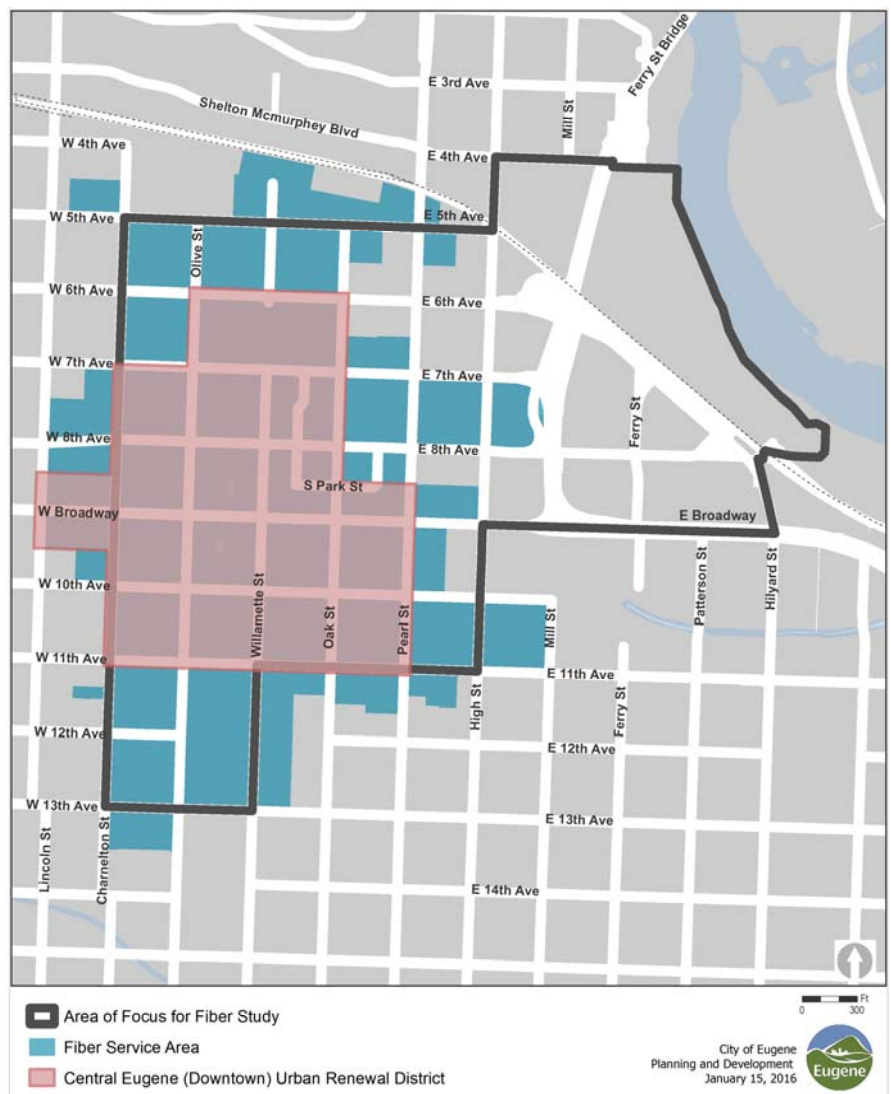


## High-Speed Fiber Project Summary

The 2013 City of Eugene Broadband Strategic Plan identified the development of a downtown fiber network as a strategic goal. A publicly owned fiber network will provide infrastructure to support economic growth in the community. In a pilot project, the City, Lane Council of Governments (LCOG), and the Eugene Water and Electric Board (EWEB) developed a method to construct a publicly owned fiber network. Independent Internet Service Providers (ISPs) are now providing 1,000-megabit (gigabit) internet service for \$99 per month to over 20 tenants in the connected buildings. The speed and price of the service is comparable to cities in the U.S. known as ‘gigabit cities’.

Based on the success of the pilot project, the City and its partners are now moving forward to develop and implement a plan to construct fiber connections across downtown Eugene. The service area for the downtown fiber network corresponds to the area where the utilities lie underground. The planning team identified this area because it covers much of the downtown area and can use the technology tested in the pilot project (see map).

The Fiber Implementation Plan includes the construction of new fiber connections throughout the downtown and a back-haul connection to regional internet exchange points in Portland and California. The back-haul connection will lower operating costs for public agencies throughout the region, including the City, Lane County, LCOG, 4J school district, Bethel school district, and others.



Caution: This map is based on imprecise source data, subject to change, and for general reference only.

High-speed fiber can:

- a. Create a competitive landscape for telecommunications, which has been shown to expand service option and lower prices for consumers;
- b. Provide telecommunications infrastructure to support the needs of the existing technology sector, which will increase the number and size of technology businesses and related jobs, a goal of the Regional Prosperity Economic Development Plan;
- c. Reduce costs and increased telecommunications speed for City, Lane Community College, Lane County, LCOG, 4J and Bethel school districts; and
- d. Lower the cost of telecommunications service for residential buildings in and near the Plan Area, including three existing affordable housing projects.

#### CITY ACTION

One-time capital improvements. The total cost estimate is \$4 million. Design engineering is underway to identify the final cost. For the draft Downtown Urban Renewal Plan amendment, \$3 million is used. This is the high estimate for infrastructure investments within the Downtown Urban Renewal District, and it was used in both the urban renewal funding strategy and the alternative to urban renewal funding strategy presented on March 14. Regardless of which strategy is pursued/utilized, fiber is assumed to receive funding from additional sources, such as grants. (See Attachment B for the fiber funding options.)

#### NEXT STEP

Work with partners to complete Fiber Implementation Plan.

**Summary of High-Speed Fiber Potential Funding Sources**

The fiber planning team, working with Finance Division staff, have identified five categories of potential funding sources: City of Eugene, Urban Renewal Agency, State of Oregon, federal agencies, and private contributions. It is possible to use a mix of the sources, described in the table below. The table shows our preliminary assessment of each funding source’s advantages and disadvantages. The information will change as we refine the funding plan.

Funding Type	Description	Summary of Advantages/Disadvantages
<b>City of Eugene</b>		
General Fund	The General Fund is the largest fund used to account for discretionary expenditures and revenues. Public safety represents 55% of total General Fund spending, followed by culture and leisure, central business functions, and infrastructure and planning.	Fund is flexible and relies upon stable revenue sources, primarily property taxes. Use of General Funds is at the discretion of City Council. While the fund has stabilized post-recession, there are still insufficient resources to sustainably fund existing services.
Telecom Registration/Licensing Fund	The Telecom Fund accounts for revenues and expenditures associated with the City’s 2% registration fee/business privilege tax imposed on providers of telecommunications services in Eugene.	Allowable under the legal limitations set forth in the 1997 Ordinance 20083. The Telecom Fund has sources of ongoing revenue and beginning working capital. Use of Telecom Fund resources would require Executive approval.
General Obligation Bond	A debt instrument that allows the City to raise additional revenues for specific purposes by getting voter approval to raise property taxes to repay debt.	This would require voter approval of a new tax levy. There are significant federal and state law restrictions on using bond funds for a public-private partnership.
Local Option Property Tax Levy	Time-limited new revenue source. Can be used for capital projects with a maximum levy life of 10 years.	This is another familiar funding mechanism. Requires voter approval. Falls under the Measure 5 tax rate cap.
Full Faith & Credit (FF&C) Bonds	FF&C bonds are not a way to pay for a project; rather, they are one of several ways that can be employed to ensure that funds to be used to pay for a project are available when needed to pay for project expenses. FF&C are bonds that are backed by the City’s promise to repay the debt from any available sources. Typically, this is done for revenue streams that do not have a strong history or that have a high level of uncertainty around the ability to repay the debt over time. In order for the lender to feel comfortable with the likelihood of getting repaid, the City’s General Fund has to provide backing for the bonds.	By themselves, FF&C bonds are not a way to pay for a project. They are a way to take a dedicated stream of dollars and turn that stream into an upfront payment for a larger project. The key to a successful FF&C bond is to identify a reliable payment stream. FF&C bonds do not require a public vote.

Funding Type	Description	Summary of Advantages/Disadvantages
<b>Urban Renewal Agency</b>		
Extend Existing Downtown Urban Renewal Plan and District	The Downtown Urban Renewal District currently receives a portion of property taxes collected by various taxing jurisdictions. The only remaining capital project currently authorized in the Plan is for improvements to the Park Blocks for the Farmers' Market. Existing tax increment funding is expected to end in winter of 2016.	The District receives approximately \$2 million annually. An urban renewal project must be located in the boundary of the district and be included as a project in the plan. The Downtown Urban Renewal District covers a portion of the planned fiber service area. The current Downtown Urban Renewal plan would need to be amended by council to extend this funding source. A plan amendment requires significant public process and a lengthy timeline. There is risk that the plan amendment ordinance would not be supported by overlapping taxing districts or would be referred by voters. For larger funding efforts, this could provide significant funding without raising taxes.
Terminate Existing Urban Renewal Plan and District	Termination of the Downtown District would result in tax increment dollars being returned to overlapping taxing districts, including the City's General Fund. There could be both a one-time deposit of existing funds remaining in the Downtown District accounts, as well as ongoing tax revenues at termination.	Current estimates of the amount to be returned to the City of Eugene annually would be approximately \$1 million. This would be consistent with the council's intent in 2010 to terminate the district at the end of the projects identified at that time. This would reduce the funds available to the City for downtown projects by approximately \$1 million per year (half).
Riverfront Urban Renewal Capital Fund	The Riverfront Urban Renewal District currently receives a portion of property taxes collected by various taxing jurisdictions. The Riverfront Urban Renewal Capital Fund accounts for capital revenues and expenditures in the District.	An urban renewal project must be located in the boundary of the district and be included as a project in the plan. The Riverfront Urban Renewal District covers a portion of the planned fiber service area.
<b>State of Oregon</b>		
Infrastructure Finance Authority (IFA) Loan	IFA offers low-interest loans for purposes that meet qualifying criteria. Telecommunications facilities are eligible to receive a loan through IFA's Special Public Works Fund.	This is not a way to pay for the project. It is a way to change the timing of when funds are available. City would need to identify resources to repay the loan.
IFA Grant	Grants are available through the Special Public Works Fund for construction projects that create or retain traded-sector jobs. The grants are limited to \$500,000 or 85% of the project cost, whichever is less, and are based on up to \$5,000 per eligible job created or retained.	Must collect letters from employers stating expected job growth and document 100 new jobs within 5 years of receiving grant, based on a \$500,000 assumed grant. City must repay any grant funds that are not offset by job creation and retention.
<b>Federal Agencies</b>		
U.S. Department of Commerce Economic Development Administration (EDA)	Federal grants provided through EDA generally fund up to 50% of project costs. The grantee must provide the matching funds and meet economic distress criteria including unemployment rates above the national average and have a demonstrated special need for the grant.	This represents an opportunity to leverage federal grant dollars for the Fiber Project. The City would still need to commit the 50% matching funds for the project. The City currently does not meet the eligibility criteria for economic distress, but we may be able to show we have special needs that make the City eligible.

Funding Type	Description	Summary of Advantages/Disadvantages
<b>Private Funds</b>		
Internal building infrastructure	Require building owners to fund connections inside building.	The internal wiring could be owned by the building owner or by the public network, and the ownership will determine funding source. Staff have not yet fully assessed advantages and disadvantages of different ownership models.
Required payment to connect to network	Require building owners contribute funds to connect to the network.	This will reduce the overall cost to the City, but it may limit participation in the network, so the network will not be ubiquitous in the service area. The limited coverage would reduce the overall success of project.
Optional payment to move to the front of the line	Create an option where a property owner can be connected to the network earlier if the property owner pays for the connection.	This will create an incentive for building owners to contribute funds to the construction project, but not require a financial contribution. The network will eventually achieve full coverage.
Voluntary contributions	Ask building owners to contribute to project as they wish.	It is unlikely that property owners would voluntarily contribute funds to a public infrastructure project if there is no clear incentive for them to do so.

## **Downtown Redevelopment Tools**

Below is a short description of downtown redevelopments tools that were used for past projects and that were considered along with new tools before arriving at the “possible funding options” for each of the four downtown improvement projects. (See Attachment B for the potential Fiber funding sources.) Some of these are tools that the City used to fund a City share of the project; some of them are tools that the City or other entities would offer to a private developer. The first three categories are City of Eugene, Downtown Urban Renewal, and Riverfront Urban Renewal. The tools that were utilized in the past and are not available are listed at the end.

### *City of Eugene*

- **General Fund**

The General Fund is the largest fund used to account for discretionary expenditures and revenues. Public safety represents 55% of total General Fund spending, followed by culture and leisure, central business functions, and infrastructure and planning.
- **Borrowed Funds**
  - **General Obligation Bond Financing**

Voter approved General Obligation bonds could be used for public capital improvements that meet constitutional and statutory requirements. A property tax levy would be used to repay the bonds. (Examples: City Hall, Fire Station #1, Hult Center)
  - **HUD Section 108 Loan Guarantee Program**

By itself, a HUD Section 108 Loan Guarantee is not a way to pay for a project. It is a way to take a dedicated stream of dollars and turn that stream into an upfront payment for a larger project. Federal program where City can borrow up to five times the Community Development Block Grant (CDBG) allocation for CDBG eligible project. Future CDBG allocation used as secondary repayment source. Each activity assisted with Section 108 loan guarantees must meet one of the CDBG Program's three National Objectives: 1) Benefit low and moderate income persons; 2) Prevent or eliminate slums or blight; or 3) Address imminent threats and urgent community needs. This was used for the Broadway Commerce Center project in combination with a BEDI grant of \$2 million, which covered the Section 108 related expenses. BEDI is not currently available. (Example: Broadway Commerce Center construction financing.)
  - **Full Faith & Credit or Revenue Bonds**

Bonds are not a way to pay for a project; rather, they are one of several ways that can be employed to ensure that funds to be used to pay for a project are available when needed to pay for project expenses. Revenue bonds are backed by a strong, proven stream of revenues from a revenue-producing project, without other guarantees. FF&C are bonds that are backed by the City's promise to repay the debt from any available sources. Typically, this is done for revenue streams that do not have a strong history or that have a high level of uncertainty around the ability to repay the debt over time. In order for the lender to feel comfortable with the likelihood of getting repaid, the City's General Fund has to provide backing for the bonds. (Examples: FF&C bonds used for Atrium Building, Downtown Library, Broadway Garages.)
- **Parking**

Providing onsite parking is not required by code in the downtown parking exempt zone. However, parking can be a key aspect for project success in securing financing and attracting tenants and customers. The City works with downtown businesses to provide parking options, including validated parking and bulk permit purchases. The primary parking options are in six large City public parking structures that account for over 2,500 parking spaces in the downtown core. To support desired retail activity, the City has provided favorable lease terms for retail spaces within the parking garages. (Examples: public private partnership for development of Broadway Place and the garages, Fertilab's occupancy of retail space in the Arcade.)

- **SDC Financing**  
 Systems Development Charges (SDCs) are impact fees that are generally collected when expansion, new development, or an intensification of use occurs on property served by City infrastructure. SDCs may be paid in installments over a period not to exceed ten years. The interest rate on the unpaid SDC fees is the prime rate plus 2%. The property owner(s) incurs the SDCs and the City will secure a lien on the property to be developed for any unpaid balance of the SDCs and interest. Other security in lieu of lien may be acceptable. (Examples: First on Broadway, Park Place Apartments.)
- **Telecom Registration / Licensing Fund**  
 The Telecom Fund accounts for revenues and expenditures associated with the City's 2% business privilege tax imposed on providers of telecommunications services in Eugene. (Example: Broadband Pilot Project that connected high-speed fiber to the Broadway Commerce Center and Woolworth Building.)
- **Downtown Service District**  
 Fees paid by downtown property owners to provide special services within the district, primarily public safety services via the Downtown Guides.
- **Code Amendments**  
 As part of Envision Eugene, City Council has initiated code amendments to facilitate desired mixed use development for downtown and along transit corridors. The purpose of these amendments is to make changes and clarifications to the land use code (Eugene Code Chapter 9) that will help increase desired density and mixed uses and implement strategies identified through Envision Eugene as well as the Eugene Downtown Plan. (Examples: code amendments were necessary to support the development of the Inn at the 5<sup>th</sup> and the Northwest Community Credit Union.)
- **Alley Vacation**  
 The alley vacation process is a formal land use process used to facilitate land assembly and redevelopment. (Examples: the site for Lane Community College Downtown Campus on 10<sup>th</sup> Avenue and the Whole Foods Market on Broadway.)
- **City Loans to Developers**

  - **Business Development Fund**  
 The BDF provides loans to new and existing businesses, via the federal CDBG program, to create jobs and stimulate private sector investment. (Examples: Broadway Metro formerly Bijou Metro, Noisette Pastry Kitchen, Avant Assessment.)
  - **Housing Rehabilitation Fund**  
 The HRF is a revolving loan fund created with CDBG funds. The HRF generates \$400,000 per year in program income, which is made available for low-interest loans for rehabilitation of rental and homeownership units for low-income persons. This is a critical resource to maintain the existing housing units available to low-income persons. (Example: 1057 Charnelton Street.)
- **Affordable Housing Development Tools**  
 Housing Development programs includes funding for acquisitions, new development construction, rehabilitation, and project-related soft costs incurred by the jurisdictions. Eugene awards funds in this category through an annual Housing RFP. Subsidies for development include land, HOME Investment Partnership Program funds, system development charge waivers, and property tax exemptions. Regulatory incentives include density bonuses and reduction of parking requirements. Projects receiving funds include small developments for special need populations as well as medium sized affordable housing development. Projects may also utilize State provided Low-Income Housing Tax Credits. (Example: West Town on 8<sup>th</sup> and Aurora.)
- **Environmental Protection Agency / Brownfields Assessment Grant**  
 City has access to grant funds from EPA for brownfield assessments. (Example: 942 Olive.)
- **City Tenancy**  
 To help meet the bank's percent preleasing requirement for important redevelopment projects, the City has occupied and guarantee square footage of office space. (Example: Woolworth Building.)

- **Property Tax Exemptions**

Tax exemptions support desired outcomes like job creation and housing development. However, tax exemptions do not provide a source of funds for desired projects. For example, the Multiple-Unit Property Tax Exemption (MUPTTE) or the Vertical Housing Tax Exemption both support housing downtown, although neither provides a source for paying expenses like SDCs/permits or site preparation.

- **Multi-Unit Property Tax Exemption**

MUPTTE is an incentive program to encourage high quality, multi-unit downtown housing. The ten-year exemption is enabled by state law; each project must be approved by the Eugene City Council. Both rental housing and multi-unit housing for home ownership are eligible; student housing is ineligible. The commercial portion of a project is eligible for an exemption if deemed a public benefit by City Council. Projects must be within an area generally bounded by Charnelton Street, 11<sup>th</sup> Avenue, Hilyard Street, the Willamette River, and Shelton McMurphy Boulevard. (Examples: Tate, Broadway Place, First on Broadway.)

- **Low-income Rental Housing Property Tax Exemption (LIRPTE) & Low-Income Housing Property Tax Exemption (LITE)**

Both LITE and the 20 year LIRPTE are enabled by state statute. A LITE provides an annual exemption for properties that are used for the purposes of a nonprofit corporation. This housing is not required to be rental housing. For more information, refer to Eugene City Code 2.910-2.922. The LIRPTE provides a 20-year exemption for properties constructed after February 12, 1990 and is offered for rent or held for the purpose of developing low-income rental housing. An applicant requesting a 20-year exemption is not required to be a nonprofit in certain instances. For more information, refer to Eugene City Code 2.937-2.940. Since 1990, LIRPTE has benefited 1,168 affordable housing units. (Examples: West Town on 8<sup>th</sup>, Aurora.)

- **Private funds**

Funds from property owners, businesses, investors, community members, conventional lenders to fund particular aspects of project. (Example: Reopening Broadway to vehicle traffic.)

### *Downtown Urban Renewal Agency*

- **Downtown Urban Renewal Funds**

The Downtown Urban Renewal District currently receives a portion of property taxes collected by various taxing jurisdictions. Eligible uses of funds are described in the Downtown Urban Renewal Plan. Prior uses have included land assembly (e.g. for the Hult Center and RAIN at 942 Olive) and public facilities (e.g. library and LCC). The only remaining capital project currently authorized in the Plan is for \$500,000 of improvements to the Park Blocks for the Farmers' Market. (Examples: \$25M library, \$8M LCC downtown campus plus contributed land valued at \$1.6M.)

- **Downtown Revitalization Loan Program**

The DRLP is a flexible financing program designed to i) encourage investments within the Downtown Urban Renewal District that contribute to the economic vibrancy and density goals for downtown and ii) be responsive to unique redevelopment opportunities, downtown redevelopment challenges, and individual project financing needs. (Examples: the McDonald Theatre, the Jazz Station, Oregon Contemporary Theater, Davis Restaurant, Shoe-A-Holic, Harlequin Beads, the Barn Light, Sizzle Pie, First National Tap House, First on Broadway, Red Wagon Creamery, Party Downtown, Broadway Commerce Center, Off the Waffle, Woolworth Building, Cowfish, and Brenner's Furniture.)

### *Riverfront Urban Renewal Agency*

- **Riverfront Urban Renewal Funds**

The Riverfront Urban Renewal District currently receives a portion of property taxes collected by various taxing jurisdictions. Eligible uses of funds are described in the Riverfront Urban Renewal Plan. (Examples: Wayne Morse Federal Courthouse land assembly, Northwest Community Credit Union, and road improvements.)

- **Riverfront Renewal Loan Program**

River Loans is a revolving loan program designed to encourage capital investment within the Riverfront Urban Renewal District. The primary goal of River Loans is to provide funding assistance to projects that meet the goals and objectives of the following planning documents: Riverfront Urban Renewal District Plan, EWEB Riverfront Master Plan, and the Eugene Downtown Plan. River Loans are designed to be flexible and responsive



to unique redevelopment opportunities, specific redevelopment challenges, and specific individual project financing needs of the Riverfront area. River Loans are designed to encourage the following types of development: private, non-profit, mixed-use, and public/private partnerships. River Loans are funded through Urban Renewal District program revenue (i.e., non-tax increment dollars).

### *Redevelopment Tools Used In the Past and Not Available*

- **BEDI Grant**

The Brownfields Economic Development Initiative federal grant was awarded to the City in 2005, one of 11 cities chosen that year. Used in conjunction with the HUD Section 108 Loan Guarantee Program, the BEDI funds minimize the potential loss of future CDBG allocations. (See above for description of Section 108.) Each activity assisted with Section 108 loan guarantees and BEDI funds must meet one of the CDBG Program's three National Objectives: 1) Benefit low and moderate income persons; 2) Prevent or eliminate slums or blight; or 3) Address imminent threats and urgent community needs. The City used the Section 108 and BEDI funds for the Broadway Commerce Center. No BEDI funds were appropriated in 2015 by the Federal government; no awards have been made since 2010.

- **Recovery Zone Bonds**

The American Recovery and Reinvestment Act of 2009 (ARRA) created several new types of tax-exempt bonds and qualified tax credit bonds under the Internal Revenue Code. The City received an allocation from the Federal government of *Recovery Zone Facility Bonds* of \$11,083,000. The bonds may be used by private companies to access tax-exempt financing. Up to \$8 million of Recovery Zone Facility Bonds were utilized for the Woolworth Building on Willamette Street between Broadway and 10<sup>th</sup> Avenue. The remainder of the bonds were waived due to the limited duration and reallocated by the state. The City received a *Recovery Zone Economic Development Bonds* allocation of \$7,389,000 from the Federal government. These bonds would provide a lower interest rate on borrowing for certain projects by public entities used by the end of calendar year 2010. As the City did not have any projects that would benefit from them, Lane Community College LCC used them in financing for the student housing portion of the Downtown Campus project.

- **EECBG**

Through the 2009 American Recovery and Reinvestment Act (Recovery Act), the U.S. Department of Energy's (DOE's) Energy Efficiency and Conservation Block Grant (EECBG) Program provided funds in block grants to cities, communities, states, U.S. territories, and Indian tribes to develop, promote, implement, and manage energy efficiency and conservation projects that ultimately created jobs. The City received EECBG funds in 2009 for business retro-fits and utilized them in the Broadway Commerce Center financing package for energy efficiency in the newly rehabilitated building.