

CITY OF LINCOLN CITY

LINCOLN CITY COUNCIL AGENDA

MONDAY JUNE 27, 2022 6:00 PM

6:00 PM - The Lincoln City Council will hold a Regular Meeting in the Council Chambers, 801 SW Highway 101 - 3rd Floor, Lincoln City, OR 97367.

Public comments can be submitted to publiccomment@lincolncity.org, by attending the City Council meeting, or by telephone.

Public comments submitted by email to publiccomment@lincolncity.org will be entered into the official record, distributed to the governing body, and summarized; however, due to personal privacy issues they are not generally published in the online Agenda packet. ****PUBLIC COMMENT VIA EMAIL WILL ONLY BE RECOGNIZED UPON RECEIPT OF AN EMAIL SENT TO publiccomment@lincolncity.org****

Citizens requesting to give public comment via telephone must email publiccomment@lincolncity.org no later than noon on the meeting day. The request must include the person's name, the subject the person wishes to address, and the phone number the person intends to use for the meeting. Instructions will be sent to the person requesting prior to the meeting. Persons who will give public comment via telephone will need to leave the microphone muted until the public comment portion of the meeting.

The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired, for a hearing-impaired device, or for other accommodations for persons with disabilities, should be made at least 48 hours in advance of the meeting to the City Recorder, 541-996-1203.

The Lincoln City Council reserves the right to add or delete items as needed, change the order of the agenda, and discuss any other business deemed necessary at the time of the meeting.

All information for this meeting is available at www.lincolncity.org under "Government" then select "Public Meeting, Agendas, Packets & Video". This meeting will be televised live on Channel 4. For additional rebroadcast times, please consult the Channel 4 guide on the hour. If you wish to speak on an agenda or non-agenda item, please sign up on the sheet near the entrance door to the Council Chambers. You will be called to speak during the "Public Comment" section. Comments or testimony on agenda items listed under "public hearing/public comment" will be taken at that time.

A. CALL TO ORDER

B. ROLL CALL

C. PLEDGE OF ALLEGIANCE

D. CONSENT AGENDA

1. Housing: Grant Request from Habitat for Humanity of Lincoln County, for two new homes in Lincoln City
2. Approval of Final Order - Denial Variance [APP 2022-01]
3. Regular Meeting – Minutes of Regular Meeting – June 13, 2022, 6:00 PM
4. Regular Meeting – Minutes of Work Session – June 15, 2022, 3:30 PM
5. Regular Meeting – Minutes of Special Meeting – June 22, 2022, 12:00 PM

E. COUNCIL DELIBERATIONS

F. COMMENTS FROM CITIZENS PRESENT ON AGENDA/NON-AGENDA ITEMS

Article I, Section 8, of the Oregon Constitution provides: No law shall be passed restraining the free expression of opinion, or restricting the right to speak, write, or print freely on any subject whatever; but every person shall be responsible for the abuse of this right. Be advised: Comments by citizens under this Public Comments Section of the Agenda or under Public Hearings are solely the opinions and statements of the speakers and are not statements by the City of Lincoln City and do not represent the opinions of the City of Lincoln City, its officers and employees.

G. PRESENTATIONS

6. FY2021-22 Submission of Audited Statements

H. PUBLIC HEARING / ORDINANCE

I. PUBLIC HEARINGS / PUBLIC COMMENTS

1. Public Hearing: Resolution 2022-18 Supplemental Budget
2. Public Comment: Resolution 2022-19 Setting Water / Sewer Rates
3. Public Hearing: Resolution 2022-20 State Shared Revenue
4. Public Hearing: Resolution 2022-21 Adopt Budget
5. Public Hearing: Extension / Re-approval of Option Agreement for Disposition of City Properties located in the vicinity of NE 25th Street for Affordable Workforce Housing Development

J. ORDINANCES

K. RESOLUTIONS

6. RESOLUTION 2022-15 A RESOLUTION SETTING FORTH CORRECTIVE MEASURES FOR DEFICIENCIES IDENTIFIED IN CITY OF LINCOLN CITY, OREGON 2020-21 ANNUAL FINANCIAL REPORT
7. RESOLUTION NO. 2022-17 A RESOLUTION OF THE CITY OF LINCOLN CITY ESTABLISHING TRAFFIC AND PARKING CONTROL MEASURES FOR NW 8TH COURT REPLACING CITY MANAGER'S TRAFFIC CONTROL ORDER DATED 8-11-2020

8. RESOLUTION 2022-18 A RESOLUTION ADOPTING THE SUPPLEMENTAL BUDGET OF THE CITY OF LINCOLN CITY, OREGON, FOR THE FISCAL YEAR 2021-2022, AS APPROVED BY THE CITY COUNCIL, AND MAKING APPROPRIATIONS
9. RESOLUTION NO. 2022-19 A RESOLUTION SETTING FORTH WATER/SEWER RATES
10. RESOLUTION NO. 2022-20 A RESOLUTION DECLARING THE CITY'S ELECTION TO RECEIVE STATE REVENUES
11. RESOLUTION NO. 2022-21 ADOPTING THE BUDGET
12. RESOLUTION NO. 2022-22 A RESOLUTION OF THE CITY OF LINCOLN CITY IMPLEMENTING LCMC 13.08.095 REGARDING DEFERRAL OF SYSTEM DEVELOPMENT CHARGES; APPROVING AN APPLICATION FOR THE DEFERRAL OF PAYMENT OF SYSTEM DEVELOPMENT CHARGES FOR LINCOLN 25 LIMITED PARTNERSHIP (MANAGING MEMBER INNOVATIVE HOUSING INC.) FOR DEVELOPMENT OF A 107 UNIT AFFORDABLE HOUSING APARTMENT PROJECT ON THREE PARCELS OF LAND ADJOINING 2510 NE HIGHWAY 101, LINCOLN CITY, OREGON.
13. RESOLUTION NO. 2022-23 A RESOLUTION OF THE CITY OF LINCOLN CITY AUTHORIZING AND DIRECTING EXTENSION AND RE-APPROVAL OF AN OPTION AGREEMENT TO INNOVATIVE HOUSING, INC. MANAGING MEMBER OF LINCOLN 25 LIMITED PARTNERSHIP FOR DISPOSITION OF CITY-OWNED REAL PROPERTIES FOR AFFORDABLE HOUSING

L. SPECIAL ORDER OF BUSINESS

14. NE Williams Ct. Water Main Improvement Project Construction Award
15. Economic Development: Proposed Nelscott Urban Renewal (TIF) Plan

M. CITY MANAGER/CITY ATTORNEY REPORTS

N. ACTIONS, IF ANY, BASED ON WORK SESSION OR EXECUTIVE SESSION

O. ADDITIONAL COMMENTS FROM CITIZENS PRESENT ON NON-AGENDA ITEMS

P. ANNOUNCEMENTS OR COMMENTS BY CITY COUNCIL

Q. ADJOURNMENT

Council Communication

Housing: Grant Request from Habitat For Humanity of Lincoln County

Meeting Date: June 27, 2022 Primary Staff Contact: Alison Robertson
 Department: Economic Development E-Mail: alisonr@lincolncity.org
 Secondary Dept: Administration Secondary Contacts:
 Approval: Daphnee Legarza Estimated Time: 5 Min

Objective:

The objective is to consider approval of pre-development grant funding for Habitat For Humanity of Lincoln County, which is starting construction for two new single-family homes in north Lincoln City.

Background – City Housing:

Staff last provided the City Council with a housing update on March 28, 2022. The Lincoln City Housing Needs Assessment (2017) outlines the housing need over the next 20 years to be on average 91 new units each year. There are a total of 5,734 housing units in Lincoln City (2014 ACS data – most recent); with fairly even distribution among owner-occupied dwellings, renter-occupied dwellings, and second homes/short-term rentals.

From 2016-2021, a total of 452 housing units have been constructed by the private sector alone. 282 (62%) of these units are single family detached homes. 7% of the units have been manufactured homes, 4% duplexes, and 25% multi-family (3+ units) dwellings. For the 6-year running total, using Scenario B (the more aggressive annual targets) as our goal, the City has a cumulative deficit of 94 housing units. Tracking of new housing units provided through 2021 has included only for-profit providers/builders (no public subsidy). The City has property for Innovative Housing Inc. to construct 107 income-qualified apartment homes on, which will “catch us up” with our annual housing production goals.

The housing crisis requires partnership with housing providers whether for- or non-profit, rental or ownership models, where the market is not performing without public assistance. The City has made significant efforts to address the housing crisis at all income levels, where funding has been available. The City has partnered with Proud Ground (formerly the Lincoln Community Land Trust) and Habitat For Humanity of Lincoln County (HFHLC), both of which offer income qualified home ownership opportunities. Proud Ground works with buyers at or below 120% of Area Median Income and HFHLC works with buyers at or below 80% Area Median Income.

Budget (Affordable/Workforce Housing Fund out of the General Fund) for the last two years has included \$75,000 for Habitat For Humanity of Lincoln County, and \$50,000 for Proud Ground, to assist with housing construction. This is the first request received for these funds.

Habitat For Humanity of Lincoln County (HFHLC) Project:

Habitat for Humanity of Lincoln County (HFHLC) has received two properties located in the Garden Estates subdivision of Lincoln City. Two partner families have been selected, both current residents of Lincoln County with incomes under 70% AMI. Their new homes will be single-story, and each will have a garage to help protect possessions from the elements. Anticipated completion is summer of 2023.

Each family is expected to complete 500 hours of sweat equity by working on the build, volunteering in the ReStores and at fundraising events, and/or helping with tasks in the affiliate office. Family and friends can help with 150 hours of the total, and children of the families contribute to sweat equity by getting credit for schoolwork.

One family has four children under the age of ten, three of whom have special needs. Two of the children need a room of their own, so this family will help build a five-bedroom home. They are currently living in a three-bedroom apartment where mom shares sleeping space in the living room with two of the kiddos. They are looking forward to having a fenced yard where the kids can play safely.

Our other partner family is tri-generational with four children and grandma sharing a three-bedroom apartment. They will help build a four-bedroom home where grandma can have a room of her own. Dad works as a painter, and we look forward to benefiting from his skills as the family completes their sweat equity. This family also looks forward to a yard of their own.

With these homes, HFHLC is moving to a permanent affordability model where we will retain ownership of the land and sell the improvements to a low-income family through an affordable mortgage. The deeds will include restrictions that limit resale to families at or below 80% AMI and a formula that dictates the resale price based on 25% of the change in appraised value. This allows the families to build equity while keeping the homes affordable into the future.

The grant funding request is for \$75,000 to offset pre-development costs for excavation (\$39,360) and foundation (\$49,730).

Motion:

Direct staff to enter into a grant agreement for pre-development funds for Habitat For Humanity of Lincoln County in the amount of \$75,000 toward their two new homes in Lincoln City.

Council Communication

Approval of Final Order - APP 2022-01 Variance

Meeting Date: June 27, 2022	Primary Staff Contact: Richard Appicello
Department: City Attorney	E-Mail: RAppicello@lincolncity.org
Secondary Dept: Planning Department	Secondary Contacts: AnneMarie Skinner
Approval: Daphnee Legarza	Estimated Time: 5 minutes

Question(s):

Should the City Council approve the Final Order denying the variance requested in APP 2022-01.

Staff Recommendation:

Staff recommends Council approve the Final Order.

Authority:

LCMC Chapter 17.77.140

Background:

The City Council conducted a *de novo* hearing on June 13, 2022 on the subject application and appeal. After the close of the hearing and the record, Council deliberated and made a tentative oral decision to deny the requested variance.

Council Options / Potential Motions:

1. Approve the Final Order.
2. Reject the Final Order.
3. Approve the Final Order with the following changes: _____.

Attachments:

Order 6-21-22 (DOC)

BEFORE THE CITY COUNCIL OF THE
CITY OF LINCOLN CITY, LINCOLN COUNTY, OREGON

[JUNE 27, 2022]

In the Matter of an Appeal of the Decision of)
The City of Lincoln City Planning Commission's)
Denial of an Application for a Variance to the) FINAL ORDER
Street-Side setback in the R-1-RE zone) 2022-___
File: APP 2022-01. 3 G's Construction Inc.)

I. NATURE OF PROCEEDINGS

This matter came before the Lincoln City City Council for a *de novo* appeal hearing. The appeal was from a decision of the Lincoln City Planning Commission in its case file VAR 2022-01, denying the requested 6.38 foot variance to the street side setback in the R-1-Re zone.

A citizen complaint was filed in January 2022 regarding a possible street side setback encroachment. The complaint was verified and a code violation case was created on January 20, 2022. A courtesy notice was issued to the property owner of the site requesting that, no later than January 30, 2022, one of three actions take place: remove all setback encroachments; apply for a zoning code text amendment to LCMC 17.17.070; or apply for a variance for the street side setback. The applicant chose to apply for a variance and subsequently submitted the required application and fee. The variance request was set up as file number VAR 2022-01.

Lincoln City Municipal Code (LCMC) 17.76.050.G states that Table 17.76.020-1 identifies the decision authority for each Type III application. Table 17.76.020-1 of LCMC Chapter 17.76 identifies a variance as a Type III application with the decision authority given to the Planning Commission. The required public hearing with the Planning Commission was held on March 15, 2022. Deliberations and the decision to deny the variance request was made on April 5, 2022. The written final order was adopted on April 19, 2022. The notice of the decision was mailed to the parties with standing with an appeal period ending on May 5, 2022, at 5:00 PM. The complete record of VAR 2022-01 is on file in the Planning and Community Development Department and is available for review, paper copies at reasonable cost, or electronic copies at no cost upon request.

The appeal was received on May 5, 2022. The application was deemed complete on May 5, 2022. On May 23, 2022, pursuant to LCMC 17.76.050.E, the Planning and Community Development Department mailed a notice of public hearing to property owners within 250 feet of the subject property. The *News Guard* published the public hearing notice on May 31, 2022.

On June 13, 2022, the Council conducted a public appeal hearing and considered the oral and written testimony presented, the staff report, and the record as a whole. There was no challenges to the Council's jurisdiction or the participation of any member. The Council closed the hearing and closed the record. Appellant waived final argument. The Council deliberated and ultimately denied the variance, upholding the Planning Commission's decision. The Council directed staff to return with written findings for adoption of the final decision.

Based upon the evidence in the whole record, the City Council makes the following findings of fact and conclusions of law:

II. FINDINGS OF FACT

- 1) The Nature of Proceedings set forth above are true and correct and are incorporated herein by this reference.
- 2) The subject of File # APP 2022-01 is a decision of the Planning Commission denying a Variance to the Street Side Setback in the R-1-RE Zone.
- 3) The subject property is located at 6604 NE Logan Road in Lincoln City. It is located at the northeast corner of intersection of NE Logan Road and NE 66th Street. The property is identified as Tax Map and Lot: 06-11-34-AA-03200-00. The property is in the R-1-RE Residential Roads End zone (Chapter 17.17).
- 4) The Applicant/Owner for File APP 2022-01 is 3 G's Construction, Inc. 14980 74th Ave. SE Salem, Oregon 97317. Roger Griswold, President.
- 5) As regards the side yard setbacks, the Single Family Residential Roads End (R-1-RE) Zoning District, LCMC 17.17.070 (Lot Requirements), Paragraphs E. and F read, in plain english, as follows (emphasis added):
 - E. The minimum interior side yard shall be seven and one-half feet for single-story buildings and 10 feet for buildings with more than one story.
 - F. The minimum street side yard shall be 20 feet, except that it may be one foot less for each two feet of front yard setback over the minimum, but not to less than 10 feet.
- 6) The subject property (site) is addressed as 6604 NE Logan Rd and contains a newly-constructed detached dwelling. The application for a structural (building) permit for the new construction was submitted on March 10, 2021. The review of the site plan by the former senior planner, David Mattison, took place on

March 25, 2021, with subsequent approval. Public Works and Building staff completed their reviews and the permit was issued on April 28, 2021.

7) With the issued permit, the applicant proceeded to site preparation. This included clearing and grading, as well as setting the footings for the pouring of the foundation. The applicant requested the required setback inspection, which was subsequently performed on May 17, 2021, by David Mattison. David Mattison approved the setback inspection. Both the site plan and the setback inspection approved by David Mattison showed a street side setback of 10 feet, rather than the required 16.38 feet.

8) In response to questions from Council, the applicant acknowledged that he retained land use professionals (drafter and engineer) to create the site plan.

IV. FINDINGS APPLYING APPLICABLE CODE CRITERIA

9) The Council finds and determines that the applicable criteria for this decision is contained in the Lincoln City Municipal Code, including Chapter 17.17. (*R-1-RE Zoning District*), specifically 17.17.070 (*Lot Requirements*), 17.08 (*Definitions*), and Chapter 17.77.140 (*Variance*), including specifically the approval criteria in Paragraph C.

10) The Council further finds and determines that it has received all information necessary to make a decision based on the staff reports, public hearing testimony, and the evidence in the whole record including the exhibits received.

11) The Council incorporates by this reference all findings and conclusions and exhibits as set forth in the Planning Director's Staff Report(s) in the record of the above referenced File(s) APP 2022-01 and VAR 2022-01. The Council finds and determines that the Planning Director's report(s) and analyses are complete and accurate and support the conclusion that the variance must be denied.

12). LCMC 17.17.070 (Lot Requirements), Paragraphs E and F provide:

E. The minimum interior side yard shall be seven and one-half feet for single-story buildings and 10 feet for buildings with more than one story.

F. The minimum street side yard shall be 20 feet, except that it may be one foot less for each two feet of front yard setback over the minimum, but not to less than 10 feet.

The Council finds and determines that the Code clearly provides for different setbacks depending upon whether the setback is an interior side yard or a street side setback. Interior side yard setbacks are 10 feet while the street side setback is 20 feet with a formula for possible reduction based on the front setback.

13). Applying the formula for street side yard setback reduction in the instant case, the City Council finds and determines that the street side setback for the subject property is 16.38 feet, as follows:

LCMC 17.17.070 (Lot Requirements), Paragraph D (Front setback) provides:

- D. The minimum front yard shall be 20 feet. Except that the minimum setbacks from Logan Road need not exceed the average setback of buildings on all lots within 100 feet of the lot on which the proposed building is to be located and that abut Logan Road.

The average setback of buildings on all lots within 100 feet of the subject site and that abut Logan Rd calculates to 12.77 feet. Accordingly, the minimum front setback for the site is 12.77 feet. All portions of the structure, including porches, stairs, decks, and balconies that are over 30 inches from the ground, must meet the minimum 12.77-foot-front setback requirement. In this case, the front of the main wall of the house is set back 34.4 feet from the front property line; however the upper stairs and deck that are over 30 inches from the ground are set back 20 feet from the front property line. The front setback requirement is not only met, but is exceeded by 7.32 feet.

- F. The minimum street side yard shall be 20 feet, except that it may be one foot less for each two feet of front yard setback over the minimum, but not to less than 10 feet.

The upper stairs and deck on the front of the house that are over 30 inches from the ground are set back 20 feet from the front property line. Accordingly, the provided front setback is 7.32 feet over the minimum of that which is required (required 12.77 feet, provided 20 feet ($20' - 12.77' = 7.23$). That number of 7.23 is then divided by 2, which equals 3.62 feet. 3.62 feet is then subtracted from the minimum street side setback of 20 feet to give the required street side setback for this site at 16.38 feet. The constructed dwelling on site provides a street side setback of 10 feet, which means that the house encroaches 6.38 feet into the required street side setback.

14). LCMC 17.77.140 provides that to approve a variance all the following circumstances (listed in LCMC 17.77.140 C). must exist:

17.77.140 Variance

- C. Approval Criteria. To approve a variance, the planning commission shall make findings of fact, based on evidence provided, that all of the following circumstances exist:

1. Exceptional or extraordinary circumstances apply to the property which do not apply generally to other properties in the same zone or vicinity and result from lot size or shape legally existing prior to the date of the ordinance codified in this title, topography, or other circumstances over which the applicant has no control;

2. The variance is necessary for the preservation of a property right of the applicant which is substantially the same as owners of other property in the same zone or vicinity possess
3. The variance should not be materially detrimental to the purposes of this title, or to property in the zone or vicinity in which the property is located, or otherwise conflict with the objectives of any city planning policy;
4. The variance requested is the minimum variance which would alleviate the hardship.

15). LCMC 17.77.140 provides that to approve a variance all the following circumstances (listed in LCMC 17.77.140 C) must exist:

C. Approval Criteria. To approve a variance, the planning commission shall make findings of fact, based on evidence provided, that all of the following circumstances exist:

- 1. Exceptional or extraordinary circumstances apply to the property which do not apply generally to other properties in the same zone or vicinity and result from lot size or shape legally existing prior to the date of the ordinance codified in this title, topography, or other circumstances over which the applicant has no control;**

This criterion requires evidence of an exceptional or extraordinary circumstance that applies to this site, which does not apply to other properties in the vicinity, which results from size, shape, topography or other circumstances, existing prior to the adoption of the code, over which the applicant has no control.

The applicant argues this criterion is met with the extraordinary circumstance being the city staff's error – the inaccurate review and approval of the site plan showing the 10-foot street side setback, followed by the city missing the error on the setback inspection, both over which the applicant argues he had no control. Later the applicant argued that the completed noncompliant building on the lot which cannot be occupied without violating the code, is the extraordinary circumstance over which the applicant had no control.

The applicant reads the applicable criterion as only: “[or] other circumstances over which the applicant has no control” and ignores the rest of the paragraph. This selective interpretation of this section is summarily rejected by the Council. All criterion must be satisfied. The Council finds and determines that the criterion requires that the extraordinary circumstances result from lot size, lot shape, lot topography, or other lot circumstances, (similar to size, shape and topography), and that these circumstances legally existed prior to the adoption of the Title. Council finds and determines that the applicant's interpretation ignores the qualifiers of “circumstances” in the entire section and that the Council meant to give meaning to the entire section. The alleged extraordinary circumstance - staff error and a noncompliant home - did not result from lot size, shape or topography, or similar circumstance, nor did the staff error or completed noncompliance home exist prior to the adoption of the code. See Elder v. Douglas County, 33 Or LUBA 276, 279-80 (1997).(*The need for a variance cannot serve as the exceptional circumstance justifying a variance*).

Finally, even if Council accepted the applicant's truncated interpretation of this standard, the applicant cannot state that the circumstance of the noncompliant home was beyond his control. While the applicant focuses on staff's error, he does not acknowledge his own. The Municipal Code [LCMC Chapter 17.16] points to the established law that the burden is on the applicant to comply with the Code:

L. Burden of Proof. The applicant shall bear the burden of proof that the proposal complies with all applicable approval criteria and development standards.

The applicant acknowledged in response to Council questions that he had land use professionals (drafter and engineer) help him with the home plans. The applicant had exclusive control over drafting the noncompliant plans. The applicant caused the home to be constructed in its noncompliant state, and therefore did have control over this "circumstance". The City's Planner is not the applicant's planner and owes the applicant no special duty. Loosli v. City of Salem, 345 Or. 303 (2008). It is the responsibility of the applicant to read the code and ascertain for themselves the applicable requirements." City of Grants Pass v. Josephine County, 25 Or LUBA 722, 728 (1993). (*City planner provided a citizen with erroneous information regarding the date on which a local decision became final. Relying on that erroneous information, the petitioner filed a notice of intent to appeal (NITA) with LUBA. LUBA dismissed the appeal, which was filed late based on the erroneous information, stating: "The fact that petitioner may have relied on erroneous information from a county planner is of no import. A participant in local land use proceedings must ascertain for itself, from the local code, what it must do to protect its rights."*).

In this case, the applicant, or his land use professionals, were responsible to read the plain language of LCMC 17.17.070, Paragraph F and see that the minimum required street side setback is 20 feet, with a formula set forth there for possible reduction. The applicant cannot label the completed noncompliant building or staff's error in missing the applicant's mistake in designing the building as an extraordinary circumstance over which the applicant had no control. Staff's error cannot justify or compel a violation of the code. Bankus v. Brookings, 252 Or 257, 260 (1969) (*estoppel cannot arise from an action of a local government official who purports to waive a mandatory standard*). Clackamas County v. Emmert, 14 Or App 493, 502-503, 513 P2d 532 (1973) (citing Milwaukee v. Leavitt, 142 NW2d 169, 172-173 (1966)). (*Estoppel is not generally a permissible defense against government enforcement of its land use regulations. Zoning ordinances are enacted for the benefit and welfare of the citizens, and issuance of a building permit that violates the ordinance is not only illegal per se, but also injurious to the property owners. Citizens have a right to rely on government officials not to act in violation of the ordinance. When officials act in violation of the ordinance, the government is not estopped from enforcing the ordinance even if the permit holder has incurred expenditures in reliance on the permit*).

Accordingly, based on the above, the City Council finds and determines that the applicant has failed to meet the first required circumstance listed in LCMC 17.77.140 C, (in that, *inter alia*, the applicant had control in that he designed

and constructed his home in violation of the applicable setbacks), and therefore he has failed to meet his burden for approval of a variance. This criterion / circumstance is not met.

C. Approval Criteria. To approve a variance, the planning commission shall make findings of fact, based on evidence provided, that all of the following circumstances exist:

2. **The variance is necessary for the preservation of a property right of the applicant which is substantially the same as owners of other property in the same zone or vicinity possess;**

The applicant quotes the City Attorney's statement that a single family home on a lot is an example of a property right. The applicant had the ability to construct a code compliant single family home on his lot. A detached dwelling is an allowed use in the R-1-RE zone, per LCMC Chapter 17.17. The required building permit was obtained, and a detached dwelling was constructed. The fact that the detached dwelling was not placed in accordance with the required street side setback is not the loss of a property right. Other lots in the same zone may have noncompliant setbacks, owing to legal nonconformities, but other lot owners do not possess a right to violate the setbacks in effect at the time they made application to build. (so - not substantially the same as other owners). No evidence was provided in the submitted materials showing that violating that required street side setback is a property right (or that others - aside from legal nonconformities share that right). The submitted materials did not provide any evidence that a property right is being lost if the variance request is not approved. The fact that removal of the front decks will eliminate the Class B setback violation the applicant complains of, shows there is no denial of the right to a single family home. (see street side setback formula's tie to the front setback). This criterion / circumstance is not met.

C. Approval Criteria. To approve a variance, the planning commission shall make findings of fact, based on evidence provided, that all of the following circumstances exist:

3. **The variance should not be materially detrimental to the purposes of this title, or to property in the zone or vicinity in which the property is located, or otherwise conflict with the objectives of any city planning policy;**

The site is in the R-1-RE zone. The site is surrounded on all sides by properties also in the R-1-RE zone. Surrounding properties either already contain detached dwellings or are planned for the future construction of detached dwellings. Except for existing legal nonconformities (approved under County R-1-A zoning) the surrounding vacant properties will be required to comply with the established zoning. The Planning Commission and Council both noted the R-1-RE zoning effort was only recently accomplished and that it had a great deal of community support. A variance, for new construction can be detrimental to the purposes of the zone. As to the properties surrounding this property, the

existing dwelling on the southeast corner of the NE Logan Rd/NE 66th St exceeds the required 20-foot street side setback at approximately 27'-1 ³/₄". However, houses at 1830 NE 66th St, 1918 NE 66th St, 6555 NE Neptune Dr, and 2030 NE 66th St do not meet the required 20-foot street side setback at 18'-10 ¹/₂", 16'-1 ³/₄", 14'-1/4", and 8'-8 ¹/₄", respectively. Having one more house not meeting a required setback in amongst the houses in the vicinity that also don't meet a required setback will not be materially detrimental to the vicinity. Council finds and determines that 6.38 foot variance will not be materially detrimental to the purposes of the zone or to surrounding properties. This criterion / circumstance is met.

C. Approval Criteria. To approve a variance, the planning commission shall make findings of fact, based on evidence provided, that all of the following circumstances exist:

4. The variance requested is the minimum variance which would alleviate the hardship.

The requested variance is 6.38 feet (reducing the required 16.38 foot setback to ten feet. Staff noted that with the upper stairs and deck being set back 20 feet from the front property line, and using the averaging option for the front setback requirement, the required street side setback is 16.38 feet. With removal of the upper stairs and deck, though, the front of the house is 34.4 feet from the front property line. The increase in the front setback to meet the actual home decreases the required street side setback to 10 feet.

34.4' provided minus 12.77' required = 21.63' overage

The amount of overage of provided front setback (21.63') is divided by 2, which equals 10.8'. 10.8' is then subtracted from the street side setback of 20 feet to give the required street side setback for this site of 9.2 feet, or 10 feet since the street side setback cannot be less than 10 feet. Accordingly, with removal of the upper stairs and deck there would be no street side setback encroachment and no need for a variance, which means that the requested 6.38-foot variance is not the minimum required to alleviate the hardship. Some alternative (minimal access improvement) in the front of the house would be the minimum variance. This criterion / circumstance is not met.

V1. ORDER

Based on the above Findings of Fact and Conclusions of Law, the City Council for the City of Lincoln City finds and determines the variance requested in APP 2022-01 / VAR 2022-01 is DENIED as it does not comply with all the mandatory criterion in LCMC 17.77.140.C. as specified herein. The decision of the Planning Commission denying the application is therefore UPHELD and the APPEAL by the Owners to set aside denial is rejected.

ADOPTED THIS 27th DAY OF June 2022.

Susan Wahlke, Mayor
Authorized by the full Council on June 27, 2022.

CITY OF LINCOLN CITY

CITY COUNCIL MINUTES OF MEETING

June 13, 2022, 6:00 PM

The final minutes for this meeting are supplemented by an electronic recording of the meeting, which may be viewed online at www.lincolncity.org under the tab "Agendas, Packets and Videos". The staff reports, resolutions, ordinances, and other documents related to this meeting are also available at the same location. This meeting is rebroadcast on Cable Channel 4. (See Channel 4 guide on the hour at <http://www2.lincolncity.org/program-guide/>).

APPROVED BY CITY COUNCIL

DATE:

A. CALL TO ORDER

Mayor Wahlke called the meeting to order at 6:00 PM.

B. ROLL CALL

Attendee Name	Title	Status	Arrived
Susan Wahlke	Mayor	Present	6:00 PM
Elaine Starmer	Councilor Ward 1	Present	6:00 PM
Sydney Kasner	Councilor Ward 2	Present	6:00 PM
Judy Casper	Councilor Ward 3	Present	6:00 PM
Riley Hoagland	Councilor Ward 2	Present	6:00 PM
Rick Mark	Councilor Ward 3	Present	6:00 PM
Mitch Parsons	Councilor Ward 1	Absent	6:00 PM

Staff Present: Daphnee Legarza, City Manager; Lila Bradley, Contract Employee; Richard Appicello, City Attorney; Chief Palmer, Lincoln City Police Department; Lt. Broderick, Lincoln City Police Department; Abigail Edwards, Human Resources Director; Alison Robertson, Economic Development and Urban Renewal Director; Ed Dreistadt, Explore Lincoln City Director; Jeanne Sprague, Parks and Recreation Director; Stephanie Reid, City Engineer; Anne Marie Skinner, Planning and Community Development Director; Kirsten Brodbeck-Kenney, Library Director; Debbie Bridges, Finance Director; David Twigg, I.T. Support Specialist; Tony LaSoya, I.T. Director; Jamie Young, City Recorder.

C. PLEDGE OF ALLEGIANCE

Mayor Wahlke led The Pledge of Allegiance.

D. CONSENT AGENDA

MOTION:	Consent Agenda
MOVER:	Rick Mark, Councilor Ward 3
SECONDER:	Elaine Starmer, Councilor Ward I
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed

1. Regular Meeting – Minutes of Regular Meeting – May 23, 2022, 6:00 PM
2. Regular Meeting – Minutes of Work Session – May 25, 2022, 3:30 PM
3. Regular Meeting – Minutes of Work Session – June 1, 2022, 4:00 PM

E. COUNCIL DELIBERATIONS

4. ORDINANCE NO. 2022-23 AN ORDINANCE AMENDING THE LINCOLN CITY MUNICIPAL CODE, TITLE 17, (ZONING), AMENDING CHAPTER 17.17 (SINGLE-FAMILY RESIDENTIAL, ROADS END), SECTION 17.17.070 (LOT REQUIREMENTS), PARAGRAPH D, TO REVISE THE LANGUAGE FOR THE FRONT SETBACK

MOTION:	Motion to Approve Second Reading and Adoption of Ordinance 2022-23 - ZOA 2022-06 -R-1-RE Front Setback as Amended
MOVER:	Riley Hoagland, Councilor Ward 2
SECONDER:	Sydney Kasner, Councilor Ward 2
AYES:	Kasner, Casper, Hoagland, Mark
NAYS:	Starmer
ABSTAIN:	Wahlke
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

Mayor Wahlke said that due to being out ill she would abstain from voting. Mr. Appicello read the ordinance with the change on line 13 of the second page.

F. COMMENTS FROM CITIZENS PRESENT ON AGENDA/NON-AGENDA ITEMS

Mayor Wahlke changed the Planning Commission interview from "L. Special Order of Business" to after "G. Presentations".

Georgia Roeloff spoke regarding the A.S.K. Proclamation.

Mr. Baird spoke regarding ordinance 2022-23 and e-bikes on the beach.

Ms. Legarza summarized comments from Janet Knipe, against variance request 2022-01 and uphold the decision of the Planning Commission; Brenda Scotton, regarding keeping recreational vehicles off the beaches; Nancy Cable, the supporting the Senior Center fee waiver; and Maggie Anderson, supporting the Senior Center fee waiver.

G. PRESENTATIONS

5. Motion to Waive Fees for FY 2022-23 Lincoln City Senior Center from 7 AM-4 PM with Presentation Programming Within the Next 60 Days for Hours Until 9 PM

Gordon McMinn spoke in favor of the Senior Center.

Karen Henson read a statement from Gail Stern in support of the Senior Center.

Antonio Porras spoke in regards to the Senior Center and waiving the fees for FY 2022-23

Mike Holt spoke in regards to the Senior Center and not allowing children.

Mike Sprague spoke in favor of the Senior Center.

Tamara Staples and Ann Stevens gave a presentation regarding the Senior Center and the fee waiver for FY 2022-23. Councilor Kasner asked for detail on the hours requested on Sunday. Ms. Staples stated the Community Center is not open on Sunday but when that resumes they will use the time for games socializing and activities. Ms. Stevens spoke about the back room and getting together as a family. Mayor Wahlke asked about the use of the West wing until 9 PM. Ms. Stevens explained the planning of activities for those times. Councilor Hoagland asked which activities are in the small room and the West wing. Ms. Staples explained the different meetings and activities. Councilor Mark asked if the idea of having activities until 9 PM was something new and what prompted it. Ms. Staples said they are trying to grow the program and protect the space. Ms. Stevens said explained this was to open the door for more activities. Councilor Mark asked if they would be willing to share other spaces as needed. Ms. Staples explained there is no way to secure the items in the other areas. Councilor Kasner said that she would like to see more services and activities for the Seniors. Councilor Hoagland explained that the Community Center is a public building and there has been plenty of opportunity in the past year. Councilor Casper asked if there would be time to expand programs the 8-4 hours rather than the evening. Ms. Stevens asked the Council why after all the years is the Senior Center being threatened. Ms. Stevens expressed her worry for the Seniors. Councilor Starmer said that her father lived for the Senior Center. Councilor Starmer said it's a privilege and each year there will be a discussion regarding fees. Mr. Holt spoke about a property that was given up by the Seniors for the space. Mayor Wahlke asked Mr. Appicello to look into the property. Mr. Appicello said they need to be treated the same as any 501c3 and give a presentation each year. Mayor Wahlke said we are blessed to have so many Seniors donating their time to so many organizations. Mayor Wahlke said that the Parks and Recreation Department has done such a good job of programming the Community Center has outgrown its space. Mayor Wahlke said there needs to be maximum use of the space and that is the reason for the questioning. Councilor Mark said that in his years the Seniors have never been threatened or said to take away rights. Councilor Mark said that they were operating without a formal agreement and that was fixed. Councilor Starmer concurred. Councilor Mark asked Staff if we need to hold off for a discussion of shared space. Councilor Casper mentioned a speech pathologist that would be interested in volunteering time. Councilor Hoagland asked Staff for the cost. Mayor Wahlke asked for a work session within 60 days and to have the Seniors reappear at the second meeting in August to discuss programming for the evening hours.

H. PUBLIC HEARING / ORDINANCE

NONE

I. PUBLIC HEARINGS / PUBLIC COMMENTS

1. APP 2022-01 Appeal of VAR 2022-01 Street Side Setback Variance

Mayor Wahlke opened the public hearing at 7:40 PM.

Councilor Starmer expressed that she lives in Roads End and there is a potential conflict depending on the outcome.

No objections to Councilor participation or jurisdiction change.

Mayor Wahlke advised of the and summarized the public hearing procedures.

Ms. Skinner presented the staff report.

Mr. Griswold, the applicant, presented his case.

No citizen testimony was received.

No request for continuance or to hold the record open

MOTION:	Motion to Close the Public Hearing at 8:12 PM.
MOVER:	Elaine Starmer, Councilor Ward 1
SECONDER:	Judy Casper, Councilor Ward 3
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Voice Vote

The applicant waived the opportunity to leave the record open.

MOTION:	Motion to Approve the Variance Request and Overturn the Planning Commission Decision
MOVER:	Rick Mark, Councilor Ward 3
SECONDER:	Riley Hoagland, Councilor Ward 2
AYES:	Hoagland, Mark
NAYS:	Wahlke, Starmer, Kasner, Casper
ABSENT:	Parsons
RESULT:	Failed

Councilor Starmer asked Ms. Skinner about the original denial for not meeting the criteria and change. Ms. Skinner said that staff error does not meet the criteria for a variance. Councilor Mark said he feels the applicant meets all criteria. Councilor Hoagland asked about the options for the applicant. Ms. Skinner listed the options.

MOTION:	Motion to Deny App 2022-01 and Uphold the Planning Commission's Decision
MOVER:	Judy Casper, Councilor Ward 3
SECONDER:	Sydney Kasner, Councilor Ward 2
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland
NAYS:	Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

Councilor Mark asked about an alternate for the stairs. Ms. Skinner said that would not help. Mayor Wahlke said this is a tentative decision and staff will prepare an order for the next available Council meeting.

- 2. CPA ZC 2022-02 Nesika Park Comprehensive Plan Map Amendment and Zone Change
- CPA ZC 2022-03 Park in Taft comprehensive plan map amendment and Zone Change
- CPA ZC 2022-04 Taft Open Space Comprehensive Plan Map Amendment and Zone Change
- CPA ZC 2022-05 Palisades Open Space Comprehensive Plan Map Amendment and Zone Change
- CPA ZC 2022-06 Wildwoods Open Space Comprehensive Plan Map Amendment and Zone Change

MOTION:	Motion to Close the Public Hearing and the Record for CPA ZC 2022-02, 2022-03, 2022-04, 2022-05, and 2022-06 at 9:03 PM
MOVER:	Rick Mark, Councilor Ward 3
SECONDER:	Elaine Starmer, Councilor Ward I
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Voice Vote

Mayor Wahlke opened the public hearing for CPA ZC 2022-02, 2022-03, 2022-04, 2022-05, and 2022-06 at 8:32 PM.

No Council conflict of interest.

No objections to Councilor participation or jurisdiction change.

Ms. Skinner read the applicable substantive criteria for this decision.

Mayor Wahlke read the appeal process.

Ms. Skinner reviewed the staff reports for each CPA.

Council asked questions of Staff.

Mr. Baird spoke in support of the applications 2022-02, 2022-03, 2022-04, 2022-05, and 2022-06.

No request to have a continuance or to leave the record open.

Mayor Wahlke said this is a tentative order and Staff has prepared ordinances for later in the evening.

MOTION:	Motion to Return Later on the Agenda with Ordinances for Approval
MOVER:	Elaine Starmer, Councilor Ward I
SECONDER:	Sydney Kasner, Councilor Ward 2
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

- 3. ZOA 2022-08 Housing

Mayor Wahlke opened the public hearing for ZOA 2022-08 at 9:06 PM.

No Conflict, Challenge, or jurisdiction change.

Ms. Skinner read the applicable

Mayor Wahlke read the appeal process.

Ms. Skinner reviewed the staff reports for each CPA.

Council asked questions of Staff.

No Comments received

MOTION:	Motion to Close the Public Hearing and Record for ZOA 2022-08
MOVER:	Elaine Starmer, Councilor Ward I
SECONDER:	Sydney Kasner, Councilor Ward 2
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Voice Vote

J. ORDINANCES

4. ORDINANCE NO. 2022-25 AN ORDINANCE OF THE CITY OF LINCOLN CITY AMENDING THE LINCOLN CITY MUNICIPAL CODE, TITLE 17 (ZONING), CHAPTERS 17.04 (GENERAL PROVISIONS), 17.08 (DEFINITIONS), 17.16 (R-1), 17.17 (R-1-RE), 17.18 (VR), 17.20 (RM), 17.24 (PC), 17.28 (RC), 17.29 (RCC), 17.32 (GC), 17.34 (NP), 17.36 (PI), 17.40 (RR), 17.42 (P), 17.43 (OS), 17.45 (TVC), 17.50 (OP), 17.52 (SUPPLEMENTARY REGULATIONS), 17.55 LANDSCAPING STANDARDS), 17.56 (OFF-STREET PARKING AND LOADING), 17.64 (NONCONFORMING SITUATIONS), 17.74 (DESIGN STANDARDS), 17.77 (APPLICATIONS), 17.80 (PROVISIONS APPLYING TO SPECIAL USES) TO INCORPORATE STATE-MANDATED LEGISLATION PERTAINING TO HOUSING, EMERGENCY SHELTERS, HOTEL/MOTEL CONVERSIONS, CHILD CARE, MANUFACTURED DWELLINGS, AND TO REMOVE OTHER IMPEDIMENTS TO DEVELOPMENT AND REDEVELOPMENT.

MOTION:	Motion to Approve First Reading of Ordinance 2022-25 for ZOA 2022-08 Housing
MOVER:	Sydney Kasner, Councilor Ward 2
SECONDER:	Elaine Starmer, Councilor Ward I
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

5.

MOTION:	Motion to Approve Second Reading and Adoption of Ordinance 2022-25 for ZOA 2022-08 Housing
MOVER:	Sydney Kasner, Councilor Ward 2
SECONDER:	Elaine Starmer, Councilor Ward I
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

6. ORDINANCE NO. 2022-24 AN ORDINANCE AMENDING THE LINCOLN CITY COMPREHENSIVE PLAN MAP TO CHANGE THE COMPREHENSIVE PLAN MAP DESIGNATION FROM HIGH DENSITY RESIDENTIAL TO PARK DISTRICT AND AMENDING THE LINCOLN CITY ZONING MAP TO CHANGE THE ZONING MAP DESIGNATION FROM R-M (MULTIPLE-UNIT RESIDENTIAL) TO PARK (P) ZONE FOR THE CITY-OWNED NESIKA PARK PROPERTY IDENTIFIED AS TAX LOT 07-11-15-DA-00200-00 [CPA 2022-02/ ZC 2022-02]

MOTION: Motion to Approve First Reading of Ordinance 2022-24 (CPA ZC 2022-02) Nesika Map and Zone Change
MOVER: Elaine Starmer, Councilor Ward I
SECONDER: Sydney Kasner, Councilor Ward 2
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

7.

MOTION: Motion to Approve Second Reading and Adoption of Ordinance 2022-24 (CPA ZC 2022-02) Nesika Map and Zone Change
MOVER: Elaine Starmer, Councilor Ward I
SECONDER: Sydney Kasner, Councilor Ward 2
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

8. ORDINANCE NO. 2022-26 AN ORDINANCE AMENDING THE LINCOLN CITY COMPREHENSIVE PLAN MAP TO CHANGE THE COMPREHENSIVE PLAN MAP DESIGNATION FROM MEDIUM DENSITY RESIDENTIAL AND SINGLE-FAMILY RESIDENTIAL TO PARK DISTRICT AND AMENDING THE LINCOLN CITY ZONING MAP TO CHANGE THE ZONING MAP DESIGNATION FROM R-1-7.5 (RESIDENTIAL) TO PARK (P) ZONE FOR THE CITY-OWNED TAFT PARK PROPERTY (APPROXIMATELY 6.71 ACRES) IDENTIFIED AS TAX LOTS: 07-11-27-DD-03500, 07-11-27-DD-04500, 07-11-27-DD-04600, and 07-11-27-DD-04700 [CPA 2022-03/ ZC 2022-03]

MOTION: Motion to Approve First Reading of Ordinance 2022-26 (CPA ZC 2022-03) Taft Park Map and Zone Change
MOVER: Sydney Kasner, Councilor Ward 2
SECONDER: Rick Mark, Councilor Ward 3
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

9.

MOTION: Motion to Approve Second Reading and Adoption of Ordinance 2022-26 (CPA ZC 2022-03) Taft Park Map and Zone Change
MOVER: Sydney Kasner, Councilor Ward 2
SECONDER: Elaine Starmer, Councilor Ward I
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

10. ORDINANCE NO. 2022-28 AN ORDINANCE AMENDING THE LINCOLN CITY COMPREHENSIVE PLAN MAP TO CHANGE THE COMPREHENSIVE PLAN MAP DESIGNATION FROM GENERAL COMMERCIAL TO OPEN SPACE DISTRICT AND AMENDING THE LINCOLN CITY ZONING MAP TO CHANGE THE ZONING MAP DESIGNATION FROM GENERAL COMMERCIAL (GC) TO OPEN SPACE (OS) ZONE FOR THE CITY-OWNED TAFT OPEN SPACE PROPERTY IDENTIFIED AS TAX LOT 07-11-27-DD-04900-00 [CPA 2022-04/ZC 2022-04]

MOTION: Motion to Approve First Reading of Ordinance 2022-28 (CPA ZC 2022-04) Taft Open Space Map and Zone Change
MOVER: Sydney Kasner, Councilor Ward 2
SECONDER: Elaine Starmer, Councilor Ward I
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

11.

MOTION: Motion to Approve Second Reading and Adoption of Ordinance 2022-28 (CPA ZC 2022-04) Taft Open Space Map and Zone Change
MOVER: Elaine Starmer, Councilor Ward I
SECONDER: Rick Mark, Councilor Ward 3
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

12. ORDINANCE NO. 2022-29 AN ORDINANCE AMENDING THE LINCOLN CITY COMPREHENSIVE PLAN MAP TO CHANGE THE COMPREHENSIVE PLAN MAP DESIGNATION FROM MEDIUM DENSITY RESIDENTIAL DISTRICT TO OPEN SPACE DISTRICT AND AMENDING THE LINCOLN CITY ZONING MAP TO CHANGE THE ZONING MAP DESIGNATION FROM SINGLE FAMILY RESIDENTIAL (R-1-7.5) ZONE TO OPEN SPACE (OS) ZONE FOR THE CITY-OWNED PALISADES OPEN SPACE PROPERTY IDENTIFIED AS TAX LOTS 06-11-35-CA-00100-00 AND 06-11-35-CD-00100-00 [CPA 2022-05/ZC 2022-05]

MOTION: Motion to Approve First Reading of Ordinance 2022-29 (CPA ZC 2022-05) Palisades Open Space Map and Zone Change
MOVER: Elaine Starmer, Councilor Ward I
SECONDER: Sydney Kasner, Councilor Ward 2
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

13.

MOTION: Motion to Approve Second Reading and Adoption of Ordinance 2022-29 (CPA ZC 2022-05) Palisades Open Space Map and Zone Change
MOVER: Elaine Starmer, Councilor Ward I
SECONDER: Sydney Kasner, Councilor Ward 2
AYES: Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT: Parsons
RESULT: Passed by Roll Call Vote

14. ORDINANCE NO. 2022-30 AN ORDINANCE AMENDING THE LINCOLN CITY COMPREHENSIVE PLAN MAP TO CHANGE THE COMPREHENSIVE PLAN MAP DESIGNATION FROM UNDESIGNATED TO OPEN SPACE DISTRICT AND AMENDING THE LINCOLN CITY ZONING MAP TO CHANGE THE ZONING MAP DESIGNATION FROM UNDESIGNATED TO OPEN SPACE (OS) ZONE FOR THE CITY-OWNED WILDWOODS OPEN SPACE PROPERTY IDENTIFIED AS TAX LOT 07-11-11-BA-00404-00 [CPA 2022-06/ZC 2022-06]

MOTION:	Motion to Approve First Reading of Ordinance 2022-30 (CPA ZC 2022-06) Wildwoods Open Space Map and Zone Change
MOVER:	Elaine Starmer, Councilor Ward I
SECONDER:	Sydney Kasner, Councilor Ward 2
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

15.

MOTION:	Motion to Approve Second Reading and Adoption of Ordinance 2022-30 (CPA ZC 2022-06) Wildwoods Open Space Map and Zone Change
MOVER:	Elaine Starmer, Councilor Ward I
SECONDER:	Sydney Kasner, Councilor Ward 2
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

K. RESOLUTIONS

NONE

L. SPECIAL ORDER OF BUSINESS

16. Planning Commission Interview - Williams

Council interviewed Ms. Williams for the vacancy on the Planning Commission.

Council took a break from 7:34 PM to 7:40 PM

17. Community Center Gym Roof Project

MOTION:	Motion to Award the Community Center Gym Roof Project to RoofTopper Inc. in the Amount of \$52,000
MOVER:	Riley Hoagland, Councilor Ward 2
SECONDER:	Elaine Starmer, Councilor Ward I
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

Councilor Hoagland asked if this qualifies as a percentage of the Arts. Ms. Legarza will check with Public Works.

Councilor Starmer spoke regarding the bid.

M. CITY MANAGER/CITY ATTORNEY REPORTS

Ms. Legarza said the Joint County Commission meeting is postponed to the Fall.

N. ACTIONS, IF ANY, BASED ON WORK SESSION OR EXECUTIVE SESSION

18.

MOTION:	Motion to Authorize City Manager and City Attorney to Negotiate Acquisition of the Park Buffer Property, with a not to Exceed Limitation as Discussed in Executive Session
MOVER:	Judy Casper, Councilor Ward 3
SECONDER:	Sydney Kasner, Councilor Ward 2
AYES:	Wahlke, Starmer, Kasner, Casper, Hoagland, Mark
ABSENT:	Parsons
RESULT:	Passed by Roll Call Vote

Council gave unanimous consent to approve the A.S.K. proclamation as read and authorize the Mayor to sign.

O. ADDITIONAL COMMENTS FROM CITIZENS PRESENT ON NON-AGENDA ITEMS

Lisa Spence-Bunnett of the Sustainability Committee requested the members be invited to attend the work session with Council and spoke about the committee and more specific guidance. Ms. Legarza said she has the Sustainability Committee work session on her list but is not scheduled yet.

Mr. Baird spoke about adding Road End to the before and after photos in the hallway of City Hall.

P. ANNOUNCEMENTS OR COMMENTS BY CITY COUNCIL

Councilor Starmer spoke about the 4th of July and asked about the plans to educate the public. Councilor Starmer wanted to know the plan for ELC and education with the Fireworks

Councilor Hoagland asked about including the treatment plants in the tsunami zone in the water safety plan.

Councilor Mark spoke about a rumor to cancel fireworks that is incorrect. Condolences to Glenn Johnson's family. Asked about porta-potties at the end of Roads End. Ms. Sprague said it's a maintenance trail for the forest service, not a public trail.

Councilor Casper thanked Ms. Spence-Bunnett for staying and coming forward. Councilor Casper spoke about emergency preparedness and tabletop exercises.

Mayor Wahlke spoke about the tabletop exercises. Mayor Wahlke thanked Starmer for bringing up the ELC and education. Mayor Wahlke would like signs at the North and South Ends of Town for firework safety. Mayor Wahlke said there is a new attraction at the South End of Town with the Pines Dine. Mayor Wahlke asked about moving the crosswalk or adding warning signs and also having Public Works take a look. Council gave unanimous consent to direct staff. Mayor Wahlke asked if Logan Road Plan was on the list. Ms. Legarza confirmed it is on the list. Mayor Wahlke was very happy to see a sad building torn down in Oceanlake today.

Q. ADJOURNMENT

Mayor Wahlke adjourned the meeting at 10:11 PM

SUSAN WAHLKE, MAYOR

ATTEST:

JAMIE YOUNG, CITY RECORDER

CITY OF LINCOLN CITY

CITY COUNCIL MINUTES OF WORK SESSION MEETING

June 15, 2022, 3:30 PM

The final minutes for this meeting are supplemented by an electronic recording of the meeting, which may be viewed online at www.lincolncity.org under the tab "Agendas, Packets and Videos". The staff reports, resolutions, ordinances, and other documents related to this meeting are also available at the same location.

APPROVED BY CITY COUNCIL

DATE:

1. CALL TO ORDER

Attendee Name	Title	Status	Arrived
Susan Wahlke	Mayor	Present	3:30 PM
Elaine Starmer	Councilor Ward 1	Present	3:30 PM
Sydney Kasner	Councilor Ward 2	Present	3:30 PM
Judy Casper	Councilor Ward 3	Present	3:30 PM
Riley Hoagland	Councilor Ward 2	Present	3:30 PM
Rick Mark	Councilor Ward 3	Present	3:30 PM
Mitch Parsons	Councilor Ward 1	Present	3:30 PM

Daphnee Legarza, City Manager; Abigail Edwards, HR Director; Richard Appicello, City Attorney; Jamie Young, City Recorder.

2. DISCUSSION ITEMS

A. City Manager- Creation of List of Benchmark Projects

The City Council and the City Manager discussed the list of benchmark projects and the order of priorities.

Ms. Edwards spoke about a Council City/Manager training. Ms. Legarza said some items were being planned.

Ms. Legarza said the June 22nd work session will have to be postponed to June 29th due to a conflict.

Councilor Casper arrived to the meeting at 3:44 PM.

Ms. Legarza spoke about the presentation the Explore Lincoln City did for her when she began working and ask if Council would like to see that. Council said they would like to view the presentation.

Ms. Edwards asked if there are any specifics for Ms. Legarza to focus on for the 6-month mark. Councilor Kasner said having timelines set up for the list would be helpful. Councilor Starmer said a road map would be helpful. Councilor Casper said that all the department heads are very happy and love the teamwork approach. Councilor Casper asked for a weekly memo and introductions of new staff at Council meetings.

3. MISCELLANEOUS

Councilor Mark will not be present for the July 27th City Council Meeting.

Mayor Wahlke said that she is concerned about the TRT rate increase with the upcoming legislator.

Mr. Appicello and Council discussed different options for revenue sources.

4. ADJOURNMENT

Mayor Wahlke adjourned the meeting at 5:05 PM.

SUSAN WAHLKE, MAYOR

ATTEST:

JAMIE YOUNG, CITY RECORDER

CITY OF LINCOLN CITY

CITY COUNCIL

MINUTES OF SPECIAL MEETING

June 22, 2022, 12:00 PM

The final minutes for this meeting are supplemented by an electronic recording of the meeting, which may be viewed online at www.lincolncity.org under the tab "Agendas, Packets and Videos". The staff reports, resolutions, ordinances, and other documents related to this meeting are also available at the same location. This meeting is rebroadcast on Cable Channel 4. (See Channel 4 guide on the hour at <http://www2.lincolncity.org/program-guide/>).

APPROVED BY CITY COUNCIL

DATE:

A. CALL TO ORDER

Mayor Wahlke called the meeting to order at 12:02 PM.

B. ROLL CALL

Attendee Name	Title	Status	Arrived
Susan Wahlke	Mayor	Present	12:00 PM
Elaine Starmer	Councilor Ward 1	Present	12:00 PM
Sydney Kasner	Councilor Ward 2	Absent	12:00 PM
Judy Casper	Councilor Ward 3	Present	12:00 PM
Riley Hoagland	Councilor Ward 2	Absent	12:00 PM
Rick Mark	Councilor Ward 3	Present	12:00 PM
Mitch Parsons	Councilor Ward 1	Absent	12:00 PM

Staff Present: Daphnee Legarza, City Manager; Richard Appicello, City Attorney; Lt. Broderick, Lincoln City Police Department; Abigail Edwards, Human Resources Director; Debbie Bridges, Finance Director; Jamie Young, City Recorder.

C. COMMENTS FROM CITIZENS PRESENT ON AGENDA/NON-AGENDA ITEMS

NONE

D. SPECIAL ORDER OF BUSINESS

1. Union Contract Ratification

1.

MOTION:	Move to Ratify the Tentative Agreement Between the City of Lincoln City and the Lincoln City Police Employee Association, and to Adopt the Ratified Contract and Memorandum of Agreement as Presented, Effective July 1, 2022, through June 30, 2025, and Authorize the City Manager to Sign on Behalf of the City.
MOVER:	Rick Mark, Councilor Ward 3
SECONDER:	Judy Casper, Councilor Ward 3
AYES:	Wahlke, Starmer, Casper, Mark
ABSENT:	Kasner, Hoagland, Parsons
RESULT:	Passed by Roll Call Vote

2.

MOTION:	Move to Remove Proposed Language from Article 19, Section 7, as Discussed in Executive Session, and to ratify the Modified Tentative Agreement Between the City of Lincoln City and the Local 3498 of the American Federation of State, County, and Municipal Employees Union Council 75 (AFSCME), and to Adopt the Ratified Contract and Memorandum of Agreement as Modified, Effective July 1, 2022, through June 30, 2025, and Authorize the City Manager to Sign on Behalf of the City
MOVER:	Judy Casper, Councilor Ward 3
SECONDER:	Rick Mark, Councilor Ward 3
AYES:	Starmer, Casper, Mark
NAYS:	Wahlke
ABSENT:	Kasner, Hoagland, Parsons
RESULT:	Passed by Roll Call Vote

E. CITY MANAGER/CITY ATTORNEY REPORTS

Ms. Legarza asked if any members of the Council participate with a broadband group. Councilor Casper stated she does. Ms. Legarza said she send information regarding a meeting.

No City Attorney comments.

F. ACTIONS, IF ANY, BASED ON WORK SESSION OR EXECUTIVE SESSION

NONE

G. ANNOUNCEMENTS FROM COUNCIL

NONE

H. ADJOURNMENT

Mayor Wahlke adjourned the meeting at 12:15 PM.

SUSAN WAHLKE, MAYOR

ATTEST:

JAMIE YOUNG, CITY RECORDER

Council Communication

FY2020-21 Submission of Audited Statements

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	30 Minutes

Background:

The FY2020-21 audited financial statements for the City and for the Urban Renewal Agency have been posted on our website. I am pleased to report both audits received an unmodified audit opinion, which means Talbot, Korvola & Warwick, LLP, (TKW) concluded from their audit that the financial statements do not contain any material errors.

Included in this packet are four communications from our auditors:

Independent Auditor's Report

The primary purpose of an audit is to provide assurance to the users of the financial statements that the statements are reliable. The independent auditor's report states that the examination was performed in conformity with generally accepted auditing standards, and it expresses an opinion that the City's financial statements are presented fairly in conformity with generally accepted accounting principles. This letter also details management's responsibility for the financial statements and the auditor's responsibility, and discusses the Required Supplementary Information and Other Information sections of the statements.

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations

This letter discusses the auditor's review of the City's compliance with certain provisions of laws, regulations, contracts, and grants. It notes the following items in regards to compliance:

The Facilities Capital fund – Transfers out over by \$883

- *Transfer to % of Art fund was not budgeted for. Actual transfer was \$882.93. Note: Facilities Capital fund in total was under budget.*

The Street Capital fund – Transfers out over by \$642

- *Transfer to % of Art fund was budgeted for \$5,000. Actual transfer was \$5,641.894.
Note: Street Capital fund in total was under budget.*

SAS 114 Letter: Ending Communications with Those Charged with Governance

This letter is an AICPA (American Institute of CPAs) required communication letter for all financial statement audits. The purpose of the letter is to communicate to those charged with governance the scope of audit procedures performed, significant findings, and other information, such as disagreements with management, audit adjustments and significant estimates, that aren't communicated in the audited financial statements. Another important portion of the letter is the presentation of any passed journal entries. These are entries that were not posted to the audited financials, because, in total, they have no material effect on the financial statements, but are presented to you in this letter in order to bring to your attention other known errors that were found during the audit

SAS 115 Letter: Communicating Internal Control Related Matters Identified in an Audit

One of the requirements of an audit is that the auditor must gain an understanding of the City's internal controls, how they are implemented and their operating effectiveness. This is typically done during preliminary fieldwork while conducting walkthroughs of certain key areas, such as the cash receipt and cash disbursement processes. In some cases, an internal control may not be operating as intended or may not be in place at all. This is when the SAS 115 letter is utilized. While any significant deficiencies or material weaknesses would have been discussed with management during the audit, the AICPA requires the auditor to communicate them to management in writing. Along with identifying deficiencies in the controls, the auditor may also offer recommendations for ways to improve these controls that will help to mitigate risk and strengthen the City's accounting processes.

The letter notes the following material weakness:

Audit procedures disclosed several errors in the financial statements regarding classification and accuracy. These errors can be attributed to turnover in the finance director position and the City enlisting an outside contractor to draft the financial statements and make year-end adjustments. The following misstatements were corrected in the financial statements as part of the audit process.

- Local Improvement District (LID) receivables were not reconciled at year-end which resulted in an adjusting entry to decrease LID receivables by \$60,361 in the General Fund and to decrease LID receivables by \$658 in the Sewer Fund.
- Utility revenue was not accrued at year-end which resulted in an adjusting entry to increase revenue and receivables by \$180,417 in the Water Fund and to increase revenue and receivables by \$227,560 in the Sewer Fund.
- Internal Service Fund activity was not appropriately allocated across the City's funds which resulted in an adjusting entry to increase expenditures by \$37,791 in the General Fund, \$88 in the Explore Lincoln City Fund, \$46,244 in Other Governmental Funds, \$26,540 in the Water Fund, and \$11,463 in the Sewer Fund. The adjusting entry also increased revenue by \$122,126 in the Internal Service Fund.
- State revenue sharing was not appropriately accrued at year-end which resulted in an adjusting entry to increase revenue and receivables by \$46,317 in the General Fund.
- A prepaid expense was not classified correctly which resulted in an adjusting entry to reclassify \$173,658 from accounts payable to prepaid expenses in the General Fund.
- Prepaid expenses in the Explore Lincoln City Fund were not reconciled at year-end which resulted in an adjusting entry to increase prepaid expenses by \$181,664 with a corresponding decrease to expenditures.

We recommend that the City have a system in place to ensure effective review over financial reporting including a thorough review of all work completed by outside contractors.

Council Action:

Per ORS 297.446(2), when a municipality's financial audit results in deficiencies (findings) communicated by the auditor, the municipality must adopt a plan of action to address those deficiencies, and a copy of that plan must be filed with the Secretary of State.

Included in the Council Packet is Resolution 2022-15 which gives the plan of action to address the material weakness.

Council Options:

- Adopt Resolution 2022-15
- Do not adopt Resolution 2022-15

Attachments:

City IAR-2021 (PDF)

City OMS IAR-2021 (PDF)
SAS 114-2021 (PDF)
SAS 115-2021 (PDF)



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

An independently owned member
RSM US Alliance



RSM US Alliance is a premier affiliation of independent accounting and consulting firms. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM US®, the RSM US Alliance logo and the RSM US Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.

INDEPENDENT AUDITOR'S REPORT (Continued)

Honorable Mayor and Members of City Council
City of Lincoln City

OTHER MATTERS***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) and the Pension and OPEB schedules, as listed in the Table of Contents in the Required Supplementary Information section, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund and the Explore Lincoln City Fund, listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed in the Table of Contents as Other Supplementary Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Honorable Mayor and Members of City Council
City of Lincoln City

OTHER MATTERS (Continued)***Other Information***

The Additional Schedules, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated March 31, 2022, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By 
Timothy R. Gillette, Partner

Portland, Oregon
March 31, 2022



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2021, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as follows:



RSM US Alliance is a premier affiliation of independent accounting and consulting firms. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM US®, the RSM US Alliance logo and the RSM US Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS (Continued)

Honorable Mayor and Members of City Council
City of Lincoln City

COMPLIANCE (Continued)

- The Facilities Capital Fund reported an over expenditure of \$883 in transfers out appropriations
- The Street Capital Fund reported an over expenditure of \$642 in transfers out appropriations
- The Urban Renewal Fund reported an over expenditure of \$11,121 in personal services appropriations

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control that we consider to be a material weakness and have communicated the deficiency in a separate letter to management dated March 31, 2022.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the City Council, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 31, 2022



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

This letter is to inform the Honorable Mayor and City Council of the City of Lincoln City, Oregon (the City) about significant matters related to the conduct of our audit as of and for the year ended June 30, 2021, so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated June 4, 2021. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated June 4, 2021 regarding the planned scope and timing of our audit and identified significant risks.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Under accounting principles generally accepted in the United States of America, in certain circumstances management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. We are not aware of any significant accounting policies or their applications that were initially selected or changed during the year.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's June 30, 2021, basic financial statements.

An independently owned member
RSM US Alliance



RSM US Alliance is a premier affiliation of independent accounting and consulting firms. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM US®, the RSM US Alliance logo and the RSM US Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.

Significant Accounting Practices, Including Policies, Estimates and Disclosures (Continued)

- Assets Held for Sale, as described in Note 1 of the Notes to Basic Financial Statements, is recorded at the lower of cost or estimated market value.
- Capital Assets and Related Depreciation, as described in Note 1 of the Notes to Basic Financial Statements, are recorded at cost and depreciated over the estimated useful lives of respective assets on a straight-line basis.
- Net Pension Liability and Related Deferred Outflows and Inflows, as described in Note 1 of the Notes to the Basic Financial Statements, are based on an actuarial valuation prepared by the Oregon Public Employees Retirement System (OPERS) using information provided by the City to OPERS.
- Landfill Closure and Post Closure Care Costs, as described in Note 7 of the Notes to Basic Financial Statements, is based on a relative percentage of total unfunded costs as determined through a combination of engineering estimates, construction bids and projected monitoring costs.
- Other Postemployment Benefits, as described in Note 9 of the Notes to Basic Financial Statements, are based on actuarial valuations prepared using information provided by the City to the actuary.

Audit Adjustments and Uncorrected Misstatements

Management corrected material misstatements that were identified as a result of our audit procedures. These misstatements are detailed in a separate internal control letter dated March 31, 2022.

We identified an uncorrected misstatement, detailed in the attached representation letter, that management has concluded is not material to the financial statements. We agree with management's conclusion in that regard.

Internal Control Matters

We have issued a separate communication dated March 31, 2022 regarding certain deficiencies in internal control that we identified during the planning or performance of our audit of the financial statements.

Consultation with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently issued the following statements:

- **GASB Statement No. 87, *Leases***

This Statement will now be effective for fiscal years beginning after December 15, 2021 for all leases other than short-term leases. The implementation of this Statement was delayed by 18 months by GASB Statement No. 95 to provide relief related to the COVID-19 pandemic. Among other things, the Statement requires that government lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the leased asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

Under this Statement, government lessors must:

- Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease.

- **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period***

This Statement will now be effective for fiscal years beginning after December 15, 2020, with earlier application encouraged. Implementation of this Statement was delayed by one year by GASB Statement 95.

For financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized.

For financial statements prepared using the current financial resource measurement focus, interest incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

- **GASB Statement No. 90, *Majority Equity Interest***

This Statement will now be effective for fiscal years beginning after December 15, 2019, with earlier application encouraged. Implementation of this Statement was delayed by one year by GASB Statement 95. For a majority equity interest in a legally separate entity that does not meet the definition of an investment, Statement 90 requires a government to report the legal separate entity as a component unit.

- **GASB Statement No. 91, *Conduit Debt Obligations***

This Statement now will be effective for fiscal year beginning after December 15, 2021, with earlier application encouraged. Implementation of this Statement was delayed by one year by GASB Statement 95. This Statement clarifies what is a conduit debt obligation and eliminates the option for government issuers to recognize conduit debt obligations.

- **GASB Statement No. 92, *Omnibus 2020***

This Statement will be effective for fiscal years beginning after June 15, 2021, with earlier application encouraged. This Statement includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements.

Honorable Mayor and Members of City Council
 City of Lincoln City
 Page 4

Recently Issued Accounting Standards (Continued)

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***
 This Statement will be effective for reporting periods beginning after June 15, 2022. The Statement provides guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (commonly referred to as P3s) and availability payment arrangements (APAs). It has guidance for P3 arrangements, including those that are outside of the scope of the GASB's existing literature for those transactions, namely Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and Statement No. 87, *Leases*. The Statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for APAs.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***
 This Statement will be effective for fiscal years beginning after June 15, 2022. The Statement provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, *Leases*.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32***
 The component unit determination provisions of this Statement are effective immediately. Other provisions are effective for periods beginning after June 15, 2021. The Statement requires that, for purposes of determining whether a primary government is financially accountable for a potential component unit (except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or other employee benefit plan), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs. Appointment of a voting majority is a criterion in existing standards used to determine whether a legally separate entity should be incorporated into the government's financial statements.

Management Representations

Attached is a copy of the management representation letter.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the City.

This report is intended solely for the information and use of the Honorable Mayor and City Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Talbot, Kowala & Warwick LLP

Portland, Oregon
 March 31, 2022



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

In planning and performing our audit of the basic financial statements of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the City's internal control to be a material weakness:

Audit procedures disclosed several errors in the financial statements regarding classification and accuracy. These errors can be attributed to turnover in the finance director position and the City enlisting an outside contractor to draft the financial statements and make year-end adjustments. The following misstatements were corrected in the financial statements as part of the audit process.

- Local Improvement District (LID) receivables were not reconciled at year-end which resulted in an adjusting entry to decrease LID receivables by \$60,361 in the General Fund and to decrease LID receivables by \$658 in the Sewer Fund.
- Utility revenue was not accrued at year-end which resulted in an adjusting entry to increase revenue and receivables by \$180,417 in the Water Fund and to increase revenue and receivables by \$227,560 in the Sewer Fund.

Honorable Mayor and Members of City Council
City of Lincoln City
Page 2

- Internal Service Fund activity was not appropriately allocated across the City's funds which resulted in an adjusting entry to increase expenditures by \$37,791 in the General Fund, \$88 in the Explore Lincoln City Fund, \$46,244 in Other Governmental Funds, \$26,540 in the Water Fund, and \$11,463 in the Sewer Fund. The adjusting entry also increased revenue by \$122,126 in the Internal Service Fund.
- State revenue sharing was not appropriately accrued at year-end which resulted in an adjusting entry to increase revenue and receivables by \$46,317 in the General Fund.
- A prepaid expense was not classified correctly which resulted in an adjusting entry to reclassify \$173,658 from accounts payable to prepaid expenses in the General Fund.
- Prepaid expenses in the Explore Lincoln City Fund were not reconciled at year-end which resulted in an adjusting entry to increase prepaid expenses by \$181,664 with a corresponding decrease to expenditures.

We recommend that the City have a system in place to ensure effective review over financial reporting including a thorough review of all work completed by outside contractors.

This communication is intended solely for the information and use of the Honorable Mayor, City Council and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 31, 2022

Council Communication

Public Hearing: Resolution 2022-18 Supplemental Budget

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	15 Minutes

ORS 294.471 provides that the governing body of any municipal corporation may make a supplemental budget where an occurrence or condition which had not been anticipated at the time of the preparation of the budget for the current year requires a change in financial planning.

Notice has been made as required.

For further information see staff memo under Resolution 2022-18

Council Communication

Public Comment: Resolution 2022-19 setting Water/Sewer Rates

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	10 Minutes

294.160 Opportunity for public comment on new fee or fee increase. (1) The governing body of a city, county or other unit of local government shall provide an opportunity for interested persons to comment on the enactment of any ordinance or resolution prescribing a new fee or a fee increase or an increase in the rate or other manner in which the amount of a fee is determined or calculated.

Notice has been made as required.

For further information, see staff memo under Resolution 2022-19.

Council Communication

Public Hearing: Resolution 2022-20 State Shared Revenues

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	5 Minutes

Background:

ORS 221.770 requires Cities to hold at least one public hearing at which citizens have the opportunity to provide written and oral comment to, and ask questions of, the authority responsible for adopting the budget of the city for the fiscal year on the proposed use of the distributions in relation to the entire budget of the city for the fiscal year.

Notice has been made as required.

For further information, see staff report under Resolution 2022-20.

Council Communication

Public Hearing: Resolution 2022-21 Adopt Budget

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	15 Minutes

Authority:

ORS 294.453 provides that the governing body of a municipal corporation shall meet at the time and place designated in the notice of meeting, for the purpose of holding a public hearing on the budget document as approved by the budget committee.

Notice has been made as required.

For additional information see staff memo on Resolution 2022-21.

Council Communication

Public Hearing on Resolution 2022-23 - Option Extension Lincoln 25 Limited Partnership (IHI)

Meeting Date: June 27, 2022 Primary Staff Contact: Richard Appicello
 Department: City Attorney E-Mail: RAppicello@lincolncity.org
 Secondary Dept: Economic Development Secondary Contacts: Alison Robertson
 Approval: Daphnee Legarza Estimated Time: 15 min

Question:

Should the City Council receive public input on the proposal to approve Resolution 2022-23 (later on Agenda) authorizing execution of an extension of the option agreement with Lincoln 25 Limited Partnership (managing member - Innovative Housing, Inc.) for the disposition of City property for affordable housing purposes?

Staff Recommendation:

Staff recommends Council conduct the Public Hearing.

Staff further recommends Council approve the Resolution, later on the Agenda.

[Note: ORS 221.725 provides that any resident of the City must be provided with an opportunity to present oral or written testimony on the subject of the disposition of city property.]

Authority: (emphasis added) (part of this option to purchase is for City property)

221.725 Sale of city real property; publication of notice; public hearing. (1) Except as provided in ORS 221.727, when a city council considers it necessary or convenient to sell real property or any interest therein, the city council shall publish a notice of the proposed sale in a newspaper of general circulation in the city, and shall hold a public hearing concerning the sale prior to the sale.

(2) The notice required by subsection (1) of this section shall be published at least once during the week prior to the public hearing required under this section. The notice shall state the time and place of the public hearing, a description of the property or interest to be sold, the proposed uses for the property and the reasons why the city council considers it necessary or convenient to sell the property. Proof of publication of the notice may be made as provided by ORS 193.070.

(3) Not earlier than five days after publication of the notice, the public hearing concerning the sale shall be held at the time and place stated in the notice. Nothing in this section prevents a city council from holding the hearing at any regular or special meeting of the city council as part of its regular agenda.

(4) The nature of the proposed sale and the general terms thereof, including an appraisal or other evidence of the market value of the property, shall be fully disclosed by the city council at the public hearing. Any resident of the city shall be given an opportunity to present written or oral testimony at the hearing.

(5) As used in this section and ORS 221.727, "sale" includes a lease-option agreement under which the lessee has the right to buy the leased real property in accordance with the terms specified in the agreement.

Background:

The City has noticed a public hearing in the newspaper for 6:00 pm on the subject option agreement. The required ORS 221.725 notice is attached.

The City previously approved an option agreement with IHI on two city-owned properties included in this option. [Resolution 2020-09 - April 2020]. The Council then added an Urban Renewal Agency property to the option in February 2021 [Joint Resolution 2021-01]. The URA property was subsequently conveyed to the City. This option hearing and resolution, consolidates, re-approves and extends the time for Innovative Housing, Inc. to exercise the option through Lincoln 25 Limited Partnership.

Supporting materials for this public hearing (including a proposed Resolution) appear later on this Agenda under Resolutions. The Resolution includes proposed findings consistent with ORS 221.725 and ORS 271.330 noted above.

Council Options:

1. Conduct the public hearing.
2. Approve Resolution 2022-23, with or without modifications.
3. Postpone for additional information.
4. Do not approve the option re-approval / extension.

Council Communication

Resolution 2022-15: Audit Deficiency

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	5 Minutes

For further information, see staff report under Presentations: FY2020-21 Financial Audit.

Attachments:

Resolution 2022-15 - Audit Deficiencies (DOC)

RESOLUTION 2022-15

A RESOLUTION SETTING FORTH CORRECTIVE MEASURES FOR DEFICIENCIES IDENTIFIED IN CITY OF LINCOLN CITY, OREGON 2020-21 ANNUAL FINANCIAL REPORT

WHEREAS, ORS 297.465(3) requires a municipal corporation to submit a copy of its annual audit report to the Secretary of State; and,

WHEREAS, audit reports are subject to review by the Secretary of State; and,

WHEREAS, ORS 297.466(2) states the governing body of a City shall determine the measures it considers necessary to correct any deficiencies disclosed in the report and shall adopt a plan of action setting forth the corrective measures it proposes and the period of time estimated to complete them; and,

WHEREAS, the 2020-21 financial statement audit of the City of Lincoln City identified one material weakness;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln City as follows:

- The former Finance Director has been re-hired and will in the future continue an effective review over financial reporting as she did in prior years.

PASSED AND APPROVED by the City Council of the City of Lincoln City this 27th day of June 2022.

SUSAN WAHLKE, Mayor

ATTEST:

JAMIE YOUNG, City Recorder

Council Communication

Resolution 2022-17 - Parking and Traffic Control NW 8th Ct.

Meeting Date:	June 27, 2022	Primary Staff Contact:	Richard Appicello
Department:	City Attorney	E-Mail:	RAppicello@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	5 minutes

Question:

Should the City Council approve Resolution 2022-17 entitled:

RESOLUTION NO. 2022-17

A RESOLUTION OF THE CITY OF LINCOLN CITY ESTABLISHING TRAFFIC AND PARKING CONTROL MEASURES FOR NW 8TH COURT, REPLACING CITY MANAGER'S TRAFFIC CONTROL ORDER DATED 8-11-2020

Staff Recommendation:

Staff recommends approval of Resolution 2022-17.

Authority:

10.08.010 Powers of the city council.

A. Subject to state laws, the city council shall exercise all municipal traffic authority for the city except those powers specifically and expressly delegated by this title or another ordinance.

B. The powers of the council, which may be exercised by resolution, include, but are not limited to:

1. Designation of through streets;
2. Designation of one-way streets;
3. Designation of truck routes;
4. Designation of parking meter zones;
5. Designation of certain streets as bridle paths and prohibition of horses and animals on other streets, parks or property;
6. Authorization of greater maximum weights or lengths for vehicles using city streets than specified by state law;
7. Initiation of proceedings to change speed zones;
8. Establishment and revision of speed limits and traffic regulations in parks;

9. Temporary blocking or closing of streets;
10. Establishment of bicycle lanes and paths and traffic controls for such facilities;
11. Restriction of the use of certain streets by any class or kind of vehicle to protect the streets from damage;
12. Authorization of issuance of oversize or overweight vehicle permits;
13. Establishment, maintenance, removal or alteration of the following classes of traffic controls:
 - a. Crosswalks, safety zones and traffic lanes,
 - b. Intersection channelization and areas where drivers of vehicles shall not make right, left or U-turns, and the time when such prohibitions apply,
 - c. Parking, including but not limited to truck parking areas, parking for disabled persons, parking areas and time limitations, including the form of permissible parking (e.g., parallel or diagonal), prohibited parking areas (one or both sides of the street), parking permits and metered parking,
 - d. Loading zones and stops for vehicles,
 - e. Traffic-control signals.

Background

In August of 2020, pursuant to the delegation of authority in LCMC 10.08.020.C. the City Manager, based on report from the City Engineer, established a Traffic Control Order prohibiting parking in the right-of-way on 8th Court. The prohibition was based upon the width of the right-of-way. No appeal of the order was taken after posting and publication and the order became final.

Periodically the Manager is to report traffic control actions to the City Council for inclusion in a published Schedule. This Resolution is intended to replace the Manager's Traffic Control Order.

Council Options:

Approve the Resolution.

Do Not approve the Resolution.

Approve the Resolution (with amendments).

Financial Impact

No financial impact except materials and crew time.

Potential Motions:

Move to approve Resolution 2022-17.

Move to approve Resolution 2022-17, with the following amendments.

Move to reject the proposed Resolution.

Attachments:

Resolution 2022-17 ra (DOCX)

44 **SECTION 3. POSTING OF SIGNAGE & NOTICE TO ENFORCEMENT OFFICERS.**

45
46 The Public Works Department is directed to erect no parking signs in the appropriate locations
47 and City police and code enforcement officers are to be advised of the parking restrictions by
48 City Administration.

49
50 **SECTION 4. REPLACEMENT.** This Resolution replaces the City Manager’s Traffic
51 Control Order dated August 11, 2020.

52
53 **SECTION 5. PENALTY.** Pursuant to Municipal Code, violation of this Order is
54 punishable as a Class B Violation. Maximum fine \$1000.00, plus assessments per offense
55 and a minimum fine of \$135.00, plus assessments.

56
57 **SECTION 6. EFFECTIVE DATE.** This Resolution is effective as of the date of its adoption.

58
59 **PASSED AND APPROVED** by the City Council of the City of Lincoln City, Oregon, this 27th day
60 of June, 2022.

61
62
63 _____
64 SUSAN WAHLKE, MAYOR

65
66 ATTEST:

67
68
69 _____
70 JAMIE YOUNG, CITY RECORDER

71
72 APPROVED AS TO FORM:

73
74
75 _____
76 RICHARD APPICELLO, CITY ATTORNEY

77

Council Communication

Resolution 2022-18: Supplemental Budget FY2021-22

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	20 Minutes

Authority:

ORS 294.471 provides that the governing body of any municipal corporation may make a supplemental budget where an occurrence or condition which had not been anticipated at the time of the preparation of the budget for the current year requires a change in financial planning.

Background:

Following are the items for which Finance is requesting appropriation changes in the FY2021-22 budget. This supplemental budget request requires a public hearing; notice has been published in the News Guard.

General Fund:

Staff is requesting several changes to the General Fund budget:

- Increase City Administration budget by \$125,000. This request is due to several positions that were reclassified, and due to a vacation cash out of former interim City Manager.
- Increase Finance budget by \$20,000 to cover cost of outsourcing compilation of FY2020-21 Financial Statements (usually done by the then-vacant Finance Director position)
- Increase City Attorney budget by \$20,000 to fund higher than budgeted for outside legal services.
- Increase Planning budget by \$50,000. This request is due to severance.
- Increase Building Inspection budget by \$90,000. Of this amount, \$16,000 is due to severance, \$60,000 is due to increased building inspection activity, and \$14,000 due to higher than budgeted for merchant fees on credit card transactions.

- Transfer \$1,200,000 to the Sewer Capital fund to fund the NW Jetty Force Main replacement.
- Transfer \$12,500 to the Parks Maintenance fund for purchase of a mower attachment needed for clearing out open space area at The Villages.
- Transfer \$187,559 to finish the parking lot at the new PD building.

Lincoln Square Fund

Staff is requesting a \$45,000 increase to the Lincoln Square budget to cover increased building maintenance costs. This would be funded by Contingency.

Internal Service Fund

Staff is requesting a \$75,000 increase to the Vehicle Maintenance budget to cover increased costs of vehicle repair costs. This would be funded by increased cost allocations to other funds.

Water Operating Fund

Staff is requesting a \$25,000 increase to the Water Operating budget to fund increased system maintenance costs.

Facilities Capital Fund

Resolution 2021-26, which adopted the FY2021-22 budget, contained an error in the amount allocated between Capital Outlay and Debt Service. In addition, no appropriation was made for a transfer to % of Arts fund.

To correct, staff is requesting a decrease to the capital outlay budget of \$406,903, an increase the debt service budget of \$396,903, and to add a transfer out budget of \$10,000.

Police Building Bond 2018 Fund

This request is to add transfers in from the General fund of \$187,559, and to increase capital outlay by \$182,559, and to add a transfers out category of \$5,000, to provide additional funding needed to complete the parking lot at the new PD building.

Parks Maintenance Fund

This request is to add transfers in from the General fund of \$12,500, and increase capital outlay in the Parks Operations budget by \$12,500, to fund the purchase of a brush mower attachment.

Transportation Development Fund

The FY2021-22 adopted budget did not include a transfer out to % for art budget; staff is requesting to add \$5,000 to transfers out category, and reduce capital outlay by \$5,000.

Sewer Operating Fund

At the September 13, 2021 City Council meeting, City Council approved Resolution 2021-41 for the NW Jetty Sewer Force Main Emergency Repair. This request is to increase the Sewer Utility Maintenance budget by \$449,441 to cover this emergency repair. This is funded by \$249,751 of beginning fund balance that is higher than what was budgeted, and by a \$199,690 decrease to Contingency.

Sewer Capital Fund

This request is to add transfers in from the General fund of \$1,200,000, and to increase capital outlay in same amount, to provide funding for replacement of NW Jetty Force Main.

Council Options:

1. Motion to approve Resolution 2022-18 adopting the supplemental budget for FY2021-22.
2. Motion to approve Resolution 2022-18 adopting the supplemental budget for FY2021-22, as amended.
3. Do not approve Resolution 2022-18.

Attachments:

Resolution 2022-18 - Supplemental Budget FY2021-22 (DOC)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

RESOLUTION 2022-18

A RESOLUTION ADOPTING THE SUPPLEMENTAL BUDGET OF THE CITY OF LINCOLN CITY, OREGON, FOR THE FISCAL YEAR 2021-2022, AS APPROVED BY THE CITY COUNCIL, AND MAKING APPROPRIATIONS

WHEREAS, ORS 294.471 provides that the governing body of any municipal corporation may make a supplemental budget where an occurrence or condition which had not been anticipated at the time of the preparation of the budget for the current year requires a change in financial planning; and

WHEREAS, the publication of the supplemental budget was given in the manner provided in ORS 294.311;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Lincoln City as follows:

Section 1. That it hereby adopts the supplemental budget for 2021-2022, and is now on file in the office of the Finance Director.

Section 2. BE IT FURTHER RESOLVED that the additional amounts for the fiscal year ending June 30, 2022, for the purposes shown below are hereby appropriated as follows:

SEE EXHIBIT "A"

This resolution shall be effective upon passage.

PASSED AND APPROVED by the City Council of The City of Lincoln City this 27th day of June 2022.

SUSAN WAHLKE, Mayor

ATTEST:

JAMIE YOUNG, City Recorder

1
2

**EXHIBIT A
SUMMARY OF SUPPLEMENTAL BUDGET**

FUND: GENERAL FUND

Resource	Amount	Requirement	Amount
1 Beginning Fund Balance	1,400,059	1 City Administration	125,000
2 _____		2 Finance	20,000
3 _____		3 City Attorney	20,000
4 _____		4 Planning	50,000
5 _____		5 Building Inspection	90,000
6 _____		6 Transfers Out	1,400,059
7 _____		7 Contingencies	-305,000
Revised Total Resources	15,643,440	Revised Total Requirements	15,643,440

Comments:

To increase City Administration appropriation by \$125,000 to fund increased costs due to staff turnover and vacation cashouts, to increase Finance appropriation by \$20,000 to fund increased contracted services for year end statements, to increase City Attorney appropriate by \$20,000 to fund increased legal fees, to increase Planning appropriation by \$50,000 to fund increased cost from employee turnover and vacation cashouts, to increase Building Inspection appropriation by \$90,000 to fund increased costs from staff turnover and vacation cashout, increased contracted services due to increased buuilding inspection activity, and fund higher than anticipated merchant fees and other supplies, to increase transfers out appropriation by \$1,400,059 to provide additional \$187,559 funding for parking lot at the new PD building, \$12,500 for Parks purchase of brush mower attachment for use at The Villages, and to provide \$1,200,000 funding for NW Jetty force main in Sewer capital fund.

FUND: LINCOLN SQUARE FUND

Resource	Amount	Requirement	Amount
1 _____		1 Lincoln Square Maint.	45,000
2 _____		2 Contingency	-45,000
Revised Total Resources	684,945	Revised Total Requirements	684,945

Comments:

To increase appropriation to fund higher than anticipated building maintenance costs.

FUND: INTERNAL SERVICE FUND

Resource	Amount	Requirement	Amount
1 Charges for Services	75,000	1 Vehicle Maintenance	75,000
Revised Total Resources	1,237,469	Revised Total Requirements	1,237,469

Comments:

To increase appropriation to fund higher than anticipated vehicle repair parts.

3
4
5

FUND: WATER OPERATING FUND

Resource	Amount	Requirement	Amount
1		1 Water Utility Maintenance	25,000
2		2 Contingency	-25,000
Revised Total Resources	4,708,685	Revised Total Requirements	4,708,685

Comments:

To increase appropriation to fund higher than anticipated system maintenance costs.

FUND: FACILITIES CAPITAL FUND

Resource	Amount	Requirement	Amount
1		1 Capital Outlay	-406,903
2		2 Debt Service	396,903
3		3 Transfers Out	10,000
Revised Total Resources	2,018,581	Revised Total Requirements	2,018,581

Comments:

To correct Resolution 2021-26, and to add Transfers Out category and appropriation.

FUND: POLICE BUILDING BOND 2018

Resource	Amount	Requirement	Amount
1 Transfers In	187,559	1 Capital Outlay	182,559
2		2 Transfers Out	5,000
Revised Total Resources	1,153,069	Revised Total Requirements	1,153,069

Comments:

To budget Transfer In from the General fund, and to add Transfers Out category and appropriation.

FUND: PARKS MAINTENANCE

Resource	Amount	Requirement	Amount
1 Transfers in	12,500	1 Park Operations	12,500
Revised Total Resources	3,720,267	Revised Total Requirements	3,720,267

Comments:

To budget Transfer In from the General fund and provide appropriation for brush mower attachment.

FUND: TRANSPORTATION DEVELOPMENT FUND

Resource	Amount	Requirement	Amount
1		1 Capital Outlay	-5,000
2		2 Transfers Out	5,000
Revised Total Resources	897,001	Revised Total Requirements	897,001

Comments:

To add Transfer out category and appropriation.

1
2
3

FUND: SEWER OPERATING FUND

Resource	Amount	Requirement	Amount
1 <u>Beginning Fund Balance</u>	<u>249,751</u>	1 <u>Sewer Utility Maintenance</u>	<u>449,441</u>
2		2 <u>Contingency</u>	<u>-199,690</u>
Revised Total Resources	6,464,158	Revised Total Requirements	6,464,158

Comments:

To provide appropriation for emergency replacement of the sewer force main serving the Wecoma Pump Station, approved by City Council at its September 13, 2021 meeting.

FUND: SEWER CAPITAL FUND

Resource	Amount	Requirement	Amount
1 <u>Transfers In</u>	<u>1,200,000</u>	1 <u>Capital Outlay</u>	<u>1,200,000</u>
Revised Total Resources	4,294,990	Revised Total Requirements	4,294,990

Comments:

To record and appropriate transfer in from the General fund.

1

Council Communication

Resolution 2022-19: Setting Water / Sewer rates

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	15 Minutes

Question:

Should the City Council adopt a 6.0% water rate increase and a 6.0% sewer rate increase, for an average utility rate increase of 6.0% ?

Authority:

Lincoln City Municipal Code 13.12.060(A) and 13.12.080(A) provides that the City shall set the water/sewer rates and revise those rates as necessary by resolution of the City Council.

Background:

The approved FY2022-23 budget anticipates a 6.0% increase in utility rates. Rate increases are necessary to keep the water and sewer funds operating effectively, and to cover operational and capital costs. For many years the City has implemented an annual rate increase in both water and sewer, effective with the first billing in August.

Council Options:

1. Motion to approve Resolution 2022-19.,
2. Modify the percent of rate increase for water and/or sewer
3. Do not increase rates

Attachments:

Resolution 2022-19 - Setting Forth Water -Sewer Rates (DOCX)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

RESOLUTION NO. 2022-19

A RESOLUTION SETTING FORTH WATER/SEWER RATES

WHEREAS, the City Charter and the Oregon Revised Statutes authorizes the City to own, operate and maintain a sewage disposal system, and a city water system; and

WHEREAS, THE City of Lincoln City does in fact own, operate and maintain a sewage disposal system, and a city water system; and

WHEREAS, Ordinance No. 78-37 provides that the City shall set the water/sewer rates and revise those rates as necessary by resolution of the City Council.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lincoln City does hereby set the water/sewer charges which are attached hereto, marked as Exhibit "A", and incorporated by this reference herein, as the water/sewer rates for the City of Lincoln City, effective with the August 15, 2022 billing.

BE IT FURTHER RESOLVED that the former water/sewer rates established by Resolution No. 2021-29 is hereby repealed as of the effective date of the rates established by this resolution.

PASSED AND APPROVED BY THE City Council of the City of Lincoln City this 27th day of June 2022.

SUSAN WAHLKE, Mayor

ATTEST:

JAMIE YOUNG, City Recorder

EXHIBIT "A"

**WATER AND SEWER RATES EFFECTIVE AUGUST 15TH 2022 BILLING
MONTHLY BASE CHARGE**

METER SIZE	IN CITY WATER	IN CITY SEWER	OUTSIDE CITY WATER	OUTSIDE CITY SEWER
5/8" Single Family	\$ 26.33	\$ 36.47	\$ 55.82	\$ 77.32
5/8" Other	\$ 25.18	\$ 36.47	\$ 53.38	\$ 77.32
1"	\$ 46.47	\$ 58.76	\$ 98.52	\$124.57
1.5"	\$ 89.04	\$103.47	\$188.76	\$219.36
2"	\$152.86	\$170.40	\$324.06	\$361.25
3"	\$301.80	\$326.69	N/A	N/A
4"	\$535.89	\$572.37	N/A	N/A
6"	\$1,068.05	\$1,130.55	N/A	N/A
8"	\$1,772.82	N/A	N/A	N/A

USAGE CHARGE PER 100 CUBIC FEET (748 gallons)

TYPE	IN CITY WATER	IN CITY SEWER	OUTSIDE CITY WATER	OUTSIDE CITY SEWER
Residential non- peak months*	\$3.94	\$6.05	\$8.35	\$12.83
Residential - peak months**	\$4.39	\$6.05	\$9.31	\$12.83
Commercial non-peak months	\$3.94	\$6.05	\$8.35	\$12.83
Commercial peak months**	\$4.35	\$6.05	\$9.22	\$12.83

Fire Standby charge: 10% of Base Charge based on standby meter size

Schooner Creek Surcharge \$26.03

* Residential minimum allowed consumption per each dwelling unit designed for occupancy by one family shall be allowed 400 cubic feet of consumption per month to be included within the base charge before the consumption rate per 100 cubic feet is charged, if the individual dwelling unit is connected to a water meter serving only that unit.

** Peak months are the months where the majority of the consumption occurs during the months of July, August and September.

DISCOUNT FOR DIGITAL BILLING AND PAYMENT

A discount of \$0.50 per month per account shall be given to any customer who elects to receive a paperless (digital) statement and who pays the monthly bill using the City's online service.

Council Communication

Resolution 2022-20: State Shared Revenue

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	5 Minutes

Question:

Should the City Council enact a resolution to receive State shared revenues for FY2022-23?

Authority:

In order to receive State Revenue sharing, ORS 221.770 requires a City to elect to receive distributions from the State revenue sharing for the fiscal year by enactment of an ordinance or resolution expressing that election, and filing the resolution with the Oregon Department of Administrative Services no later than July 31 of the fiscal year.

Background:

The approved FY2022-23 budget includes \$203,600 of State Revenue Sharing in the General Fund. In order to receive these monies, the City must hold a public hearing to receive citizen comment, and must also adopt a resolution expressing the City's election to receive state revenues.

Council Options:

1. Motion to approve Resolution 2022-20.
2. Do not approve Resolution 2022-20.

Attachments:

Resolution 2022-20 - Election to Receive State Rev (DOC)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

RESOLUTION NO. 2022-20

A RESOLUTION DECLARING THE CITY’S ELECTION TO RECEIVE STATE REVENUES

BE IT RESOLVED, that pursuant to ORS 221.770, the city hereby elects to receive state revenues for fiscal year 2022-2023.

PASSED by the City Council for the City of Lincoln City on the 27th day of June 2022.

APPROVED by the Mayor this 27th day of June 2022.

SUSAN WAHLKE, Mayor

ATTEST:

JAMIE YOUNG, City Recorder

I certify that a public hearing before the Budget Committee was held on May 2nd, 2022, and a public hearing before the City Council was held on June 27th, 2022, giving citizens an opportunity to comment on use of State Revenue Sharing.

JAMIE YOUNG, City Recorder

Council Communication

Resolution 2022-21: Adopt FY2022-23 Budget

Meeting Date:	June 27, 2022	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	15 Mintues

Question:

Adoption of the FY2022-23 Budget

Authority:

ORS 294.456 provides that, after a public hearing and consideration of matters discussed at the public hearing, the governing body of a municipal corporation shall enact the ordinances or resolutions necessary to adopt the budget, to make the appropriations, to determine, make and declare the ad valorem property tax amount or rate to be certified to the assessor, and to itemize and categorize the ad valorem property tax amount or rate.

Background:

The FY2022-23 City budget as approved by the Budget Committee is available on the City website.

Once the public hearing has been held, Council may make changes to the budget that was approved by the budget committee. Any expenditure in any fund can be reduced. The property tax levy can be reduced from the rate or amount that was approved by the budget committee, so long as a corresponding change is made elsewhere in the fund to keep it balanced. Expenditures may be increased with certain restrictions. If the total increase in a fund exceeds the greater of \$5,000 or 10%, then Council must publish notice of a second budget hearing and a new financial summary, and hold a second public hearing before the adjusted budget can be adopted.

Staff would like to ask City Council to correct an error in the Facilities Capital fund. The approved budget has \$594,288 in Contingency; this should be in Capital Reserve. A motion to correct this could be, I make a motion to move the \$594,288 that is in the Facilities Capital fund contingency to the Facilities Capital fund capital reserve.

Potential Motions:

1. Motion to approve Resolution 2022-21 adopting the FY2022-23 budget as approved.
2. Motion to approve Resolution 2022-21 adopting the FY2022-23 budget as amended.

Attachments:

Resolution 2022-21 - Adopt Budget FY2022-23 (DOC)

RESOLUTION NO. 2022-21

ADOPTING THE BUDGET

BE IT RESOLVED, that the City Council of the City of Lincoln City hereby adopts the budget for fiscal year 2022-23 in the total of \$86,660,501 now on file at the Finance Department of the City of Lincoln City.

MAKING APPROPRIATIONS

BE IT RESOLVED, that the amounts for the fiscal year beginning July 1, 2022, and for the purposes shown below are hereby appropriated:

GENERAL

City Council	93,169
Administration	909,394
Finance	948,302
Library	1,203,446
Municipal Court	120,933
City Attorney	292,389
Planning	478,721
Building Inspection	421,089
Economic Development	1,623,693
Police	5,965,977
Dispatch	1,348,590
City Hall Operations	567,973
Transfers	768,125
Contingencies	3,241,811
TOTAL GENERAL FUND APPROPRIATIONS	17,983,612

LINCOLN SQUARE OPERATIONS

Lincoln Square Maintenance	501,617
Contingencies	273,767
TOTAL LINCOLN SQUARE OPERATIONS FUND APPROPRIATIONS	775,384

FACILITIES CAPITAL FUND

Capital Outlay	1,729,406
Debt Service	616,775
Transfers Out	5,000
TOTAL FACILITIES CAPITAL FUND APPROPRIATIONS	2,351,181

VILLAGES AT CASCADE HEAD (SITKA WOODS)

Materials and Services	190,650
Contingency	72,007
TOTAL VILLAGES AT CASCADE HEAD FUND APPROPRIATIONS	262,657

INTERNAL SERVICE FUND

Vehicle Maintenance	366,999
Information Technology	716,307
Geographical Information Systems	161,978
Contingencies	9,781
TOTAL INTERNAL SERVICE FUND APPROPRIATIONS	1,255,065

AGATE BEACH CLOSURE

Materials and Services	40,000
TOTAL AGATE BEACH CLOSURE FUND APPROPRIATIONS	40,000

% FOR ART

Materials and Services	10,000
Capital Outlay	44,064
TOTAL % FOR ART FUND APPROPRIATIONS	54,064

WORKFORCE HOUSING

Workforce Housing	106,551
Special Payments	150,000
TOTAL WORKFORCE HOUSING FUND APPROPRIATIONS	256,551

EXPLORE LINCOLN CITY

Explore Lincoln City Operations	2,677,054
Transfers	115,274
Contingencies	4,877,691
TOTAL VISITOR & CONVENTION BUREAU FUND APPROPRIATIONS	7,670,019

PARK MAINTENANCE

Park Operations	1,616,155
Recreation Center	1,537,771
Transfers	49,000
Contingencies	2,304,687
TOTAL PARK MAINTENANCE FUND APPROPRIATIONS	5,507,613

PARKS CAPITAL FUND

Capital Outlay	564,353
TOTAL PARKS CAPITAL FUND APPROPRIATIONS	564,353

PARKS SDC'S

Capital Outlay	774,477
TOTAL PARKS SDC'S FUND APPROPRIATIONS	774,477

PROPERTY ABATEMENT

Contingency	29,654
TOTAL PROPERTY ABATEMENT APPROPRIATIONS	29,654

POLICE BUILDING BOND 2018

Capital Outlay	923,377
Transfers Out	1,000
TOTAL POLICE BUILDING BOND 2018 APPROPRIATIONS	924,377

UNBONDED ASSESSMENT

Capital Outlay	812,108
TOTAL UNBONDED ASSESSMENTS FUND APPROPRIATIONS	812,108

STREET OPERATIONS

Street Maintenance	1,536,638
Transfers	2,113,613
Contingencies	770,548
TOTAL STREET OPERATIONS FUND APPROPRIATIONS	4,420,799

STREET CAPITAL

Street Improvements	5,880,048
Transfers	5,000
TOTAL STREET CAPITAL FUND APPROPRIATIONS	5,885,048

TRANSPORTATION DEVELOPMENT

Capital Outlay	909,988
TOTAL TRANSPORTATION FUND APPROPRIATIONS	909,988

N HWY 101 IMPROVEMENT PROGRAM

Capital Outlay	2,213,036
TOTAL N HWY 101 IMPROVEMENT PROGRAM APPROPRIATIONS	2,213,036

INTERSECTION IMPROVEMENT

Capital Outlay	143,898
TOTAL INTERSECTION IMPROVEMENT APPROPRIATIONS	143,898

STORM DRAINAGE

Capital Outlay	76,090
TOTAL STORM DRAINAGE FUND APPROPRIATIONS	76,090

WATER OPERATING

Water Utility Maintenance	2,731,263
Debt Service	50,672
Transfers	1,997,548
Contingencies	415,439
TOTAL WATER OPERATING FUND APPROPRIATIONS	5,194,922

WATER CAPITAL

Capital Outlay	3,809,171
Transfers	5,000
TOTAL WATER SYSTEM REPLACE CAPITAL RESERVE FUND APPROPRIATIONS	3,814,171

SDC WATER REIMBURSEMENT

Capital Outlay	716,856
TOTAL SDC WATER REIMBURSEMENT FUND APPROPRIATIONS	716,856

SDC WATER IMPROVEMENT

Capital Outlay	335,517
TOTAL SDC WATER IMPROVEMENT FUND APPROPRIATIONS	335,517

SEWER OPERATING

Sewer Utility Maintenance	3,874,287
Debt Service	55,086
Transfers	1,474,360
Contingencies	980,311
TOTAL SEWER OPERATING FUND APPROPRIATIONS	6,384,044

SEWER CAPITAL

Capital Outlay	6,694,024
Transfers	5,000
TOTAL SEWER SYSTEM REPLACE CAPITAL	6,699,024

RESERVE FUND APPROPRIATIONS	
SDC SEWER REIMBURSEMENT	
Capital Outlay	1,526,203
TOTAL SDC SEWER REIMBURSEMENT FUND APPROPRIATIONS	1,526,203

SDC SEWER IMPROVEMENT	
Capital Outlay	257,258
Transfers	52,568
TOTAL SDC SEWER IMPROVEMENT FUND APPROPRIATIONS	309,826

SEWER BONDS	
Debt Service	1,810,389
TOTAL SEWER BONDS FUND APPROPRIATIONS	1,810,389

WATER BONDS	
Debt Service	459,096
TOTAL WATER BONDS FUND APPROPRIATIONS	459,096

TOTAL APPROPRIATIONS, ALL FUNDS	\$ 80,160,072
TOTAL UNAPPROPRIATED AMOUNTS, ALL FUNDS	\$ 6,500,479
TOTAL ADOPTED BUDGET	\$ 86,660,551

IMPOSING THE TAX

BE IT RESOLVED, that the City Council of the City of Lincoln City hereby imposes the taxes provided for in the adopted budget at the rate of \$4.0996 per \$1,000 of assessed value for operations; and in the amount of \$1,735,130 for bonds; and that these taxes are hereby imposed and categorized for tax year 2022-23 upon the assessed value of all taxable property within the district as follows:

CATEGORIZING THE TAX

General Government Limitation

Excluded From Limitation

General Fund \$4.0996/\$1,000
Debt Service Fund

\$1,735,130

The above resolution statements were approved and declared adopted on this 27th day of June 2022.

SUSAN WAHLKE, Mayor

ATTEST:

JAMIE YOUNG, City Recorder

Council Communication

Resolution 2022-22 SDC Deferral - Innovative Housing Inc. (Lincoln 25 Limited Partnership)

Meeting Date:	June 27, 2022	Primary Staff Contact:	Richard Appicello
Department:	City Attorney	E-Mail:	RAppicello@lincolncity.org
Secondary Dept:	Administration	Secondary Contacts:	Alison Robertson
Approval:	Daphnee Legarza	Estimated Time:	5 minutes

Question:

Should the City Council approve Resolution 2022-22 entitled:

RESOLUTION NO. 2022-22

A RESOLUTION OF THE CITY OF LINCOLN CITY IMPLEMENTING LCMC 13.08.095 REGARDING DEFERRAL OF SYSTEM DEVELOPMENT CHARGES; APPROVING AN APPLICATION FOR THE DEFERRAL OF PAYMENT OF SYSTEM DEVELOPMENT CHARGES FOR LINCOLN 25 LIMITED PARTNERSHIP (MANAGING MEMBER INNOVATIVE HOUSING INC.) FOR DEVELOPMENT OF A 107 UNIT AFFORDABLE HOUSING APARTMENT PROJECT ON THREE PARCELS OF LAND ADJOINING 2510 NE HIGHWAY 101, LINCOLN CITY, OREGON.

Staff Recommendation:

Staff recommends approval of Resolution 2022-22.

Authority:

13.08.095 Deferrals.

A. The city council may approve an application for deferral of the requirement to pay systems development charges, or for continuation of an approved deferral, for a qualified entity that meets all the following criteria:

- 1. The use proposed by the applicant fits within a type of use identified by the city council by resolution as lacking in the city and urgently needed, such as child care;*
- 2. The use serves a widespread community need, as identified by the applicant;*
- 3. The deferral applicant is a nonprofit corporation, or any agency or subdivision of the federal, state or local government, or a private entity that has committed to the proposed use in a binding executed agreement with the city (e.g., a 30-year affordability covenant for workforce housing);*

4. *The applicant demonstrates the need for financial support to develop the use;*
5. *The applicant demonstrates local support for the use, such as through fundraising for the use;*
6. *The development will occur on property located within the city limits;*
7. *The applicant agrees to enter into an agreement to pay systems development charges if the city approves the application.*

B. An application for deferral of payment of systems development charges or a continuation of a deferral shall be submitted to the city manager for review. The city manager shall review the application and make a recommendation to the city council, which in its discretion may approve or deny the application, decline to take action, or take other action such as requesting additional information.

C. Any approval of an application for deferral or continuation of a deferral under this section shall be contingent on the city and the applicant entering into an agreement in which the applicant acknowledges the terms of the deferral and agrees to pay systems development charges in the amount calculated at the time the use no longer qualifies for deferral, as specified in subsection (D) of this section. If the applicant is not the property owner, the property owner will be required to consent to the deferral application and sign the agreement. The agreement shall be recorded and shall run with the land.

D. The deferral will apply until such time as a new use occupies the building that was constructed in conjunction with an approved deferral. If the new use would not meet the application criteria to qualify for continuation of the deferral of system development charges, prior to use or occupancy of the facility by a new use all applicable system development charges shall be paid. The system development charges owed will be based on the approved schedule and methodology of system development charges in effect for the new use at the time of occupancy.

E. The city council may approve a deferral of payment of systems development charges under this section for up to 10 years, with possible extensions of time as approved by the city council, provided the use continues to qualify for deferral. (Ord. 2016-01 § 2; Ord. 2011-05 § 1)

Background

Innovative Housing, Inc., the managing member for Lincoln 25 Limited Partnership, has formally submitted an application to the Lincoln City City Council for deferral of system development charges pursuant to LCMC 13.08.095. The application materials have been forwarded to the City Manager for review and recommendation to Council.

Lincoln 25 Limited Partnership, an Oregon limited partnership (the "Limited Partnership") is a limited partnership created by Innovative Housing, Inc. for the purposes of owning, constructing, and operating the Project. Innovative Housing, Inc. (IHI) is the sole member and manager of Innovative Lincoln 25 LLC, an Oregon limited liability company, which is the general partner of the Limited Partnership. The reason IHI can't be the "owner" of the project is because the primary financing for this project is the Federal Low Income Housing Tax Credit (LIHTC). The State has awarded this project approximately \$16 Million in LIHTCs. The limited partner of the partnership is purchasing those tax credits through a bond, in order to fund equity into the partnership for the financing of construction of the project. In order for the investor to benefit

from the LIHTCs, the project needs to be owned by the limited partnership. This is how all LIHTC funded affordable housing projects are funded in Oregon.

System Development Charges for this 107-unit project total \$878,703.00. The project covers three parcels: (R206172, Parcel 1), (R208560, Parcel 2), (R203856, Parcel 3).

Analysis

The city council may approve an application for deferral of the requirement to pay systems development charges, or for continuation of an approved deferral, for a qualified entity that meets all the following criteria:

1. The use proposed by the applicant fits within a type of use identified by the city council by resolution as lacking in the city and urgently needed, such as child care;

The City Council approved Resolution 2020-09, which authorized, *inter alia*, an option to purchase a portion of the subject property (two lots) for affordable housing purposes. Later, in Joint Resolution 2021-01, Urban Renewal Agency authorized with Council acceptance, the remainder property to be added to the option, committing in total over \$800,000 in City property to this affordable housing project. The resolutions addressed the desire of the City Council and Urban Renewal Agency to fund affordable housing to meet this critical housing need. The criterion is met.

2. The use serves a widespread community need, as identified by the applicant;

The most significant issue facing the City of Lincoln City is housing. This affordable housing use will serve a widespread community need for affordable housing and workforce housing. Lincoln City is also addressing workforce housing through this project because the tourism-based economy tends to have part-time and minimum-wage jobs that results in greater need for affordable housing for the local workforce at all income levels. This housing project will serve people at 30% and 60% of area median income. (That is, the project will include 107 units of deed restricted affordable housing at 30% - 60% of Median Income). Associated deed, notes, and security instruments will require the use to be restricted to affordable housing. The criterion is met.

3. The deferral applicant is a nonprofit corporation, or any agency or subdivision of the federal, state or local government, or a private entity that has committed to the proposed use in a binding executed agreement with the city (e.g., a 30-year affordability covenant for workforce housing);

The deferral applicant Innovative Housing Inc., a 501(c)(3) Oregon Non-Profit is also the managing member and registered agent for the deferral recipient which is Lincoln 25 Limited Partnership. See Oregon Secretary of State Corporations Division Registration No. 202579-11. The criterion is met.

4. The applicant demonstrates the need for financial support to develop the use;

The attached balanced sources and uses budget shows the project budget without the SDC fees, demonstrating the need for the deferral. There are no additional project sources that could pay the SDC fees. Financial need is apparent. The criterion is met.

5. The applicant demonstrates local support for the use, such as through fundraising for the use;

Local support is demonstrated because this project was awarded a property option twice, following public hearings providing public notice of the proposed affordable housing use on this site. The criterion is met.

6. The development will occur on property located within the city limits;

The project is located within the City Limits of the City of Lincoln City. The criterion is met.

7. The applicant agrees to enter into an agreement to pay systems development charges if the city approves the application.

The applicant has indicated they are willing to enter into an agreement with the city in accordance with the terms of the Ordinance and this Resolution, which may be incorporated into the approval resolution; the applicant agrees to pay SDC charges should the terms of the deferral be violated (such as a change of use or expiration of deferral term). The SDC deferral agreement will be shown in the City Electronic Lien Record. This criterion is met.

B. An application for deferral of payment of systems development charges or a continuation of a deferral shall be submitted to the city manager for review. The city manager shall review the application and make a recommendation to the city council, which in its discretion may approve or deny the application, decline to take action, or take other action such as requesting additional information.

The City Manager recommends approval of the Deferral Resolution.

C. Any approval of an application for deferral or continuation of a deferral under this section shall be contingent on the city and the applicant entering into an agreement in which the applicant acknowledges the terms of the deferral and agrees to pay systems development charges in the amount calculated at the time the use no longer qualifies for deferral, as specified in subsection (D) of this section. If the applicant is not the property owner, the property owner will be required to consent to the deferral application and sign the agreement. The agreement shall be recorded and shall run with the land.

The SDC deferral resolution includes the agreement and will be recorded in the Electronic Lien Record and run with the land.

D. The deferral will apply until such time as a new use occupies the building/s that are constructed in conjunction with an approved deferral. If the new use would not meet the application criteria to qualify for continuation of the deferral of system development charges, prior to use or occupancy of the facility by a new use all applicable system development charges shall be paid. The system development charges owed will be based on the approved schedule and methodology of system development charges in effect for the new use at the time of occupancy.

The SDC deferral resolution incorporates this Code provision on change of use.

E. The city council may approve a deferral of payment of systems development charges under this section for up to 10 years, with possible extensions of time as approved by the city council, provided the use continues to qualify for deferral.

The SDC deferral resolution will be recorded and effective for ten (10) years and may only be extended by Resolution (also recorded) of the Council should the use continue to qualify.

Council Options:

- Approve the Resolution.
- Do Not approve the Resolution.
- Continue the matter and request additional information.

Financial Impact

Deferral of SDC amounts stated herein.

Potential Motions:

Move to approve Resolution 2022-22.

Move to reject the proposed Resolution.

Attachments:

Resolution 2022-22 SDC 6-19-22 (DOC)

IHI Copy of NE 25th 101 - 2022 Multi-family SDC Breakdown(XLSX)

IHI Sources-Uses for City of Lincoln City 5-9-2022 (PDF)

RESOLUTION NO. 2022-22

A RESOLUTION OF THE CITY OF LINCOLN CITY IMPLEMENTING LCMC 13.08.095 REGARDING DEFERRAL OF SYSTEM DEVELOPMENT CHARGES; APPROVING AN APPLICATION FOR THE DEFERRAL OF PAYMENT OF SYSTEM DEVELOPMENT CHARGES FOR LINCOLN 25 LIMITED PARTNERSHIP (MANAGING MEMBER INNOVATIVE HOUSING INC.) FOR DEVELOPMENT OF A 107 UNIT AFFORDABLE HOUSING APARTMENT PROJECT ON THREE PARCELS OF LAND ADJOINING 2510 NE HIGHWAY 101, LINCOLN CITY, OREGON.

RECITALS

The City Council adopted Ordinance 2011-05 on March 14, 2011, establishing criteria for qualified uses subject to deferral of payment of system development charges.

Ordinance 2011-05, codified at LCMC 13.08.095, amended Chapter 13.08 to allow for deferral of system development charges for certain uses that meet adopted criteria, including but not limited to a use "identified by the city council by Resolution as lacking in the city and urgently needed."

Affordable housing is desperately needed in the City of Lincoln City;

The Council has previously approved in Resolution 2020-09 and Urban Renewal Agency approved UR 2021-01, following advertised public hearings, two options to purchase City and Agency property for Innovative Housing Inc. a not-for-profit developer of affordable housing, in order to facilitate development of a 107-unit affordable housing project. November 8, 2021, the Agency directed staff to transfer the property to the City (recorded 3-23-2022). Said property being more particularly described in **Exhibit A** (Legal Description) attached hereto and made a part hereof by this reference.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LINCOLN CITY, AS FOLLOWS:

SECTION 1. RECITALS.

The above recitals and the recitals set forth in the June 27, 2022 staff report, are true and correct and are incorporated herein by this reference.

SECTION 2. AFFORDABLE HOUSING 30% TO 60% OF AREA MEDIAN INCOME IDENTIFIED AS URGENT NEED.

Based on the Findings set forth in the whole record and referenced in Section 1 above, the City Council finds and determines that the proposed affordable housing use (107 apartment

1 units restricted to serve people at 30% to 60% of area median income, is lacking and
2 urgently needed in the City of Lincoln City.

3
4 **SECTION 3. APPLICATION FOR DEFERRAL OF PAYMENT OF SYSTEM**
5 **DEVELOPMENT CHARGES.**

6
7 The City Council makes the following findings of compliance concerning the
8 application submitted by deferral applicant Innovative Housing Inc.:

9
10 **Analysis**

11
12 **The city council may approve an application for deferral of the requirement to pay**
13 **systems development charges, or for continuation of an approved deferral, for a**
14 **qualified entity that meets all the following criteria:**

15
16 **1. The use proposed by the applicant fits within a type of use identified by**
17 **the city council by resolution as lacking in the city and urgently needed, such**
18 **as child care;**

19
20 The City Council approved Resolution 2020-09, which authorized, inter alia, an
21 option to purchase a portion of the subject property for affordable housing
22 purposes. Later, in Resolution UR 2021-01, Urban Renewal Agency authorized
23 with Council acceptance, the remainder property to be added to the option,
24 committing in total over \$600,000 in City property to this affordable housing
25 project. The resolutions addressed the desire of the City Council and Urban
26 Renewal Agency to fund affordable housing to meet this housing need. The
27 criterion is met.

28
29 **2. The use serves a widespread community need, as identified by the**
30 **applicant;**

31
32 The most significant issue facing the City of Lincoln City is housing. This
33 affordable housing use will serve a widespread community need for affordable
34 housing and workforce housing. Lincoln City is also addressing workforce housing
35 through this project because the tourism-based economy tends to have part-time
36 and minimum-wage jobs that results in greater need for affordable housing for
37 the local workforce at all income levels. This housing project will serve people at
38 30% and 60% of area median income. (That is, the project will include 107 units of
39 deed restricted affordable housing at 30% - 60% of Median Income). Associated
40 deed, notes, and security instruments will require the use to be restricted to
41 affordable housing. The criterion is met.

42
43 **3. The deferral applicant is a nonprofit corporation, or any agency or**
44 **subdivision of the federal, state or local government, or a private entity that**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44

has committed to the proposed use in a binding executed agreement with the city (e.g., a 30-year affordability covenant for workforce housing);

The deferral applicant Innovative Housing Inc., a 501(c)(3) Oregon Non-Profit, is also the registered agent for the deferral recipient which is Lincoln 25 Limited Partnership. See Oregon Secretary of State Corporations Division Registration No. 202579-11. The criterion is met.

4. The applicant demonstrates the need for financial support to develop the use;

The attached balanced sources and uses budget shows the project budget without the SDC fees, demonstrating the need for the deferral. There are no additional project sources that could pay the SDC fees. Financial need is apparent. The criterion is met.

5. The applicant demonstrates local support for the use, such as through fundraising for the use;

Local support is demonstrated because this project was awarded a property option twice, following public hearings providing public notice of the proposed affordable housing use on this site. The criterion is met.

6. The development will occur on property located within the city limits;

The project is located within the City Limits of the City of Lincoln City. The criterion is met.

7. The applicant agrees to enter into an agreement to pay systems development charges if the city approves the application.

The applicant has indicated they are willing to enter into an agreement with the city in accordance with the terms of the Ordinance and this Resolution, which agreement is incorporated into this approval resolution; the applicant agrees to pay SDC charges per the terms of the ordinance should the terms of the deferral be violated (such as a change of use or expiration of deferral term). The SDC deferral agreement will be shown in the City Electronic Lien Record. This criterion is met.

B. An application for deferral of payment of systems development charges or a continuation of a deferral shall be submitted to the city manager for review. The city manager shall review the application and make a recommendation to the city council, which in its discretion may approve or deny the application, decline to take action, or take other action such as requesting additional information.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44

The City Manager recommends approval of the Deferral Resolution.

C. Any approval of an application for deferral or continuation of a deferral under this section shall be contingent on the city and the applicant entering into an agreement in which the applicant acknowledges the terms of the deferral and agrees to pay systems development charges in the amount calculated at the time the use no longer qualifies for deferral, as specified in subsection (D) of this section. If the applicant is not the property owner, the property owner will be required to consent to the deferral application and sign the agreement. The agreement shall be recorded and shall run with the land.

The SDC deferral resolution includes the agreement and will be recorded in the Electronic Lien Record and run with the land.

D. The deferral will apply until such time as a new use occupies the building that was constructed in conjunction with an approved deferral. If the new use would not meet the application criteria to qualify for continuation of the deferral of system development charges, prior to use or occupancy of the facility by a new use all applicable system development charges shall be paid. The system development charges owed will be based on the approved schedule and methodology of system development charges in effect for the new use at the time of occupancy.

This provision is specifically incorporated into the SDC deferral resolution and is agreed to by the applicant.

E. The city council may approve a deferral of payment of systems development charges under this section for up to 10 years, with possible extensions of time as approved by the city council, provided the use continues to qualify for deferral.

The SDC deferral resolution will be recorded in the electronic lien record and is effective for ten (10) years and may only be extended by Resolution (also recorded) of the Council should the use continue to qualify.

SECTION 4. APPROVAL OF APPLICATION FOR DEFERRAL OF PAYMENT OF SYSTEM DEVELOPMENT CHARGES.

Based on the findings set forth in Section 3 above, the City Council finds and determines that the application meets the criteria for approval in LCMC 13.08.095 and approves the request by Innovative Housing Inc., registered agent of Lincoln 25 Limited Partnership, to defer payment of system development charges in the amount of \$878,703.00 (as more fully set forth in **Exhibit B** attached hereto and made a part hereof by this reference), subject to the applicant's execution of concurrence with this Resolution, as its Agreement to the terms and

1 conditions of the LCMC 13.08.095 and this Resolution, including specifically the terms set
2 forth in paragraphs C and D above.

3
4 **SECTION 5. AGREEMENT AND DEVELOPMENT.** Execution of the Concurrence below
5 by the undersigned applicant constitutes agreement to the terms and conditions of the
6 ordinance [LCMC 13.08.095] and this Resolution, including specifically the Agreement of the
7 Applicant to pay the \$878,703.00 System Development Charge in the event the property no
8 longer qualifies for deferral whether by expiration of the deferral or breach of the agreement
9 by change of use. The real property subject to the deferral of payment of system
10 development charges as approved by this Resolution is legally described in **Exhibit A**
11 attached hereto and made a part hereof by this reference. The Applicant acknowledges that
12 this Resolution shall be recorded in the electronic lien record to evidence this Agreement and
13 the Agreement shall run with the land.

14
15 **SECTION 6. EFFECTIVE DATE.** This Resolution is effective as of the date of its adoption
16 and execution by the Applicant of the Concurrence below.

17
18 **PASSED AND APPROVED** by the City Council of the City of Lincoln City, Oregon, this 27th
19 day of June, 2022.

20
21
22 _____
23 SUSAN WAHLKE, MAYOR

24
25 ATTEST:

26
27
28 _____
29 JAMIE YOUNG, CITY RECORDER

30
31 APPROVED AS TO FORM:

32
33
34 _____
35 RICHARD APPICELLO, CITY ATTORNEY

36
37
38 CONCURRENCE / AGREEMENT TO TERMS

39
40
41 _____
42 LINCOLN 25 LIMITED PARTNERSHIP

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41

EXHIBIT A

Legal Description

Real property situated in the State of Oregon, County of Lincoln and is described as follows:

Parcel 1

A tract of land situated in the Northwest quarter of the Northwest quarter of Section 11, Township 7 South, Range 11 West of the Willamette Meridian, Lincoln County, Oregon, and more particularly described as follows:

Beginning at the Southwest corner of said Northwest quarter of the Northwest quarter of said Section, Township and Range; thence from said point of beginning South 89 deg. 59' East 141.43 feet along the South line of said Northwest quarter of the Northwest quarter to the true point of beginning of the tract herein described. Said true point of beginning being also the Southeast corner of that tract of land described in Book 222, Page 343, Deed Records of Lincoln County; thence North 1 deg. 02' 30" East 194.50 feet along the East line of said tract described in Book 222, Page 343, to the South line of that tract of land described in Book 204, Page 405, Deed Records; thence East 101.67 feet; thence North 0 deg. 25' 30" West 100 feet to the South line of the Neal tract described in Book 102, Page 563, Deed Records of Lincoln County; thence East 150 feet along the South line of said Neal tract, thence South 23 deg. 15' 21" East 320.63 feet to the South line of said Northwest quarter of the Northwest quarter of said Section, Township and Range; thence North 89 deg. 59' West 381.06 feet to the true point of beginning.

PARCEL 2:

A tract of land situated in the Northwest quarter of the Northwest quarter of Section 11, Township 7 South, Range 11 West of the Willamette Meridian, Lincoln County, Oregon, and more particularly described as follows:

Beginning at the Southwest corner of said Northwest quarter of the Northwest quarter of said Section, Township and Range; thence from said point of beginning South 89 deg. 59' East 522.49 feet along the South line of said Northwest quarter of the Northwest quarter to the true point of beginning of the tract herein described; thence from said true point of beginning North 23 deg. 15' 21" West 320.63 feet to the South line of the Neal tract described in Book 102, Page 563, Deed Records of Lincoln County; thence East 257.60 feet along the South line of said Neal tract to the West line of that tract of land conveyed to Wilbur L. and Marian V. Rogers, husband and wife, by Jerry Emery and Margaret Hannah Page Holmes Emery, husband and wife, by Deed recorded in Book 159, Page 4 70, Deed Records of Lincoln County; thence South along said tract 9 .68 feet to the Southwest corner

1 thereof; thence East 117.67 feet along the South line of said Rogers tract; thence South O
2 deg. 30' West 284.98 feet to the South line of the said Northwest quarter of the Northwest
3 quarter of said Section 11; thence North 89 deg. 59' West 246.19 feet to the true point of
4 beginning.

5
6 PARCEL 3:

7
8 The Westerly 100 feet, measured along the North line, of the following described property:

9
10 Beginning at a point on the South line of Government Lot 8, Section 11, Township 7 South,
11 Range 11 West, Willamette Meridian, in the County of Lincoln, State of Oregon, that is 46 feet
12 East of the West line of said Section 11 (said point also being 40.00 feet East of the center line
13 of Highway 101 and also being on the East right of way line of said Oregon Coast Highway
14 101); said point being the true point of beginning of the tract herein described; thence East
15 396.66 feet along the South line of Government Lot 8; thence North 285 feet to the South line
16 of the R. L. Neal property, described in deed recorded in Book 102, page 563, Deed Records;
17 thence West along the South line of the Nealproperty, 197.2 feet; thence South 0" 25 112'
18 East, 100 feet; thence West 201 .67 feet; thence South 0' 25 112' East, 185 feet to the point of
19 beginning.

20
21 EXCEPTING THEREFROM any portion within the Oregon Coast Highway right of way.

107 Units (Assumed water meter size)												
Type of System Development Fee (SDC)	Per Unit	Bldg 1	Bldg 2	Bldg 3	Bldg 4	Bldg 5	Bldg 6	Bldg 7	Bldg 8	Bldg 9	Number of Units	Cost
Water Reimbursement	\$1,247.00	19	18	16	14	12	10	8	6	4	107.00	\$133,429.00
Water Improvement	\$474.00	19	18	16	14	12	10	8	6	4	107.00	\$50,718.00
Sewer Reimbursement	\$2,085.00	19	18	16	14	12	10	8	6	4	107.00	\$223,095.00
Sewer Improvement	\$1,092.00	19	18	16	14	12	10	8	6	4	107.00	\$116,844.00
Parks System Charge	\$2,446.00	19	18	16	14	12	10	8	6	4	107.00	\$261,722.00
Transportation Fee	\$850.00	19	18	16	14	12	10	8	6	4	107.00	\$90,950.00
Stormwater	\$0.03										Per SF	of Impervious
TOTAL SDC	\$8,194.03	\$155,686.00	\$147,492.00	\$131,104.00	\$114,716.00	\$98,328.00	\$81,940.00	\$65,552.00	\$49,164.00	\$32,776.00		\$876,758.00
Additional Fees												
Water Meter (3" Assumed, 2020 as of 04/15/2020)	\$1,945.00										1	\$1,945.00
Total Estimated SDCs and Fees												\$878,703.00

Lincoln City Project	May 9, 2022
Financial Description	
Sources and Uses of Financing	

SOURCES OF FINANCING		
DEBT	Housing	Per Unit
Mortgage with OAHTC	2,362,845	22,083
Portion without OAHTC	0	0
Capital Contribution	1,524,826	14,251
Developer Loan (Deferred Fee)	555,174	5,189
Subtotal Non Sponsor Loans	4,442,845	41,522
Sponsor Loan:		
NON DEBT SOURCES		
4% LIHTC Equity	15,308,389	143,069
LIFT	16,553,980	154,710
GHAP	-	-
Lincoln City Grant	197,000	1,841
Additional Lincoln City Grant	200,000	1,869.16
Energy Trust	40,000	374
Total Sources	36,742,214	341,516

USES OF FINANCING		
	Housing	Per Unit
Acquisition	-	-
Construction	26,432,931	246,354
Const Contingency	1,317,992	12,318
Developer Fee (cash fee \$1.8 MM)	3,880,000	36,262
Soft Costs	5,111,291	47,769
Total Uses	36,742,214	342,702
SURPLUS/GAP	(0)	

Council Communication

Resolution 2022-23 (Option Agreement Extension)

Meeting Date: June 27, 2022 Primary Staff Contact: Richard Appicello
 Department: City Attorney E-Mail: RAppicello@lincolncity.org
 Secondary Dept: Economic Development Secondary Contacts: Alison Robertson
 Approval: Estimated Time: 15 minutes

Question:

Following the public hearing, should the City Council approve Resolution 2022-23 authorizing and directing extension and re-approval of an Option Agreement for the future disposition of City real property for affordable housing purposes?

Staff Recommendation:

Staff recommends approval of the Resolution approving execution of the Option Agreement.

Authority: (*emphasis added*) (part City property and part URA property)

221.725 Sale of city real property; publication of notice; public hearing.

(1) Except as provided in ORS 221.727, when a city council considers it necessary or convenient to sell real property or any interest therein, the city council shall ***publish a notice of the proposed sale in a newspaper of general circulation in the city, and shall hold a public hearing concerning the sale prior to the sale.***

(2) The notice required by subsection (1) of this section shall be published at least once during the week prior to the public hearing required under this section. The notice shall state the time and place of the public hearing, ***a description of the property or interest to be sold, the proposed uses for the property and the reasons why the city council considers it necessary or convenient to sell the property.*** Proof of publication of the notice may be made as provided by ORS 193.070.

(3) Not earlier than five days after publication of the notice, the public hearing concerning the sale shall be held at the time and place stated in the notice. Nothing in this section prevents a city council from holding the hearing at any regular or special meeting of the city council as part of its regular agenda.

(4) ***The nature of the proposed sale and the general terms thereof, including an appraisal or other evidence of the market value of the property, shall be fully disclosed by the city council at the public hearing.*** Any resident of the city shall be given an opportunity to present written or oral testimony at the hearing.

(5) As used in this section and ORS 221.727, **“sale” includes a lease-option agreement** under which the lessee has the right to buy the leased real property in accordance with the terms specified in the agreement.

271.310 Transfer or lease of real property owned or controlled by political subdivision; procedure in case of qualified title; notice; rules. (1) Except as provided in subsection (2) of this section and subject to subsection (3) of this section, whenever any political subdivision possesses or controls real property ***not needed for public use, or whenever the public interest may be furthered, a political subdivision may sell, exchange, convey*** or lease for any period not exceeding 99 years ***all or any part of the political subdivision’s interest in the property to a governmental body or private individual or corporation. The consideration for the transfer or lease may be cash or real property, or both.***

* * *

(4) Unless the governing body of a political subdivision determines under subsection (1) of this section that the public interest may be furthered, real property needed for public use by any political subdivision owning or controlling the property may not be sold, exchanged, conveyed or leased under the authority of ORS 271.300 to 271.360, except that it may be exchanged for property that is of equal or superior useful value for public use. Any such property not immediately needed for public use may be leased if, in the discretion of the governing body having control of the property, the property will not be needed for public use within the period of the lease.

* * *

271.330 Relinquishing title of property not needed for public use. (1) Any political subdivision is granted express power to relinquish the title to any of the political subdivision’s property not needed for public use to any governmental body, providing the property shall be used for not less than 20 years for a public purpose by the governmental body in the State of Oregon. These transfers for public purposes may include transfers without consideration of property held by counties as a result of tax foreclosures.

(2)(a) ***Any political subdivision is granted express power to relinquish the title to any of the political subdivision’s property to a qualifying nonprofit corporation or a municipal corporation for the purpose of providing any of the following:***

(A) Low income housing;*(B) Social services; or**(C) Child care services.**(b) As used in this subsection:*

(A) "Qualifying nonprofit corporation" means a corporation that is a public benefit corporation as defined in ORS 65.001 (35) and that has obtained a ruling from the federal Internal Revenue Service providing that the corporation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

(B) "Social services" and "child care services" include but are not limited to education, training, counseling, health and mental health services and the provision of facilities and administrative services to support social services and child care services.

(3) Any political subdivision is granted express power to convey real property to a nonprofit or municipal corporation to be used by the nonprofit or municipal corporation for the creation of open space, parks or natural areas for perpetual public use. The instrument conveying the real property shall include a restriction on the use of the property that limits the uses of the property to those uses described in this subsection. The instrument conveying the property shall also contain a provision for the reversion of the property to the political subdivision if the property is not used in conformance with the restriction. Real property conveyed under this subsection may include real property held by a political subdivision as a result of tax foreclosures.

Background:

The City is the legal owner of real property located in proximity to the terminus of NE 25th Street, north of the St. James Santiago Episcopal church and school, consisting of two tax lots together with 2510 NE Highway 101, Lincoln City, Oregon. The lots involved in the conveyance include Recording Doc: 2009-14354 [07-11-11-BB-04302-00 (Westerly Parcel)] and Recording Doc: 2009-14355 [07-11-11-BB-04300-00 (Easterly Parcel)]. On April 27, 2020, the City Council approved an Option agreement for the first two City properties. The Urban Renewal Agency (URA) parcel, located in front of the above-referenced city properties with frontage on Highway 101, namely 2510 NE Hwy 101, Lincoln City, Oregon (Tax lot 07-11-11-BB-04301-00), was added to the Option agreement in February 2021.

Following a public process, the City and IHI entered into an Exclusive Negotiating Agreement for acquisition and development of the City property for affordable housing purposes. The URA subsequently acquired the Hwy 101 property, in part to facilitate better access to the City properties referenced above. The URA parcel

was subsequently conveyed to the city by the Agency (recorded deed March 23, 2022).

IHI was awarded Federal Low Income Housing Tax Credit (LIHTC) by the State for affordable housing, and needs site control in order to complete the development project.

Because the parties have not yet come to agreement on all the terms and conditions of the Disposition and Development Agreement, and because several of those terms and conditions are subject to public processes, the parties mutually agree the Option to Purchase will not be self-executing but will be subject to a future public hearing on the Disposition and Development Agreement pursuant to ORS 221.725 – where all final terms will be decided. Because Option agreements are also subject to public hearings under ORS 221.725 option, the Council is considering the agreement at this public hearing.

The attached Resolution addresses the required findings for approval of the Option. In short, the Resolution provides that the Council finds and determines that this proposal to grant an extension / re-approval of the Option to Purchase the subject property for this redevelopment project.

Lincoln 25 Limited Partnership, an Oregon limited partnership (the “Limited Partnership”) is a limited partnership created by Innovative Housing, Inc. for the purposes of owning, constructing, and operating the Project. Innovative Housing, Inc. (IHI) is the sole member and manager of Innovative Lincoln 25 LLC, an Oregon limited liability company, which is the general partner of the Limited Partnership. The reason IHI can’t be the “owner” of the project is because the primary financing for this project is the Federal Low Income Housing Tax Credit (LIHTC). The State has awarded this project approximately \$16 Million in LIHTCs. The limited partner of the partnership is purchasing those tax credits through a bond, in order to fund equity into the partnership for the financing of construction of the project. In order for the investor to benefit from the LIHTCs, the project needs to be owned by the limited partnership. This is how all LIHTC funded affordable housing projects are funded in Oregon.

Lincoln 25 Limited Partnership (a for-profit entity) and Innovative Housing, Inc., an Oregon nonprofit public benefit corporation meets all applicable statutory minimum criteria for eligibility to convey real property, as more fully set forth in the Resolution. IHI is a qualifying nonprofit corporation. Further the City Council finds and determines that the proposed option to purchase real property (subject to conditions,

including another public hearing) is deemed “necessary or convenient” to the City, and “furthers the public interest” as the sale will further the City’s desire to provide affordable housing for the City of Lincoln City’s population. The City further finds and determines that the property identified herein is not necessary for City use.

Again, the option to purchase is being considered ahead of a proposed disposition and development agreement to provide site control for the redevelopment project using the Federal low income housing tax credit (LIHTC) program by the State. Based on this fact, the principal condition of the option to purchase is the subsequent approval and execution of a disposition and development agreement following a public hearing pursuant to ORS 271.225. Accordingly, the terms of the disposition and development agreement are not finally determined.

The option to purchase / extension/ re-approval is attached.

Council Options:

Following the public hearing:

1. Approve the Resolution, with or without modifications.
2. Postpone for additional information.
3. Do not approve the Resolution or proceed with the transaction.

Potential Motions:

Council:

1. Motion to approve Joint Resolution 2022-23

Attachments:

Resolution 2022-23 6-20-22 (DOC)
option 6-27-22 (DOCX)

RESOLUTION NO. 2022-23

**A RESOLUTION OF THE CITY OF LINCOLN CITY AUTHORIZING AND DIRECTING
EXTENSION AND RE-APPROVAL OF AN OPTION AGREEMENT TO INNOVATIVE
HOUSING, INC. , MANAGING MEMBER OF LINCOLN 25 LIMITED PARTNERSHIP,
FOR DISPOSITION OF CITY-OWNED REAL PROPERTIES FOR AFFORDABLE
HOUSING**

RECITALS

- A. The City is the legal owner of real property located in proximity to the terminus of NE 25th Street, north of the St. James Santiago Episcopal church, consisting of two tax lots together with some easement provision for access through 2510 N. Highway 101, Lincoln City, Oregon. The lots involved in the conveyance include Recording Doc: 2009-14354 [07-11-11-BB-04302-00 (Westerly Parcel)] and Recording Doc: 2009-14355 [07-11-11-BB-04300-00 (Easterly Parcel)].
- B. The City is also the legal owner of real property located in front of the two City Lots referenced above, namely 2510 NE Highway 101, Lincoln City, Oregon, said property having been acquired by the City Urban Renewal Agency and transferred to City (recorded deed March 23, 2022). The Tax lot for this address is [Tax lot 07-11-11-BB-04301-00].
- C. In Resolution 2020-09 and Joint Resolution UR 2021-01, the City and the Urban Renewal Agency, following public hearings, granted Innovative Housing, Inc. (IHI) an option to purchase the above referenced properties for affordable housing purposes; IHI requires an extension of time for Lincoln 25 Limited Partnership to complete the purchase; and
- D. On June 27, 2022, the Lincoln City City Council, at the Council Chambers at 801 SW Highway 101, Lincoln City, Oregon conducted an advertised public hearing on the proposed extension/re-approval of the option to purchase the subject properties (three lots total), with numerous conditions, pursuant to ORS 221.725, ORS 271.310 and ORS 271.330.
- E. The advertised purpose of the option to purchase/future conveyance, and the reason the City Council and Agency find it necessary or convenient to sell the property (grant an option), to Lincoln 25 Limited Partnership (managing

1 partner - Innovative Housing, Inc.) an Oregon nonprofit public benefit
2 corporation, is the City and Agency's desire to provide affordable housing to
3 the City of Lincoln City's population.
4

5 F. The option to purchase is being considered ahead of a proposed disposition
6 and development agreement to provide site control for the redevelopment
7 project using the Federal low income housing tax credit (LIHTC) program by
8 the State. Based on this fact, the principal condition of the option to
9 purchase is the subsequent approval and execution of a disposition and
10 development agreement following a public hearing pursuant to ORS 271.225.
11 Accordingly, the terms of the disposition and development agreement are
12 not finally determined.
13

14 G. The nature of the option and future conveyance, with conditions, has been
15 advertised as an extension/ re-approval of the option/future conveyance to a
16 domestic non-profit corporation of a City-owned property acquired in 2009-
17 2010 for \$50,000. The most recent appraisals of the lots (2009) show a
18 combined value of \$433,000.00. Since the approval of the last option on the
19 City Properties above, the Agency has acquired the Hwy 101 frontage valued
20 at \$400,000. This additional URA property has now been conveyed to the
21 City. The former URA property was added to the option in February 2021
22 [Joint Resolution UR 2021-01] and is included in this re-approval/extension.
23 The total value of the properties included in the option extension is
24 \$833,000.00.
25

26 H. Consideration for the option to purchase includes construction of 107
27 apartment units restricted to 30% to 60% of area median income. Payment of
28 \$1.00 and Lincoln 25 Limited Partnership's (managing member -IHI)
29 commitment to redevelopment of the property using the Federal low income
30 housing tax credit (LIHTC) by the State and a commitment to proceed in
31 good faith with negotiation of a disposition and development agreement.
32 The terms and conditions of the future disposition and development
33 agreement, may include, but are not limited to, the following principal terms:;
34 (1) Land Sale Price of \$1.00; (2) Multiple Unit Housing Property Tax
35 Abatement pursuant to ORS Chapter 307; (3) Deed restrictions or restrictive
36 covenants to enforce affordability standards; (4) System Development Charge
37 Deferrals per LCMC 13.08.095; (5) up to \$350,000 city "gap" grant; (6)
38 previously granted pre-development funding up to \$47,000; (7) previously
39 funded acquisition of improved site access; (8) City design, permitting and

1 construction of re-aligned NE 25th Street. All the above terms are subject to
2 all applicable quasi-judicial and legislative approval processes, including local
3 budget law. A standard real estate purchase and sale agreement may also be
4 required.
5

6 I. The June 27, 2022 City Council public hearing and Resolution staff reports are
7 incorporated herein by this reference. All evidence of market value was fully
8 disclosed and entered into the record at the public hearing.
9

10 J. Pursuant to ORS 221.725, any resident of the City was provided with an
11 opportunity to present oral or written testimony to the City Council on the subject
12 of the advertised Extension Re-approval of the Option to Purchase / future
13 conveyance at the public hearing. Again, there will be another opportunity to
14 comment at a future ORS 221.725 public hearing on the disposition and
15 development agreement.
16

17 K. After hearing the staff report, public input, and due deliberation, Council made the
18 findings set forth herein and directed the Extension / Re-approval of the Option to
19 Purchase / future conveyance of the real property with the conditions identified in
20 the staff report and this Resolution.
21

22 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF**
23 **LINCOLN CITY, AS FOLLOWS:**
24

25 **SECTION 1. RECITALS.** The above recitals are true and correct and are
26 incorporated herein by this reference.
27

28 **SECTION 2. FINDINGS.**
29

30 The Council finds and determines that the relevant statutory criteria for disposition
31 of City real property are found in or referenced in ORS Chapter 271 (specifically ORS
32 271.310 and ORS 271.330) as well as ORS 221.725 and the Lincoln City Urban
33 Renewal Plan.
34

35 ORS 271.330(2) provides (**emphasis added**):
36

37 (2)(a) Any political subdivision is granted express power to relinquish the title
38 to any of the political subdivision’s property to a qualifying nonprofit

1 corporation or a municipal corporation for the purpose of providing any of the
2 following:

- 3 (A) Low income housing;
- 4 (B) Social services; or
- 5 (C) Child care services.

6 (b) As used in this subsection:

7 **(A) "Qualifying nonprofit corporation" means a corporation**
8 **that is a public benefit corporation as defined in ORS 65.001 (35)**
9 **and that has obtained a ruling from the federal Internal Revenue**
10 **Service providing that the corporation is exempt from federal**
11 **income taxes under section 501(c)(3) of the Internal Revenue Code.**

12 (B) "Social services" and "child care services" include but are not
13 limited to education, training, counseling, health and mental health
14 services and the provision of facilities and administrative services to
15 support social services and child care services.

16
17 **221.725 Sale of city real property; publication of notice; public hearing.**
18

19 (1) Except as provided in ORS 221.727, when a city council considers it
20 necessary or convenient to sell real property or any interest therein, the city
21 council shall publish a notice of the proposed sale in a newspaper of general
22 circulation in the city, and shall hold a public hearing concerning the sale prior
23 to the sale.

24 (2) The notice required by subsection (1) of this section shall be published
25 at least once during the week prior to the public hearing required under this
26 section. The notice shall state the time and place of the public hearing, a
27 description of the property or interest to be sold, the proposed uses for the
28 property and the reasons why the city council considers it necessary or
29 convenient to sell the property. Proof of publication of the notice may be
30 made as provided by ORS 193.070.

31 (3) Not earlier than five days after publication of the notice, the public
32 hearing concerning the sale shall be held at the time and place stated in the
33 notice. Nothing in this section prevents a city council from holding the hearing
34 at any regular or special meeting of the city council as part of its regular
35 agenda.

36 (4) The nature of the proposed sale and the general terms thereof,
37 including an appraisal or other evidence of the market value of the property,
38 shall be fully disclosed by the city council at the public hearing. Any resident of
39 the city shall be given an opportunity to present written or oral testimony at
40 the hearing.

1 (5) As used in this section and ORS 221.727, "sale" includes a lease-option
2 agreement under which the lessee has the right to buy the leased real property
3 in accordance with the terms specified in the agreement.
4

5 The Council finds and determines that it has received all information necessary to make
6 a decision based on the Staff Report, public hearing testimony and the exhibits and
7 evidence received.
8

9 The Council finds and determines that this proposal to grant an Extension / Re-
10 approval of the Option to Purchase the subject properties to Lincoln 25 Limited
11 Partnership [managing member Innovative Housing, Inc. (IHI), an Oregon nonprofit
12 public benefit corporation] meets all applicable statutory minimum criteria for
13 eligibility to convey real property, as more fully set forth herein. IHI is a qualifying
14 nonprofit corporation. Further the City Council finds and determines that the
15 proposed option to purchase for future disposition of real property (following another
16 public hearing) is deemed "necessary or convenient" to the City and Agency, and
17 "furthers the public interest" as the sale will further the City Council's and Agency's desire
18 to provide affordable housing for the City of Lincoln City's population. The Council and
19 Agency further find and determine that the property identified herein is not necessary for
20 City use. The findings herein are supported by competent substantial evidence in the
21 whole record, incorporated herein by this reference.
22

23 **SECTION 3. ORDER.** Based on the above Findings set forth herein and based upon
24 the evidence in the whole record, the City Council hereby approves and directs the
25 entering into an Extension/ Re-approval of the Option to Purchase Agreement for
26 future sale / conveyance of the subject properties, subject to all identified conditions,
27 included or referenced herein. The Option to Purchase is delegated to the City
28 Manager and City Attorney who are authorized to execute all documents as is
29 necessary to effectuate the Option approval / Extension and to bring back for future
30 consideration at an advertised public hearing the disposition and development
31 agreement contemplated herein for future consideration. The City Attorney must
32 approve all documents as to form. The Manager is expressly delegated the authority
33 to sign documents for the City. The Manager and Attorney are authorized to sign an
34 "award letter" consistent with this Resolution and further may expend such funds as
35 are necessary to effectuate the option and the future consideration of a disposition
36 and development agreement. The disposition and development agreement will be
37 subject to final approval, including all appeals, of applicable land use actions, and
38 other processes to address the terms and conditions therein. The future real property
39 sale will be, as is, and subject to all encumbrances of record.
40

1 **SECTION 4. EFFECTIVE DATE.** This resolution is effective as of the date of its
2 adoption and signature by the Mayor.

3
4 PASSED AND ADOPTED by the City Council of the City of Lincoln City this 27th day of
5 June, 2022.

6
7
8
9 _____
10 SUSAN WAHLKE, MAYOR

11
12 ATTEST:

13
14
15 _____
16 JAMIE YOUNG, CITY RECORDER

17
18 APPROVED AS TO FORM:

19
20
21 _____
22 RICHARD APPICELLO, CITY ATTORNEY

PURCHASE OPTION AGREEMENT

THIS PURCHASE OPTION AGREEMENT (this “**Option Agreement**”) is dated for reference as of this 27th day of June 2022 and entered into between City of Lincoln City, a municipal corporation of the State of Oregon (hereinafter referred to as “**Optionor**”), and INNOVATIVE HOUSING, INC., an Oregon nonprofit public benefit corporation, and/or its successors and assigns (“**Optionee**”).

WHEREAS, Optionor owns certain real properties located in proximity to the terminus of NE 25th Street, north of the St. James Santiago Episcopal church, consisting of three tax lots including 2510 NE Highway 101, in Lincoln City, Oregon. All three properties are legally described on **Exhibit A**, attached hereto and incorporated herein by reference (the “**Land**”) and all rights, privileges and easements appurtenant to the real property (collectively, the “**Appurtenances**”) The Land and Appurtenances shall be herein collectively referred to as the “**Property**”);

WHEREAS, in early 2018, Optionor, Lincoln City and the Lincoln City Urban Renewal Agency (“**Agency**”) issued a Request for Expressions of Interest (RFEI) for eight City or Agency-owned properties for investment, redevelopment, and higher intensity uses. The two City lots behind the 2510 NE Highway 101 property were included. The Optionor and Agency received 22 responses from the RFEI process. Following an evaluation of the relative merits of each response, the City elected to enter into exclusive negotiations with Optionee for the original site.

WHEREAS, Optionor and Optionee entered into an Option agreement for the original two City properties on April 27, 2020. Subsequently, the Agency acquired the third parcel, and Optionor desires to grant Optionee an option to purchase the Property (including all three parcels) on the terms and conditions set forth in this Option Agreement;

WHEREAS, Optionee may apply for financing for the purchase of the Property from one or more funding sources which require environmental clearance under the National Environmental Policy Act of 1979 with respect to the Property (the “**NEPA Clearance**”);

WHEREAS, provided all contingencies under this Option Agreement are satisfied or otherwise waived, e.g. Disposition and Development Agreement, Optionee intends to close on the acquisition of the Property after receipt of NEPA Clearance and develop low-income housing on the Property (the overall development hereafter referred to as the “**Project**”);

WHEREAS, the effective date of this Option Agreement will be the date upon which the last of the parties hereto has executed this Option Agreement (the “**Effective Date**”), as evidenced by the dates next to the parties’ signatures below.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of Optionor and Optionee (collectively, the “**Parties**”), and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

1. Recitals. The foregoing recitals are true and correct and incorporated into this Option Agreement.

2. Option. In consideration of One Dollar (\$1.00) in hand paid, the receipt of which Optionor acknowledges, and other good and valuable consideration, Optionor hereby grants to Optionee an exclusive option to purchase the Property (the “**Option**”) under the terms of this Option Agreement. Optionee may exercise the Option, after satisfaction of conditions referenced herein, by providing written notice to Optionor of such election by the Option Deadline. The term “**Option Deadline**” means 5:00 pm PST on December 31, 2022.

The Seller’s (Optionor’s) City Manager (the “**Manager**”) is delegated authority to administratively extend the Option Deadline once, by six (6) months, to June 30, 2023 in the event the Project is not approved for funding by Oregon Housing and Community Services Commission (“**OHCS**”) or other impediment to development, and the Manager finds that sufficient progress has been made toward satisfaction of the conditions prerequisite to closing as enumerated herein. If the Option Deadline is extended by six months the Financial Contingency Period and the Closing will also be extended by six months.

3. Principal Prerequisite Contingencies to be satisfied before Closing.

- a. Resolution 2022-23 sets forth the Seller’s City Council’s approval of Optionor’s entering into this Option Agreement. The principal condition to entering into this Option Agreement, and therefore the principal condition prerequisite to Closing, is the approval and execution by the Parties of a Disposition and Development Agreement (following an advertised ORS 221.725 public hearing) which sets forth the final terms and conditions of the disposition and development of the property. This Option Agreement is primarily intended to evidence exclusive site control on the part of the Optionee, to facilitate low income tax credit applications as well as other funding.
- b. The Parties Agree the final terms and conditions of the Disposition and Development Agreement have not been finally negotiated, and some of the contemplated consideration is subject to required Lincoln City code and statutory processes. Resolution 2022-23 contains a list of possible consideration, on both sides, for this real property transaction. (For example, while Lincoln City is agreeable to a one-dollar (\$1.00) purchase price, the Disposition and Development Agreement will provide for additional non-monetary consideration in lieu of financial compensation, and the purchase price for the Property agreed upon in the Disposition and Development Agreement shall be the “Purchase Price” described herein. Following, the approval and execution of the Disposition and Development Agreement, and as required, satisfaction of the conditions of said agreement, the process in this Option Agreement will be followed to complete the transaction. If the Parties fail to reach agreement on the Disposition and Development Agreement, this Option Agreement will automatically terminate and be of no further force and effect,–and the Parties will have no further liability or responsibility to each

other, except for the provisions of this Option Agreement that survive termination.

4. Closing. The consummation of the purchase and sale of the Property (the “Closing”) will take place on or before December 31, 2022 (unless extended in accordance with Paragraph 2) or on an earlier date that is mutually acceptable to the Parties. The term “Closing Date” means the date of Closing. Optionee and Optionor may establish an earlier Closing Date by mutual agreement. The Closing will be conducted through escrow with a Title Company to be mutually chosen in the Disposition and Development Agreement (it being the intention of the Parties that all closing documentation and funds will be delivered to the Title Company).

5. Additional Optionee Contingencies and Rights.

- a. NEPA Clearance. The Parties agree to work together in good faith to obtain the NEPA Clearance. In the event Optionee receives notice from any funder that Optionee will not receive a NEPA Clearance (a “**Rejection Notice**”), this Option Agreement will automatically terminate and be of no further force and effect, and the Parties will have no further liability or responsibility to each other, except for the provisions of this Option Agreement that survive termination. Optionee will notify Optionor within ten (10) business days of its receipt of a Rejection Notice or NEPA Clearance.
- b. Feasibility Contingency. The Parties acknowledge, that Optionee has had exclusive access to the property for over a year pursuant to the Exclusive Negotiating Agreement. Optionee’s obligation to purchase the Property is contingent upon Optionee’s satisfaction, in its sole and absolute discretion, with the physical, geological and environmental condition of the Property; the suitability of the Property for Optionee’s intended use; and the financial feasibility of the Property for Optionee’s intended development (the “**Feasibility Contingency**”). Optionee shall notify the Optionor, in writing, no later than midnight on [*waived by Optionee as of November 30, 2021*] the “**Feasibility Contingency Period**”) of its waiver, acceptance or disapproval of this Feasibility Contingency. Optionee’s failure to notify the Optionor that it has waived or accepted this Feasibility Contingency shall constitute notice of acceptance. If this Option Agreement is terminated pursuant to this subsection, both Optionor and Optionee shall be released and discharged from all further obligations under this Option Agreement—and the Parties will have no further liability or responsibility to each other, except for the provisions of this Option Agreement that survive termination.
- c. Financing Contingency. Optionee’s obligation to purchase the Property is contingent upon Optionee’s securing the necessary financing for the development of the Project, as determined in the sole and absolute discretion of the Optionee (the “**Financing Contingency**”). Optionee shall notify the

Optionor, in writing, no later than midnight on [*waived by Optionee as of November 30, 2021*], unless extended in accordance with Paragraph 2 (the "**Financing Contingency Period**") of its waiver, acceptance or disapproval of this Financing Contingency. If Optionee fails to notify Optionor that this condition is satisfied or waived at or before the Financing Contingency Period, then Optionee's failure to notify the Optionor shall constitute notice of acceptance. If this Option Agreement is terminated pursuant to this subsection, both Optionor and Optionee shall be released and discharged from all further obligations under this Option Agreement, the Deposit will be immediately refunded to Optionee, and the Parties will have no further liability or responsibility to each other, except for the provisions of this Option Agreement that survive termination.

- d. Optionee's Right to Information. Throughout the Feasibility Contingency Period, Optionee and its agents, employees and designees shall have reasonable access to the Property and to the persons and information described herein for the purpose of satisfying the contingencies. This right of access shall include the following:
- i. Right of Entry. Optionee shall have the right to enter the Property to investigate, study and test the Property, and Optionor shall cooperate with such inspections. Optionee may conduct such investigations, studies and tests on the Property as it determines are appropriate, including, but not limited to verification of compliance of the Property with applicable zoning, building, health and safety laws, regulations and codes, surveys, inspections for hazardous waste, environmental studies (including, without limitation, a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards), structural examinations, engineering studies, and soils samples and testing (including, but not limited to, soil borings). Optionee will promptly restore or repair any physical damage caused by such inspections and investigations.
 - ii. Right of Access to Records. Optionee acknowledges the Optionee has been provided with records pursuant to the existing Exclusive Negotiating Agreement-
- e. Optionee's Indemnification of Optionor. Optionor agrees to cooperate with Optionee in its investigation of the Property and to provide any information requested concerning the Property and its prior uses. Optionee will, however, perform all investigation, studies, inspections and tests at its own expense. In addition, Optionee will indemnify, defend and hold Optionor harmless from any costs or claims for personal injury, property damage or materialman's/mechanic's liens directly resulting from Optionee's entry onto the Property to conduct such inspections, studies and tests except for costs or

claims (i) resulting from the acts or omissions of Optionor or (ii) resulting from the manufacture, generation, presence, release, disposal or transportation of Hazardous Substances (defined below) on, to or from the Property, not caused by Optionee.

- f. Optionor's Transfer of Property. During the term of this Option Agreement, Optionor will not transfer, assign, convey or otherwise encumber the Property or any interest therein without the prior written consent of Optionee, which consent shall not be unreasonably withheld ("**Transfer**"). This Option Agreement will survive any Transfer and be binding upon Optionor's transferees, successors, and assigns.

6. Title.

a. Title Review.

i. Preliminary Commitment. Optionee has obtained a preliminary commitment for title insurance from the Title Company (the "Preliminary Commitment").

ii. Optionee's Review. Optionee shall have thirty (30) days after the Effective Date to notify Optionor, in writing, of its approval and disapproval of each exception shown in the Preliminary Commitment. Optionee's failure to notify Optionor that it has disapproved a particular exception shall constitute Optionee's acceptance of that exception. Any exception that Optionee has approved shall become a Permitted Exception.

iii. Optionor's Response. Optionor shall have fifteen (15) days after receipt of Optionee's notice to notify Optionee, in writing, of its agreement to cure or remove any of the disapproved exceptions. Optionor's failure to notify Optionee that it will cure or remove a particular exception shall constitute Optionor's refusal to cure or remove that exception. Optionor shall remove or cure by Closing the exceptions it has agreed to remove or cure.

iv. Optionee's Rights. If Optionor does not agree to cure or remove all exceptions disapproved by Optionee, Optionee shall have ten (10) days from Optionee's receipt of Optionor's notice of the same or, if Optionor has not provided such notice, then within ten (10) days of the deadline to provide it under Paragraph 5(a)(iii), to notify Optionor, in writing, whether it will in its sole discretion, waive such objections and close the transaction or terminate this Option Agreement. Optionee's failure to give such notice shall constitute Optionee's election to waive its objections and close the transaction. In that event, the disapproved exceptions shall become Permitted Exceptions. If Optionee elects to terminate this Option Agreement, Optionor and Optionee shall equally share any cancellation fee or other cost of the Title Company, and this Option Agreement shall terminate and all rights and obligations of the

parties shall terminate.

v. Updated Title Matters. The foregoing notice and response procedures shall be repeated for any title exceptions first appearing after Optionee's receipt of the initial Preliminary Commitment, except that if the time period for delivery of any notice extends beyond the Closing Date, such notice and all subsequent notices shall be delivered on or before the Closing Date.

b. Title Policy.

i. Delivery of Policy. At Closing, Optionee will, at its sole cost and expense, cause the Title Company to issue to Optionee an ALTA standard coverage owner's policy of title insurance, in the amount of the Purchase Price, insuring Optionee against loss or damage arising from defects in title to the Property other than the Permitted Exceptions (the "Title Policy").

ii. Failure to Deliver Policy. If, at Closing, the Title Company will not insure the title as provided above, Optionee may either proceed to close despite the lack of required insurance or terminate this Option Agreement. If Optionee terminates this Option Agreement, Optionee shall equally share pay any cancellation fee of the Title Company, and this Option Agreement shall terminate and all rights and obligations of the parties shall terminate.

7. URA. The Parties acknowledge and agree to the Uniform Relocation and Real Property Acquisition Policies Act disclosures (the "URA Disclosures") at Exhibit B.

8. Optionor's Obligations. The Optionor covenants that it will, at all times from the date of this Option Agreement to the Closing:

- a. make all principal and interest payments due under, and comply with each and every covenant and obligation imposed upon the owner of the Property by promissory notes, mortgages, deeds of trust, ground or other leases and any other agreements affecting the Property, or secured by an interest in the Property or any part thereof, and will take any and all action as may be necessary to avoid any default under such agreements;
- b. not negotiate, discuss or enter into or cause to be entered into, any written or oral option, sale agreement, mortgage, lease, service contract or other contracts, encumbrances or agreements regarding or pertaining to the Property or any portion thereof;

- c. maintain, use and operate the Property in compliance with all applicable laws, regulations and ordinances with respect to the ownership, use and occupancy of the Property;
- d. pay for any materials, supplies or work provided or ordered for the Property prior to the Closing and for which a labor, materialman's or mechanic's lien may be claimed under applicable law, and if required by the Title Company, provide the Title Company with such indemnifications or security as it may require to insure title to the Property at the Closing without exception for any unrecorded labor, materialman's or mechanic's claim of lien;
- e. cooperate prior to Closing with Optionee's permitting activities with respect to the Property. Provided, however, that Optionee shall not enter into, and the Optionor shall not be required to execute, any documents or instrument which would be binding upon the Optionor or the Property if this transaction fails to close.

9. Warranties.

- a. Optionor's Representations and Warranties. For the purposes of inducing Optionee to consummate the transactions contemplated hereby Optionor represents and warrants to Optionee, as of the Effective Date and, except as otherwise set forth herein, as of the Closing Date, that to the best of Optionor's knowledge and belief, the following are true:
 - i. Optionor has full power, authority and legal right to execute, deliver and perform this Option Agreement, and all other documents and certificates contemplated hereby; the Optionor has duly authorized the execution, delivery and performance thereof; and has authorized the person executing this Option Agreement to do so;
 - ii. This Option Agreement constitutes the legal, valid and binding obligation of Optionor, enforceable against Optionor in accordance with its terms;
 - iii. There are no actions, suits, proceedings, orders or investigations pending or, to the best of Optionor's knowledge, threatened against or affecting Optionor which might adversely affect Optionor's performance under this Option Agreement or the consummation of the transactions contemplated hereby;
 - iv. Except as expressly provided herein, there is not pending or, to the best of Optionor's knowledge, threatened (i) condemnation or similar proceedings with respect to the Property or any part thereof, (ii) public improvements in, about or outside the Property which might result in the imposition of any assessment, lien or charge against Optionor, the Property or any owner of the Property, or (iii) legal action of any kind or nature, affecting the Property, which would enjoin or restrict the right of Optionor to

consummate the transactions contemplated hereby;

- v. None of the following has occurred with respect to the Property or Optionor: (i) appointment of a receiver, liquidator, or trustee for the real estate; (ii) institution of any proceeding for dissolution or liquidation; (iii) filing or any petition for bankruptcy, or action toward reorganization; (iv) pending foreclosure or forfeiture action;
 - vi. All taxes and assessments and other governmental or quasi-governmental levies of any kind which are due for payment prior to the Effective Date, the non-payment of which would in any way affect the property or any part thereof, or the Optionee's title thereto or in any way impose any liability on the Optionee, have been paid, or shall be paid by Optionor, prior to or at the time of Closing, together with all interest and penalties thereon;
 - vii. To the best of Optionor's knowledge, the Property is not affected by any special assessment, whether or not a lien thereon, which has not or will not be paid in full by Optionor prior to the Closing Date, nor does Optionor know of any pending or contemplated assessments or similar charges which will affect the Property; and
 - viii. Optionor has not intentionally withheld any material information concerning environmental matters with respect to the Property.
- b. Optionee's Representations and Warranties. For the purposes of inducing Optionor to consummate the transactions contemplated hereby Optionee represents and warrants to Optionor, as of the Effective Date and, except as otherwise set forth herein, as of the Closing Date, as follows:
- i. Optionee has full power, authority and legal right to execute, deliver and perform this Option Agreement, and all other documents and certificates contemplated hereby; the Optionee has duly authorized the execution, delivery and performance thereof; and has authorized the person executing this Option Agreement to do so;
 - ii. This Option Agreement constitutes the legal, valid and binding obligation of Optionee, enforceable against Optionee in accordance with its terms; and
 - iii. There are no actions, suits, proceedings, orders or investigations pending or, to the best of Optionee's knowledge, threatened against or affecting Optionee which might adversely affect Optionee's performance under this Option Agreement or the consummation of the transactions contemplated hereby.
- c. Survival. The representations and warranties in this Paragraph shall survive Closing.

10. Conditions Precedent to Closing

- a. Optionee's obligations under this Option Agreement are expressly conditioned on, and subject to satisfaction of, the following conditions precedent:
- i. Optionor shall have performed all material obligations required by this Option Agreement;
 - ii. Title Company shall be ready, willing and able to issue the Title Policy subject only to the Permitted Exceptions; and
 - iii. The representations and warranties of Optionor contained herein shall be true and correct in all material respects.

The conditions set forth in Paragraph 10a.i through 10 a.iii above are intended solely for the benefit of Optionee. If any of the foregoing conditions are not satisfied as of the Closing Date, Optionee shall have the right at its sole election either to waive the condition in question and proceed with the purchase of the Property or, in the alternative, to terminate this Option Agreement, whereupon the Earnest Money shall be returned to Optionee and the parties shall have no further obligations hereunder other than those obligations which survive the termination of this Option Agreement by their express terms.

- b. Optionor's obligations under this Option Agreement are expressly conditioned on, and subject to satisfaction of, the following conditions precedent:
- i. Optionee shall have performed all material obligations required by this Option Agreement; and
 - ii. The representations and warranties of Optionee contained herein shall be true and correct in all material respects.

The conditions set forth in Paragraph 10.b.i and 10.b.ii above are intended solely for the benefit of Optionor. If any of the foregoing conditions are not satisfied as of the Closing Date, Optionor shall have the right at its sole election either to waive the condition in question and proceed with the sale or, in the alternative, to terminate this Option Agreement. No such termination, however, shall waive Optionor's right to retain the Earnest Money if Optionee is then in default under this Option Agreement.

- c. Optionor and Optionee acknowledge that the responsibility of both parties to proceed with this transaction is conditioned upon approval and execution of the Disposition and Development Agreement as outlined in Paragraph 3 above.

11. Closing.

- a. Optionor's Closing Obligations. At the Closing, Optionor shall:
- i. Execute, acknowledge and deliver (x) a Statutory Warranty Deed (the “**Deed**”) to the Property subject only to the Permitted Exceptions and (y) such other agreements, documents and instruments as may be necessary to transfer, convey and assign the Property to Optionee;
 - ii. Deliver to Optionee, pursuant to Section 1445 of the Internal Revenue Code of 1986, as amended, a non-foreign affidavit, stating that Optionor is not a foreign person and providing Optionor's United States taxpayer identification number;
 - iii. Deliver to Optionee such other instruments or documents as may be required pursuant to the provisions hereof, by the Title Company or the Disposition and Development Agreement to be approved, or as mutually agreed by counsel for Optionor and Optionee to be necessary to fully consummate the transaction contemplated hereby;
 - iv. Terminate or cause to be terminated any contracts or agreements that are not agreed to be assumed by Optionee or by written agreement of Optionee;
 - v. Cause the Title Company to deliver the Title Policy at Closing or as soon thereafter as practicable; and
 - vi. Cause all personal property to be removed from the Property (unless otherwise agreed to in writing by Optionee).
- b. Optionee's Closing Obligations. At the Closing, Optionee shall:
- i. Deliver to Optionor cash or immediately available funds the remainder of the Purchase Price following application of the Deposit; and
 - ii. Deliver to Optionor such other instruments or documents as may be required pursuant to the terms hereof or the Disposition and Development Agreement to be approved, or as mutually agreed by counsel for Optionor and Optionee to be necessary to fully consummate the transaction contemplated hereby.
- c. Allocation of Closing Expenses. The cost of closing the transaction shall be allocated between Optionor and Optionee as follows:
- i. Optionor shall pay:
 1. any taxes or charges with respect to the transaction.
 - ii. Optionee shall pay:

2. The escrow fees of the Title Company;
 3. The premium for the ALTA owner's standard coverage Title Policy required by Paragraph 5.b.;
 4. The cost of the Title Policy that exceeds the cost of the ALTA owner's standard coverage, including the costs of survey if required by the Title Company; and
 5. The cost of recording the Deed and any other documents that Optionee may choose to record.
- iii. All other expenses incurred by Optionor or Optionee with respect to Closing, including but not limited to attorneys' fees, shall be borne and paid exclusively by the party incurring the same unless the parties hereto expressly agree in writing to the allocation of part or all of such expenses to one of the parties.
- d. Proration. The following items shall be adjusted or prorated between Optionor and Optionee at the Closing, as of the Closing Date:
- i. Ad valorem, property and/or similar taxes (excluding assessments) for the then current tax year relating to the Property shall be prorated; and
 - ii. All unpaid assessments, if any, existing as of the Closing Date, due and payable before or after such date and applicable to the period of Optionor's ownership of the Property, shall be paid by Optionor in cash at the Closing to the assessing entity.
- e. Right to Possession. At the Closing and as a condition thereto, Optionee shall have full and unrestricted right to possession of the Property subject only to the Permitted Exceptions.
- f. Risk of Loss. Risk of loss or damage to the Property by condemnation, eminent domain, or similar proceedings (or deed in lieu thereof), or by fire or any other casualty, from the Effective Date through Closing will be on Optionor and thereafter will be on Optionee. Optionor will immediately notify Optionee in writing of any such loss. Optionee shall notify Optionor, in writing, within fifteen (15) days of Optionee's receipt of Optionor's notice whether Optionee shall proceed to Closing. Optionee's failure to notify Optionor that it will proceed to Closing shall constitute notice of disapproval of the loss. If Optionee disapproves this loss, Optionor shall pay any cancellation fee or other cost of the Title Company, and this Option Agreement shall terminate and all rights and obligations of the parties shall terminate.
12. Assignment. Optionee may, without approval of the Optionor, assign its rights and

obligations under this Option Agreement to a limited partnership or limited liability company of which Optionee or an affiliate of Optionee is the general partner or manager and a substantial participant in the ownership and operation of the low-income housing to be constructed on the Property. Any other assignment of Optionee's interest herein will be subject to Optionor approval which will not be unreasonably withheld. Optionee must notify and, if required, request approval by Optionor of any such assignment prior to the Closing and the assignee will for all purposes be regarded as Optionee under this Option Agreement.

13. Termination and Remedies.

a. Default by Optionor.

- i. Optionor's Defaults. Optionor shall not be deemed in default of this agreement if the parties fail to reach agreement and accordingly do not obtain approval and execution of a Disposition and Development Agreement. Thereafter, Optionor shall be deemed to be in default hereunder in the event Optionor fails, for a reason other than Optionee's default hereunder, to meet, comply with, or perform any covenant, agreement or obligation on its part required within the time limits and in the manner required in this Option Agreement.
- ii. Optionee's Remedies. Unless otherwise specified herein, in the event of default by Optionor, Optionee may elect to (a) terminate this Option Agreement or (b) seek specific performance of this Option Agreement.

b. Default by Optionee.

- i. Optionee's Defaults. Optionee shall not be deemed in default of this agreement if the parties fail to reach agreement and accordingly do not obtain approval and execution of a Disposition and Development Agreement. Thereafter, Unless otherwise specified herein, Optionee shall be in default hereunder in the event Optionee fails, for a reason other than Optionor's default hereunder, to meet, comply with, or perform any covenant, agreement or obligation on its part required within the time limits and in the manner required in this Option Agreement, or there shall have occurred a breach of any representation or warranty made by Optionee.
- ii. Optionor's Remedies. Optionor's sole remedy for a material default by Optionee is to elect to terminate this Option Agreement.

14. Brokerage Commissions. Optionor warrants to Optionee that it has not been represented in this transaction by any broker or agent to whom a commission is due or payable. Optionee warrants to Optionor that it has not been represented in this transaction by any broker or agent to whom a commission is due or payable. Each party agrees to indemnify and hold the other harmless from any commission or claim thereof hereafter made against the other on account of any other broker or finder which the indemnifying party has engaged in connection with the

transaction contemplated herein.

15. Entire Agreement. The previously approved Option Agreement(s) (i.e. approved April 27, 2020 and February 22, 2021) are hereby deemed terminated and replaced with this Option Agreement. This Option Agreement sets forth the entire understanding between the Parties with respect to the transactions contemplated herein and supersedes all prior or contemporaneous agreements, oral or written. This Option Agreement contemplates that the Parties will proceed in good faith and negotiate and obtain approval of a Disposition and Development Agreement. Neither this Option Agreement nor any provision hereof may be waived or amended except by an instrument in writing signed by both Parties.

16. Time of the Essence. Time is of the essence in the performance of this Option Agreement.

17. Survival after Closing. The terms and provisions of this Option Agreement will survive Closing and will remain in full force and effect thereafter.

18. Interpretation. Words of any gender used in this Option Agreement will be held and construed to include any other gender, and words of a singular number will be held to include the plural, and vice versa, unless the context requires otherwise.

19. Captions. The captions used in this Option Agreement are for convenience only and will not be deemed to construe or to limit the meaning of the language of this Option Agreement.

20. Binding Effect. This Option Agreement will be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors and assigns.

21. Notices. All notices to either Party must be in writing and either delivered (i) in person, (ii) by United States certified mail, postage prepaid, (iii) by courier service, postage prepaid, or such other address as either Party may from time to time designate by written notice to the other.

If to Optionee: Innovative Housing, Inc.
219 NW 2nd Ave.
Portland, OR 97209
Attention: Executive Director

If to Optionor: City of Lincoln City, Oregon
Attn: City Manager
801 SW Hwy 101 [P.O. Box 50]
Lincoln City, Oregon 97367

All notices will be deemed given on the date such notice is delivered (or if refused, the date of such refusal) or transmitted by telephone facsimile or email, or on the third business day following the date such notice is mailed in accordance with this Paragraph, whichever is applicable.

22. Severability. If one or more of the provisions of this Option Agreement or any application thereof will be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or any other application thereof will in no way be affected or impaired.

23. Applicable Law. This Option Agreement will be governed by and construed in accordance with the laws of the State of Oregon. Venue of any action hereunder will be in Multnomah County, Oregon.

24. Calculation of Time. In the event that the date upon which any time period ends or any duty or obligation hereunder is to be performed will occur upon a Saturday, Sunday, national banking holiday or State of Oregon holiday, then, in such event, the time period or the due date for such performance will be automatically extended to the next succeeding day that is not a Saturday, Sunday, national banking holiday or State of Oregon holiday. Except for express reference to "business" days, all time periods will be deemed to be calendar days.

25. THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, ORS 195.301, AND ORS 195.305 TO 195.336 AND OREGON LAWS 2007, CHAPTER 424, SECTIONS 5 TO 11, OREGON LAWS 2009, CHAPTER 855, SECTIONS 2 TO 9 AND 17, AND OREGON LAWS 2010, CHAPTER 8, SECTIONS 2 TO 7. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR ORS 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, ORS 195.301 AND ORS 195.305 TO 195.336 AND OREGON LAWS 2007, CHAPTER 424, SECTIONS 5 TO 11, OREGON LAWS 2009, CHAPTER 855, SECTIONS 2 TO 9 AND 17, AND OREGON LAWS 2010, CHAPTER 8, SECTIONS 2 TO 7.

[Signatures on Following Page]

The parties have entered into this Purchase Option Agreement on the date first written above.

**OPTIONOR:
CITY OF LINCOLN CITY**

By: _____
Name: _____
Title: _____
Date: _____

**OPTIONEE:
INNOVATIVE HOUSING, INC.**

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT A**Legal Description**

Real property situated in the State of Oregon, County of Lincoln and is described as follows:

Parcel 1

A tract of land situated in the Northwest quarter of the Northwest quarter of Section 11, Township 7 South, Range 11 West of the Willamette Meridian, Lincoln County, Oregon, and more particularly described as follows:

Beginning at the Southwest corner of said Northwest quarter of the Northwest quarter of said Section, Township and Range; thence from said point of beginning South 89 deg. 59' East

141.43 feet along the South line of said Northwest quarter of the Northwest quarter to the true point of beginning of the tract

herein described. Said true point of beginning being also the Southeast corner of that tract of land described in Book 222, Page 343, Deed Records of Lincoln County; thence North 1 deg. 02' 30" East 194.50 feet along the East line of said tract described in Book 222, Page 343, to the South line of that tract of land described in Book 204, Page 405, Deed Records; thence East

101.67 feet; thence North 0 deg. 25' 30" West 100 feet to the South line of the Neal tract described in Book 102, Page 563, Deed Records of Lincoln County; thence East 150 feet along the South line of said Neal tract, thence South 23 deg. 15' 21" East 320.63 feet to the South line of said Northwest quarter of the Northwest quarter of said Section, Township and Range; thence North 89 deg. 59' West 381.06 feet to the true point of beginning.

PARCEL 2:

A tract of land situated in the Northwest quarter of the Northwest quarter of Section 11, Township 7 South, Range 11 West of the Willamette Meridian, Lincoln County, Oregon, and more particularly described as follows:

Beginning at the Southwest corner of said Northwest quarter of the Northwest quarter of said Section, Township and Range; thence from said point of beginning South 89 deg. 59' East

522.49 feet along the South line of said Northwest quarter of the Northwest quarter to the true point of beginning of the tract herein described; thence from said true point of beginning North 23 deg. 15' 21" West 320.63 feet to the South line of the Neal tract described in Book 102, Page 563, Deed Records of Lincoln County; thence East 257.60 feet along the South line of said Neal tract to the West line of that tract of land conveyed to Wilbur L. and Marian V. Rogers, husband and wife, by Jerry Emery and Margaret Hannah Page Holmes Emery, husband and wife, by Deed recorded in Book 159, Page

4 70, Deed Records of Lincoln County; thence South along said tract 9 .68 feet to the Southwest corner thereof; thence East 117.67 feet along the South line of said Rogers tract; thence South 0 deg. 30' West 284.98 feet to the South line of the said Northwest quarter of the Northwest quarter of said Section 11; thence North 89 deg. 59' West 246.19 feet to the true point of beginning.

PARCEL 3:

The Westerly 100 feet, measured along the North line, of the following described property:

Beginning at a point on the South line of Government Lot 8, Section 11, Township 7 South, Range 11 West, Willamette Meridian, in the County of Lincoln, State of Oregon, that is 46 feet East of the West line of said Section 11 (said point also being 40.00 feet East of the center line of Highway 101 and also being on the East right of way line of said Oregon Coast Highway 101); said point being the true point of beginning of the tract herein described; thence East 396.66 feet along the South line of Government Lot 8; thence North 285 feet to the South line of the R. L. Neal property, described in deed recorded in Book 102, page 563, Deed Records; thence West along the South line of the Nealproperty, 197.2 feet; thence South 0' 25 112' East, 100 feet; thence West 201 .67 feet; thence South 0' 25 112' East, 185 feet to the point of beginning.

EXCEPTING THEREFROM any portion within the Oregon Coast Highway right of way.

EXHIBIT B**URA DISCLOSURES****Notice of Disclosure to Optionor with Purchase Offer**

Dear Optionor:

This is to inform you that Innovative Housing Inc. would like to purchase the real property located in proximity to the terminus of NE 25th Street, north of the St. James Santiago Episcopal church, consisting of two City-owned tax lots together with the third lot owned by the Urban Renewal Agency - 2510 N. Highway 101, in Lincoln City, Oregon, if a satisfactory agreement can be reached. We are prepared to pay \$1.00 for clear title to the property under the conditions described in the attached proposed Purchase Option Agreement.

Because federal funds from the HOME Program may be used in the project, either for acquisition, rehabilitation, or new construction, we are required to disclose to you the following information:

1. Innovative Housing, Inc. does not have the power of eminent domain. Your property will not be acquired through condemnation. If negotiations fail to result in an amicable purchase agreement, your property will not be acquired.
2. We are also required to inform you, in writing, of the market value of the property. The market value will be determined by an appraisal. You will be informed of the market value when it is established. At that time you may withdraw from the transaction if the purchase price is not equal to or less than the market value of the property.
3. The HOME Program requires that the purchase price be equal to or less than the market value of the property as established by an appraisal.
4. If in addition to being the Optionor of the property, you occupy the property, you should be aware that you will not be eligible for relocation assistance under the Uniform Relocation and Real Property Acquisition Policies Act of 1970, as amended. This transaction is considered a voluntary arm's length transaction.

If you are willing to sell the property based on the above disclosures, please sign this letter and return it to Innovative Housing, Inc. within 10 days. It is also our understanding that no tenants are occupying the property. If this is incorrect, please provide us with the names of the tenant-occupants of the property.

If you have any questions, please contact Sarah J. Stevenson at (503) 226-4368 x2

Sincerely,

Sarah J. Stevenson, Executive Director, Innovative Housing, Inc.

Date

I accept the conditions of this purchase offer disclosure.

Optionor

I / We the Optionor(s) of the property certify that:

No tenant(s) has/have occupied the property for a period of one year prior to the date of this purchase or option to purchase contract.

This property was occupied by tenant(s) within the past year prior to the date of this purchase or option to purchase contract, but the tenant(s) was/were not asked to move in order for me/us, as Optionor(s), to participate in this acquisition transaction. The tenant(s) moved for one of the following reasons(s):

- | | | | |
|---------------|---|---|---------------------------------|
| Tenant One: | <input type="checkbox"/> Evicted for Cause, | <input type="checkbox"/> Voluntarily Moved, | <input type="checkbox"/> Other* |
| Tenant Two: | <input type="checkbox"/> Evicted for Cause, | <input type="checkbox"/> Voluntarily Moved, | <input type="checkbox"/> Other* |
| Tenant Three: | <input type="checkbox"/> Evicted for Cause, | <input type="checkbox"/> Voluntarily Moved, | <input type="checkbox"/> Other* |

Attach additional information as necessary.

*Explain Other Move(s): _____

The property is tenant occupied, and I / We agree to allow egress / ingress to the site so that the required notices can be delivered to each resident, and that each resident can be surveyed to determine their eligibility or replacement housing needs and related moving costs.

NOTE: If the property is tenant occupied, and the buyer is not allowed access to obtain the required information and serve the required tenant notices, the offer may be withdrawn once the complexity and cost of tenant relocation has been determined.

Signature of Optionor(s)

Date: _____

Date: _____

Council Communication

NE Williams Ct. Water Main Improvement Project Construction Award

Meeting Date: June 27, 2022 Primary Staff Contact: Stephanie Reid
 Department: Public Works E-Mail: SReid@lincolncity.org
 Secondary Dept: Secondary Contacts:
 Approval: Daphnee Legarza Estimated Time: 5 minutes

Question:

Should the City Council Award the construction contract to Jesse Rodriguez Construction, LLC for the NE Williams Ct. Water Main Improvement Project?

Staff Recommendation:

Staff recommends the City Council award the construction contract to Jesse Rodriguez Construction, LLC for the NE Williams Ct. Water Main Improvement Project.

Authority:

LCMC 2.05.060 (Public Improvement contracts shall be awarded by competitive bid or as provided by the Public Contracting Code or these rules)

Background:

The goal of the project is upgrade the existing 2-inch water line in NW Logan Road, north of NE Neptune Drive and along NE Williams Ct.. The existing 2-inch water line is inadequate for fire flow protection in this area.

Project Description

The project will install 857 ft of 12-inch, 16 ft of 8-inch, 124 ft of 6-inch water pipe, replace 290 feet of 1" water services, Install 15 new water meters, and 3 fire hydrants.

Bids

Public Works Department advertised the project for bid on May 23 & 24, 2022. The City Public Works Department opened bids for the project on June 16, 2022. Four bids were received:

Bidder	Bid Amount
Jesse Rodriguez Construction, LLC	\$348,670.00
CG Contractors, LLC	\$391,088.00
Enterprises Northwest, Inc.	\$391,289.00

K&E Excavating, Inc.	\$453,022.00
----------------------	--------------

The lowest responsive and responsible bidder was Jesse Rodriguez Construction, LLC. in the amount of \$348,670.00.

Financial Impact:

This project will be funded out of Water Capital Fund, Projects (232-000-6340202).

The following table shows design costs incurred in FY2021-22, and the estimated cost to construct and complete the project in FY2021-22.

Item	Project Cost in FY20/21	Estimated Cost to Complete FY21/22
Survey & CAD Services	\$12,435.50	
Design	In House	
Bid Advertisement	\$425.50	
Bureau of Labor and Industries		\$348.67
Construction Bid		\$348,670.00
Art (1/2 of one percent of the construction bid)		\$1,743.35
Construction Contingency		\$34,867.00
Total	\$12,861.00	\$385,829.02

Council Options:

The Council may approve the construction award.

The Council may not approve the construction award.

Potential Motions:

Move to award the construction contract to Jesse Rodriguez Construction, LLC in the amount of \$348,670.00 with a construction contingency of \$34,867.00 (10 percent of bid amount) for a total amount of \$383,537.00

Attachments:

Bid Tab

Attachments:

Bid Tab (PDF)

Bid Item	Williams Court Water			Engineer's Estimate		Jesse Rodriguez Construction		CG Contractors		Enterprises Northwest		K&E Excavating		
	ITEMS	QUANTITY	UNIT	UNIT PRICE	TOTAL	UNIT	TOTAL	UNIT	TOTAL	UNIT	TOTAL	UNIT	TOTAL	
GENERAL BID ITEMS														
1	00210	Mobilization	1	LS	\$47,000.00	\$30,000.00	\$33,750.00	\$33,750.00	\$38,000.00	\$38,000.00	\$38,000.00	\$38,000.00	\$45,000.00	\$45,000.00
2	00225	Temporary Work Zone Traffic Control	1	LS	\$25,000.00	\$10,000.00	\$19,250.00	\$19,250.00	\$12,000.00	\$12,000.00	\$15,896.00	\$15,896.00	\$10,500.00	\$10,500.00
3	00280	Catch Basin Inlet Protection	1	EA	\$200.00	\$200.00	\$380.00	\$380.00	\$1,900.00	\$1,900.00	\$45.00	\$45.00	\$120.00	\$120.00
4	00280	Erosion Check Dam	5	EA	\$250.00	\$1,250.00	\$250.00	\$1,250.00	\$1,400.00	\$7,000.00	\$145.00	\$725.00	\$160.00	\$800.00
5	01140	12-inch, PVC C900 DR18 pipe, Class "B" Backfill, 0-10 feet.	857	FT	\$120.00	\$102,840.00	\$107.00	\$91,699.00	\$98.00	\$83,986.00	\$187.00	\$160,259.00	\$185.00	\$158,545.00
6	01140	8-inch DR 18, PVC C900 pipe, Class "B" Backfill, 0-10 feet.	16	FT	\$125.00	\$2,000.00	\$94.00	\$1,504.00	\$90.00	\$1,440.00	\$157.00	\$2,512.00	\$150.00	\$2,400.00
7	01140	6-inch PVC C900, DR18 pipe, Class "B" Backfill, 0-10 feet.	124	FT	\$90.00	\$11,160.00	\$91.00	\$11,284.00	\$88.00	\$10,912.00	\$118.00	\$14,632.00	\$125.00	\$15,500.00
8	01140	12" Bell Restraint	17	EA	\$200.00	\$3,400.00	\$440.00	\$7,480.00	\$1,100.00	\$18,700.00	\$695.00	\$11,815.00	\$675.00	\$11,475.00
9	01140	Water Ppe, 1" IPS Blue Polyethylene	290	FT	\$60.00	\$17,400.00	\$51.00	\$14,790.00	\$71.00	\$20,590.00	\$43.00	\$12,470.00	\$60.00	\$17,400.00
10	01140	Reconnect Existing 1" Service Line to New Main	3	EA	\$500.00	\$1,500.00	\$950.00	\$2,850.00	\$1,800.00	\$5,400.00	\$258.00	\$774.00	\$450.00	\$1,350.00
11	01140	Connect Existing 8" AC to New 8" PVC (High Range Coupler)	2	EA	\$5,000.00	\$10,000.00	\$1,450.00	\$2,900.00	\$2,100.00	\$4,200.00	\$1,145.00	\$2,290.00	\$2,600.00	\$5,200.00
12	01140	Connect Existing 6" AC to New 6" PVC (High Range Coupler)	1	LS	\$2,000.00	\$2,000.00	\$1,165.00	\$1,165.00	\$2,100.00	\$2,100.00	\$952.00	\$952.00	\$4,700.00	\$4,700.00
13	01140	Cap & Abandon Existing Water Line	1	LS	\$5,000.00	\$5,000.00	\$850.00	\$850.00	\$4,000.00	\$4,000.00	\$1,032.00	\$1,032.00	\$13,500.00	\$13,500.00
14	01140	Remove & Dispose of 6" AC Pipe	1	LS	\$2,000.00	\$2,000.00	\$5,500.00	\$5,500.00	\$2,000.00	\$2,000.00	\$611.00	\$611.00	\$4,050.00	\$4,050.00
15	01170	Install 5/8" x 3/4" IPERL Electromagnetic Water Meter (City Supplied)	15	EA	\$500.00	\$7,500.00	\$350.00	\$5,250.00	\$850.00	\$12,750.00	\$522.00	\$7,830.00	\$650.00	\$9,750.00
16	01170	Water Meter Box	9	EA	\$1,200.00	\$10,800.00	\$1,465.00	\$13,185.00	\$1,200.00	\$10,800.00	\$370.00	\$3,330.00	\$560.00	\$5,040.00
17	01170	6" Saddle, corp & Meter Stop	3	EA	\$500.00	\$1,500.00	\$850.00	\$2,550.00	\$1,400.00	\$4,200.00	\$480.00	\$1,440.00	\$750.00	\$2,250.00
18	01170	8" Saddle	1	EA	\$1,000.00	\$1,000.00	\$560.00	\$560.00	\$1,600.00	\$1,600.00	\$186.00	\$186.00	\$750.00	\$750.00
19	01170	12" Saddle	11	EA	\$1,500.00	\$16,500.00	\$1,050.00	\$11,550.00	\$1,800.00	\$19,800.00	\$207.00	\$2,277.00	\$750.00	\$8,250.00
20		Saw Cut Trench	1900	FT	\$3.00	\$5,700.00	\$3.50	\$6,650.00	\$3.25	\$6,175.00	\$1.50	\$2,850.00	\$2.00	\$3,800.00
21	00744	Patch Water Trench, Level 2, 1/2" Dense ACP, 4" depth	115	TON	\$200.00	\$23,000.00	\$250.00	\$28,750.00	\$182.00	\$20,930.00	\$222.00	\$25,530.00	\$320.00	\$36,800.00
22	01150	12" Butterfly Valve (FL x MJ)	2	EA	\$5,000.00	\$10,000.00	\$3,825.00	\$7,650.00	\$8,200.00	\$16,400.00	\$5,511.00	\$11,022.00	\$5,800.00	\$11,600.00
23	01150	8" Gate Valve (FL x MJ)	1	EA	\$3,000.00	\$3,000.00	\$2,630.00	\$2,630.00	\$4,000.00	\$4,000.00	\$2,581.00	\$2,581.00	\$2,900.00	\$2,900.00
24	01150	6" Gate Valve (FLxMJ)	1	EA	\$2,000.00	\$2,000.00	\$2,125.00	\$2,125.00	\$3,600.00	\$3,600.00	\$1,657.00	\$1,657.00	\$2,100.00	\$2,100.00
25	01140	12" x 8" Reducer (FL x FL)	1	EA	\$1,500.00	\$1,500.00	\$1,513.00	\$1,513.00	\$2,100.00	\$2,100.00	\$1,028.00	\$1,028.00	\$1,400.00	\$1,400.00
26	01140	12" x 6" Tee (FL x FL)	2	EA	\$1,200.00	\$2,400.00	\$2,854.00	\$5,708.00	\$2,800.00	\$5,600.00	\$2,394.00	\$4,788.00	\$2,600.00	\$5,200.00
27	01140	12" x 6" Tee (MJ x FL)	1	EA	\$1,200.00	\$1,200.00	\$2,854.00	\$2,854.00	\$2,100.00	\$2,100.00	\$1,360.00	\$1,360.00	\$1,850.00	\$1,850.00
28	01140	6" x 6" Tee (MJ x FL)	1	EA	\$1,000.00	\$1,000.00	\$1,800.00	\$1,800.00	\$1,700.00	\$1,700.00	\$678.00	\$678.00	\$1,170.00	\$1,170.00
29	01160	Kennedy K81 Fire Hydrant Assembly & 6" Gate Valve (FL x MJ)	3	EA	\$3,000.00	\$9,000.00	\$7,120.00	\$21,360.00	\$8,000.00	\$24,000.00	\$9,634.00	\$28,902.00	\$8,100.00	\$24,300.00
30	01150	12" - 11.5 Degree Bend	2	EA	\$1,500.00	\$3,000.00	\$980.00	\$1,960.00	\$1,700.00	\$3,400.00	\$914.00	\$1,828.00	\$1,250.00	\$2,500.00
31	0115-	12" - 22.5 Deg Bend (MJ x MJ)	1	EA	\$1,500.00		\$1,010.00	\$1,010.00	\$1,700.00	\$1,700.00	\$926.00	\$926.00	\$1,260.00	\$1,260.00
32	01140	12" - 45 Degree Bend, MJxMJ	3	EA	\$1,500.00	\$4,500.00	\$980.00	\$2,940.00	\$1,900.00	\$5,700.00	\$1,038.00	\$3,114.00	\$1,325.00	\$3,975.00
33	01140	6" - 45 Degree Bend, MJxMJ	3	EA	\$1,000.00	\$3,000.00	\$785.00	\$2,355.00	\$1,800.00	\$5,400.00	\$429.00	\$1,287.00	\$765.00	\$2,295.00
34	01150	1" Combination Air Release/Vacuum Assembly	1	LS	\$5,000.00	\$5,000.00	\$4,865.00	\$4,865.00	\$6,000.00	\$6,000.00	\$5,026.00	\$5,026.00	\$4,400.00	\$4,400.00
35	01150	Blow Off Assembly	1	LS	\$500.00	\$500.00	\$3,350.00	\$3,350.00	\$4,900.00	\$4,900.00	\$4,711.00	\$4,711.00	\$3,900.00	\$3,900.00
36	00865	Longitudinal Payment Marking, Durable, Method B (c) - 4"	300	FT	\$4.00	\$1,200.00	\$11.50	\$3,450.00	\$15.00	\$4,500.00	\$2.00	\$600.00	\$17.00	\$5,100.00
37		Shoulder Rock (3/4"-0 or 1"-0)	15	CY	\$120.00	\$1,800.00	\$100.00	\$1,500.00	\$65.00	\$975.00	\$81.00	\$1,215.00	\$160.00	\$2,400.00
38		Top Soil (Est. 6" Depth)	9	CY	\$100.00	\$900.00	\$88.00	\$792.00	\$60.00	\$540.00	\$136.00	\$1,224.00	\$190.00	\$1,710.00
39		Seed	475	SF	\$4.00	\$1,900.00	\$3.00	\$1,425.00	\$2.00	\$950.00	\$2.00	\$950.00	\$1.00	\$475.00
40	445	Sanitary Sewer Lateral, 4" PVC, 3034, SDR 35, Class "B", 4'-6' depth	96	LF	\$40.00	\$3,840.00	\$116.00	\$11,136.00	\$65.00	\$6,240.00	\$98.00	\$9,408.00	\$122.00	\$11,712.00
41	445	Sanitary Sewer Wye, 4" PVC, 3034, SDR 35 Gasketed Fitting	1	EA	\$200.00	\$200.00	\$400.00	\$400.00	\$200.00	\$200.00	\$217.00	\$217.00	\$950.00	\$950.00
42	445	4" Sanitary Sewer Cleanout Assembly, Complete	2	EA	\$500.00	\$1,000.00	\$1,300.00	\$2,600.00	\$300.00	\$600.00	\$831.00	\$1,662.00	\$1,020.00	\$2,040.00
43	445	Adjust 8" sanitary cleanout lid - preserve existing	1	LS	\$100.00	\$100.00	\$400.00	\$400.00	\$400.00	\$400.00	\$250.00	\$250.00	\$175.00	\$175.00
44	445	Fernco flexible coupler & connection to existing lateral	1	LS	\$400.00	\$400.00	\$950.00	\$950.00	\$700.00	\$700.00	\$494.00	\$494.00	\$1,120.00	\$1,120.00
45	445	Lateral connection to existing cleanout assembly per plans	1	LS	\$750.00	\$750.00	\$750.00	\$750.00	\$900.00	\$900.00	\$905.00	\$905.00	\$1,310.00	\$1,310.00
TOTAL BID ITEMS						\$322,940.00		\$348,670.00		\$391,088.00		\$391,289.00		\$453,022.00

Council Communication

Economic Development: Proposed Nelscott Urban Renewal (TIF) Plan

Meeting Date: June 27, 2022 Primary Staff Contact: Alison Robertson
 Department: Economic Development E-Mail: alisonr@lincolncity.org
 Secondary Dept: Secondary Contacts:
 Approval: Daphnee Legarza Estimated Time: 10 Min

Objective:

The objectives of this meeting are to determine staff direction for a new Urban Renewal Area for Nelscott.

Background actions:

- July 24, 2017, the City Council and Urban Renewal Agency held a joint work session to broadly hear from staff and discuss Economic Development topics. At that meeting the Council requested to have staff bring back more in depth information on the process and timeline to create a new Urban Renewal District, or Area as it is sometimes referred to.
- September 11, 2017, after further discussion Council requested to hear about possible new Urban Renewal Districts (Areas).
- March 26, 2018, possible new Areas were presented to Council and a mobile meeting or tour of the possible new Areas was requested.
- August 14, 2018, the Council held a Special Meeting for a mobile tour and directed staff to proceed with two feasibility studies for possible new Areas.
- December 26, 2018, staff received official approval to remove tax exempt properties through a Minor Amendment to the Plan; this reduced acreage from the existing Year 2000 Development Plan boundary in the case a new Area is formed.
- March 25, 2019, staff presented feasibility studies to City Council.
- April 15, 2019, Council directed staff to "approve the creation of a plan for review of the Roads end / Villages at Cascade Head Urban Renewal Area Plan A and B and direct staff to begin preparation and planning for Urban Growth swap and annexation for the new Urban Renewal Area in Nelscott B."
- August 10, 2020, Council adopted Ordinance 2020-20 approving the Roads End / Villages at Cascade Head Urban Renewal (Tax Increment Financing) Plan thereby forming the new Area.
- June 28, 2021, Council initiated an amendment to Lincoln City's adopted comprehensive plan map regarding the urban growth boundary (UGB). This was to correct a mapping error for the City's UGB boundary by adopting the County's map.
- January 4, 2022, Planning Commission held a public hearing on ZOA 2022-02 (UGB adjustment) and recommended Council approve the proposed amendment to the zoning code to correct for the mapping error.

- February 14, 2022, City Council held a public hearing and adopted Ordinance 2022-06 for UGB Amendment to correct the mapping error.

What is Urban Renewal?

Urban Renewal is an economic development and funding tool available to cities and counties. It is authorized by State of Oregon laws (ORS Chapter 457) that uses public investment to stimulate private investment. Its purpose is to help communities improve and redevelop areas which are deteriorated, unsafe, showing signs of economic or physical conditions that are detrimental to the community as a whole. In addition, these areas can have deteriorated streets and utilities or the areas may lack streets and utilities altogether. Oregon was the second state to authorize use of Urban Renewal.

Urban Renewal provides three types of authority that are not otherwise available to local governments:

- First, it allows for the use of tax increment financing (TIF) to fund improvement projects.
- Second, it allows for special ability to buy and assemble property for development.
- And third, it allows for special flexibility in working with private parties to complete development projects.

By Oregon statute, cities with populations under 50,000 may create Urban Renewal Districts containing no more than 25% of current acreage (or assessed value) of the City. After an Area (District) is formed, the taxes are “frozen” within the area and a portion of any increases in property values goes to fund projects in the Urban Renewal Plan for that district. ***Taxes do not increase for properties in the District, but they are re-allocated, or shared with the other overlapping taxing districts for the duration of District.***

Lincoln City Districts:

Closed.

The ‘Year 2000 Development Plan’ Urban Renewal Area, or District, was formed in 1988 by the City Council, after establishing the Urban Renewal Agency (made up of City Council) which is the governing body overseeing the District activities. The final bond was paid off in June 2021, three years earlier than anticipated; this brought the total investment of funds from this District to \$43 M. These funds have been further leveraged through partnership projects with other public and private entities. A list of the Agency Goals and Objectives is attached. For information on the completed projects a report can be viewed in the office or downloaded from the Urban Renewal Agency page of the LincolnCity.org website here:

<https://www.lincolncity.org/government/urban-renewal-agency>

Active.

The Roads End / Villages at Cascade Head Urban Renewal Area was formed with Plan adoption in 2020. It is now entering the third year of TIF collection. In about 5 more years, community visioning will help determine how to prioritize public improvement projects in the Area. This Area is planned to be in effect for 27 years and starting with inception, is taking less than its full share of TIF revenue, giving 15% back to the overlapping taxing districts (underlevy or revenue-sharing).

Next Steps:

Attached for reference is the Nelscott Urban Renewal Feasibility Study (March 8, 2019) presented to Council at the regular meeting on March 25, 2019. Now that the Year 2000 Development Plan Area boundary has expired, staff will work on a revised boundary map and updated financial considerations to review.

- Direction by City Council whether or not to pursue creating a new Nelscott Urban Renewal Plan for consideration.
- If directed by City Council, hire an urban renewal consultant for preparation of the urban renewal plan.
- Council to form Ad Hoc Committee to create the Plan.
- Update proposed Boundary map and financial projections and impacts.
- Plan would be adopted by the County in addition to the City since some of the boundary would be located outside City limits.
- City Council could consider adoption of a new Nelscott Plan in about one year.

Potential Motions by Council:

- 1) Direct City Manager and staff to proceed with development of an Urban Renewal Plan for Nelscott, as budget allows.
- 2) Do not proceed with development of an Urban Renewal Plan.

Attachments:

URGoalsObj (PDF)

TImeline for Nelscott.v1 (PDF)

FINAL_Feasibility_study_Nelscott _ 2019_03_08v2 (PDF)

Lincoln City Urban Renewal Agency

Goals and Objectives

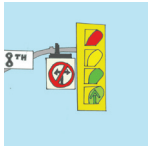
To accomplish its mission, the Agency will develop and implement an urban renewal program known as the Year 2000 Development Plan, the goals and objectives of which are listed below.



Resolve the problems created by existing blighted conditions so that unused and underused properties can be placed in productive condition and utilized at their highest and best use.



Enhance opportunities for business and tourist-related property to be developed, redeveloped, and/or improved.



Ensure that traffic flow, off-street parking, and other public facilities within the Urban Renewal District are adequate to accommodate current and future development.



Improve the Area's visual quality consistent with that of the Oregon Coast's natural environment.



Encourage the expansion and development of businesses that will produce jobs for the people of Lincoln City.



Increase property values so that the Area will contribute its fair share to the costs of providing public services.



Leverage the Agency's financial resources to the maximum extent possible with other public and private investment and other funding.

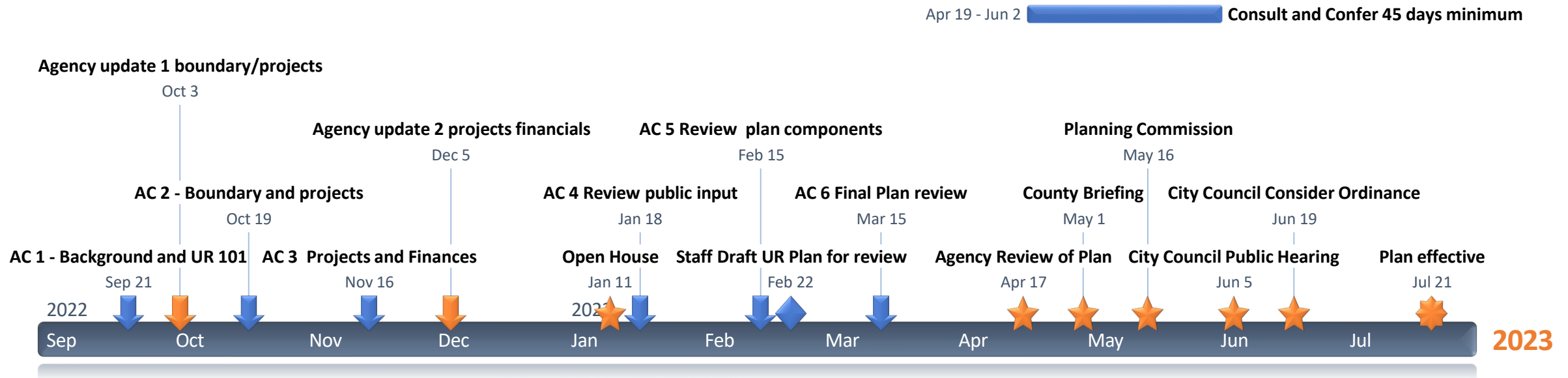


Underground existing overhead utility systems along the Highway 101 Corridor.



Install coordinated street furniture, pedestrian-scale lighting, walking surfaces and landscaping in areas with concentrated pedestrian activity.

Nelscott Plan Timeline - Tax Roll from Jan 2022 values – First TIF in FY 2024-2025



Lincoln City Nelscott East Urban Renewal Feasibility Study



**TIBERIUS
SOLUTIONS**

Executive Summary

Purpose

The City of Lincoln City (City) has requested an urban renewal feasibility analysis of the Nelscott East Area at the south part of the city. The City adopted the Nelscott Gap Neighborhood Plan in 2017. This plan was accomplished with a robust community - driven process. It provides the City with vision, goals and implementation strategies to guide the future development of the Nelscott Gap Neighborhood Plan (2017) area. The Plan Goals include goals on Livability and Housing, Recreation and Health, Heritage and Inclusion, Economy, Transportation Choice, Lifelong Learning, Ecology and Natural Resources.

The Nelscott Gap Neighborhood Plan contains specific policies to create walkable, mixed-use districts, create and maintain parks and open spaces, implementation strategies and spaces to promote innovation, light manufacturing and employment in Nelscott, to provide “maker spaces” for residents and tourists to engage in creative work, and to provide transportation systems that allow for transportation choices by residents.

Boundary

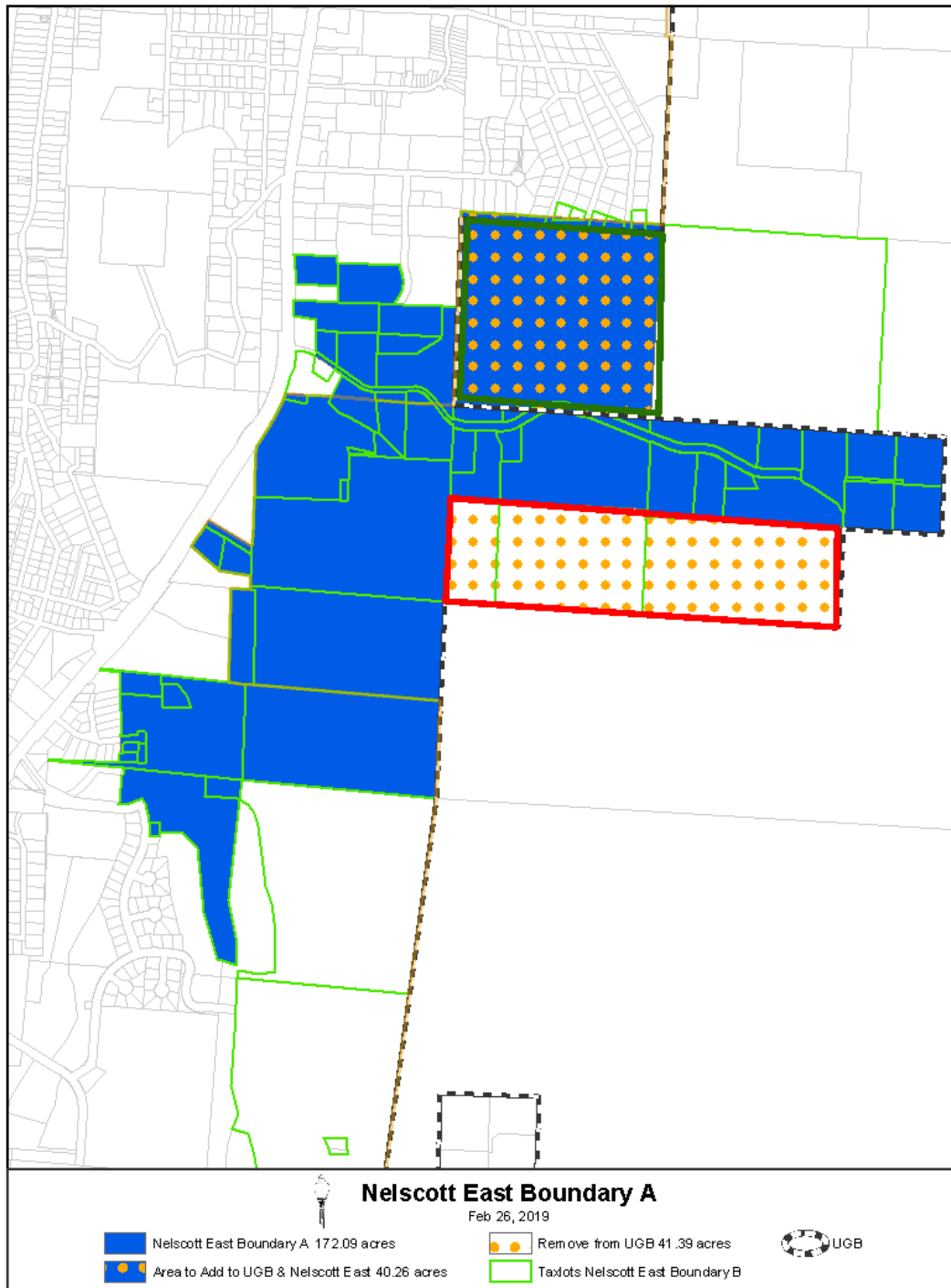
Two boundary options were analyzed for a Nelscott East Urban Renewal Area (Nelscott East URA). Unlike the Roads End Urban Renewal Feasibility Study, the two boundaries are discrete and either one or the other would be adopted, instead of one being adopted and the other added on at some point in the future.

Nelscott East Boundary A is shown in Figure 1. It has 172.09 acres and contains properties that are totally outside of the existing Y2000 Development Plan (Y2000 Plan) Urban Renewal Area boundary. Much of the boundary is outside the city limits of Lincoln City. The Nelscott Area Boundary A primarily includes properties located in the county, currently used for light industrial and manufacturing uses. Other properties include large-timbered parcels considered for planned unit development and a few parcels along Highway 101.

Nelscott East Boundary B, shown in Figure 2, has 349.03 acres. The additions add potential right of way to construct the Lincoln City ByWay as an alternative route to Highway 101 through the south portion of town and parcels to the south. As in Nelscott Boundary A, much of the boundary is outside the city limits of Lincoln City. The Nelscott East Area Boundary B includes the properties in the county accessed by SE 23rd Street and along the east side of Highway 101 from SE 20th to SE 29th. The Nelscott Area B would include properties around the Wastewater Treatment Plant, Schooner Creek Road, and along a corridor following the Lincoln Byway Alignment concept.

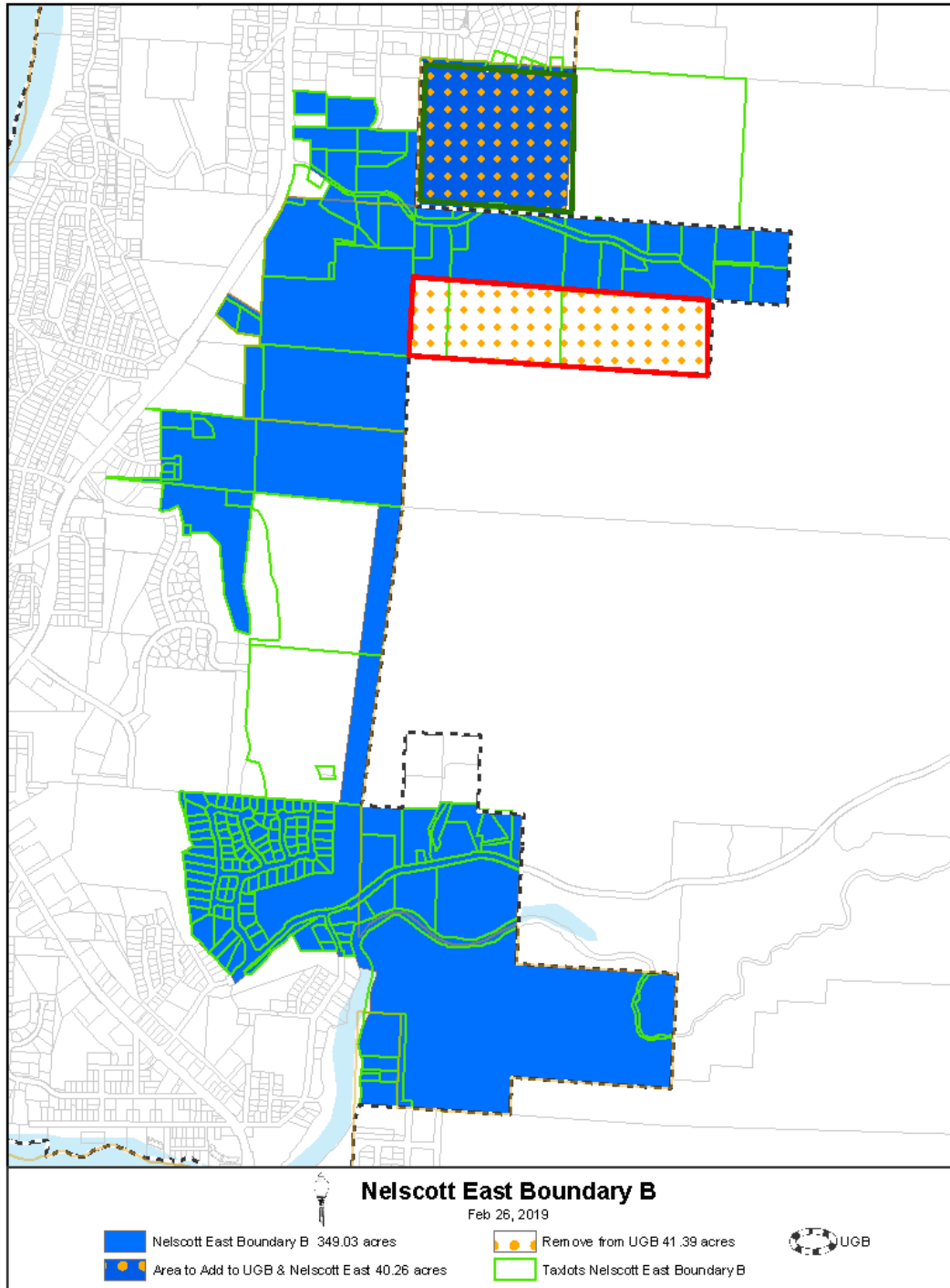
The majority of the Nelscott Area needs to either be annexed prior to the establishment of the urban renewal area or Lincoln County must jointly approve the Nelscott East Urban Renewal Plan in Boundary A or B.

Figure 1 – Nelscott East Boundary A



Source: City of Lincoln City GIS

Figure 2 – Nelscott East Boundary B



Source: City of Lincoln City GIS

TIF Forecast Summary

Exhibit 1 and Exhibit 2 summarize the results of the tax increment finance (TIF) forecast for the Nelscott East URA, Options A and B. The analysis shows that the URA Boundary Option A could generate \$8.6 million of TIF revenue over 25 years. That TIF revenue could support a maximum indebtedness of \$7.6 million. Adjusting for inflation and converting that figure into constant 2019 dollars, the URA could fund \$4.5 million in projects.

Exhibit 1. Summary of TIF Forecast Results, Nelscott East Boundary Option A

Total TIF	\$ 8,580,000
Maximum Indebtedness	\$ 7,630,000
\$ For Projects (2019\$)	\$ 4,510,000
Years 1-5	\$ 40,000
Years 6-10	\$ 400,000
Years 11-15	\$ 1,480,000
Years 16-20	\$ 1,390,000
Years 21-25	\$ 1,200,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Boundary Option B could generate \$16.9 million of TIF revenue over 25 years. That TIF revenue could support a maximum indebtedness of \$14.6 million. Adjusting for inflation and converting that figure into constant 2019 dollars, the URA could fund \$9.1 million in projects.

Exhibit 2. Summary of TIF Forecast Results, Nelscott East Boundary Option B

Total TIF	\$ 16,910,000
Maximum Indebtedness	\$ 14,640,000
\$ For Projects (2019\$)	\$ 9,120,000
Years 1-5	\$ 1,610,000
Years 6-10	\$ 850,000
Years 11-15	\$ 2,360,000
Years 16-20	\$ 2,160,000
Years 21-25	\$ 2,140,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Key Facts and Next Steps

- As there is property both outside of the Urban Growth Boundary (UGB) and outside of the city limits, two actions would be necessary to pursue approval of an urban renewal plan in this area. First, a UGB land swap approved by the State of Oregon would be required. Second, if the property was not annexed to the City prior to formation of an urban renewal area, Lincoln County would need to jointly approve the urban renewal plan.
- The statutory restrictions on acreage and assessed value relate to land within the city limits. For purposes of this feasibility study, the acreage and assessed value limitations are tabulated as if the property was all within the city limits. While the consultant team has worked with other localities where there is acreage not within the city limits, we have always computed the statutory limitations as if the area was fully within the city limits. This is a conservative interpretation of the statute, and one we recommend our clients follow.
- Nelscott East Boundary Option A is acceptable under ORS 457 restrictions on acreage. No changes need to be made to the Y2000 Plan to adopt the Boundary A option. A UGB swap is required for this boundary option.
- Nelscott East Boundary Option A is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option A is projected to be \$8,112,785.
- There is sufficient capacity for assessed value increase to allow for a maximum indebtedness of \$7,630,000, which translates to \$4,510,000 in 2019 dollars.
- Nelscott East Boundary Option B is acceptable under acreage limitations given the understanding that the additional acreage shown in Option B is not added to the urban renewal area until the Y2000 Plan is amended to delete tax-exempt properties. If this boundary was adopted, there would still be capacity for an additional 64.57 acres to be in urban renewal in Lincoln City. A UGB swap is required for this boundary option. Once the Y2000 Plan is terminated, additional capacity would be available.
- Nelscott East Boundary Option B is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option B is projected to be \$29,894,730.
- There are projects that could improve the Nelscott neighborhood for existing residents and could spur additional development.
- Next steps
 - Review of the Nelscott East Urban Renewal Feasibility Study by City Council.
 - Review of the Roads End Urban Renewal Feasibility Study by City Council.
 - Direction by City Council to either pursue development of an urban renewal plan in Nelscott or to table the discussion of this potential urban renewal area.

If the Nelscott East options are to be pursued:

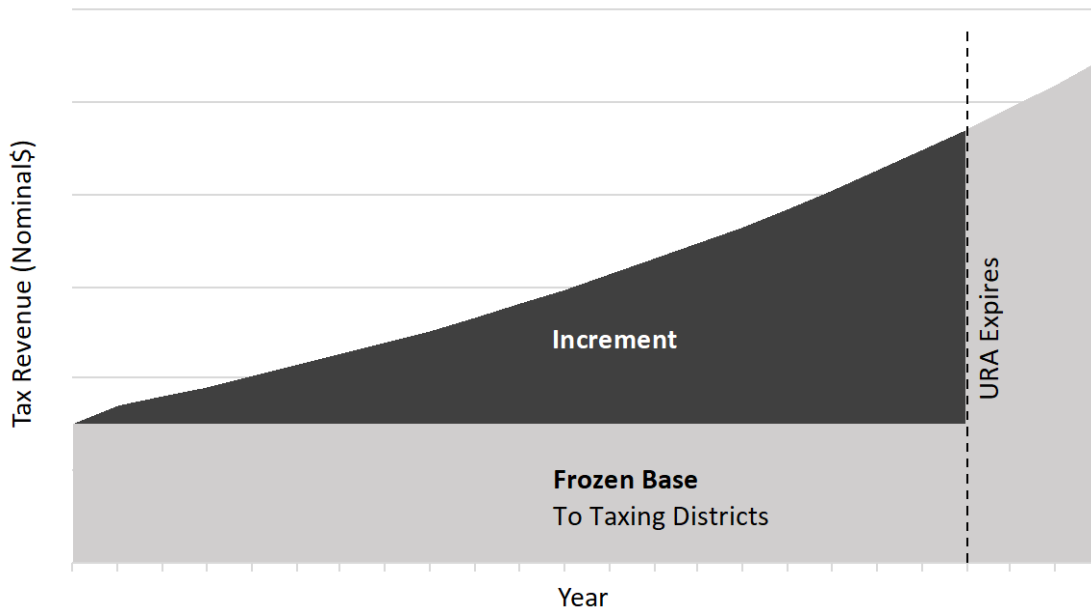
- Development of an urban renewal plan would include community input, further City Council/Agency input, coordination with Lincoln City staff including departments such as Public Works, Planning, Parks & Recreation, and Finance, and working with impacted taxing districts.
- Complete a UGB land swap with the State of Oregon.
- Either annex the properties into the city or coordinate with Lincoln County for their joint approval of the urban renewal plan.
- Remove tax-exempt properties from the Y2000 Plan for Nelscott East Boundary B.
- Consideration by City Council of adoption of new Urban Renewal Plan.

Background

How Urban Renewal Works

ORS 457 authorizes municipalities in Oregon to create urban renewal areas (URAs). When a URA is established, the assessed value within the URA boundary becomes the “frozen base” assessed value. When assessed value in the URA grows over time, the difference between the total assessed value and the frozen base is considered “increment” assessed value. Each year, property tax revenue from the frozen base in the URA is distributed normally to all overlapping taxing districts, and the URA receives all the property tax revenue generated from the increment, called Tax Increment Finance (TIF) revenue. TIF revenue can only be spent on capital projects located in the URA. After the URA expires, all tax revenue is distributed to the overlapping taxing districts. Exhibit 3 illustrates the general tax revenue distribution within a URA boundary over the life of the URA.

Exhibit 3. Example Urban Renewal Revenue Distribution



Urban renewal is a division of taxes; it does not create a new tax or increase the existing tax rate. Therefore, the financial impacts of an urban renewal area are borne by overlapping taxing districts, and not by individual tax payers. TIF revenue collected by a URA results in revenue foregone by the overlapping taxing districts.

Financial Restrictions and Limitations on Urban Renewal

TIF revenue can only be spent on capital projects, not operations. For example, TIF revenue could be used to pave a new road but could not be used to pay for ongoing maintenance activities for that road. Additionally, TIF revenue can only be spent on projects located within the URA, and those projects must be to the benefit of the URA.

Urban renewal plans are required to have a “maximum indebtedness”, which functions as a limit on the cumulative amount of TIF that can be spent on projects in the URA. Maximum Indebtedness is the total amount of funds that may be spent on projects, programs and administration over the life of an urban renewal area. Note that maximum indebtedness does not function as a revolving credit limit. In other words, once the Agency has spent funds, those expenditures go against the maximum indebtedness limit. Paying off debt for old projects does not free up additional maximum indebtedness to be used on future projects.

Some plans choose to also impose a time limit, either on the length of time that TIF revenue can be collected, or on the length of time that new debt can be incurred. However, time limits are not required by ORS, and many urban renewal plans do not have any such time limit. In the absence of a time limit, urban renewal plans exist until they have reached their maximum indebtedness and paid off all debt. Typical life spans for URAs are between 20 and 40 years. Thus, urban renewal is not considered a quick-fix for revitalizing blighted areas, but a long-range economic development funding tool.

Analysis and Results

This section describes the methodology and results of the analysis.

URA Boundary – Nelscott

City staff provided the consultant team with the proposed Nelscott URA boundary to include in the analysis, shown in Figures 1 and 2.

The total acreage of the Nelscott East Boundary A is 172.09 acres and includes \$8.1 million in assessed value in in fiscal year end 2019. This URA, in addition to Lincoln City’s existing URAs, comprise 4.0% of the City’s total assessed value and 21.97% of the City’s acreage, both below the statutory limit of 25%.

The total acreage of the Nelscott East Boundary B is 349.03 acres and includes \$29.9 million in assessed value in in fiscal year end 2019. This URA, in addition to Lincoln City’s existing URAs, comprise 5.3% of the City’s total assessed value and 26.65% of the City’s acreage. While the assessed value is below the statutory limit of 25%, the acreage is not. The removal of tax-exempt properties from the Y2000 Plan would need to be approved prior to adoption of the Nelscott East Boundary B.

TIF Forecast

The forecast of TIF revenue is a five-step process:

- Step 1. Determine the consolidated tax rate
- Step 2. Determine the assessed value of the frozen base
- Step 3. Forecast future growth in assessed value
- Step 4. Calculate tax increment finance revenue
- Step 5. Estimate borrowing capacity

Determine Consolidated Tax Rate

The consolidated tax rate for all new urban renewal areas is equal to the sum of all permanent tax rates, as well as any general obligation bond levies approved by voters prior to October 6, 2001. Local option levies, and any general obligation bond levies approved since October 6, 2001 (including any bonds that may be approved in the future) are not impacted by urban renewal. Note that for the proposed Nelscott boundary no overlapping taxing districts that have general obligation bonds approved by voters before October 6, 2001. Thus, only permanent rate levies are included in the consolidated tax rate for the calculation of TIF.

Both Boundary A and Boundary B include property located in the following tax code areas (TCAs): 402, 407, 412, 414, 417, 461, and 493. There are 14 property accounts in Boundary A and 16 property accounts in Boundary B that are split between two TCAs. In this analysis, all value from each split property was allocated to the TCA with the lower consolidated tax rate, to maintain a more conservative TIF forecast. The resulting final TCAs used in this analysis for both boundaries were 402, 414, 461, and 493.

Both Boundary A and Boundary B include property located in the following tax code areas (TCAs): 402, 407, 412, 414, 417, 461, and 493. There are 14 property accounts in Boundary A and 16 property accounts in Boundary B that are split between two TCAs. In this analysis, all value from each split property was allocated to the TCA with the lower consolidated tax rate, to maintain a more conservative TIF forecast. The resulting final TCAs used in this analysis for both boundaries were 402, 414, 461, and 493.

Exhibit 4 shows the consolidated tax rate for each tax code area TCA in fiscal year end 2019 for both URA Boundaries A and B.

Exhibit 4. Consolidated Tax Rate by Tax Code Area, Nelscott East URA Boundaries A and B, fiscal year end 2019

Jurisdiction Name	Tax Code Area			
	402	414	461	493
Lincoln County General	\$ 2.8202	\$ 2.8202	\$ 2.8202	\$ 2.8202
Lincoln County Solid Waste	\$ -	\$ -	\$ -	\$ -
Lincoln County Extension Service	\$ 0.0451	\$ 0.0451	\$ 0.0451	\$ 0.0451
Lincoln County Animal Services	\$ 0.1100	\$ 0.1100	\$ 0.1100	\$ 0.1100
Lincoln County Transportation Service	\$ 0.0974	\$ 0.0974	\$ 0.0974	\$ 0.0974
City of Lincoln City	\$ 4.0996	\$ 4.0996	\$ -	\$ -
N Lincoln Fire and Rescue	\$ 0.6783	\$ -	\$ -	\$ 0.6783
North Lincoln Health	\$ 0.5184	\$ 0.5184	\$ 0.5184	\$ 0.5184
Devil's Lake - Out Water Improvement	\$ 0.1280	\$ 0.1280	\$ -	\$ -
Lincoln County Library	\$ -	\$ -	\$ 0.2465	\$ 0.2465
<i>Subtotal</i>	<i>\$ 8.4970</i>	<i>\$ 7.8187</i>	<i>\$ 3.8376</i>	<i>\$ 4.5159</i>
Lincoln County School Unit	\$ 4.9092	\$ 4.9092	\$ 4.9092	\$ 4.9092
Oregon Coast Community College	\$ 0.1757	\$ 0.1757	\$ 0.1757	\$ 0.1757
Linn-Benton-Lincoln ESD	\$ 0.3049	\$ 0.3049	\$ 0.3049	\$ 0.3049
<i>Subtotal</i>	<i>\$ 5.3898</i>	<i>\$ 5.3898</i>	<i>\$ 5.3898</i>	<i>\$ 5.3898</i>
Total	\$ 13.8868	\$ 13.2085	\$ 9.2274	\$ 9.9057

Determine the Assessed Value of the Frozen Base

When a new URA is created, the assessor sets the frozen base using the most recently published tax roll data. We assume that if the City adopts a new urban renewal plan, it would do so before the release of the fiscal year end 2020 tax roll data in October 2019. Under this assumption, the frozen base would be established using fiscal year end 2019 assessment data. Exhibit 5 and Exhibit 6 show the estimated assessed value of properties in the proposed Nelscott East URA boundaries for fiscal year end 2019 by tax code area. We estimate the frozen base value of the URA Boundary A to be \$8.1 million and estimate the frozen base value of the URA Boundary B to be \$29.9 million.

Exhibit 5. Assessed Value by Tax Code Area, Nelscott East URA Boundary A, fiscal year end 2019

TCA	Property Type				Total
	Real	Personal	Manufactured	Utilities	
402	\$ 1,145,390	\$ 12,285	\$ 3,891	\$ 18,258	\$ 1,179,824
414	\$ 514,760	\$ -	\$ -	\$ -	\$ 514,760
461	\$ 345,930	\$ 41	\$ 3,675	\$ 37,251	\$ 386,898
493	\$ 5,261,680	\$ 44,353	\$ 192,196	\$ 533,075	\$ 6,031,304
Total	\$ 7,267,760	\$ 56,679	\$ 199,762	\$ 588,584	\$ 8,112,785

Exhibit 6. Assessed Value by Tax Code Area, Nelscott East URA Boundary B, fiscal year end 2019

TCA	Property Type				Total
	Real	Personal	Manufactured	Utilities	
402	\$ 19,548,340	\$ 209,660	\$ 66,410	\$ 311,612	\$ 20,136,022
414	\$ 514,760	\$ -	\$ -	\$ -	\$ 514,760
461	\$ 368,680	\$ 44	\$ 3,917	\$ 39,701	\$ 412,342
493	\$ 7,704,650	\$ 64,946	\$ 281,431	\$ 780,578	\$ 8,831,606
Total	\$ 28,136,430	\$ 274,650	\$ 351,759	\$ 1,131,891	\$ 29,894,730

Note that ORS limits the frozen base assessed value of urban renewal areas to no more than 25% of total citywide assessed value (AV) for cities with population of less than 50,000. As stated above, with the addition of the Nelscott East URA Boundary A or B, the City’s URAs will comprise 4.0% or 5.3% of the total AV in the City, respectively.

Forecast Future Growth

Two elements contribute to growth in assessed value: appreciation of existing property value and new construction (referred to as “exception value” in this analysis).

In most situations, Oregon’s property tax system allows individual properties to appreciate a maximum amount of 3.0% per year. Most properties achieve that maximum growth rate of 3.0% each year. For the purposes of this analysis, we assume that the assessed value of real property will appreciate at 3.0% per year.

In addition to the annual appreciation of existing property, we include exception value (new construction) for each boundary based on conversations with City staff, summarized in Exhibit 7. Key assumptions include:

- Light-Industrial Development (*in Boundaries A and B*): 50 acres of development over 30 years, construction beginning in calendar year 2024. Total assessed value estimated to be \$1,096,250 per year in constant 2019 dollars, based on examples of comparable development citywide.
- Residential & Mixed-Use Development (*in Boundaries A and B*): 13.75 acres of development over 30 years, construction beginning in calendar year 2024. Total assessed value estimated to be \$482,213 per year in constant 2019 dollars, based on examples of comparable development in the Lincoln Palisades area.
- Single Family Residential Development in the Bay View Subdivision (*in Boundary B only*): 29 lots remaining to be developed, 10 per year, beginning in calendar year 2020. Total AV per lot based on prior development in the same subdivision estimated to be \$304,957 in constant 2019 dollars.

*Exhibit 7. Exception Value from New Construction,
Nelscott East URA Boundaries A and B (2019 dollars)*

Calendar Year Constructed	Fiscal Year End on Tax	Total AV (2019\$ dollars)	
		Boundary A	Boundary B
2019	2021	\$ -	\$ -
2020	2022	\$ -	\$ 3,049,570
2021	2023	\$ -	\$ 3,049,570
2022	2024	\$ -	\$ 2,744,613
2023	2025	\$ -	\$ -
2024	2026	\$ 1,578,463	\$ 1,578,463
2025	2027	\$ 1,578,463	\$ 1,578,463
2026	2028	\$ 1,578,463	\$ 1,578,463
2027	2029	\$ 1,578,463	\$ 1,578,463
2028	2030	\$ 1,578,463	\$ 1,578,463
2029	2031	\$ 1,578,463	\$ 1,578,463
2030	2032	\$ 1,578,463	\$ 1,578,463
2031	2033	\$ 1,578,463	\$ 1,578,463
2032	2034	\$ 1,578,463	\$ 1,578,463
2033	2035	\$ 1,578,463	\$ 1,578,463
2034	2036	\$ 1,578,463	\$ 1,578,463
2035	2037	\$ 1,578,463	\$ 1,578,463
2036	2038	\$ 1,578,463	\$ 1,578,463
2037	2039	\$ 1,578,463	\$ 1,578,463
2038	2040	\$ 1,578,463	\$ 1,578,463
2039	2041	\$ 1,578,463	\$ 1,578,463
2040	2042	\$ 1,578,463	\$ 1,578,463
2041	2043	\$ 1,578,463	\$ 1,578,463
2042	2044	\$ 1,578,463	\$ 1,578,463
2043	2045	\$ 1,578,463	\$ 1,578,463
Total		\$ 31,569,260	\$ 40,413,013

TIF Projections

Gross TIF revenue is calculated as the product of the increment assessed value and the consolidated tax rate each year. However, actual TIF received (i.e., net revenue) in a given year tends to be lower, due to discounts (from paying taxes early), delinquencies (unpaid taxes), truncation loss (lost revenue due to rounding of tax bills), and compression loss (for properties where the taxes imposed would exceed constitutional limits). Our forecast of net TIF revenue assumes a 5.0% adjustment factor to convert from gross to net revenue, based on our experience with other jurisdictions across the State.

Exhibit 8 and Exhibit 9 show the forecast of TIF revenue through fiscal year end 2045. We assume the first year that the URA would collect TIF is fiscal year end 2021. This represents a 25-year period of TIF collection. The following tables indicates the URA would go into effect in fiscal year end 2021. However, due to the complexity of the UGB land swap and annexation issues, it might take longer for the URA to complete the tasks necessary prior to the adoption of a URA plan.

Exhibit 8. TIF Revenue, Nelscott East URA Boundary A, fiscal year end 2019-2045

FYE	Assessed Value				Tax Rate	Tax Increment Finance				
	Total	Frozen Base	Increment - Used	Increment - Not Used		Gross TIF	Adjustments	Net TIF (Current Year)	Net TIF (Prior Year)	Net TIF (Total)
2019	\$ 8,112,785	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ 8,330,818	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 8,555,392	\$ 8,112,785	\$ 442,607	\$ -	\$ 10.7348	\$ 4,751	\$ (238)	\$ 4,514	\$ -	\$ 4,514
2022	\$ 8,786,702	\$ 8,112,785	\$ 673,917	\$ -	\$ 10.7348	\$ 7,234	\$ (362)	\$ 6,873	\$ 68	\$ 6,940
2023	\$ 9,024,952	\$ 8,112,785	\$ 912,167	\$ -	\$ 10.7348	\$ 9,792	\$ (490)	\$ 9,302	\$ 103	\$ 9,405
2024	\$ 9,270,349	\$ 8,112,785	\$ 1,157,564	\$ -	\$ 10.7348	\$ 12,426	\$ (621)	\$ 11,805	\$ 140	\$ 11,944
2025	\$ 9,523,109	\$ 8,112,785	\$ 1,410,324	\$ -	\$ 10.7348	\$ 15,139	\$ (757)	\$ 14,383	\$ 177	\$ 14,560
2026	\$ 11,724,805	\$ 8,112,785	\$ 3,612,020	\$ -	\$ 12.3884	\$ 44,747	\$ (2,237)	\$ 42,510	\$ 216	\$ 42,725
2027	\$ 14,050,797	\$ 8,112,785	\$ 5,938,012	\$ -	\$ 12.8069	\$ 76,047	\$ (3,802)	\$ 72,245	\$ 638	\$ 72,883
2028	\$ 16,506,547	\$ 8,112,785	\$ 8,393,762	\$ -	\$ 12.9995	\$ 109,115	\$ (5,456)	\$ 103,659	\$ 1,084	\$ 104,743
2029	\$ 19,097,689	\$ 8,112,785	\$ 10,984,904	\$ -	\$ 13.1114	\$ 144,027	\$ (7,201)	\$ 136,826	\$ 1,555	\$ 138,380
2030	\$ 21,830,177	\$ 8,112,785	\$ 13,717,392	\$ -	\$ 13.1851	\$ 180,865	\$ (9,043)	\$ 171,822	\$ 2,052	\$ 173,874
2031	\$ 24,710,146	\$ 8,112,785	\$ 16,597,361	\$ -	\$ 13.2378	\$ 219,713	\$ (10,986)	\$ 208,727	\$ 2,577	\$ 211,305
2032	\$ 27,744,073	\$ 8,112,785	\$ 19,631,288	\$ -	\$ 13.2777	\$ 260,659	\$ (13,033)	\$ 247,626	\$ 3,131	\$ 250,757
2033	\$ 30,938,627	\$ 8,112,785	\$ 22,825,842	\$ -	\$ 13.3093	\$ 303,795	\$ (15,190)	\$ 288,606	\$ 3,714	\$ 292,320
2034	\$ 34,300,680	\$ 8,112,785	\$ 26,187,895	\$ -	\$ 13.3350	\$ 349,215	\$ (17,461)	\$ 331,755	\$ 4,329	\$ 336,084
2035	\$ 37,837,309	\$ 8,112,785	\$ 29,724,524	\$ -	\$ 13.3565	\$ 397,016	\$ (19,851)	\$ 377,165	\$ 4,976	\$ 382,142
2036	\$ 41,555,960	\$ 8,112,785	\$ 33,443,175	\$ -	\$ 13.3749	\$ 447,300	\$ (22,365)	\$ 424,935	\$ 5,657	\$ 430,592
2037	\$ 45,464,466	\$ 8,112,785	\$ 37,351,681	\$ -	\$ 13.3909	\$ 500,173	\$ (25,009)	\$ 475,164	\$ 6,374	\$ 481,538
2038	\$ 49,570,885	\$ 8,112,785	\$ 41,458,100	\$ -	\$ 13.4050	\$ 555,746	\$ (27,787)	\$ 527,959	\$ 7,127	\$ 535,086
2039	\$ 53,883,523	\$ 8,112,785	\$ 45,770,738	\$ -	\$ 13.4176	\$ 614,134	\$ (30,707)	\$ 583,427	\$ 7,919	\$ 591,346
2040	\$ 58,411,092	\$ 8,112,785	\$ 50,298,307	\$ -	\$ 13.4290	\$ 675,454	\$ (33,773)	\$ 641,682	\$ 8,751	\$ 650,433
2041	\$ 63,162,567	\$ 8,112,785	\$ 55,049,782	\$ -	\$ 13.4393	\$ 739,831	\$ (36,992)	\$ 702,839	\$ 9,625	\$ 712,465
2042	\$ 68,147,348	\$ 8,112,785	\$ 60,034,563	\$ -	\$ 13.4488	\$ 807,392	\$ (40,370)	\$ 767,023	\$ 10,543	\$ 777,565
2043	\$ 73,375,119	\$ 8,112,785	\$ 68,262,334	\$ 6,452,032	\$ 13.4576	\$ 881,443	\$ (44,068)	\$ 837,375	\$ 11,505	\$ 848,880
2044	\$ 78,856,007	\$ 8,112,785	\$ 70,743,222	\$ 10,588,385	\$ 13.4657	\$ 951,027	\$ (47,501)	\$ 903,526	\$ 12,278	\$ 915,804
2045	\$ 84,600,450	\$ 8,112,785	\$ 76,490,665	\$ 14,920,679	\$ 13.4733	\$ 1,026,510	\$ (50,976)	\$ 975,534	\$ 13,011	\$ 988,545
Total						\$ 8,905,553	\$ (445,278)	\$ 8,460,276	\$ 115,084	\$ 8,575,359

Note: all values shown in year-of-expenditure dollars.

Exhibit 9. TIF Revenue, Nelscott East URA Boundary B, fiscal year end 2019-2045

FYE	Assessed Value				Tax Rate	Tax Increment Finance				
	Total	Frozen Base	Increment -			Gross TIF	Adjustments	Net TIF		Net TIF (Total)
			Used	Not Used				(Current Year)	(Prior Year)	
2019	\$ 8,112,785	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ 8,330,818	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 8,555,392	\$ 8,112,785	\$ 442,607	\$ -	\$ 10.7348	\$ 4,751	\$ (238)	\$ 4,514	\$ -	\$ 4,514
2022	\$ 8,786,702	\$ 8,112,785	\$ 673,917	\$ -	\$ 10.7348	\$ 7,234	\$ (362)	\$ 6,873	\$ 68	\$ 6,940
2023	\$ 9,024,952	\$ 8,112,785	\$ 912,167	\$ -	\$ 10.7348	\$ 9,792	\$ (490)	\$ 9,302	\$ 103	\$ 9,405
2024	\$ 9,270,349	\$ 8,112,785	\$ 1,157,564	\$ -	\$ 10.7348	\$ 12,426	\$ (621)	\$ 11,805	\$ 140	\$ 11,944
2025	\$ 9,523,109	\$ 8,112,785	\$ 1,410,324	\$ -	\$ 10.7348	\$ 15,139	\$ (757)	\$ 14,383	\$ 177	\$ 14,560
2026	\$ 11,724,805	\$ 8,112,785	\$ 3,612,020	\$ -	\$ 12.3884	\$ 44,747	\$ (2,237)	\$ 42,510	\$ 216	\$ 42,725
2027	\$ 14,050,797	\$ 8,112,785	\$ 5,938,012	\$ -	\$ 12.8069	\$ 76,047	\$ (3,802)	\$ 72,245	\$ 638	\$ 72,883
2028	\$ 16,506,547	\$ 8,112,785	\$ 8,393,762	\$ -	\$ 12.9995	\$ 109,115	\$ (5,456)	\$ 103,659	\$ 1,084	\$ 104,743
2029	\$ 19,097,689	\$ 8,112,785	\$ 10,984,904	\$ -	\$ 13.1114	\$ 144,027	\$ (7,201)	\$ 136,826	\$ 1,555	\$ 138,380
2030	\$ 21,830,177	\$ 8,112,785	\$ 13,717,392	\$ -	\$ 13.1851	\$ 180,865	\$ (9,043)	\$ 171,822	\$ 2,052	\$ 173,874
2031	\$ 24,710,146	\$ 8,112,785	\$ 16,597,361	\$ -	\$ 13.2378	\$ 219,713	\$ (10,986)	\$ 208,727	\$ 2,577	\$ 211,305
2032	\$ 27,744,073	\$ 8,112,785	\$ 19,631,288	\$ -	\$ 13.2777	\$ 260,659	\$ (13,033)	\$ 247,626	\$ 3,131	\$ 250,757
2033	\$ 30,938,627	\$ 8,112,785	\$ 22,825,842	\$ -	\$ 13.3093	\$ 303,795	\$ (15,190)	\$ 288,606	\$ 3,714	\$ 292,320
2034	\$ 34,300,680	\$ 8,112,785	\$ 26,187,895	\$ -	\$ 13.3350	\$ 349,215	\$ (17,461)	\$ 331,755	\$ 4,329	\$ 336,084
2035	\$ 37,837,309	\$ 8,112,785	\$ 29,724,524	\$ -	\$ 13.3565	\$ 397,016	\$ (19,851)	\$ 377,165	\$ 4,976	\$ 382,142
2036	\$ 41,555,960	\$ 8,112,785	\$ 33,443,175	\$ -	\$ 13.3749	\$ 447,300	\$ (22,365)	\$ 424,935	\$ 5,657	\$ 430,592
2037	\$ 45,464,466	\$ 8,112,785	\$ 37,351,681	\$ -	\$ 13.3909	\$ 500,173	\$ (25,009)	\$ 475,164	\$ 6,374	\$ 481,538
2038	\$ 49,570,885	\$ 8,112,785	\$ 41,458,100	\$ -	\$ 13.4050	\$ 555,746	\$ (27,787)	\$ 527,959	\$ 7,127	\$ 535,086
2039	\$ 53,883,523	\$ 8,112,785	\$ 45,770,738	\$ -	\$ 13.4176	\$ 614,134	\$ (30,707)	\$ 583,427	\$ 7,919	\$ 591,346
2040	\$ 58,411,092	\$ 8,112,785	\$ 50,298,307	\$ -	\$ 13.4290	\$ 675,454	\$ (33,773)	\$ 641,682	\$ 8,751	\$ 650,433
2041	\$ 63,162,567	\$ 8,112,785	\$ 55,049,782	\$ -	\$ 13.4393	\$ 739,831	\$ (36,992)	\$ 702,839	\$ 9,625	\$ 712,465
2042	\$ 68,147,348	\$ 8,112,785	\$ 60,034,563	\$ -	\$ 13.4488	\$ 807,392	\$ (40,370)	\$ 767,023	\$ 10,543	\$ 777,565
2043	\$ 73,375,119	\$ 8,112,785	\$ 58,810,302	\$ 6,452,032	\$ 13.4576	\$ 791,443	\$ (39,572)	\$ 751,871	\$ 11,505	\$ 763,376
2044	\$ 78,856,007	\$ 8,112,785	\$ 60,154,836	\$ 10,588,385	\$ 13.4657	\$ 810,027	\$ (40,501)	\$ 769,525	\$ 11,278	\$ 780,803
2045	\$ 84,600,450	\$ 8,112,785	\$ 61,566,986	\$ 14,920,679	\$ 13.4733	\$ 829,510	\$ (41,476)	\$ 788,035	\$ 11,543	\$ 799,578
Total						\$ 8,905,553	\$ (445,278)	\$ 8,460,276	\$ 115,084	\$ 8,575,359

Estimate Borrowing Capacity

Net TIF revenue (as shown in Exhibit 8 and Exhibit 9) gives a general idea of the revenue generated by the Nelscott East URA each year. However, those numbers are insufficient to understand the total funding available for projects over the life of the URA. Typically, the majority of project funding comes from loans, which allows capital projects to be built sooner, but obligates future TIF revenue for payments of principal and interest on those loans. This is how the Y2000 Plan has been funded.

To estimate borrowing capacity, we created a hypothetical finance plan for each boundary: showing how much funding could become available for projects over time, based on generic assumptions for debt, including the amount, timing, and terms of future bonds or loans. This finance plan provides an estimate of total funding available for urban renewal projects. We used the following assumptions, based on our experience with similar jurisdictions in Oregon:

- Inflation rate: 3.0%
- Minimum debt service coverage ratio: 1.5 times annual TIF revenue
- Interest rate on loans: 5.0%
- Duration of loans: As long as possible, not to exceed 20 years, and no less than 10 years.

Timing and amount of loans:

- Boundary A
 - First loan in fiscal year end 2031
 - Last loan in fiscal year end 2036 (10 years before URA is estimated to terminate)
- Boundary B
 - First loan in fiscal year end 2031
 - Middle loan in fiscal year end 2031
 - Last loan in fiscal year end 2036 (10 years before URA is estimated to terminate)

Note that there are infinite versions of financing assumptions that could have been modeled. Ultimately, if the City adopts an urban renewal plan, the financing assumptions will be tailored to meet the specific needs of the URA.

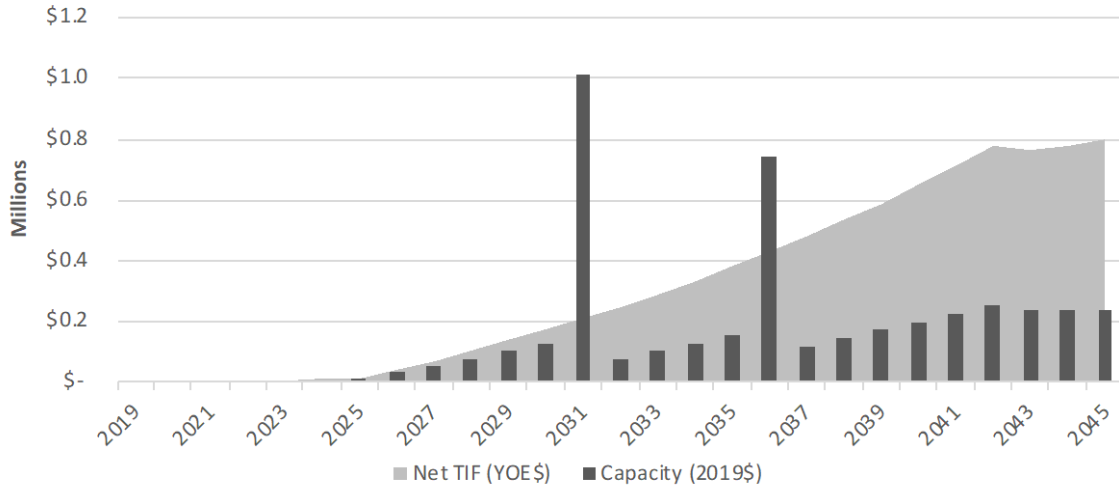
Exhibit 10 and Exhibit 11 show funding available for projects in both year-of-expenditure dollars and constant 2019 dollars (i.e. “real” dollars adjusted for inflation) for Boundary Option A. Exhibit 10 shows potential borrowing capacity in five-year increments, and some of that comes from the four loans detailed above. The borrowing capacity also includes anticipated “pay as you go” or “du jour” borrowing in smaller amounts than the loans shown in Exhibit 8. The timing of loans and use of “pay as you go” or “du jour” loans cannot exceed accumulated tax increment revenues or maximum indebtedness.

Exhibit 10. Estimated Borrowing Capacity, Nelscott East URA Boundary A

Total TIF	\$	8,580,000
Maximum Indebtedness	\$	7,630,000
\$ For Projects (2019\$)	\$	4,510,000
Years 1-5	\$	40,000
Years 6-10	\$	400,000
Years 11-15	\$	1,480,000
Years 16-20	\$	1,390,000
Years 21-25	\$	1,200,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Exhibit 11. Estimated TIF Revenue and Borrowing Capacity, Nelscott East URA Boundary A



Note: Net TIF stated in year-of-expenditure (i.e., “nominal”) dollars. Funding capacity has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

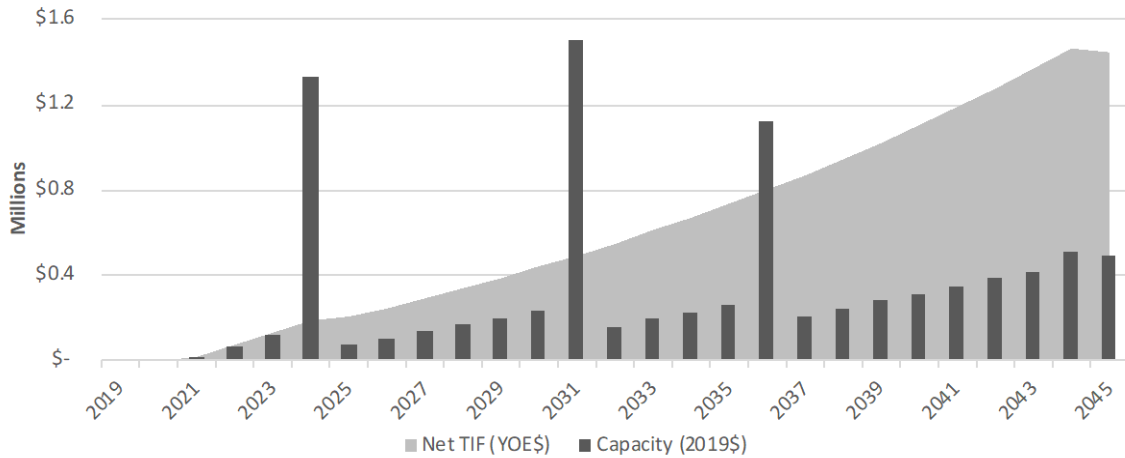
Exhibit 12 and Exhibit 13 show funding available for projects in both year-of-expenditure dollars and constant 2019 dollars (i.e. “real” dollars adjusted for inflation) for Boundary Option B.

Exhibit 12. Estimated Borrowing Capacity, Nelscott East URA Boundary B

Total TIF	\$	16,910,000
Maximum Indebtedness	\$	14,640,000
\$ For Projects (2019\$)	\$	9,120,000
Years 1-5	\$	1,610,000
Years 6-10	\$	850,000
Years 11-15	\$	2,360,000
Years 16-20	\$	2,160,000
Years 21-25	\$	2,140,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Exhibit 13. Estimated TIF Revenue and Borrowing Capacity, Nelscott East URA Boundary B



Note: Net TIF stated in year-of-expenditure (i.e., “nominal”) dollars. Funding capacity has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Key Facts and Next Steps

- Nelscott Boundary Option A is acceptable under ORS 457 restrictions on acreage.

Exhibit 14. Summary of Acreage – Boundary A

City Acreage	3830.44
25% limitation	957.61
Y2000 Development Plan	669.71
Available Acreage	287.90
Nelscott A Boundary	172.09
Remaining acreage	115.81

- Nelscott Boundary Option A is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option A is projected to be \$8,112,785. The amount of assessed value available to go into urban renewal is \$317,735,441.

Exhibit 15. Summary of Assessed Value – Boundary A

City Assessed Value	\$1,788,938,018
Y2000 Development Plan Excess Value	\$272,837,163
City Assessed Value Minus Excess Value	\$1,516,100,855
25% limitation	\$379,025,214
Y2000 Development Plan Frozen Base	\$61,289,773
Total available assessed value	\$317,735,441
Nelscott A Boundary	\$8,112,785
Remaining assessed value	\$309,622,656

- There is sufficient capacity for assessed value increase to allow for a new urban renewal area in Nelscott with a maximum indebtedness of \$7,630,000 which translates to \$4,510,000 in 2019 dollars for projects.

Exhibit 16. Summary of Tax Increment and Maximum Indebtedness - Boundary A

Total TIF	\$ 8,580,000
Maximum Indebtedness	\$ 7,630,000
\$ For Projects (2019\$)	\$ 4,510,000
Years 1-5	\$ 40,000
Years 6-10	\$ 400,000
Years 11-15	\$ 1,480,000
Years 16-20	\$ 1,390,000
Years 21-25	\$ 1,200,000

- Nelscott Boundary Option B is acceptable under acreage limitations given the removal of tax-exempt acreage from the Year 2000 Plan area. There would be 64.63 acres remaining in the 25% limitation if this boundary was adopted. ¹

Exhibit 17. Summary of Acreage – Boundary B

City Acreage	3830.44
25% limitation	957.61
Y2000 Development Plan	669.71
Available Acreage	287.90
Acreage to remove from Y2000	125.76
Total available acreage	413.66
Nelscott B Boundary	349.03
Remaining acreage	64.63

¹ Alison Robertson, Urban Renewal Executive Director, has been working with Columbia Bank on the removal of tax-exempt properties. They have agreed that the removal of these properties is acceptable under their bond covenants. These properties total 125.755 acres.

- Nelscott Boundary Option B is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option B is projected to be \$29,894,730.

Exhibit 18. Summary of Assessed Value – Boundary B

City Assessed Value	\$1,788,938,018
Y2000 Development Plan Excess Value	\$272,837,163
City Assessed Value Minus Excess Value	\$1,516,100,855
25% limitation	\$379,025,214
Y2000 Development Plan Frozen Base	\$61,289,773
Total available assessed value	\$317,735,441
Nelscott B Boundary	\$29,894,730
Remaining assessed value	\$287,840,711

Exhibit 19. Summary of Tax Increment and Maximum Indebtedness - Boundary B

Total TIF	\$ 16,910,000
Maximum Indebtedness	\$ 14,640,000
\$ For Projects (2019\$)	\$ 9,120,000
Years 1-5	\$ 1,610,000
Years 6-10	\$ 850,000
Years 11-15	\$ 2,360,000
Years 16-20	\$ 2,160,000
Years 21-25	\$ 2,140,000

- There are projects that could improve the Nelscott Gap Neighborhood area for existing residents and could spur additional development. Those projects for Boundary A include:
 - Water, sanitary sewer, or storm projects to facilitate orderly development of the Area
 - Streets
 - Parks, creek restoration and culvert replacement
 - Assistance with development of employment areas
 - Assistance with development including light industrial, mixed-use/ commercial, and residential development such as workforce affordable housing
- Projects for Boundary B include those for Boundary A and the addition of:
 - Redevelopment funding for under-developed areas.

- Construction of a 2.5-mile alternative transportation route to Highway 101 known as the Lincoln City ByWay that could eventually remove through traffic from Cutler City, Taft and Nelscott.

Next steps

- Review of the Nelscott Urban Renewal Feasibility Study by City Council.
- Review of the Roads End Urban Renewal Feasibility Study by City Council.
- Direction by City Council to either pursue development of an urban renewal plan or to table the discussion of these potential urban renewal areas.
- If directed by City Council, hire an urban renewal consultant for preparation of the urban renewal plan.
 - If the Nelscott East options were to be pursued:
 - Preparation of an urban renewal plan that would include community input, further City Council/Agency input, coordination with Lincoln City staff including departments such as Public Works, Planning, Parks & Recreation, and Finance, and working with impacted taxing districts.
 - Complete a UGB land swap with the State of Oregon.
 - Either annex the properties into the city or coordinate with Lincoln County for their joint approval of the urban renewal plan.
 - Remove tax-exempt properties from the Y2000 Development Plan for Nelscott East Boundary B.
 - Consideration by City Council of adoption of new Urban Renewal Plan.