we are putting an ad hoc work group together.

Fiscal Year 2013-14 goals include completing the reservoir UGB expansion, which will be finished this fiscal year. Tokos said it was supposed to go to the Lincoln County Board of Commissioners this week, but they missed the public notice deadline; so it will be at their first meeting in March. Then it will go up to the State. Tokos talked to the local DLCD representative and he said they will handle it administratively so it doesn't have to go to LCDC. It will go relatively quickly. The next current fiscal year goal is to initiate the annexation of the reservoir property, which Tokos said we should be able to do before the end of the fiscal year. The next goal is land bank implementation, and Tokos said we have done a lot of work on it. He noted that the Council wasn't happy with it just being a City-only investment. They are looking for a bigger engagement; so we are working right now with Lincoln City and the County to do it. That will be past to the City Council as part of the budget process. If that is something that they are not comfortable with, there needs to be a heart-to-heart conversation about how to implement these policies. We did the whole housing study. We may need to revisit these policies. We do the work to adopt these policies, and if they are not comfortable with how they are coming forward, then they should take them off the books and do something else.

Tokos noted that because of time constraints he kind of has mixed planning goals with urban renewal goals. The next goal listed was to complete Safe Haven Hill Phase 1, which is an urban renewal project. FEMA funded Phase 1 and is preparing the Phase 2 grant. We know that funding is locked in; it is secure and won't go away. It was just a matter of demonstrating to FEMA that Safe Haven Hill is a viable location and this is an appropriate and vital investment to be made. It's a \$650 million project. The next goal is also an urban renewal project, which was to acquire rights-of-way in South Beach. By the end of the fiscal year, rights-of-way should be acquired for Abalone, SW 30th, and SW 35th Streets. Additional rights-of-way for 35th and Ferry Slip should be picked up next fiscal year. The State has agreed to early 2017 for the street light relocation to 35th and improvements at that intersection with 101. McIntyre thought that would be a good realignment for getting out to Idaho Point as well.

Tokos said the next goal on the list is code updates for accessory units and park models, which we took care of. Regarding the goal of developing a strategy for annexation of the South Beach industrial areas, Tokos said we haven't done that yet. He said now we have the Seal Rock issue. Tokos explained that there was a 102 acre chunk of land annexed and zoned in 2007 that included Wilder, GVR, and the Community College properties; and at that time the City was in negotiations with Seal Rock Water District shifting the Seal Rock boundaries to the south. At the time the annexation occurred, there was no withdrawal from that district; there was just an intergovernmental agreement. The agreement didn't take care of it; it didn't deal with property tax at all. Seal Rock had revenue bonds and GO bonds, and their revenue bonds were backed by the revenue they were bringing into the district. The loss of those properties put those at risk. Seal Rock also wanted compensation for future revenue, and they got that too. What wasn't addressed were the GO bonds, which are backed by property taxes. It's normally addressed as properties are withdrawn. That wasn't part of the agreement. Seal Rock did a master plan update and passed a GO bond for \$10-15 million. They did the first issue of that in 2010-2011; and their property taxes went way up. They were based on the 2004 GO bond prior to that. The City started getting calls as Wilder began selling homes that they were paying Seal Rock property taxes, City property taxes, and City water. They wondered why they were paying Seal Rock anything. Seal Rock assumed it had been taken care of. We are updating the Urban Service Area Agreement which will basically say as we serve them, withdrawal occurs on these properties. Some of the properties are in the City, and some are outside. The agreement will say that if they withdraw, they are only subject to the 2004 GO debt, not the 2010-11 GO bonds; which is a good deal for the City. Seal Rock sees that it's not fair to argue on the 2010-11 GO debt because their updated master plan didn't include these properties and they are not benefiting from that debt. The City will initiate the withdrawal then. The City is on the hook for a proportional share of the debt within the city limits; outside the city limits, it's the property owners. Outside the city limits, the city can't do anything. The City can have a conversation with those property owners outside the city limits that they are paying to Seal Rock and getting no benefit. See what the City can do for you. If they agree to withdraw from that district, they will realize a tax benefit. The City can help them fill out the paperwork and they would get better water rates from the City. Then that gets back to the annexation. Tokos thought that it's best not to talk about annexation at the same time that we are dealing with the Seal Rock issue. It's probably best to give that some breathing room. Get Seal Rock taken care of and then deal with annexation later. Patrick thought we should do something before we have a problem like Lincoln City has. Tokos noted that it's mostly industrial property.

Continuing through the current fiscal year goals, Tokos noted that the concept of a North Side Urban Renewal District, the review of the Nye Beach Design Review Overlay, and preplanning for the bridge are all under way.

Moving on to the 2-5 year goals, Tokos said that regarding the organization structure of the Community Development Department, he has submitted for filling the Senior Planner position. He has been holding it vacant for several years, but we are at the point where we have to do it. He noted also that two of the four staff members are working past normal retirement age. We need to be to where we have a plan in place to ensure continuity of service. Tokos said as the Council continues to pull him other ways, it pulls him away from Planning Commission work. There is not a lack of work, and there are issues we need to work on. Tokos also put in the budget enough money should Hargie retire officially from his post-retirement part-time position so we can hire a new Building Official possibly full-time.

Another 2-5 year goal is to work on LID ordinances. Tokos said that is so we can implement it a little bit better to comport with statutory requirements and integrate it with land use and exactions and things of that nature. Part of that is that we need to work on what language we need to include in remonstrance agreements to make them iron tight down the road. Part of that conversation is having meaningful LIDs for funding street improvements.

Adopting storm drainage and erosion control standards will follow the Stormwater Master Plan, which should be adopted next fiscal year. That will come through the Planning Commission and the City Council and goes into the Comprehensive Plan. Tokos said the Commission will not only see the condition of the storm water system, but will also look at what the engineers' views are in terms of the sequence of storm water improvements over a 20-year planning period. One piece of that is the framework for how we generally should go about regulating private properties for discharge into the public system. Tokos said that the Sewer Master Plan will follow shortly thereafter. This will likely lead to some significant updates to the SDCs. Then we are in a position to talk about storm drainage and erosion control standards.

Another 2-5 year goal is to initiate a process for forming a new North Side Urban Renewal District. Tokos said that next fiscal year we will be in a position to know if the City Council wants to go forward with a new district.

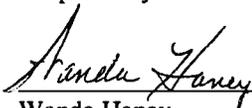
The next goal 2-5 years out is to complete the preliminary planning for bridge replacement. Tokos said the preliminary planning will continue and eventually turn into an alternatives analysis.

Because of the time constraint, Tokos just touched on the other 2-5 year goals. He said he has been working with the Council on an inventory of the City's property assets; and they have a good sense of that for both vacant and developed properties and whether it is needed for public purposes. Tokos noted that there will likely be the potential for additional regulatory mandates on the floodplain. We will move forward on Safe Haven Hill Phase 2. Agate Beach Wayside improvements will move forward with the design phase next year. We will try to get money set aside in the budget for a Park System Master Plan.

Berman asked what the intent was of an Airport Master Plan. Tokos said that we have one. It basically outlines long-term plans for development. The FAA is requiring it to be updated because it is out of date. Because they gave us \$9 million for airport renovations, they want to see it brought up to snuff. Tokos said as it comes before the Planning Commission, he thinks it will impact some adjoining properties because there may possibly be further restrictions on development to meet FAA requirements. He thought that the Wolf Tree property would be the most impacted. He doesn't believe it can develop as was originally envisioned.

C. **Adjournment.** Having no further discussion, the work session meeting adjourned at 7:09 p.m.

Respectfully submitted,



Wanda Haney
Executive Assistant