

**City of Hood River  
City Council Work Session  
October 28, 2019**

Council: Mayor Kate McBride, Mark Zanmiller, Megan Saunders, Jessica Metta, Erick Haynie

Staff: City Manager Rachael Fuller, City Attorney Dan Kearns, Finance Director/ACM Will Norris, Planning Director Dustin Nilsen, Fire Chief Leonard Damian, Police Chief Neal Holste, Interim Public Works Director Wade Seaborn

Absent: Tim Counihan

**I CALL TO ORDER** – Cell Phone Reminder – 6:01 p.m.

Land Acknowledgement Statement and Pledge of Allegiance

**II BUSINESS FROM THE AUDIENCE**

Gabriela Jorge, Hood River, OR – she had a question regarding the purchase of the property on Rand Road. She would like to know the purpose of the land purchase.

**III PRESENTATIONS**

1. Mid-Columbia Economic Development District Update, Amanda Hoey

Hoey presented an overview on MCEDD. There are several documents in the meeting packets that give Council an overview about MCEDD. There is a document that is related to their regional economic development scope of work, as it relates to the preparation of their economic strategy and the implementation and the direction, they are headed in terms of the business resilience.

The City of Hood River is a member of Mid-Columbia Economic Development District (MCEDD) which is a regional economic development agency serving a bi-state region bordering the Columbia River. Formed in 1969, MCEDD is celebrating 50 years of service to the region. As a member of MCEDD, the City benefits from, and can access a number of services, including

- Business Assistance Services. Primarily loan funds for businesses. Many businesses in the City of Hood River have benefitted from access to capital through MCEDD.
- Regional Economic Development planning through development and implementation of the Comprehensive Economic Development strategy.
- Infrastructure and industry assistance.
- Project support, on a fee-for service basis. For instance, MCEDD currently contracts with Hood River County to administer the Cascade Locks-Hood River Enterprise Zone.

Hoey explained every five years the region develops the comprehensive economic development strategy as a guide to understanding the regional economy and crafting goals, strategies and actions to create jobs, raise income levels, diversify the economy, and improve the quality of life.

The plan is compiled by Mid-Columbia Economic Development District (MCEDD) and follows the guidelines released by the US Economic Development Administration. The strategy is developed by

a diverse workgroup of local representatives from private, public, and nonprofit sectors. The list of priority strategies and actions include, Housing, Financial Capital and Entrepreneurial Environment, Workforce, Infrastructure and Regulatory Environment.

The action plan is based on a community systems premise that all elements are inter-connected. Goals include:

- Infrastructure (Housing, Water/Wastewater, Transportation, Broadband): "Plan for, maintain and re-invest in infrastructure, including attainable housing, to provide for current population demands and support future economic development opportunities."
- Financial Capital & Entrepreneurial Environment: "Enhance the retention and expansion of business in the region, coordinating resources to diversify the economy and create sustainable quality jobs."
- Workforce: "Nurture, educate, attract and maintain a regional workforce that is career trained and work ready."
- Innovation Capacity: "Identify, utilize and expand innovation capacity to benefit the region."
- Social/Natural Amenities: "Build upon existing alliances and efforts to encourage stewardship, healthy communities and a quality of life that recognizes our sense of place and unique environment."

Hoey reviewed Oregon's Top Ten Priorities: At the top of the list is the Hood River Interstate Bridge; A new, replacement bridge is needed to improve and ensure multimodal transportation of people and goods across the Columbia River between the communities of Bingen and White Salmon in Washington, and Hood River in Oregon. Second on the list is Workforce Housing Projects; Hood River: Engage in projects and feasibility analysis to develop critically needed affordable and workforce housing in the City of Hood River and Hood River County. Sherman: Created incentives to encourage the construction of new rental housing/ rehabilitation of existing housing. The County continues to look for creative ideas that would solve housing issues.

Hoey reviewed Business Recovery Resources. Economic resilience components has continued to raise to the top within the Economic Strategy. As they looked into putting that into play and some of the efforts they had been responding to in natural disasters, as well as economic disasters, identified was an opportunity for them to be more proactive in developing materials. They could use both in business preparedness but also in response to any future issues. She provided their website [www.mcedd.org/ready](http://www.mcedd.org/ready) that has a list of additional materials and resources. One other program they are working on is Business Preparedness; businesses that are better prepared are going to be more resilient.

Hoey stated MCEDD is a resource to Staff and Council. They are hopeful to continue a strong parentship with the City, as they move forward.

## **WORK SESSION**

**V OPEN WORK SESSION – 6:22 p.m.**

**VI AGENDA ADDITIONS OR CORRECTIONS**

**VII DISCUSSION ITEMS**

1. PERS Side Account Proposal, W. Norris

Norris presented a PowerPoint presentation. The PowerPoint has been added into the record.

The long-term funding challenges facing Oregon's Public Employees Retirement System (PERS) have been well publicized. While Oregon's system is better funded than most other States, the problem is serious and has already placed strain on public budgets. The Hood River City Council recognized the upcoming PERS funding challenges and responded by setting aside \$500,000 in a PERS Stabilization Reserve sub-fund in 2016. The balance of this reserve sub-fund has grown to \$522,271 at the end of Fiscal Year (FY) 2018-19 earning interest in the State of Oregon's Local Government Investment Pool.

The Oregon Legislature has also responded to the State's PERS challenges with recent legislation. New laws have; established matching funds for local governments that establish PERS investment "Side Accounts", mandated increased employee cost sharing, and modified employer funding formulas to smooth the rate impact from prior, more lucrative, retirement benefits offered to public employees starting work prior to 2003 era reforms. This report focuses on the City's ability to take advantage of State of Oregon matching funds by creating a PERS Side Account.

Discussion - Side Accounts Overview: Future employee pension benefits are paid from charges to employers that are invested under the guidance of the Oregon Investment Council. As of August, investments were allocated 33% public equity (stocks), 23% private equity, 2% "Opportunity" (ex. hedge funds), 21% Fixed Income (ex. bonds), 11% Real Estate, & 10% Alternative Investments (ex. infrastructure & natural resources). Local governments may make additional payments into this investment fund by creating a "Side Account". Side Accounts are invested in the same portfolio as the overall fund, but the investment earnings (or losses) are segregated to the individual employer. The balance of the Side Account is drawn down over time, typically 20-years, in the form of rate credits against the local government's regular PERS charges.

SB1566 (2018) & SB1049 (2019): The 2018 Legislature created the Employer Incentive Fund (EIF) to encourage local governments to establish Side Accounts by providing a 25% State of Oregon contribution match. The 2019 Legislature funded the EIF with \$100 million. Only PERS Employers with the highest unfunded pension liabilities as a percentage of payroll are eligible to apply during the first round of applications, from September 3rd to December 2nd. The City of Hood River did not qualify for the initial application period. It was broadly anticipated that the full \$100 million would be exhausted before the application was opened to all PERS Employers. However, as of October 18th the EIF still has \$85,076,976 available.

Establishing a side account is good strategy to mitigate future PERS rate increases although it does carry investment risk. This risk is substantially minimized by the 25% state matching funds. For example, if the City of Hood River had invested just ahead of the 2008 "Great Recession" with a 25% match, its Side Account would have only dipped slightly negative for a single year before rebounding, up 117% by the end of 2018.

Timing Considerations: Remaining EIF matching funds will be allocated on a first come, first served, basis with general applications accepted December 3rd. Qualifying Side Account contributions must be made before August 31st, 2020. A Side Account contribution was not included in the FY2019-20 Adopted Budget because the EIF was anticipated to be exhausted before being opened to general applications. Because of this, payments will need to be appropriated in the FY2020-21 Adopted Budget.

Staff Recommendation: Authorize making an EIF application for the City's full Side Account

contribution amount eligible for matching funds, \$1,638,737.60 for a total Side Account amount of \$2,048,422. The application does not obligate the City to make the full contribution. The final contribution amount will be dependent on the FY2020-21 budget process.

Fiscal Impact: PERS provides a rate projection tool to estimate future rate credits from the creation of a side account. The tool uses an assumed investment return rate of 7.2% which cannot be modified. The assumed rate of return is set by the PERS Board in consultation with investment advisors. PERS Investments have not met this rate of return over the last five-years but have also exceeded this rate of return over the last 10 plus years. Using the supplied assumptions, the PERS rate projection tool estimates a \$1,000,000 City contribution, matched with \$250,000 from the State of Oregon, will return \$2,162,617 in rate credits over the next ten biennia.

Potential funding sources for the PERS EIF contribution are the City's PERS Rate Stabilization Reserve and the City's General Fund. The City can also estimate equitable contributions from the Utility Funds. Final funding sources will be contingent on the FY2020-21 budget process.

Norris stated they will be able to make a final decision in the context of the entire budget process, all resources and all priorities balanced at one time. The funding that would be eligible for this; PERS Stabilization Reserve is the perfect source. General Fund is always the discretionary pot of money, they could look into as well. What would be an equitable contribution from the utility funds, if they find that to be appropriate. The only restriction on this is the City cannot borrow to fund this.

Councilor Saunders believe they should get the City's application submitted in and have a good discussion during the budget process.

Mayor McBride agreed, they should apply first and decide later. The City is lucky to have this opportunity, if that is what is decided.

**Motion:** Authorize the City Manager to submit an EIF application on behalf of the City of Hood River in an amount not to exceed \$1,638,737.60.  
**First:** Saunders  
**Second:** Haynie  
**Discussion:** None  
**Vote:** Motion passed (roll called)  
Ayes: McBride, Zanmiller, Saunders, Metta, Haynie  
Nays: None  
Abstentions: None  
Excused: Counihan

## **VIII ADJOURN WORK SESSION - 7:00 p.m.**

### **REGULAR COUNCIL MEETING**

**I OPEN REGULAR COUNCIL MEETING – 7:00 p.m.**

**II AGENDA ADDITIONS OR CORRECTIONS**

### III CONSENT AGENDA

1. Council Meeting Minutes – September 23, 2019
2. 2<sup>nd</sup> and Oak Signalization Design Contract Amendment

Councilor Zanmiller asked that Council discuss Consent Agenda Item No. 2 before approving. Council agreed.

Councilor Zanmiller asked staff if this is a request for an additional \$40,000 to keep them at the 30% drawings? He stated, originally it was \$14,000 to do everything.

Seaborn stated they have run into some roadblocks with ODOT. They mainly have to do with traffic projections and improving the center lane.

Councilor Saunders asked what has changed since July when Council agreed to do the phase; where is ODOT's concern now?

Seaborn stated ODOT prefers not to do bump outs. They would have their maintenance crews move signal heads when it's time to get rid of parking and add turn lanes. ODOT needs direction, before they could consider it. The design exceptions are mainly due to the curb returns, ADA ramps and the final phase since the grades are very steep.

Councilor Saunders asked if Council approves this, would this be the final change order and what is the timeline to get to implementation, based on what they currently know. Seaborn stated this gets them through conceptual design, 30%. They would then advertise for final design. Seaborn stated best-case scenario estimate would be next fall.

Fuller added construction costs are escalating everywhere. Until the project is bid out, they will not know if what was set aside in the budget, will be adequate or not. It will be something they will be looking at when they put together the budget.

Councilor Saunders asked if it would be helpful to talk to ODOT, to let them know this is not helpful. Fuller stated in general, the City has a good working relationship with ODOT. At the same time, it can be cumbersome to work through these things. ODOT has requirements they need to adhere too. Fuller stated staff would be happy to share the concerns and frustrations of Council.

Mayor McBride stated the intersection is dangerous and it will be safer to have bump outs. If they last 20-30 years, she believes it will be worth it.

**Motion:** To approve the Consent Agenda.  
**First:** Metta  
**Second:** Saunders  
**Discussion:** None  
**Vote:** Motion passed (roll called)  
Ayes: McBride, Zanmiller, Saunders, Metta, Haynie  
Nays: None  
Abstentions: None  
Excused: Counihan

#### **IV REGULAR BUSINESS ITEMS**

1. Property Acquisition for Housing Financing – Resolution 2019-14, W. Norris, K. Liburdy

##### **Background**

Creating opportunities for an inclusive and diverse housing inventory is an identified goal on the City's 2019 Work Plan. As such the City is pursuing purchase of property located at 780 Rand Rd. that would be developed to help meet the City's housing needs.

**Property Description:** 780 Rand Rd. totals approximately seven acres located on the west side of Rand Rd., north of Sherman Ave. and south of Cascade Ave. Most of the property is zoned Urban Low Density Residential (R-1) and a small portion, approximately 0.87 acre, is zoned Urban High Density Residential (R-3). Subject to provision of adequate public facilities including improvement of a segment of the Westside Community Trail, most of the property appears to be developable for a variety of needed housing types. It is near commercial uses and employers along Cascade Ave. and on Wasco Loop.

**Property Considerations:** A portion of the site may have development constraints due to the presence of steep slopes, wetlands and/or significant trees. Staff currently is conducting due diligence including environmental and valuation analyses that will be performed prior to execution of a purchase and sale agreement by the City Council.

**Housing Needs:** Hood River's contemporary housing initiatives are informed by the 2015 Housing Needs Analysis. The Housing Needs Analysis determined that Hood River has an existing deficit of housing that is affordable. This analysis generated a three-pronged housing strategy: 1) Increase efficiency of use of land within Urban Growth Boundary; 2) Regulate and monitor short-term rentals; and 3) Develop affordable housing. Strategy #1 is ongoing and includes updates to the City's development code. Strategy #2 was initiated when the City's short-term rental program was established in 2017. This project is consistent with strategy #3 - encourage development of housing in Hood River.

**Next Steps:** The attached Resolution authorizes the City to pursue a Full Faith and Credit borrowing agreement in an amount not to exceed \$1,600,000, with repayment over a period of 10-years, to finance the purchase the acquisition of 780 Rand Road for housing and to pay related financing costs. The City of Hood River last borrowed on a Full Faith and Credit basis in 2017 via Resolution 2017-15 in order to refinance debt related to the City's waterline.

A Full Faith and Credit debt obligation is secured and payable from all lawfully available funds of the City and is not subject to appropriations. Borrowing on a Full Faith and Credit basis is authorized by ORS 287A.315. Borrowing in this manner is best suited for small private placement (bank loans) because it reduces transaction costs, obtains lower interest rates, and can be executed quickly, relative to alternative financing methods.

The City will only be considering financing agreements with no pre-payment penalties after one-year. This will allow the City the flexibility to pay off the debt completely in the next budget year. The loan will also be taxable, as opposed tax-exempt, in order to provide maximum flexibility in future property development options. Staff will discuss various funding sources with the Council to confirm an appropriate funding mix.

**Staff Recommendation:** Authorize the City to pursue a Full Faith and Credit loan agreement in

an amount not to exceed \$1,600,000 to pay for the acquisition of 780 Rand Road and related financing costs.

Fuller stated if approved, staff would be going out to look for loans with no prepayment penalty which would give Council the maximum flexibility to determine how and when to pay off the loan. Including the option to pay it off in full. Creating opportunities for inclusive and diverse housing is a 2019 Council Workplan Goal, and it has been a goal for quite some time. The specific uses for this property would be determined by Council at some point in the future, but some of the funding sources that have been considered, would be contingent upon provision of affordable housing. Authorization of this resolution allows a purchase and sell agreement to be drafted without a financing contingency. Upon authorization, staff would move forward with securing this loan.

Councilor Zanmiller stated he likes the property and he believes it meets housing needs, but he is not in support of saying all seven acres is for housing. He wants to make sure this isn't saying no to trails, if it's approved for housing. He doesn't know if the language needs to change to state this is a piece of property that is going to fit a couple different purposes and Council will decide that in the future. He questioned is Council saying this is for housing only, and they will need to further discuss before approving the resolution.

Councilor Saunders appreciates that staff has built in a flexible way to determine both where the funding is coming from and what the use is. She believes there will be plural uses and there will be an entire planning effort. Having flexibility of funding, keeps it flexible on their end.

Fuller added the actual borrowing is a full faith and credit obligation, there is not a specific funding source attached to it.

Councilor Zanmiller asked if the language used in the resolution will lock them into a single use for the property. Staff answered no.

Fuller stated all that is required for full faith and credit borrowing is that there is demonstrated need. It could also meet other goals, but there does need to be a public benefit.

Councilor Haynie suggested adding language stating "and other stated municipal goals" to a whereas clause. It could help expand that conception. He stated since this is the first time having the opportunity to meet in public to discuss this and he is speaking for himself when he states this, he is warm to this idea because it provides an alternative for the City to accomplish something significant on the housing front, that gets away from the acrimony around Morrison Park. He views this as an alternative to the Morrison Park concept, therefore he is in favor of this. He believes they need to make sure meetings are structured for public input, because this is the first time it's come to the horizon. He has a sense the public may have feelings on this, and Council should listen to them to assist in making a final decision. He wanted to vocalize the need for public input on this topic. Council should articulate what their intentions are at some point. It is his assumption and thought that the dollars that get spent towards this, will be leveraging something other than just City dollars that will have other sources and partners. He sees this as a first step along the way. He congratulated staff for bringing this opportunity out. He is warm to it but he thinks they need to solicit public input.

Councilor Metta stated Council has heard a lot from the public regarding housing and greenspaces. Council has discussed those needs. She believes there is a lot of opportunity

with the property. It's going to be a long process to discuss what should be done with the property. Council will want to hear public input on this issue. Finding money to do something on the property will also be a long process.

Councilor Saunders believes Council will be discussing other uses for the property, but at this level the reason they are looking at the property is absolutely to begin addressing the housing needs. She does not want the resolution to get confused with every other goal Council has going on. Housing is the main need why the City is doing this. At some point, there will be a long legislative process and they will be speaking to the community to figure out what this will look like. She thinks Council will confuse themselves, if they begin adding things to the resolution right now.

Mayor McBride agreed with Councilor Saunders. If the City was not having housing issues, they would not be looking at the property.

Councilor Zanmiller stated he is nervous a year from now, someone is going to say Council agreed the property was only for housing.

After further discussion it was agreed to add the language to the resolution stating "and other potential municipal goals."

Kearns stated if Council is inclined to approve the resolution, a motion would be needed to adopt, with the amendment. Kearns stated because the City has different ways to finance, this is basically checking that box without specifying it's a bank loan, general fund money or a grant. It's stating the City hereby commits to go under State Law and obtain funding. It's not an application for financing, or a commitment to a particular type of financing. It's a contingency stating they will do it. Fuller added, staff will be perusing the full faith credit borrowing and bring back the agreement for approval. Kearns stated the recitals to a resolution are non-binding. In order to make any commitment to public funds, there has to be a public purpose and that is all. Council is not committing to any purposes at this point, other than public purpose. It is a commitment to obtain funding for a public purpose.

Councilor Haynie stated there was not an opportunity for the public to give input on this resolution.

Councilor Saunders stated there would be time for public input before Council signs the official agreement.

Councilor Zanmiller stated the real public process will be when they start to talk about how this is going to help with the things they want to do.

Fuller stated the resolution is authorizing staff to peruse a bank loan. They would not be taking that step if they were not serious about this and spending money to have someone go find the loan. This is a significant step.

Mayor McBride agreed this is a commitment and they should not take it lightly. If Council is doing this, it's because they are serious about getting more affordable housing in the City.

Mayor McBride stated as discussed earlier, there is one change to the clause to state "and other stated municipal goals."



**Motion:** Adopt Resolution 2019-14, authorizing a full faith and credit borrowing and related matters with the one modification noted to the resolution.  
**First:** Zanmiller  
**Second:** Saunders  
**Discussion:** Councilor Haynie stated is supportive of this but he is voting nay because the meeting structure did not allow public input.  
**Vote:** Motion passed (roll called)  
Ayes: McBride, Zanmiller, Saunders, Metta  
Nays: Haynie  
Abstentions: None  
Excused: Counihan

**V REPORT OF OFFICERS**

- A. Department Heads  
1. Announcements  
2. Planning Director Update

**VI REPORT OF COMMITTEES**

1. Visitor Advisory Committee – Metta and Saunders

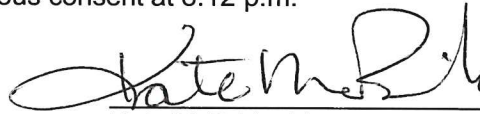
**VII MAYOR**

**VIII COUNCIL CALL**

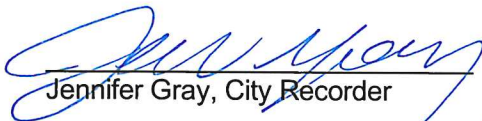
**IX EXECUTIVE SESSION – 7:47p.m. – 8:12p.m.**

Oregon Revised Statute 192.660 1 (e) To conduct deliberations with persons designated by the governing body to negotiate real property transactions.

**X ADJOURN – Adjourned by unanimous consent at 8:12 p.m.**



Kate McBride, Mayor



Jennifer Gray, City Recorder

Approved by City Council on

12-9-19