

MONDAY, OCTOBER 15, 2018
WORK SESSION – RSIS PROGRAM, 6:00 P.M.
Scappoose Council Chambers
33568 East Columbia Avenue

Mayor Burge called the Work Session to order at 6:00 p.m.

Present: Mayor Scott Burge, Council President Mark Reed, Councilor Patrick Kessi, Councilor Megan Greisen, Councilor Natalie Sanders, Councilor Joel Haugen, Councilor Josh Poling, City Manager Michael Sykes, Legal Counsel Ashley Driscoll, Office Administrator Kim Mann, CDC Administrator Elizabeth Happala, and Consultants Daniel Holbrook and Melanie Olson.

Present in the audience: City Planner Laurie Oliver, Assistant to City Manager Alexandra Rains, State Senator Betsy Johnson, and Courtney Vaughn with the Spotlight

City Manager Michael Sykes announced the RSIS Program Work Session.

Consultant Daniel Holbrook and Melanie Olson went over the RSIS power point presentation.



Industrial Site Readiness Program

Regionally Significant Industrial Site (RSIS)

- Industrially zoned or planned and significant before/after readiness
- Money = tax reimbursement + loan (not funded)
- Investment with *public funds* on either public and/or privately owned sites; both on and off-site
- 25 FTEs Rural/50 FTEs Urban at 150% of average wage
- Annual 50% state income tax reimbursement for 100% of eligible costs

Councilor Kessi asked with the marketing, would Scappoose be on the loop end part of Portland Metro?

Daniel Holbrook replied yes, we are right on the cusp. The best way to do it is to put in Scappoose and see what pops up and you'll see properties and typically they focus more in metropolitan areas, that's just their sweet spot. They also charge Oregon prospectors.

Mayor Burge commented depending on what state agency we're looking at, we're either metro, coast or somewhere in between, we just don't fit into either one apparently.

Daniel Holbrook replied that review was just focused on rural Oregon.

Councilor Haugen asked is it 2% of 444,000 acres?

Daniel Holbrook replied 46,000 acres and that was an analysis done 3 years ago; some communities have done more, some probably still in the same state.

Mayor Burge asked on those investments does it have to be other government agencies, or if there's a private investor that wants to do that, can it be done that way?

Daniel Holbrook replied to be reimbursable it must be public dollars spent so who's eligible is cities, counties, ports, special districts, those are eligible entities. Private companies are not eligible.

Councilor Greisen asked if the tax reimbursements are statewide?

Daniel Holbrook replied yes, they are statewide.

City Manager Sykes asked if the number that they would use for Scappoose is \$37,475? Is that the average wage?

Mayor Burge replied he thinks the county is much lower than the city of Scappoose.

Council President Reed and Council Sanders both commented that the city is much higher, he thinks it's in the \$50,000's.

Councilor Kessi asked for purposes of this you're using the county average?

Daniel Holbrook replied yes, we use the lower number, so we'd be going with the county average.

Councilor Haugen asked if the \$10 million figure is exclusively for rural?

Daniel Holbrook replied that it's the entire state of Oregon.

Mayor Burge replied rural and urban.

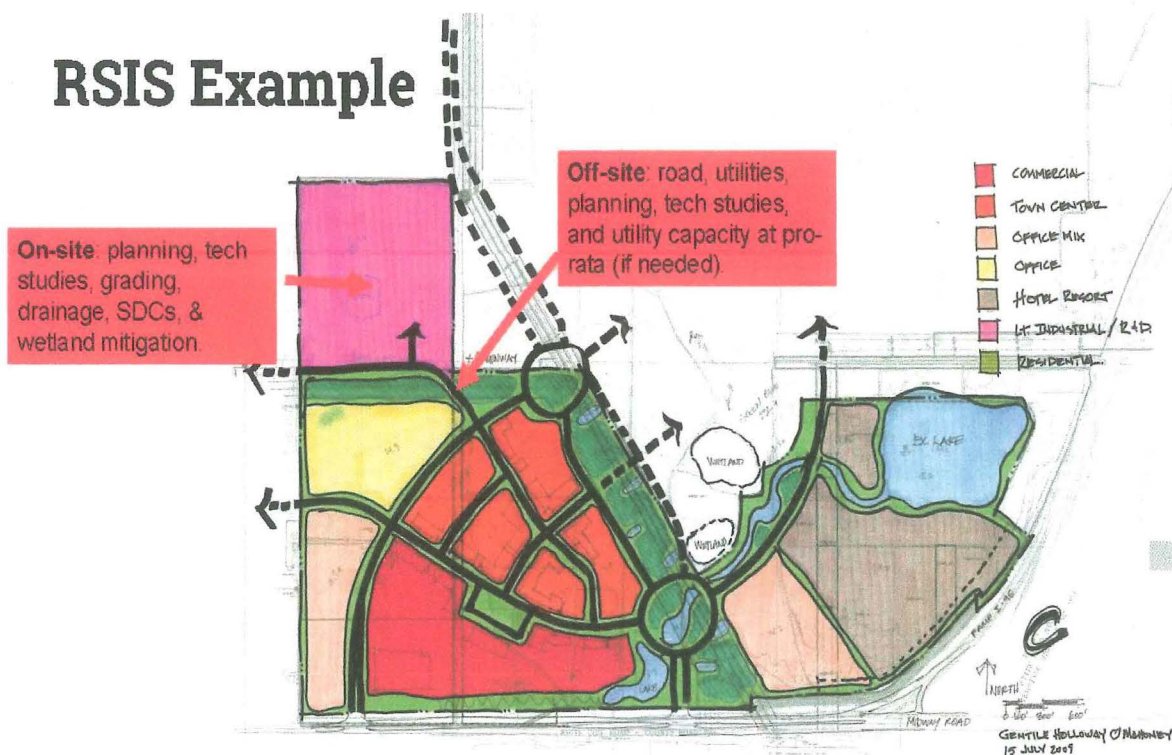
City Manager Sykes replied it's a new program.

Daniel Holbrook replied there are 2 communities that have been designated; the first one to receive their designation was the Port of Portland's Troutdale Reynolds Industrial Park. Amazon has already invested over \$15 million and they're anticipating it's going to go up to \$20 million; they're rather aggressive in their desires of getting reimbursements and a quick turnaround. They're hopeful they're going to meet the projected employment so they're first in the door. They started their development and planning back in 2009, so they're ahead of a lot of folks.

Mayor Burge asked how in the world did they meet 150% then? With a salary at \$15 an hour?

Daniel Holbrook replied we'll find out. Ask me that question later.

Councilor Greisen commented that is the question.



Mayor Burge asked if water and sewer projects were included in that?

Daniel Holbrook replied yes sir.

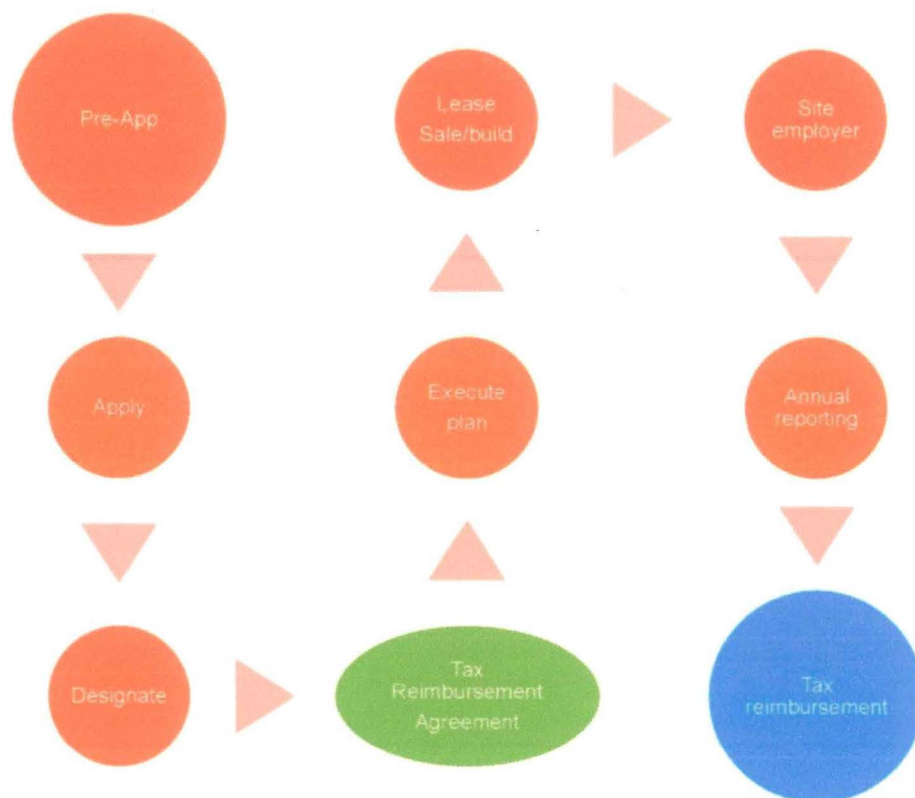
City Manager Sykes asked could we be reimbursed maybe for a new well to serve the industrial area, which could be expensive.

Daniel Holbrook replied what we would want to know from the engineer is, for that well, are we doing it solely for that industrial area, and if so, then it'd be 100% reimbursable. If it's a certain percentage of it that's for industrial growth, then that's what would be reimbursed.

Mayor Burge asked if you mean pump stations and the like? Once we get the \$10 million what will you tell all the other communities?

Daniel Holbrook replied they won't publish anything on the website. It's ultimately about communicating where they're at, letting them know as much as they can project in the future.

RSIS Process



Daniel Holbrook asks if there are any questions on the process.

Mayor Burge asked if that is once something develops?

Daniel Holbrook replied yes.

Mayor Burge commented that he is looking at the reimbursements on the next page.

Daniel Holbrook replied that he gave us a couple scenarios. First, a \$2 million water sewer project is happening, we have 200 jobs, within those 200 you don't have to be at 150 %, you just have to meet the threshold of 25.

Mayor Burge commented 50 employees that are averaging above that 150%, now that makes sense.

Daniel Holbrook replied under this scenario, under Columbia County, this might take 7 years to pay off debt, not including interest. This is a very straight forward, straight line scenario.

Mayor Burge asked if that's with 200, what is it if you just have 25?

Daniel Holbrook replied if you just have 25, then the annual payment would be \$34,000.

Mayor Burge replied that will take a long time. So, when you're deciding to move forward does that number have something to do with how much you're able to get? Can you get \$10 million off 25 people making \$56,000 and only get \$34,430? That just wouldn't make fiscal sense for the state of Oregon to put that money out there, so he assumes there's something in there that says there's an expectation of this many jobs.

Daniel Holbrook replied this is a performance-based program so jobs are created and the amount of money they pay to state income tax, that is the beneficial. If you look at the column that says "Percent of Program Limit" that is basing it off \$10 million, that shows you what percentage of the entire program is based on performance.

Melanie Olson replied you can't receive reimbursements in excess of the amount of state income tax that has been paid.

Mayor Burge asked what is the risk to the city if we do a \$2 million dollar loan and we get 25 jobs and it's going to take 40 years to pay off, is the loan a 40 year loan or is the city going to have to put up its own money in lieu of waiting for the rest of it to come back?

Daniel Holbrook replied that goes back to patient capital, that's still the role the city will have under the reimbursement component, they're capitalized loan component that's going to look a little bit different. Dan says he can't speak to that; we don't have money and we don't have rules.

Mayor Burge asked if that's for the State legislature to do?

Melanie Olson replied if you were to borrow money from Oregon for the water project we would look at that loan without the tax reimbursement being part of that service. We would want to be able to see that your water rates or some other source coming in could pay back the loan, this is sort-of the icing on the cake.

Mayor Burge commented about the potential downside the city could run into in paying back the loans and wanting to be prepared for it. Say we get the \$2 million site readiness cost but

we pay the loan off in 7 years ourselves, are we still getting the reimbursement, the capital investment we've made, or does it end and are we just out?

Daniel Holbrook replied if there are taxes and the threshold hasn't been met?

Mayor Burge replied he is assuming the threshold has been met and we've paid it off in seven years, we did only 25 jobs, say we paid it off in seven years; we've done that on smaller loans, does our ability to collect those tax dollars, to reimburse that investment, does it end or continue as part of the program?

Daniel Holbrook replied it will continue until it's paid off.

Councilor Kessi asked if this program is contingent on us getting a loan from the program or can we finance it some other way and still get the benefits of the program until it gets paid off, until our costs get realized?

Daniel Holbrook replied that this program doesn't require that we finance through Business Oregon or the State of Oregon, whether we cash fund the project or we finance it privately or publicly, whatever the approach is for us to make the numbers work and we are comfortable with it, that ultimately is our business decision. As far as the tax reimbursement part, they are primarily looking at meeting the threshold.

Mayor Burge commented which was the process that we went through earlier about getting it inside the project.

City Manager Sykes commented the sewer treatment plant upgrades that are needed to support additional industrial growth, it will take three to four years to complete those first upgrades, we can't be reimbursed unless we've spent the money?

Daniel Holbrook replied yes, we have to spend the money and perform before we can get a reimbursement. Another thing is you can't have or expense the money prior to investing it. If you haven't applied, and you're already spending money.

City Manager Sykes replied one of the things we must do to move forward with public plans is identify the projects, then once we've completed them make them part of this plan.

Mayor Burge replied it has to be accepted by Business Oregon as the plan.

Daniel Holbrook replied yes, and that plan needs to say what projects you will be completing, so if you need to make changes because of market changes, technology changes, or if something opens up, it doesn't mean you can't say this has changed and you want to come back. One of the things we understand in having dealt with a lot of projects is things change, surprises happen, you must make the best of it. We understand that.

Tax Reimbursement Scenario 1

	Average Annual Wages (AAW)	150% AAW	Estimated taxes per job	50% availability	x 25 jobs	x 200 jobs	Percent of Program Limit (50)	Site Readiness Costs	Years to pay off with 200FTE
Oregon	\$49,467	\$74,201	\$4,749	\$2,375	\$59,363	\$474,900	4.7%	\$2,000,000	4
Columbia	\$37,475	\$56,213	\$2,754	\$1,377	\$34,430	\$275,441	2.8%	\$2,000,000	7
Site Readiness Expenses:									
Grading									
Roads									
Wetland Mitigation									
Water/Sewer	\$2,000,000								
Total	\$2,000,000								

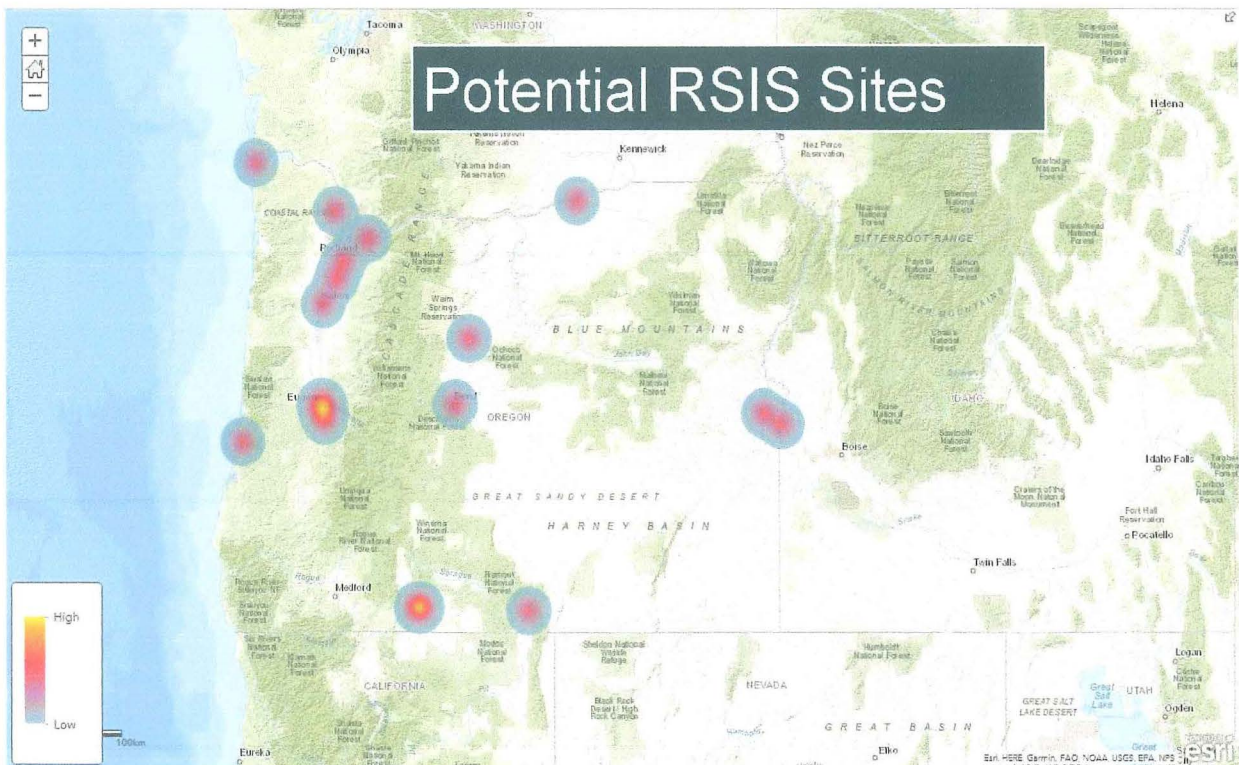
Tax Reimbursement Scenario 2

	Average Annual Wages (AAW)	150% AAW	Estimated taxes per job	50% availability	x 25 jobs	x 50 jobs	Percent of Program Limit (50)	Site Readiness Costs	Years to pay off with 50FTE
Oregon	\$49,467	\$74,201	\$4,749	\$2,375	\$59,363	\$118,725	1.2%	\$5,250,000	44
Columbia	\$37,475	\$56,213	\$2,754	\$1,377	\$34,430	\$68,860	0.7%	\$5,250,000	76
Site Readiness Expenses:									
Grading	\$250,000								
Roads	\$2,500,000								
Wetland Mitigation	\$500,000								
Water/Sewer	\$2,000,000								
Total	\$5,250,000								

Councilor Kessi asked if this loan is an interest-bearing loan?

Daniel Holbrook replied at this moment they are not offering loans through this program. Business Oregon does have loans. There are other programs, depending on which projects you have. All their loans have interest rates, typical market rates, depending on the type of projects or jobs associated with it, you could get grants. If you do get a loan or grant you can't double-dip from the state.

Mayor Burge replied that assumes with the sewer upgrade we'd have to calculate what percent of it was related to the development and that would be the number that we could get reimbursed. It's still better than not getting any reimbursement.



Daniel Holbrook replied the \$10 million is the annual cap they have to reimburse and/or make loans, so that's the cap that they can use.

Mayor Burge commented that you're not making loans right now? Is \$10 million in reimbursement a year all you're authorized to make? \$10 million a year is a lot more in jobs and capitalization than he was thinking. He was thinking it was \$10 million in investments.

Councilor Haugen asked if the Port of Portland applications are approved?

Daniel Holbrook replied yes.

Councilor Haugen asked is that taken off the bulk of the \$10 million?

Daniel Holbrook replied it's not reserved, what it ultimately comes down to is the investments are made then the jobs are paid. The Port of Portland has made \$15 million worth of physical investments into the ground, the Port of Morrow has made zero. They're expecting that to be a five year plan, but it's been changed to 10 or 15. The Port of Portland, because it's a smaller site it was also concentrated and it was a very intense site that required a lot of improvements to the ground, and a lot of work with the easements and property lines and the airport overhead power lines they had a lot of things to deal with.

Councilor Haugen commented that it would be smart to apply for the program regardless of if you qualify or not but putting in an application would be smart.

Mayor Burge commented that we want to make sure we have the sites because it must be identified and then you can't start getting reimbursement until you've invested the money, so you have to build the ballpark first.

Councilor Haugen commented that you have to plan, making an application makes sense.

Daniel Holbrook replied that one important thing is they can receive applications until July 2023, so there's a window. If there's something that's of interest to the City, he suggests the City start working on the application and get it into them. It depends on how quickly we want the designation.

City Manager Sykes asked how long does the application process take?

Daniel Holbrook replied it's a 9-page application, they will have to submit some maps, they'll need title reports for the properties, if it's a lot of property then it will take a little bit of work. Other than that, if you have an economic development plan for the city or this area then use the sources that you have.

2019 Legislative Proposals

- Capitalization (\$5M) for loans in FY 2019-21
- Reduce 150% wage threshold
- Allow aggregated jobs per site v. jobs per employer for threshold
- Allow private sector reimbursement

Councilor Kessi asked with the application, does the property owner need to be part of the application too?

Daniel Holbrook replied the property doesn't have to be part of the application but if you're making improvements to the property then they need to be party to the agreement.

State Senator Betsy Johnson thanked Daniel Holbrook and Melanie Olson for being here. Betsy also thanked our staff for working as hard as they do. Betsy's estimation is it seems we have a unique circumstance that includes patient private capital that we may be able to utilize. She spoke about CCET, Columbia County Economic Team who will be doing some site planning for roughly 500 acres and they are trying to put together a meeting to look at the area and are looking at it as an innovation district. She spoke about the \$10 million road on the East side of the airport. Betsy was approached and possibly some people from NASA might be coming to Oregon, she will be taking them to Newport to see the underwater robotics, and to Tillamook. She spoke about the Manufacturing Day at OMIC and how much fun it was. Cornelius Pass will be closing for 4 months in Spring of 2019 which will greatly affect Columbia County.

Councilor Greisen said thanks for bringing up the Cornelius Pass subject, her husband works for Means Nursery and most of their employees commute from that side over here and in the busy season of Spring and Summer it's going to be terrible for local businesses here.

State Senator Betsy Johnson replied that she doesn't want to diss on Multnomah County but the answer she got from them is that they are going to go about their work. She asked them if they've scoured other projects, investigated other options. She says ODOT hadn't even considered what the impact would be to re-route all the traffic.

Mayor Burge asked how many trucks travel Cornelius Pass every day?

State Senator Betsy Johnson replied 14,000 cars and trucks travel the Pass every day. And the trucks, if they're carrying hazardous material, are going to end up going down Highway 217. It's going to have an enormous economic impact and we as a sister county to Multnomah have a stake in how fast and how well they do it and what the planning is. The citizens are going to be ferociously displaced by this.

Councilor Haugen asked regarding the land speculation, do you have any suggestions on dealing with that?

State Senator Betsy Johnson replied no, she doesn't, except that it's going to be an issue at some point in time and it may come before Council. She spoke about capitalization and land speculation in England.

Councilor Kessi asked if she can elaborate on that. Does it slow the progress if someone buys the property and won't sell it? Or wants to sell it for an exorbitant amount and then there's no progress because they're not selling the property?

State Senator Betsy Johnson replied basically it's a private transaction, these are private individuals. At some point it rises to a level of public policy when the speculation is egregious.

Councilor Kessi asked if the current owner of the property would be the one to talk to about that, to sell to a user rather than a speculator, there's no way to control that?

State Senator Betsy Johnson replied yes. It rises to a level of public policy.

City Manager Sykes commented that the Cornelius Pass closure is significant, should we call a town meeting or invite Multnomah County?

State Senator Betsy Johnson replied that she'd be up for anything. She says she is going to call the lead person, Michael Pollan, the Public Affairs person, as he designated himself as the go-to guy on this.

Councilor Greisen replied it's in the citizens best interest that there's some sort of a public hearing.

Mayor Burge replied we should inform people of what's going on, why it's closing.

State Senator Betsy Johnson replied that we are going to have our phones ringing off the hook. The plan is to put a temporary light at Newberry right now, but this is a Columbia County problem as well as City of Scappoose issue. She's sharing this with us because we are going to be getting the same calls that she's going to be getting when people find out it's 5 hours to get home from Washington County.

Councilor Greisen replied or people with childcare issues, picking them up, the cost of that.

State Senator Betsy Johnson replied even though the way it's dismissed, it will be 2019 before we know it. They're talking about sometime between March and May. Having people make alternative plans is important.

Councilor Kessi commented we should be productive and think about solutions as we talk about it rather than just complaining. Whether it's one way for nights, one way for mornings, or if it's just for them to work nights for 8 months, or something that can help alleviate the problem.

Councilor Greisen commented we need to be more proactive about finding solutions.

City Manager Sykes replied this region is not through long term planning issues, there's a need for improvements to Cornelius Pass.

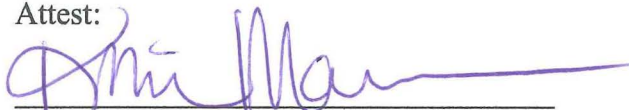
State Senator Betsy Johnson replied getting improvements up there has been very difficult and everyone wants a safer Cornelius Pass. She also stated that the transfer from county to state has many ramifications, specifically ingress and egress out of people's yards. It is different being ODOT than a county segment, so Cornelius Pass remains for all of us a dangerous chokepoint for the citizens we serve.

Mayor Burge adjourned the Work Session at 6: 57p.m.



Mayor Scott Burge

Attest:



Office Administrator, Kimberly Mann