



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

**Columbia Gateway Urban Renewal Agency Advisory Committee
Meeting Minutes**

Tuesday, May 21, 2013

5:30 p.m.

City Hall Council Chambers

313 Court Street

The Dalles, OR 97058

Conducted in a handicap accessible room.

CALL TO ORDER

Vice Chair Grossman called the meeting to order at 5:30 p.m.

ROLL CALL

Members Present: Gary Grossman, Jennifer Botts, Mike Zingg, Dick Elkins, Linda Miller

Members Absent: Chris Zukin, Greg Weast, Robin Miles, Steve Kramer

Staff Present: City Manager Nolan Young, City Attorney Gene Parker, Administrative Secretary Carole Trautman

Also Present: MCEDD Loan Fund Manager Eric Nerdin

PLEDGE OF ALLEGIANCE

Vice Chair Grossman led the group in the Pledge of Allegiance.

APPROVAL OF AGENDA

It was moved by Elkins and seconded by Miller to approve the agenda as submitted. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

APPROVAL OF MINUTES

A. April 16, 2013 – It was moved by Zingg and seconded by Miller to approve the April 16, 2013 minutes as submitted. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

PUBLIC COMMENT

None.

ACTION ITEM – Recommendation Concerning Amendments to the Interest Buy Down Program

City Manager Young noted there were seven proposed changes listed in the staff report regarding the Interest Buy Down Program (Program) for the Columbia Gateway Urban Renewal Agency (Agency). Each proposed change came with a staff recommendation and two alternate recommendations for the Advisory Committee's (Committee) consideration.

1. Maximum Interest Rate Eligibility

City Manager Young introduced the proposed change by noting that the Agency currently had no maximum interest rate eligibility requirements. Young highlighted staff's recommendation for the Committee to recommend to the Agency that the maximum eligible interest rate for the program be the lower of the Wall Street Journal Prime rate plus 6 points or 12%.

Vice Chair Grossman pointed out that the Committee would consider and make a motion on each of the seven proposed changes, one at a time.

Councilor Miller asked what interest rate was currently being used. City Manager Young stated that the Agency currently did not have an interest rate guideline, and the City was looking to develop a standard. MCEDD Loan Manager Nerdin clarified that, with the proposed change, future program applicants would need to secure a loan at or below the proposed interest rate cap to be eligible for the Program. The design of the cap, Nerdin stated, was to minimize the Agency's exposure to subsidize a high interest rate loan. Botts commented that by subsidizing at a standard rate, the cap would allow Agency funds to be utilized for other Program applicants.

Zingg asked what prompted the proposed change. City Manager Young stated that the Agency was obtaining some interest from some larger-sized projects, and as funds became tighter, staff was concerned about not having sufficient guidelines that would better enable the management of funds and maximize the benefit from the Program. Young reported the Agency had subsidized five loans thus far and had learned some lessons from the experience.

It was moved by Miller and seconded by Botts to recommend to the Agency Board that the maximum eligible interest rate for the Program be the lower of WSJ Prime rate plus 6 points or 12%. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

2. Interest Rate Shopping

City Manager Young pointed out that applicants were currently required to submit only one loan quote. The proposed change would require applicants to obtain quotes from at least three lending institutions.

Botts asked if that would create a hardship for applicants to find enough lending institutions to obtain the three quotes. MCEDD Loan Manager Nerdin stated there should be no problem obtaining three quotes. Nerdin noted that an applicant could essentially use the same paperwork completed to obtain the first quote to obtain additional quotes.

Botts asked how the Agency would use the information to make a determination. City Manager Young stated that the information would be helpful to staff in structuring the loan. The Agency probably would not require the Program applicant to use the lending institution with the lowest rate; but in its best interest, the Agency could choose to subsidize at the lowest interest rate provided and allow the applicant to choose another lender of choice at a higher rate.

Michael Leash, 306 Court Street, commented that commercial loans were fickle. An applicant could obtain one approval and two rejections. MCEDD Loan Manager Nerdin stated that the proposal only called for quotes and not approvals.

Miller asked why the change was brought to staff's attention. City Manager Young reported that staff had a concern of not getting the best deal with just one quote. Young clarified that the applicant should get at least three quotes that were acceptable to the staff administering the Program. MCEDD Loan Manager Nerdin advised that a requirement for three quotes could cause lending institutions to be more competitive on setting the interest rates which would be in the Agency's best interest.

It was moved by Zingg and seconded by Elkins to recommend to the Agency Board that applicants be required to obtain quotes from a minimum of three lending institutions prior to receiving final subsidy approval. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

3. Cap on Maximum Value of Loan Subsidy:

City Manager Young stated that the reason for the proposed change was to eliminate the possibility of one or two loans consuming the program's funds. Staff recommended the hybrid formula (pages 5 and 6, including Table IV). Mr. Nerdin explained that the intent of the proposed hybrid formula was to cap total subsidized project monies so that a majority of Agency funds would not go to one entity. The hybrid formula would combine the tools of both options (a) and (b), the regressive formula and the property tax formula. Mr. Nerdin pointed out that the hybrid formula was designed to help both the smaller dollar and larger dollar customers while at the same time limiting the total subsidized amount on any given project.

Elkins said it would be helpful to know the increased property tax dollar amounts collected annually on the projects thus far in order to evaluate the Program. City Manager Young stated staff would look into obtaining that information. Young reminded the Committee that there were other values of the Program other than increased property taxes. For instance, the Canton Wok project helped preserve the value of a building that would have otherwise lost value, and it created new jobs. Botts pointed out that another benefit of the Canton Wok project was that the renovations allowed the current tenants to remain in the building.

Chair Grossman and others commented that the formula was complex and difficult to understand. City Manager Young advised that he found the tables to be most helpful in analyzing the three different options, because the tables identified cap amounts and what type of outflow of Agency funds would occur on different sized projects. Young felt the cap and outflow ratios seemed better than the other proposed structures in that they seemed to be a good middle ground that would help accomplish goals of the project and create a stability in controlling the amount of funds put out on a single project. Botts commented that the hybrid formula offered considerable monthly savings on the larger loans and, at the same time, allowed smaller loans to be more affordable. Zingg commented that he saw the proposed amendment as a trust issue. If staff understood and was comfortable with the formula, then he would be okay with it without completely understanding the methodology.

Elkins asked if the Agency still had enough years remaining to add new projects to the Program. City Manager Young said there were enough years remaining, and all projects would come to an end in 2026, the end of the life of the Agency.

It was moved by Zingg and seconded by Miller to recommend to the Agency that the maximum value of future loan interest buy downs be capped according to the hybrid formula depicted in Table IV (page 6). The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

4. Provide Agency the Option of "Buying Points":

City Manager Young reported that this option would save the Agency subsidy funds by pre-paying interest up front in exchange for a lower interest rate. There would be some risk to the Agency by pre-paying interest if the applicant defaulted on the loan or sold the business. Staff recommended that the tool be made available to staff to be used on a case-by-case basis, and only if sufficient funds were available. Young stated the tool would probably be used only on loans where the Agency would gain maximum value from buying down points.

Zingg asked if this option would tie the Agency to a future obligation to the bank. City Manager Young advised that the Agency did not finance loans. Mr. Nerdin explained that the Agency did not interact with the banks. Interest payments were made directly to the applicant. Botts asked if buying points could be paid back to the Agency in case of a loan default. Mr. Nerdin stated that City Attorney Parker could draft something with the applicant to protect the Agency's interests. However, unless the loan was a large dollar amount, recouped funds would be fairly minimal, Nerdin advised.

Zingg asked if the Agency could ask for a personal guarantee on a loan where interest points were purchased. Mr. Nerdin pointed out that the goal of the Agency was to help preserve buildings, and if the work had been accomplished and approved, the Agency's goals were met—preservation of the property.

It was moved by Botts and seconded by Elkins to recommend to the Agency Board that future loan interest buy down agreements include an option for the Agency to buy points on the loan subject to a guarantee of repayment of the value of the buying points in the event of default.

Mr. Nerdin cautioned that there could be other case scenarios where an applicant could not pay off a loan that would not constitute a default. To propose other language that would cover other case scenarios would lend itself to micro managing, Nerdin stated. City Manager Young commented that staff did not intend on using this tool frequently. Young reminded the Committee that City Attorney Parker had proposed language whereby any point payment would go before the URAC and the Agency for approval. Doing so would give both boards the option to place conditions on buying points based on the type of loan.

Botts retracted the original motion.

It was moved by Grossman and seconded by Zingg to recommend to the Agency Board that future loan interest buy down agreements include an option for the Agency to buy points on the loan subject to approval of the Agency. Grossman, Zingg, Botts and Elkins voted in favor, Miller opposed; Motion carried. Zukin, Weast, Miles and Kramer were absent.

5. Obligatory Refinancing

City Manager Young reported that Program applicants currently had no motivation to refinance a loan because the Agency was subsidizing all of the interest payment. Therefore, this proposed amendment would allow the Agency to obligate the applicant to refinance at the Agency's expense.

Zingg asked if the proposed amendment suggested refinancing at the term of the note or at any time. City Manager Young said refinancing could be required at any time during the life of the loan. Young pointed out that some refinancing could be restricted by the type of loan, so that would need to be considered.

It was moved by Zingg and seconded by Miller to recommend to the Agency Board that applicants be subject to obligatory refinancing. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

6. Cap on Time Limit for Interest Subsidy

City Manager Young reported that currently there was no time limit on the loan subsidies. Staff recommended a time limit of the lesser of 10 years or the end of the life of the Agency.

It was moved by Elkins and seconded by Miller to recommend to the Agency Board that the time limit for the loan interest buy down be the lesser of 10 years or the end of the life of the Urban Renewal Agency. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

7. Adjusting Threshold for Agency Review

City Manager Young advised that currently staff was allowed to approve a loan interest subsidy with an annual value of \$15,000 or less. With the proposed amendment, staff could approve interest buy down applications with total subsidy values of \$75,000 or less without Agency approval. This amendment would allow staff a little more flexibility in approving Program applications. Young noted that any interest buy down loan subsidy where buying points would be considered would go before both the Advisory and Agency boards for review under the proposed changes.

It was moved by Miller to recommend to the Agency Board that all loan interest subsidies of \$75,000 or more in total be subject to review and approval by the Advisory Committee and Agency Board.

Elkins commented that \$75,000 seemed a little high. City Manager Young suggested Committee members could set the threshold at a lower dollar amount if they were not comfortable with the \$75,000 limit.

The motion was amended by Miller and seconded by Elkins to recommend to the Agency Board that all loan interest subsidies of \$50,000 or more in total value be subject to review and approval by the Advisory Committee and Agency Board. The motion carried unanimously; Zukin, Weast, Miles and Kramer were absent.

ONGOING URBAN RENEWAL PROJECTS

City Manager Young gave the following Urban Renewal project updates:

Granada Block – The Memorandum of the Disposition and Development Agreement was signed and would soon be recorded. Staff gave the developers a “per spot” price range for the City parking structure, and developers were required to provide the total number of parking spots needed by mid-July so the City could distribute the Request for Proposal (RFP) on the parking structure design. Staff approved the developers’ demolition process and cost estimate submittal for the Recreation Building. Staff was developing a chart that would identify the various activities and deadlines as outlined in the DDA to track progress.

Parking Structure – Staff was considering a two-step design build process where staff would establish a firm dollar amount on the design, set a price range, then negotiate the final build based on the design. This approach would remove some of the bidding risk for contractors, Young stated. By alleviating some of that risk through this two-step process, the City could possibly get lower bid estimates from contractors.

City Manager Young announced that the June 18, 2013 meeting would be a joint session with the Agency Board. The main focus of the meeting would be to review the Agency project list and consider a possible re-prioritization of projects. Young reported that Administrative Fellow Chrostek prepared three reports for consideration: 1) Urban Renewal Performance Evaluation; 2) Urban Renewal End of Life Conceptual Budget Narrative; 3) History of Urban Renewal in The Dalles. Elkins was the only Committee member present that stated he would not be able to attend the June 18th joint session.

Vice Chair Grossman adjourned the meeting at 6:40 p.m.

Respectfully submitted by Administrative Secretary Carole Trautman.



~~Gary Grossman, Vice Chairman~~
CHRIS ZUKIN