

CITY COUNCIL MEMORANDUM
13-03

DATE: March 21, 2013
TO: Honorable Mayor and Members of City Council
FROM: Mark S. Watson, City Manager
SUBJECT: WORK SESSION ON ECONOMIC DEVELOPMENT

On Monday we will meet once again on the topic of Economic Development, with a focus on the development of our policy toward activities in this area. Darrell Akins will once again be able to facilitate this effort. Attached to this memo is an agenda of the night's activities.

You will also note that according to the notes from the March 7, 2013 retreat, the Councilmembers were to take each one of their three economic development topics and develop "missions" as expressed to the facilitator and fellow Councilmembers. Please write up your policies for these areas. These will be used during Darrell's facilitator process, and I wanted to remind you of Council's commitment.

Also, the Council indicated they would provide discussions and observations of the Economic Diversification Fund and how those areas of activities can be improved. Janice McGinnis and I have developed a proposed level of funding based on revenues for the coming year.

Also, because the two major economic development contracts—Oak Ridge Chamber of Commerce and Oak Ridge Convention and Visitors Bureau—are examined for possible changes this year, I have invited each of them for five-minute presentations on their recommendations, observations and ROIs this past year and potential year ahead.

The City Council asked for a multi-year model for finances. Janice McGinnis is preparing this document in a draft update form. If not ready at the time of posting, I will be asking her to send this to you via email over the weekend in preparation for your meeting. FYI, the line item information in the black notebook that was distributed to you last week, provides you with the current and prior year's budget in detail. Its only purpose was to re-acquaint you with specific budget numbers. Please remember, that I will be presenting the budget to you on April 22, 2013.

During the session led by Darrell and based on the discussion from our last meeting, there was some debate on policies versus goals and work objectives. I have pulled out a couple of definitions for policies that hopefully can guide our thoughts regarding the realm of policy.

A Policy may be defined as:

Definitions - Management: The set of basic principles and associated guidelines, formulated and enforced by the governing body of an organization, to direct and limit its actions in pursuit of long-term goals.

A Public Policy may be defined as:

Declared State objectives relating to the health, morals, and wellbeing of the citizenry. In the interest of public policy, legislatures and courts seek to nullify any action, contract, or trust that goes counter to these objectives even if there is no statute that expressly declares it void.

An example of a policy may be:

The City Council will not consider or approve any expenditure of the citizen's funds on private or private/public ventures without a sufficient time for public review and comment or without a definitive Return on Investment.

Another policy may be:

The City Council reserves the right to be the final authority over tax abatements, TIFs, or any other financial tool.

A visionary policy may be:

Council shall require the Planning Commission to update the Comprehensive Plan using a 15-year planning horizon.

We can develop, discuss or suggest other items that relate to Economic Development at the work session. The City of Oak Ridge has some great economic opportunities at the present time, but in six months, projects like the UPF will be lining up contractors for the project. If those businesses are not established here, we may be limited in our approach to these companies for good. As a City Council, you must pick a path to proceed, and as I have advised, in a somewhat different approach as we have been doing. I will be there to assist you and have some alternate ideas as may be required.

I will be in Nashville on Friday. Please call me on my cell if you have any questions.


Mark S. Watson

Attachments

OAK RIDGE CITY COUNCIL WORK SESSION

MARCH 25, 2013

7:00-9:00 P.M.

Multipurpose Room at the Central Services Complex

AGENDA

- I. Call to Order
- II. Review Notes from last Work Session
- III. Review of Work Session Material (Mark Watson)
 1. Eight-Point Economic Statement
 2. Draft Model Economic Statement/Policy
 3. Draft Multi-year Model Estimates
 4. Proposals for Financial Changes to Economic Development Fund
- IV. Informational Briefing (five minutes each)
 1. Oak Ridge Chamber of Commerce (Parker Hardy, President)
 2. Oak Ridge Convention and Visitor's Bureau (Katy Brown, Executive Director)
- V. Overview of Economic Development Policy v. Economic Development Goals (Darrell Akins)
 1. Definitions
 2. Examples
 3. Responses
- VI. Homework – Council Review of "Mission/Policy" Statements of their Three Economic Development Priorities from March 7, 2013 City Council Retreat
- VII. Continuation of City Council Discussion on Economic Development Policies (Darrell Akins)
- VIII. Reports/Updates (Mark Watson)
- IX. Adjournment

CITY COUNCIL RETREAT

MARCH 7, 2013

5:30 P.M.

MUNICIPAL BUILDING TRAINING ROOM

Present:

Mayor Tom Beehan
Councilmember Trina Baughn
Councilmember Anne Garcia Garland
Councilmember Charlie Hensley
Councilmember Chuck Hope
Mayor Pro Tem Jane Miller
Councilmember David Mosby (arrived later in the meeting)
City Manager Mark Watson
City Attorney Ken Krushenski
City Clerk Diana Stanley

Mr. Darryl Akins served as the facilitator for discussions on economic development; however, in-depth discussions with City Council took place regarding the purpose for said meeting and what topics the Council should be focusing on during the retreat. Following these discussions, City Council decided to write down their top three (3) City Council priorities. The priorities of Council were as follows:

Miller—Mall-Hotel Conference Center; Housing (landlord issues); and business-friendly atmosphere

Garcia Garland—Understanding who Oak Ridge is now; looking at all future directions; forming allegiances with Anderson and Roane counties

Baughn—develop a debt policy with parameters and limits; make Oak Ridge financial competitive via reduced spending and property taxes, and housing

Beehan—Retail development; housing and neighborhood blight; and improve federal and state relationships

Hope—Economic development and marketing; continue importance of our education system; and continue efforts with housing (opportunities)

Hensley—Economic development in center of city and existing businesses, retail, and commercial; protection of surrounding wilderness areas, parks, and open space and recreation venues; increase DOE's /prime contractors contribution to their city through political means if necessary; housing

Mosby—Identify highest impact ED asset we own and establish a program of strategic investments with goal of working it; leverage NNSA investment in Oak Ridge championing new Oak Ridge image and vision and create a world class riverfront to attract families and businesses; and bring tax dollars to Oak Ridge

From the aforementioned priorities, Mr. Akins categorized the priorities into four (4) categories: Education, Economic Development, Housing/Quality of Life, and City Vision.

Using the four (4) categories, City Council began placing discussing key ideas for each category to help develop a policy state. The education category included: needs of all students; budget priority reflected; life-long learning; and communication/collaboration with school board. The housing/quality of life category included: protect greenways.

(No other ideas listed in other categories)

Next steps as determined by City Council:

City Council draft their own mission statements based on their three priorities.

Each category will be discussed at next meeting with economic development discussions occurring first.

City Council will develop their perception on Economic Diversification Fund.

Request that economic partners draft their recommendations, observations, and returns on investments for next meeting.

Draft and provide an itinerary for the next meeting.

Action Items of City Manager:

Include multi-year models of funds for budget

Provide budget summaries, i.e. previous budget content

Set meetings with an agenda

Reschedule economic development discussions

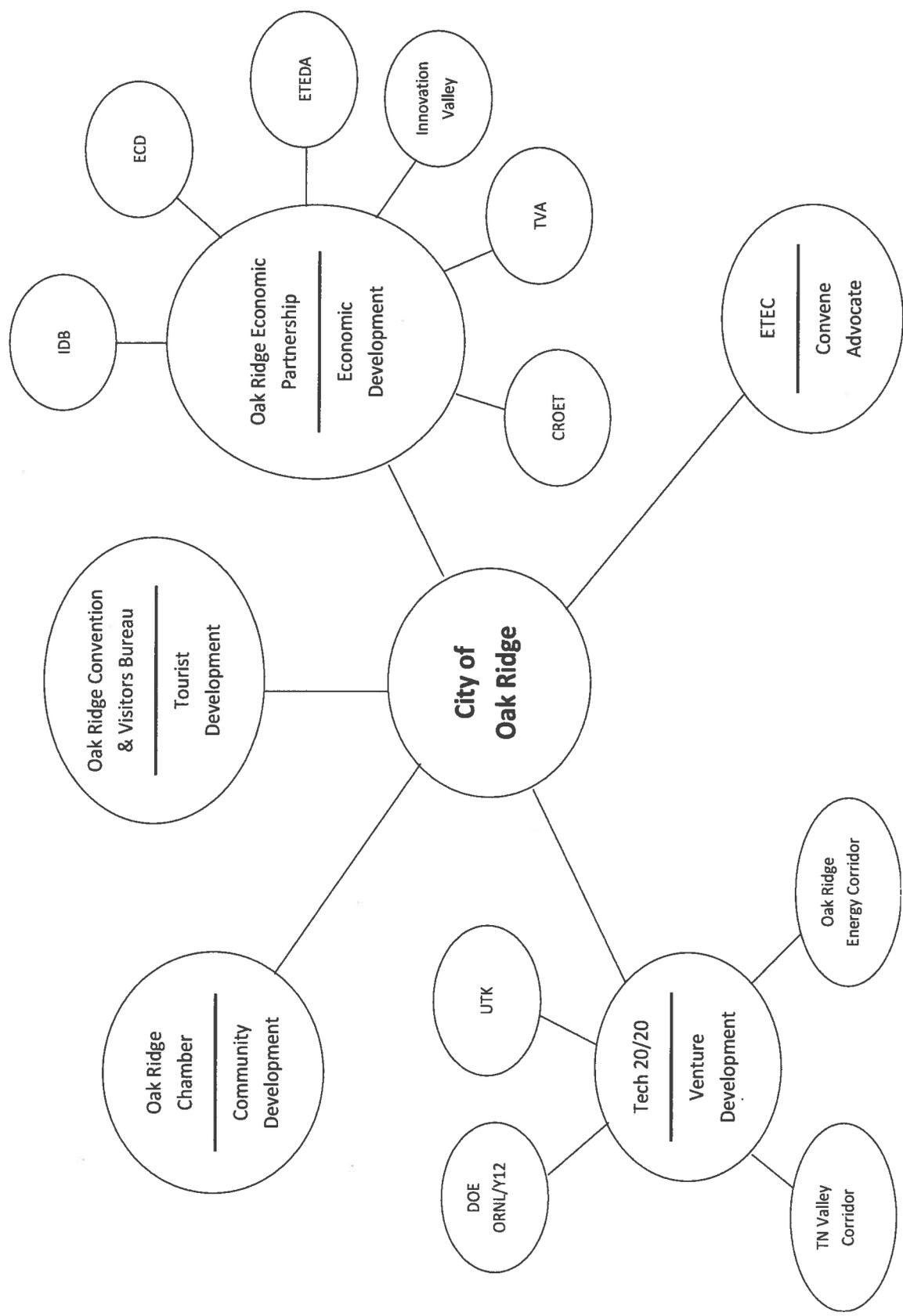
If reduction in budget is being proposed, provide potential percentage cuts necessary to compensate for the reduction

The meeting concluded at 8:30 p.m.

Economic Development Discussion

City Council Work Session
January 28, 2013





Key Initiatives

1. Eliminate the Economic Diversification Fund and distribute Economic Development costs within the General Fund budget of the City.
2. The City Council shall modify its current tax abatement policy to incorporate other factors before approving any tax incentives.

Key Initiatives

3. All future monetary contracts with the City for Economic Development activities shall be for tangible, quantifiable, measurable, time-driven services.
4. The Oak Ridge Convention & Visitors Bureau (CVB) should be brought into the City organization as an internal operation.



Key Initiatives

5. Focus for economic development shall coincide with UPF opportunities for the next two years and should now be our top priority.
6. Begin the development of an internal staff Economic Development team in FY2014 Budget.



Key Initiatives

7. Festivals, arts, events, and entertainment should be outsourced to community groups through community sponsorships.
8. Oak Ridge should continue to belong to organizations that meet our overall Economic Development goals: jobs, increased retail sales tax, and housing.



CITY OF OAK RIDGE

DRAFT 2-25-13

ECONOMIC DEVELOPMENT MISSION:

To enhance the economic well-being and prosperity of our Oak Ridge, while influencing the growth, diversification and entrepreneurialism that grows employers, creates jobs, protects our quality of life and reinvests wealth in a sustainable manner for future generations.

ECONOMIC DEVELOPMENT GOALS:

Success for this mission will depend on the development of focused leadership dedicated to the start and ending of community economic initiatives that enhance the way Oak Ridge improves its quality of life and the process by which it creates prosperity, retains its economic base and how its reinvests the wealth it has gained.

Goals shall be established but not limited to:

- Attract new investment and public/private capital to create, maintain, modernize and enhance local infrastructure
- Provide a vibrant community that is diversified in its quality of life, supportive in the adoption of innovation and new techniques in a manner that enhances our natural and community assets
- Encouraging the development of an active tourism and adventurous recreational business market for the region and beyond
- Recognize the retention and continuation of existing businesses and federal missions, while stimulating the development of specific business climates in the small business, entrepreneurial, retiree, expansions and new product arenas

ECONOMIC DEVELOPMENT POLICIES:

The policies of the City of Oak Ridge shall be reflective of the best practices recognized for the complimentary response of private business, the public sector, the non-profit sector and technology sector in the overall economic vitality of the local community. Such specific policies shall be established, but are not limited due to changing economies, regional impacts and changing environments in Oak Ridge.

Important policies shall include:

- The City of Oak Ridge shall be conscious of the needs of locally established businesses and government sector missions that establish the core employment base for the community. The City shall support these businesses in a manner that is fair, equitable and beneficial to all concerned.

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- The City of Oak Ridge shall encourage the recruitment of businesses which shall be supportive corporate citizens, adding to the community composition through their leadership and support of local civic and philanthropic organizations that support our quality of life.
- The City of Oak Ridge shall be aware and take advantage of opportunities to expand the job base through core employment expansion and assisting businesses in their efforts to be successful.
- The City of Oak Ridge shall take steps to streamline the business processes for start-up businesses and shall encourage entrepreneurial activity through appropriate policy
- The City of Oak Ridge shall strive to maintain a balanced tax and fee environment that is competitive for business and residential investment
- The City of Oak Ridge shall adhere to adopted plans in a manner that encourage the developments of major elements of the plan and tailor public policy to be long term and future oriented, allowing restrictions on properties only in a collaborative manner.
- The City of Oak Ridge shall maintain an adequate inventory of public and private property (land and buildings) in order to be competitive
- The City of Oak Ridge policy goals shall focus on the creation of jobs, the addition of new sales taxes to the base and improvements to housing
- The City of Oak Ridge shall leverage all available federal, state and local programs for developing incentives, grants and bequests to their highest and best use.
- The City of Oak Ridge shall demand seamless processing of economic development projects and demand a highly communicative, non-credit seeking environment by the leadership of the community for the betterment of the City
- The City of Oak Ridge shall recognize its existing utility and transportation infrastructure and encourage its maximum use through infill, redevelopment and re-use of transferred brownfield sites, thus creating an adequate inventory of available sites for industrial use.
- The City of Oak Ridge shall coordinate economic development needs with partnering educational institutions to enhance an available, educated and trained workforce
- The City of Oak Ridge recognizes its many natural and recreational amenities and will support the active promotion of its usage to local residents and visitors
- The City of Oak Ridge will participate in regional organizations, along with their activities and promotions that provide tangible direct support for continued economic growth and prosperity. Said participation will be conducted in a supportive manner, ultimately recognizing the priority of Oak Ridge, Anderson County and Roane County needs first.

ECONOMIC DEVELOPMENT RESPONSIBILITY:

It is recognized that ultimate responsibility for economic development lies in the City Council and senior leadership of the community. Policies will be reviewed by the City Council and

updated in a defined manner that is clear and stable to the business owners and entrepreneurs that we are trying to support and attract.

The lead of this effort shall center in the Office of the City Manager, with a staffed office that coordinates the implementation of the above policies. As revenues permit, a focused Economic Development team will be established by personnel or outsourced contract. Said Office will coordinate business lead responses and business asset promotion with various agencies in Oak Ridge and surrounding areas, defining clearly the public and private sector roles. These definitions will emphasize the strengths of each entity, while working in unison to build economic prosperity and long term initiatives.

Oak Ridge City Council Policies Regarding Economic Development

The Oak Ridge economy is at a crossroads. Although unemployment is low compared to the rest of the region and the state, job creation has slowed overall and declined dramatically in the sectors which pays higher wages and adds most significantly to the tax base on which City finances depend. Without a healthy economy, the City will be hard pressed to support the public services and amenities that citizens desire. We have relied for far too long on the Federal Government and its operating contractors as the source for the vast majority of employment opportunities within our community. With the demise of the Oak Ridge Mall, we have seen a significant decline in retail opportunities for our residents and our regional neighbors.

Oak Ridge along with Anderson and Roane Counties has the potential to be a center for innovation and technology-based businesses, especially considering the community's current business assets. We thus have the need, and the opportunity to foster a well-defined economic renaissance in a manner that honors our community's history, character and values. The policies below are directed at broadening and diversifying both the economy and the tax base; increasing per capita income for The City of Oak Ridge residents; enhancing employment opportunities for young adults that offer higher quality jobs, along with greater range and selection of careers; and improving and protecting the natural and built environment as assets that attract economic development opportunities and enhance the City of Oak Ridge's quality of life.

Purpose

To establish comprehensive policies directing the Economic Development function of the City of Oak Ridge and to support the creation of long-term Economic Development strategies for the Oak Ridge community.

Mission

To preserve and enhance community livability and viability, and thus improve the quality of citizens' lives, through active City participation in Economic Development actions which address: economic stability; economic growth; and economic, social and environmental sustainability.

Goals

Success in achieving focused goals concerning the creation of new economic activity will enhance the economic vitality of the local community. The council should provide prioritized support to activities and programs which:

- Provide for a diverse local economy through programs which start, develop, recruit, retain and expand business enterprises which will, in turn, increase the supply of family wage jobs, and expand the property and sales tax base;
- Attract private and public capital investment to create, enhance and maintain local infrastructure;
- Provide facilities, services and programs that attract visitors to the Oak Ridge community.

Policies

Policy ED 1.1: It is the policy of The City of Oak Ridge to support business investments that provide economic and employment opportunities for current and future residents.

Policy ED1.2: It is the policy of The City of Oak Ridge to encourage the recruitment of businesses which are good "corporate citizens" that will add to the quality of life in Oak Ridge through their leadership and support of local civic and philanthropic organizations.

Policy ED1.3: It is the policy of The City of Oak Ridge to support efforts in business retention that will help retain existing companies and promote their expansion.

Policy ED 1.4: It is the policy of The City of Oak Ridge to encourage entrepreneurship and to assist new business start-ups.

Policy ED 1.5: It is the policy of The City of Oak Ridge to maintain a balanced tax system that is competitive for business and residential investment.

Policy ED 1.6: It is the policy of The City of Oak Ridge to encourage development of the major elements of the Oak Ridge Center City Plan

Policy ED 1.7: It is the policy of The City of Oak Ridge to promote the growth of retail sales within the city and to re-establish its position as a regional retail center.

Policy ED 1.8: It is the policy of The City of Oak Ridge to encourage, promote and support the redevelopment of the former Oak Ridge Mall property into a vibrant, viable, mixed use town center

Policy ED 1.9: It is the policy of The City of Oak Ridge to encourage, promote and support the redevelopment and revitalization of our legacy retail centers such as Jackson Square and Grove Center

Policy ED 1.10: It is the policy of The City of Oak Ridge to maintain cooperative working relationships with local, regional, statewide, and federal organizations that pursue economic development activities consistent with the community's goals and objectives.

Policy ED 1.11: It is the policy of The City of Oak Ridge to ensure seamless, professional teamwork among local economic development related organizations.

Policy ED 1.12: It is the policy of The City of Oak Ridge to ensure development of an adequate inventory of sites for industrial use at locations that can be readily accessed, served with adequate utilities, and are free of major geological and environmental constraints.

Policy ED 1.13: It is the policy of The City of Oak Ridge to encourage cleans-up, re-use and redevelopment of vacant or underutilized industrial sites. Where continued industrial use is no longer viable, re-designation to another land use should be evaluated.

Policy ED 1.14: It is the policy of The City of Oak Ridge to support infill development in areas where adequate infrastructure is currently provided.

Policy ED 1.15: It is the policy of The City of Oak Ridge to develop and nurture visionary leadership within the community.

Policy ED 1.16: It is the policy of The City of Oak Ridge to align education and workforce development to business needs to ensure that our educational system is providing the skills that are essential in the local, regional and global economy.

Policy ED 1.17: It is the policy of The City of Oak Ridge to support incentive programs that will ensure that the City remains competitive in the marketplace.

Policy ED 1.18: It is the policy of The City of Oak Ridge to strengthen the City's image and attractiveness by improving the appearance of the landscape and signage at entries to the city on major arterial roads and other projects that enhance arterial gateways into The City of Oak Ridge.

Policy ED 1.19: It is the policy of The City of Oak Ridge to support efforts in maintaining scenic open space, green belts and greenways that are attractive to both local residents and visitors.

Policy ED 1.20: It is the policy of The City of Oak Ridge to develop a market specific action plan for the forward progress of Economic Development in The City of Oak Ridge.

Policy ED 1.21: It is the policy of The City of Oak Ridge to ensure that this economic development plan is reviewed regularly so it remains competitive and can respond to changes in the market and the community.

Path Forward

We recognize that economic development must be a core/organic local government service as opposed to an entirely outsourced effort. Accordingly, the Oak Ridge City Council indorses the creation and staffing a permanent City Economic Development Office, reporting to the City Manager, to implement the above actions, manage business outreach and assistance; coordinate business lead responses and community and business asset promotion; and propose and implement new efforts to ensure Oak Ridge's competitiveness for business investment.

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**PROPOSED GENERAL FUND ECONOMIC DIVERSIFICATION CHANGES
FISCAL 2014 BUDGET SUMMARY**

	BUDGET 2014
<u>REVENUES:</u>	
4110 Incentive Return *	\$ 67,538
4165 Hotel/Motel Tax Collections	500,000
Total Revenues	<u>\$ 567,538</u>
<u>EXPENDITURES:</u>	
820 <u>City Manager (Absorbed in Current Budget)</u>	
5210 Ferguson Group LLC	\$ 35,000
Bill Nolan & Associates	45,000
Electric Fund	(20,000)
Waterworks Fund	(20,000)
General Fund (Included in Current Budget)	(40,000)
943 <u>General Maintenance</u>	
5210 Mowing ROW Industrial Parks	14,000
5235 TECH 2020 Maintenance	11,000
963 <u>Economic Development</u>	
5210 Economic Development Services (Ray Evans)	42,000
5430 ACEDA	15,000
5430 Roane Alliance	15,000
5430 Innovation Valley	15,000
Electric Fund	(40,000)
Waterworks Fund	(8,000)
964 <u>Marketing and Tourism</u>	
5430 Oak Ridge Chamber of Commerce	120,000
5430 Convention & Visitors Bureau	300,000
5430 Convention & Visitors Bureau - Relocation	
5431 Matching Challenge Programs	
Fireworks and Summer Concerts	20,000
5530 Waterfront Improvements	75,000
Electric Fund	(70,000)
Waterworks Fund	(12,000)
967 <u>Housing Initiatives</u>	
5510 Land Bank	25,000
5210 Demolition/Rehabilitation	125,000
Economic Diversification Fund Balance Carryforward	(150,000)
982 <u>Special Events</u>	
5200 Special Events/Recreational Projects/Support	75,000
5430 Arts Council - Secret City Festival	50,000
Total Expenditures - Net	<u>\$ 622,000</u>
General Fund Contribution **	<u>\$ 54,462</u>
Electric Fund Portion	\$ 130,000
Waterworks Fund Portion	\$ 40,000

* Reduces in FY15 and Ends in FY17

** The General Fund transferred \$50,000 to the Economic Diversification Fund in FY13