



Harrisburg Redevelopment Agency Minutes January 11, 2017

The Harrisburg Redevelopment Agency Board met on this date at City Hall, located at 120 Smith St. at the hour of 7:59pm. Presiding was Chairperson Robert Duncan. Also present were as follows:

- Kimberly Downey
- Mike Caughey
- Robert Boese
- Sarah Puls
- John Loshbaugh
- Adam Keaton
- Youth Advisor Makenzie Thompson
- City Administrator Brian Latta
- City Recorder/Asst. City Administrator Michele Eldridge
- Public Works Director Chuck Scholz
- Finance Officer Tim Gaines

There were no absences this evening.

Concerned Citizens in the Audience: Nobody present had comments outside of the agenda topics.

The matter of Approving the Minutes of July 27, 2016

- Puls **motioned to approve the minutes, and was seconded** by Downey. **The board then voted unanimously to approve the minutes of July 27, 2016.**

The matter of Discussing Whether to Investigate Financing Options to Fund the Remaining HRA Projects

Staff Report: Latta remarked that we have a good amount of money in the bank for the HRA, but since the Moore St. Project closes next Wednesday at 2:00, depending on the outcome, a large chunk of the money will go towards the project. (He added that we have 8 people on the plan holders list, while the last bid only received 2. He's anticipates much better bids, closer to the projected bid than the last time we did this.) The HRA is designed to incur indebtedness; meaning you go into debt to complete projects on the list, and then use the revenue that is accrued through property taxes to pay it off over time. Therefore, we are looking at the

possibility of securing the funds up to the maximum indebtedness, and then pay it off over time; similar to what we did previously since the inception of the HRA. We feel that it is important to get the money now, for at least the street projects, since infrastructure costs are increasing, rather than building up our funds, and then going out to do the projects. Bond rates are good right now, but the interest rates are increasing. We will have to spend a little money in the HRA fund to pay for bond counsel, etc., but that is money well spent for its purpose.

Downey wanted to know what the Finance Officer thinks. Gaines said that he's not sure what to think. He pulled up some amortization schedules, which shows if we use the full indebtedness, that at 2.5%, we'd be paying \$2,166,000 in interest. Once you consider that inflating, it gets rather scary, especially since we typically obtain 40 year notes. That's a lot of money. Mayor Duncan said that the Fed is raising interest rates, so does he feel that over the term of the loan those interest rates will continue to increase? Gaines said he guesses that it would be a good economic move for Harrisburg, but initially looking at the costs, it just was a little overwhelming at first. Mayor Duncan said that another thing to consider is that four years from now, labor and other costs will also continue to increase. So doing the projects now, might be a better plan. He asked Gaines where he thought costs like that would go in the future. Gaines said that he doesn't know.

Mayor Duncan said that granted, the business outlook is improving, especially looking at corporate taxes, and it looks like everyone will want to spend money, but prices will also continue to increase. If things are going to cost more, can we summarize that over a period? Latta said it's a guessing game. We are not asking for a decision on whether to obtain debt tonight. All we are asking is if you want us to look at what our options are; just to do research. Downey pointed out that we thought the water project would get going right away, and now it's taken several years. She was concerned about money sitting in the bank, unused, while we incur interest on it. Maybe there is some way to put it in a CD or something that will give us good interest rates. There are also many variables. She needs to see what the projects are, and the information in relation to what's out there in loans. She wants comprehensive information in a format she can understand, with timelines.

Latta said that we do have projects identified, and you can see the breakdown. The costs are projections, but we are tied to the amount of our maximum indebtedness. We know the amounts we can secure. We could make a decision to just go for the street projects. Without that money, we can't even afford the engineering with what we have in the bank right now. Maybe we decide to not offer a property improvement grant, and to use that as another \$50,000 to help cover expenses. With the projects we can start, we have the ability to hire out. Loshbaugh said that if the expenditures are 80% related to streets, and then if we put money into getting those streetscapes; it looks like it would help to draw in more businesses that can occupy our vacant buildings. Latta agreed, and yes, having parking, and good streets is important; there is no downside to good streets. However, he doubts that a business would make a decision based just on that. Having them would be a bonus.

Thompson said that from a younger aspect, she wanted to say that if all the projects aren't done right now, or won't be started at the same time, then why take anything right now? We should take it out in portions, so we don't pay interest on things we are just sitting on. Then you have the benefits of interest vs. inflation. Keaton added that he doesn't like the idea of

taking out loans. He doesn't think we should obtain loans for projects. The whole reason that the government is in trouble, whether Fed, or state, is because of these massive amounts of debt. Puls said that we will have the revenue coming in to cover the payments, that's how it's designed, so it's different from the type of debt he is thinking about. Thompson didn't think we should do every street project right away, maybe fix only 10% of it. However, Puls pointed out that we just got done with an entire report on the state of our infrastructure, and the outlook is really poor right now. She needs to see that report before she makes decision on that.

Latta reminded everyone that we aren't deciding on whether to obtain debt tonight; we are just making a decision on whether or not to do the research on it. However, it's a good conversation so we know how to structure our options. For the streets, we intend on redoing Moore, Smith, 2nd and Macy Streets. Going with a single RFP for only one contractor to do all the work will provide us with cost savings, rather than saving funds until we get enough to fix each street on its own. That means we won't be sitting on any funds; they will be used. Downey said that the sewer break really scared her, so she doesn't want to tie up everything. Latta added that from Keaton's standpoint, we can't get out of control with the debt for this, because it's so structured. We are allowed to only spend a certain amount of funding, and it's all based off of revenue from property taxes over a 22-year period. We will be able to pay off that debt. The costs of obtaining the loans, along with all subsidiary costs are included in the overall plan. That includes consultants, resultant interest rates, bond fees, and everything. Puls said that we are simply borrowing money before the revenue comes in to pay it. Latta agreed with Keaton in relation to our national debt, and the states too; but this is much more controlled.

Caughey said that he spent over 20 years in real estate. Interest rates of 6% were phenomenally cheap, but during that time, he saw 18%. Interest rates will go up, absolutely, and positively, because the Fed has already increased it twice. If you look at a bond at 2.5% compared to 7%; it's huge! You looked at interest for a \$5 million dollar loan; look at it when you use 7% or 5%. Money sitting in the bank is getting almost no interest, if we ended up with any funds not being expended immediately, we can at least put it where we can get better interest on it. Latta said that we do invest in the state investment pool. He wanted to point out that if we waited to do the projects as we obtain the revenue, it would be very slow. A street project is anticipated to be \$600,000 to \$800,000. At only \$275,000 a year projected as revenue, it will take a while to raise the funds for each street. With inflation, and increases in other costs, especially labor and materials, then obtaining the funds to start, looks much better. We can come back to you with options.

- **Caughey motioned to authorize staff to investigate financing options to fund the remaining projects in the HRA plan, and to present those options to the HRA Board. He was seconded by Loshbaugh, and the board voted unanimously to have staff present them with financing options to fund projects in the future.**

Justice Court-Municipal Court Issues

- Latta related that in our ongoing negotiation with the Justice Court, as Council knows, he was asked to chat with Judge Lemhouse, with the Mayor, to see if we could work out a way to utilize the judge's bench. So he worked on amending the lease. He looked through it quickly, and didn't see any place in which it allowed us to amend it. He gave it

to our attorney to double check, and he agreed. They discussed options, and realized that the only way we can negotiate a new lease, is by terminating the old one. Our attorney said to make sure to tell Linn County that we didn't see any provisions that it could be amended, so that's what the purpose of the termination is, just to change elements in the contract. We were bound into making any changes prior to the 28th of December, due to the timing requirements in the contract. Therefore, we sent them a nice letter, saying that we needed to terminate the original contract, but only because we wanted to re-negotiate terms. He left a nice message with the Linn County Administrator Ralph Wyatt, who was out for Christmas break. He made sure to check in with Bobby before doing this, and Bobby agreed to his reasons for handling it this way. While he (Latta) was on vacation, he was surprised to get an email from one of the Linn County Commissioners, who said hey, we'll be out of the building by the 22nd of June. Latta couldn't figure that out, because that is not the intent of the termination. He felt like nobody read the letter, or paid attention to what we are asking.

- Downey agreed, and felt like nobody is listening to us.
- Latta called Wyatt, and asked him what was going on, plus he emailed Roger, but hasn't heard back from him. He asked if they understood what we were doing. Wyatt said yes, but you also said to terminate. Latta told him that it was the only way to re-negotiate the lease, and that he had checked with our counsel, who agreed with him. However, Wyatt told him that there is a clause buried in the contract, which allowed him to make amendments. It wasn't in a titled section so we could easily find it. So Latta apologized to him, and said that we don't want to start over, because we are now past the deadline to make any changes. Therefore, the intent of the termination was just to re-negotiate the lease with them. If he hadn't sent the letter when he did, we would have been tied up with the current agreement for another year and a half. Sending it in when he did, allowed us to resolve the issue much sooner. All we are asking for is about 4 hour's usage of the bench and room. He said that our Judge is so fast with everything, that he didn't think we would need more time.
- Gaines said that he handled about 15 people today in just about an hour or so.
- Latta said that was his intent for changing the contract. We just needed the space for a few hours a month; which shouldn't be a huge inconvenience. We need the use of the Judge's bench. He hasn't heard back from them yet. He knew that the County Commissioners were going to discuss the issue, but he hasn't heard from them. He anticipates now, that they are likely going to pull the plug. If they want to leave, then we'll remodel the space and use it as we need. He is suspecting that they will pull the court from Harrisburg. We've been direct on our intent, courteous, and very professional. He apologized for the mistake in not seeing the clause in the contract.
- Caughey said that it sounds like they are shooting themselves in the foot.
- Downey added but not if they were already considering it in the future.
- Latta said that Judge Lemhouse is reaching the age limit for Judges. From what he understands, he believed that the Judge was upset with us, and the Judge asked the deputies to no longer cite traffic offenses to justice court, because he was leaving. The Judge said that some offenses take longer than the six months we have left on the

contract. However, he (Latta) doesn't agree with that. Therefore, if citizens get cited for traffic offenses, they will unfortunately be routed to Lebanon or Sweet Home for Justice Court at this time.

- Downey said that's exactly what we didn't want.
- Latta said that we are working super hard on having our court financial software up and running. That will allow us to track the distribution of state funds, and can allow us to take in new cases, and do data entry. We need that in place, to take on traffic court, which we had initially planned on taking over in July. We are close to getting the system installed, and then will have a back log of information to enter into the system. We are also being trained on LEDS (Law Enforcement Database System). Everyone in the office now has certification to be allowed in an area where court records are kept. He, Tim and Patsy will be trained on the LEDS, and can look up records. He gave examples of how that is used. Patsy will be trained on the system, and then she will train us. We hope to have that up and running in a couple of weeks.
- Gaines thought we could, but had some reservations about that timeframe. We have to work with the state, the county, software providers, etc. It's not a fast turnaround.
- Latta thought we could do it within a month. He added that once everything is up and running, then we will contact the deputies, and have them cite traffic to us now. That way our citizens won't have to go to Lebanon or Sweet Home. He felt the entire situation was unfortunate, and was not intended to turn out this way. His top priority for himself and Tim is to get the court software up and running.

With no further business to discuss, the HRA Board adjourned at the hour of 8:38pm.

Mayor

City Recorder