

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Public Hearing: Ordinance on Downtown Urban Renewal Plan Amendment

Meeting Date: May 23, 2016
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: 5
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ISSUE STATEMENT

The public is invited to comment on a proposed ordinance to amend the Downtown Urban Renewal Plan. On March 14, 2016, the Urban Renewal Agency Board started an amendment process that includes increasing the spending limit for four projects (creation of a high-speed fiber network, Park Blocks/open space improvements, year-round Farmers' Market, and redevelopment of the former Lane Community College Downtown Center) and expanding the district boundary to include the East Park Block area and the City Hall block. The specific spending limit (maximum indebtedness) increase is to be determined by the council after hearing from the public and overlapping taxing districts and prior to final action on the amendment, with a not-to-exceed amount of \$48 million.

BACKGROUND

On March 14, the Agency Board started a process to amend the Downtown Urban Renewal Plan as a funding strategy for a package of downtown projects. The proposed amendments would 1) increase the spending limit (maximum indebtedness) to be able to pay for specific projects, 2) expand the district boundary to incorporate the East Park Block area for potential Park Blocks improvements and the City Hall block for potential improvement to City Hall Plaza and other open space enhancements. (See Attachment A for a summary of the council discussions and actions since December 2015.)

The Agency Board also requested individual work sessions on each of the four projects to discuss the project details and alternative funding sources. Those work sessions occurred on April 14 (high-speed fiber), May 9 (Farmers' Market and the Park Blocks/open space), and May 18 (former LCC downtown center). A comparison of the two funding strategies (downtown urban renewal and an alternative to urban renewal) provided at the March 14 work session is in Attachment B, with more information on the urban renewal strategy in Attachment C and more information on the alternative to urban renewal in Attachment D.

Amendment Process

The Downtown Urban Renewal District was created in July 1968. The plan has been amended five times, most recently in 2010. Two of those amendments extended the life of the district, and three

of those amendments made other changes that did not extend the district life. The proposed plan includes a summary of the past amendments.

State law requires a “substantial plan amendment” for the council to increase the spending limit. The substantial amendment process requires a mailed notification to all Eugene property owners; review by the Planning Commission; notification to other impacted taxing districts; and a public hearing. Concurrence from certain overlapping taxing districts is required. The proposed ordinance containing the 2016 amendments is included as Attachment E. (The proposed plan as amended and the report on the plan are included as Exhibits A and B to the ordinance, respectively.)

A public notice was mailed to Eugene property owners on April 18. Written notice to the overlapping taxing districts was mailed April 15.

The Planning Commission discussed the amendments on May 9 and adopted a motion recommending “council approval of the amendments based on the Planning Commission’s review of the proposed new boundary and the new projects contemplated in the Plan with respect to their consistency with the City’s planning policies. The motion does not include consideration of the financial aspects of the plan.” (*Passed 4:3 Mills, Baker, and Barofsky opposed*). The Planning Commission also emphasized its support for the boundary expansion to include connecting the Downtown District to the Riverfront District along 8th Avenue so that urban renewal funds can be used to make improvements as part of the Willamette to Willamette Initiative. Several commissioners expressed the following additional comments: a) concerns that expanding the boundary to include the City Hall block (as opposed to just 8th Avenue) may exacerbate public frustration over the City Hall project and incorrectly give the impression that council wants to fill the \$7 million budget gap with urban renewal funds, b) concerns that scope and scale for individual projects is too broadly defined, and c) encouragement to make the public process transparent, including the council’s process for refining/deciding the specific spending.

The final public notification element that is required by statute is this public hearing.

Amendment Key Questions

The main question for consideration is:

A. Should the council keep downtown urban renewal as a funding option?

If yes, then the following additional questions apply:

B. Which downtown improvement projects to include in the plan amendment?

When a project is in the Plan it is eligible for the Agency Board to consider spending urban renewal funds on it. Collectively, the projects will build on momentum to foster a vibrant downtown and boost the local economy.

C. What is the overall amount of funds to be available for Agency Board to consider using for downtown improvement projects?

This amount is the spending limit (maximum indebtedness). Increasing the spending limit would allow the Agency to increase its financial capacity to fund the downtown improvements that the Agency Board decides to implement. Each project would require

subsequent approval by the Agency Board and vetting through the budget process, which includes public hearings. See Attachment F for a visual representation of the project approval process.

Increasing the maximum indebtedness figure is necessary to allow the Agency to spend tax increment dollars on additional projects. Maximum indebtedness refers to a total spending limit during the life of the plan. For Eugene, the maximum indebtedness was adopted in 1998 and spending towards that limit began in fiscal year 1999. The current maximum indebtedness amount of \$46.6 million has almost been fully spent, with the bulk spent on the Library, the new Lane Community College Downtown Campus, and paying off the bonds on the Broadway Place Garages to free up funds for downtown public safety. ***Adopting a maximum indebtedness figure does not authorize or obligate the District to enter into debt.*** Rather, it allows current and future Agency Boards to have the ability to fund projects over time, either with cash or by issuing debt.

D. Should the district boundary be expanded? If yes,

- East Park Block area?
- City Hall block, which includes 8th Avenue?

Expanding the District boundary allows the Agency to improve the East Park Block and City Hall Plaza/8th Avenue, if the Agency Board chooses to implement those projects once the project details have been determined.

District Sunset

In the proposed plan amendment the district will cease the division of taxes after repayment or defeasance of all debt issued to fund the projects. The date for cessation of division of taxes will depend on the level of spending authorized under the amendment. This is the same as in the 2010 plan amendment. The council could decide to establish a review process a certain amount of time before that anticipated end to review the impact to the overlapping taxing districts and receive public comment.

Overlapping Taxing Districts Impact

For the overlapping taxing jurisdictions, a share of property taxes from the “excess value” or “incremental value” is not collected by the overlapping jurisdictions during the period of an active district, which is foregone revenue. The overlapping districts have potential direct and indirect benefit from the urban renewal funded projects.

The School District 4J Board discussed the proposed plan amendment on May 4; the Board voted 7:0 on May 18 “to concur with the Eugene City Council’s proposed plan amendment to increase maximum indebtedness for the Downtown Urban Renewal District by up to \$48 million in accordance with ORS 457.220 and 457.470(7).”

The Lane County Board of County Commissioners (BCC) reviewed the proposed plan amendment on May 17, expressed support for the amendment, and voted to review a letter of support on Tuesday, May 24. Staff will provide the council with any written comments received from Lane County at the May 25 council work session.

On May 11, the LCC Board of Directors discussed their building, reviewed the proposed plan amendment, and voted 6:0 to support the proposed projects, specifically the LCC Downtown Center project, for inclusion in the Downtown Urban Renewal Plan amendment and the use of tax increment financing as the funding mechanism.

As a result of a complex property tax system and the State school funding formula, School District 4J receives more revenue because of the Downtown Urban Renewal District. The estimated net impact to School District 4J is that they would lose about \$340,000 per year if the Downtown District did not use tax increment financing. This estimate is from Lane County Assessment and Taxation and takes into account the effect of Measure 5 compression and the State school funding formula. LCC and Lane ESD would experience similar impacts as 4J because of the State school funding formula, with only a small share of the resulting property tax revenue accruing locally. The estimated maximum forgone revenue for FY16 is \$70,000 for LCC and \$25,000 for Lane ESD, however, much would be offset by the State school funding formula. In FY16, it is estimated that the City of Eugene general fund would forego about \$1,000,000 of revenue and Lane County would forego \$180,000 of revenue. (See Attachment E, Exhibit B Chapter 9 for a description of what would happen if the Downtown District stopped receiving a portion of property tax revenue.)

Timeline

The council is scheduled to review comments received from the public hearing, Planning Commission, and taxing districts at a work session on May 25. The council action on the plan amendments is scheduled for June 13. This timing is necessary if the council would like to retain the use of tax increment revenues for the Downtown District.

RELATED CITY POLICIES

High-speed fiber, Park Blocks/open space improvements, year-round Farmers' Market, and activating the old LCC building address many goals for Eugene and downtown, including:

Envision Eugene Pillars

- Provide ample economic opportunities for all community members.
- Promote compact urban development and efficient transportation options.
- Protect, repair and enhance neighborhood livability.
- Provide for adaptable, flexible and collaborative implementation.

Regional Prosperity Economic Development Plan

- Strategy 1. Grow Local Opportunities
 - Our region is an excellent environment to foster the start-up and growth of new enterprises. Building the success and competitiveness of local businesses is a fundamental strategy to create quality jobs as we move our economy forward. As a region, our mission is to foster an environment that nurtures this culture of enterprise and provides a welcome home for targeted key industries.

- Strategy 2. Energize a Creative Economy – Priority Next Step – Innovation Incubators
 - Incubate innovation by using private and public networks and spaces. Incubation sites should be flexibly configured to meet a wide range of business needs including specialized laboratory space to support technological innovation.
- Strategy 3. Invest in Tomorrow’s Talent – Tactic 3.3
 - Attract entrepreneurial and innovative talent by building a culture that values learning, the entrepreneurial spirit, acceptance, diversity, and creativity.
- Strategy 5: Identify as a Place to Thrive - Priority Next Step - Urban Vitality
 - As we foster a creative economy, dynamic urban centers are an important asset. Eugene, Springfield and many of the smaller communities in the region recognize the importance of supporting and enhancing vitality in their city centers. Building downtowns as places to live, work and play will support the retention and expansion of the existing business community and be a significant asset to attract new investment. The Cities of Eugene and Springfield will continue to enhance their efforts to promote downtown vitality through development and redevelopment.

City Council Goal of Sustainable Development

- Increased downtown development

Eugene Downtown Plan

- Downtown development shall support the urban qualities of density, vitality, livability and diversity to create a downtown, urban environment.
- Emphasize Broadway, Willamette Street, 5th and 8th Avenues as Great Streets through public improvements and development guidelines. Include portions of these streets as follows:
 - 8th Avenue between Willamette Street and the Willamette River.
- Enhance public places throughout downtown through the careful design of civic buildings, streetscapes, parks and plazas. Include public art and other elements to create special places for all ages.
- Connect special places downtown with enhanced street designs, public art, directional signs, transit routes and historic markers to create an inviting and memorable route through downtown.
- Support public safety activities that increase visibility, access actual and perceived safety for individuals and property downtown.
- Enhance functional designs for streets, sidewalks and related public improvements with carefully chosen design elements, including materials, alignments, plantings and streetscape elements.
- Use downtown development tools and incentives to encourage development that provides character and density downtown.
- Actively pursue public/private development opportunities to achieve the vision for an active, vital, growing downtown.

Climate Recovery Ordinance

An active, inviting, well-designed public open space downtown enhances walkability and livability, supports downtown as a 20-minute neighborhood, and reduces reliance on fossil fuels.

A number of financial policies would guide the creation of the final finance plan, including the City's debt policies.

COUNCIL OPTIONS

None. Public hearing only.

CITY MANAGER'S RECOMMENDATION

None. Public hearing only.

SUGGESTED MOTION

None

ATTACHMENTS

- A. Summary of Council Discussions/Actions on Downtown Improvements Since December 2015
- B. Funding Strategies Comparison
- C. Downtown Urban Renewal Funding Strategy
- D. Alternative to Downtown Urban Renewal Funding Strategy
- E. Proposed Ordinance Amending the Downtown Urban Renewal Plan
 - Exhibit A: Proposed Downtown Urban Renewal Plan*
 - Exhibit B: Accompanying Report*
- F. Diagram of Project Approval Process

FOR MORE INFORMATION

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