

MINUTES OF THE WORK SESSION MEETING OF  
THE SPRINGFIELD CITY COUNCIL HELD  
TUESDAY, JANUARY 20, 2009

The City of Springfield Council met in a work session in the Library Meeting Room, 225 Fifth Street, Springfield, Oregon, on Tuesday, January 20, 2009 at 6:15 p.m., with Mayor Leiken presiding.

ATTENDANCE

Present were Mayor Leiken and Councilors Lundberg, Leezer, Woodrow, Ralston and Pishioneri. Also present were City Manager Gino Grimaldi, Assistant City Manager Jeff Towery, City Attorney Joe Leahy, City Recorder Amy Sowa and members of the staff.

Councilor Wylie was absent (excused).

1. Proposed Criteria for Evaluating Funding For-Profit Businesses Using Community Development Block Grants (CDBG).

Housing Assistant Jodi Peterson presented the staff report on this item. In the 2007-2008 CDBG funding round, the City received an application for CDBG funding from a for-profit business. Such private-sector applications qualify under the CDBG National Objective for *low and moderate income benefit* under the activity of "job creation" and are carried out by many jurisdictions throughout the country. Springfield has received only two similar requests in the past ten years. Staff utilized the standard federal criteria applied to all applicants to evaluate these. In Council's discussion about downtown revitalization at the April 9, 2007 work session, Councilor Lundberg identified a need for additional criteria to evaluate funding for-profit businesses using CDBG.

Staff has prepared an evaluation process and business development loan application modeled after the City of Eugene's successful business development loan program. These organizational tools will ensure compliance with all applicable Federal regulations, will address business and proposal viability, and will ensure a good fit between proposals and the City's downtown redevelopment goals. Staff proposes structuring any allocation of funding for the for-profit applicants awarded funds in the annual funding round as *loans* rather than grants except in situations where Council directs otherwise (such as for an exceptional development opportunity). DSD recommends that Council direct staff to convene a sub-committee of the Community Development Advisory Committee to ensure thorough reviews of the applications for funding.

Nationally, local governments that use CDBG resources to stimulate redevelopment in blighted areas believe that:

- CDBG business development loans help attract private investment that otherwise would be discouraged by blighted conditions;
- These loans generate low/moderate income job creation, which is the primary use of CDBG for for-profit businesses;
- These loans, when repaid, create income that cycles back to the City that will be used for other CDBG projects;
- CDBG loans to for-profit business sometimes generate additional property tax revenue, unlike CDBG loans/grants to non-profits.

Councilor Ralston asked about the different levels of evaluation and if the applicants were required to pass all of them.

Ms. Peterson said they did need to pass them all. She explained further.

Councilor Woodrow asked if this was limited to for-profit businesses in Springfield or if it encompassed Lane County.

Ms. Peterson said the funds were for Springfield, focusing on downtown.

Councilor Woodrow noted that last year funds were given to a non-profit in Eugene. He commended staff for their good work.

Councilor Lundberg thanked staff for their hard work. This addressed what her original intentions were regarding for-profit businesses. CDBG funds were very specific, and this was another tool to make the process fair and accountable.

Ms. Peterson said if Council approved, staff would include this in their applications released on January 30.

Mayor Leiken asked if this would affect small businesses working with the Lane Council of Governments (LCOG).

Ms. Peterson said it would not have a negative effect.

## 2. Consideration of Local Residential Development Incentives.

Development Services Director Bill Grile thanked the Mayor and Council for their acknowledgment of Ms. Peterson's work on the previous item. She and the other CDBG team worked hard to make the process accommodate the need while remaining flexible.

Mr. Grile presented the staff report on this item. Front-end permitting costs impact the local development of single-family homes and duplexes. Local fees and charges imposed *at the time of permit issuance* consist of building permit fees, System Development Charges (SDCs) and other charges established by the City, Springfield Utility Board (SUB), Willamalane Parks and Recreation District (W.P.R.D.) and the Metropolitan Wastewater Management Commission (M.W.M.C.). The *City's* fees and charges alone exceed \$4,000 for a \$130,000 house, and \$8,700 for a \$370,000 house. Under current procedures, these must be paid before a permit is issued for occupancy -- before construction financing or sale proceeds become available to allow the homebuilder to recover these front-end costs.

Allowing a homebuilder to defer payment of front-end permitting costs until the request for issuance of a final occupancy permit would ease the financial burden associated with starting residential construction, and this may stimulate the economy. Anyone wishing to defer fees and charges under the proposed program would be required to file a municipal lien to secure future payment, although collection could prove challenging because (1) the City lien would be in "junior" position to other liens above it such as financing liens, mechanics liens, etc., and (2) there might not be enough value at the time of any foreclosure to cover the City's deferred fees/charges.

After conferring with the Homebuilders Association and considering the City's fiscal constraints, staff is bringing forward this proposal for a *temporary* program to allow *deferral* of building permit fees, system development and other front-end charges imposed by the City of Springfield on new construction of single-family dwellings and duplexes, with the full payment of these required before issuance of a final occupancy permit. The proposal would (1) sunset on October 15, 2009 unless extended by the Council after an evaluation of its effectiveness, (2) limit the number of deferrals to a maximum of six for any single developer during the period, and (3) require payment of the fees at the time the benefitting property is conveyed.

Willamalane Park and Recreation District staff have expressed support for the deferral program and will be asking the District Board to participate by deferring its Park SDC's until October 15, 2009.

Mr. Grile acknowledged the assistance and work from the City Manager's Office, City Attorney's Office, Public Works and Development Services. This was the best product staff could put forward in the short amount of time. Springfield's front end fees and charges for single family dwellings were a factor in whether or not someone could get started on a residential project. Currently, those fees and charges were paid at the time of permit issuance. Staff was proposing to defer those fees and charges until a final occupancy permit was issued. He explained further. This would be for a trial period up through October 15, 2009, which would take us through the building season. There were a few limitations: there would be a municipal lien required for anyone choosing to take advantage of this opportunity; the number of deferrals would be limited to six for any single developer; and repayment would be required prior to final occupancy permit filed if the property was conveyed. Willamalane staff was supportive of the concept. Willamalane Superintendent Bob Keefer was in the audience and could address when the Willamalane Board would look at this issue. Mr. Grile explained the actions requested in order to implement this program, including a resolution, two ordinances and authority for the City Manager to negotiate with Willamalane on an agreement. He noted that staff was not optimistic that collecting on the liens would not be problematic, but was a prudent provision.

Mayor Leiken thanked Ed McMahon from the HomeBuilders Association (HBA) for calling about this and staff for working so quickly on this issue and making sure this could be possible. It was worth looking at due to the current economy.

Councilor Woodrow asked what would happen if a builder didn't close on a home until after October 15.

Mr. Grile said the intent was the opportunity to seek the deferral by October 15, 2009. There was not a problem if final occupancy wasn't done by October 15. They had allowed it to be flexible.

Community Services Manager Dave Puent agreed the request needed to be made by October 15.

Councilor Pishioneri asked if a fourplex would count as one or two properties.

Mr. Grile said fourplexes and apartment buildings were not included in this proposal, only single family or duplex structures. Each would be counted as one deferral.

Councilor Pishioneri spoke regarding conveyance and asked what would happen if the builder retained the property.

Mr. Grile the conveyance was if they conveyed it prior to seeking a final occupancy permit. The builder would not be able to get any income from the property without the occupancy permit.

Councilor Leezer asked if other cities were doing something similar.

Mr. Grile said he thought Springfield was paving the path, and he felt good about that. Springfield was open for business.

Mayor Leiken asked Mr. McMahon if he knew of other cities moving in this direction.

Mr. McMahon said Bend had acted on something like this, but Springfield's example was being used in 14 communities around the state of how local government could do something to help. He appreciated the fact that not only SDCs, but also building permits were being deferred when City staff time was being utilized. The City was helping to carry some of the burden of building until occupancy and he appreciated that.

Councilor Lundberg said she appreciated staff's work on this. With talk of a federal stimulus, it made sense for the City to do this locally for the people in our community without the bureaucracy. She appreciated that everyone got together to make this work.

Mayor Leiken asked Mr. Keefer if he had anything to add.

Mr. Keefer said he had talked with Mr. Grimaldi regarding this subject. The Willamalane Board would consider this at their meeting the end of January or first of February.

Councilor Ralston said this was a great way to start to the new year. These two work session items had been so thoroughly thought out by staff and well done. It demonstrated how Springfield leads by example.

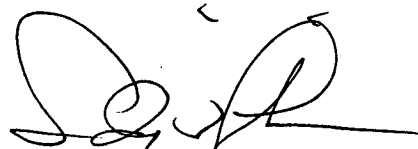
Mayor Leiken said he appreciated City staff and the City Attorney's office.

Mr. Leahy said it was very innovative by Development Services. They may learn as they go, but it was a first step to see if we could provide some impetus for the home builders.

#### ADJOURNMENT


The meeting was adjourned at 6:33 pm.

Minutes Recorder – Amy Sowa



Sidney W. Leiken  
Mayor

Attest:



Amy Sowa  
City Recorder