

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
JANUARY 15, 2009

MEMBERS PRESENT:

Lon Kellstrom	Mayor
Bill Merrill	Councilor President
Sharlene Weed	Councilor
Pat Thompson	Councilor
Jerry Bogart	Councilor

STAFF PRESENT:

Eileen Stein	City Manager
Eric Porter	Comm. Dev. Director
Brad Grimm	Public Works Director
Lisa Young	Finance Director
Kathy Nelson	City Recorder

GUESTS:

Roger Lee	Executive Director EDCO
Eric Strobel	Business Development Manager
Peter Storton	Principal Broker/Owner Sisters ReMax Reality
Lisa Clausen	Sisters Movie House Owner
Patty Vandiver	Sisters Area Chamber of Commerce Board

The meeting was called to order by Mayor Kellstrom at 8:04 a.m.

Introductions were made around the room of all attendees. **Mayor Kellstrom** noted that besides the Council there was representation from Economic Development for Central Oregon (EDCO), and a group of citizens called the Sisters Business Rapid Response Team that has formed to assist any prospective businesses that might be interested in locating or relocating in Sisters.

1. Economic Development Program for Sisters

City Manager Stein stated the purpose of the workshop is to discuss how Sisters can have a more comprehensive economic development program. She stated it is important to not underestimate how the construction of the sewer system has been key to the City's economic development efforts by allowing for industrial expansion. She stated the current focus is to find out what else the City can do to promote economic development.

Roger Lee, Executive Director for EDCO introduced himself and Eric Strobel, EDCO Business Development Manager as the liaison for Sisters. He began his presentation by stating that economic development will help bring prosperity to the region. He discussed EDCO's focus on bringing traded-sector industry to Central Oregon. He stated traded-sector business is that which brings in wealth by selling products and services outside the region. He stated the targeted audience for traded-sector firms includes businesses that produce medical devices, alternate and renewable energy, software, high technology, recreational equipment, aircraft and company headquarter operations.

Mr. Lee stated that EDCO's efforts to encourage economic development and invite these companies into the region include internet marketing, public relations outreach, publications and a

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variety of events each year that provide visibility. He stated that recruitment efforts include several trade shows, direct mail, email, phone contact, site visits and advertising. He stated that EDCO is fortunate to have a recruitment committee that includes individuals with a wide knowledge base with representatives from the Software Association of Oregon (SAO), Oregon Business Association (OBA), American Electrical Association (AeA) and other sources for industry intelligence. He added that while the advertising budget for EDCO is quite modest at only \$4,000 a year, EDCO manages to receive a great deal of coverage through articles highlighting its efforts that do not cost anything and create a greater impact. He stated EDCO focuses on relationship building one company at a time. **Eric Strobel, EDCO Business Development Manager** added that EDCO also helps promote existing businesses in Sisters. **Councilor Weed** stated she was pleased to hear that EDCO's efforts include working with existing businesses as opposed to only promoting new businesses.

Mr. Lee stated that Central Oregon is a market of small employers and that some of the most exciting and growing companies were started here. **Manager Stein** stated that in updating the economic development plan one needs to keep in mind the misconception that Sisters is better suited for small companies that employ ten to 20 people. She added that with the enterprise zone, that Redmond and Sisters are applying for jointly, if a company becomes too large for Sisters, it can relocate to Redmond and still maintain its enterprise zone benefits. **Mr. Strobel** stated he feels Sisters is a good incubator for beginning companies and it is a benefit for Sisters to be a hub of that type of activity.

Mr. Lee listed some of the methods utilized to retain and expand business development stating that Sisters is fortunate to have business parks available but added it would also be beneficial to have some buildings of 15,000 to 50,000 square feet already constructed. He stated that many companies are moving away from leasing space to owning space. **Mr. Strobel** stated the average small business that employees three to five people has a 2,500 square foot office so several businesses could be housed in a 15,000 square foot building.

Peter Storton, Principal/Owner of Sisters ReMax Realty asked about expediting the permitting process by offering a fast-track option. **Mr. Lee** stated that land use rules can always be an impediment to growth and it is important to keep information flowing in order to smooth out the process. **Mr. Storton** stated it is also important for the Planning Commission to be made aware of the City's new refreshed approach to development. **Mr. Lee** stated that a fast-track option can also be offered to businesses outside of an enterprise zone.

Councilor Thompson stated he agreed with Mr. Storton with regard to making certain that land use applications move expeditiously. He stated that one important component is that the City's Planning Department is now fully staffed with individuals that will give the personal attention to detail that is needed to make certain that the applications are dealt with in a timely fashion. **Mr. Storton** stated that there is a perception in the development community that it is difficult to do business in Sisters that needs to be changed.

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Lisa Clausen, Owner of Sisters Movie House asked why agriculture is not included on the list of businesses targeted for recruitment. **Mr. Strobel** stated that agriculture has not been a focus because there aren't many opportunities for agriculture as the region does not grow a lot of agricultural products. **Manager Stein** stated the current Economic Development Strategic Action Plan identifies agri-business as a sector that makes sense for Sisters. She stated that while there might not be a lot grown in Sisters there is a need for products that are essential to agriculture and ranching and items of that nature could be a promising avenue to pursue.

Mr. Lee left the meeting at 8:43 a.m. **Mayor Kellstrom** thanked him for attending the meeting.

Mr. Strobel provided an overview of Oregon Enterprise Zones and explained they are designated for "economic hardship" areas and were begun to assist in aiding and attracting commerce to these areas. He stated there are currently 67 such zones in Oregon which sunset after ten years time, but are renewable. He explained that traded sector employers and business to business companies that qualify are manufacturers and their suppliers, technology based companies, administrative center, wholesale distribution and the local option to include hotel/motel and destination resort projects. He stated that only investments over \$50,000 qualify for the enterprise zone, such as new buildings, remodeled and renovated buildings and equipment. He stated that to receive any incentives the business must be located in the enterprise zone, create new employment opportunities and participate in a *First-Source Hiring Agreement* in order to qualify for the benefit of the temporary property tax exemption on the new investment. He stated that cities can also provide local incentives such as fast-track permitting, system development charge (SDC) reductions, permit review fee reductions or water and sewer rebates. **Councilor Weed** stated the City could be giving up the tax revenue on a \$50,000 investment plus what other incentives the City might provide for the creation of possibly only one job. **Mr. Strobel** stated that was a possibility.

Mr. Strobel stated requesting assistance from the State to help determine if a business qualifies is useful and there are also some very good models available from other cities. **Manager Stein** reminded the Council that the City Charter prohibits the waiving of SDC's except for affordable housing and to change that regulation would require a vote of the people.

Mr. Strobel stated it would be beneficial to designate a liaison for the City, as a point of contact is quite important. He stated that EDCO can help the City in the enterprise zone application process, statistical data, planning and presentations to affected taxing districts. **Manager Stein** stated the City is required to inform taxing districts that will be affected by the zone but permission from those taxing districts is not required. **Mr. Strobel** stated he would take care of the zone management in Sisters. **Manager Stein** pointed out what a generous offer this is from EDCO and the Council might want to reconsider having a more active role in EDCO and the level of dues it currently pays. **Councilor Thompson** asked the cost of dues the City currently pays to EDCO. **Manager Stein** stated the City pays \$750 which, she pointed out, is significantly less than other

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communities. **Councilor Merrill** asked what benefits the City will receive if it pays \$7,500 for a seat on the Board of Directors of EDCO. **Mr. Strobel** stated he would be happy to discuss that matter with the Council but suggested the discussion be held later so as not to hold up the current conversation

Councilor Weed asked if the City can require a company be “green” to participate in the benefits of the enterprise zone. **Mr. Strobel** stated he would need to research the matter as he was uncertain if a city can narrow a request to that degree. **Councilor Weed** stated she would also like **Mr. Strobel** to provide examples of other small cities that have successfully participated in an enterprise zone. **Councilor Merrill** stated that useful information regarding other small cities is available on the League of Oregon Cities (LOC) website. **Mr. Strobel** stated he would send the additional information for **Councilor Weed**.

Councilor Weed asked if there is a guarantee that a company won’t leave after the initial enterprise zone benefits expire. **Mr. Strobel** stated there is not one but an enterprise zone shows a willingness by the City to welcome business. **Councilor Merrill** stated that any business locating in Sisters will have the effect of attracting other businesses to the City and that alone is a benefit. He stated it is important to have a strengths and weaknesses analysis of the City and the other cities that Sisters will be competing against. **Councilor Weed** stated that the City needs to define a living wage for Sisters.

Patty Vandiver, Sisters Area Chamber of Commerce Board asked the status of Sisters having the designation of an enterprise zone. **Manager Stein** explained that the City has already begun the investigation process and is looking for direction from the Council. She stated she and Mayor Kellstrom met earlier in the month with Redmond city officials and it appears that Redmond is agreeable in moving forward to include Sisters in a joint application to the State. **Mr. Storton** asked why Redmond is interested in including Sisters in its application. **Councilor Bogart** explained how it will strengthen the application to the State if the two cities apply jointly.

Manager Stein explained that an enterprise zone can only be 12 square miles in land mass. She stated as Redmond currently includes its entire city limits in its zone boundary in order to include Sisters in the application it will need to remove some of those areas. She stated Redmond will likely remove some of its residential areas in favor of new areas of growth and relinquish some of the land for Sisters. She stated that having Sisters include light industrial zoned areas such as Sun Ranch Business Park, Three Sisters Business Park and the original business park in its enterprise zone is a logical choice. She stated also under consideration are some commercial areas and the Forest Service property. She stated the final decision will be made based on how much land area Redmond is willing to relinquish to Sisters.

Councilor Weed asked if Sisters will need to provide the same incentives that Redmond does if the zone application is approved. **Manager Stein** stated while Sisters is not required to, Redmond has suggested the City consider doing so. **Ms. Vandiver** asked if the Rapid Response Team could

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be of assistance in the process at this time. **Mayor Kellstrom** stated that many details are still being worked out so assistance from the team would be premature at this time. **Manager Stein** stated that one area the Rapid Response Team might consider is if the team is housed in the Chamber of Commerce if the Chamber Board will be supportive. **Mr. Strobel** stated that the City could also consider amending into the Deschutes Rural enterprise zone. **Mayor Kellstrom** stated from the conversations that have occurred thus far, he feels the City has a favorable chance of applying jointly with Redmond, especially considering the City's distressed community designation by the State. **Mayor Kellstrom** asked for comments from the Council.

Councilor Thompson stated he feels the City should move forward with the enterprise zone application and the City should consider very thoughtfully which land areas the City might want to include. He stated that besides the light industrial zoned areas the City should be thinking of the Forest Service property and the land in Pine Meadow Ranch that was zoned by Deschutes County. He stated he thinks the Council also needs to look at the incentives that Redmond will be offering and mirror those same incentives. He stated the Council should consider amending the rules regarding SDC's.

Councilor Merrill, Bogart and Weed also agreed to move forward with the application process. **Councilor Weed** stated she would like more details on living wages as it relates to an enterprise zone. She stated she is not interested in changing the SDC ruling as she feels the current method of collecting SDC's has served the community well. **Manager Stein** stated she will keep the Council apprised of the boundaries and acreage as the information becomes available.

Manager Stein stated that there is still approximately \$3,900 left from grant funds given to the Community Action Team of Sisters (CATS) for the Sisters Economic Development Strategic Action Plan and that using those remaining funds to gather the demographic and financial information still needed to complete the plan is a piece of work the Rapid Response Team could work on.

Mayor Kellstrom thanked Mr. Strobel for attending the workshop and the information he presented.

2. Preview 01/22/09 Meeting Agenda

Manager Stein previewed the items coming before the Council at the January 22nd Budget Committee meeting, Council workshop and regular meeting. There was Council discussion on the timing of how issues should come before the Council and the appointments to the Committee for Citizen Involvement (CCI) scheduled for the regular meeting. Discussion related to the CCI included conversation as to whether an anti-nepotism rule should be implemented, recruitment efforts, in what capacity student members should serve and quorum for CCI meetings.

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Finance Director Young also reminded the Council of a need for an additional member to the Budget Committee as one position has not been filled.

3. City Manager Update

Manager Stein asked the Council if there was any discussion regarding the letter received from Todd Dow asking the Council to reconsider its decision to allow an arts and craft street fair in July on a one year trial basis. The **Council** decided to discuss the matter at a later meeting after they had additional time to consider the letter.

Manager Stein informed the Council that the recently approved Sisters Area Fuel Reduction (SAFR) project that reduces fire hazards on public lands has been appealed by the American Forest Resources Council (AFRC), an organization representing the timber industry. She stated the appeal could potentially delay the fuel reduction work to be performed by the Sisters Ranger District. She stated AFRC was challenging the fact that the Forest Service began by following the Healthy Forest Restoration Act (HFRA) authority which allows for a streamlined environmental review process but then changed to the National Environmental Policy Act (NEPA) after it was determined that the Forest Service was not meeting one of the criteria for the HFRA process. She stated the matter is currently an administrative appeal which should not affect the timing of the fuel reduction but if it escalates to a court appeal it could have the effect of delaying the fuel reduction process. She stated the AFRC appeal is based on principle and it concerns her as the City has public safety at stake. She stated she would like to discuss the matter with Chuck Burley, as he functions as a representative for the AFRC. The **Council** agreed to have Manager Stein contact Mr. Burley.

Councilor Weed informed the Council that she would not be in attendance at the next meeting.

The meeting was adjourned at 10:05 a.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Lon Kellstrom, Mayor