

Garden

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afloat.

Marion County covered all of the bond payments using video lottery proceeds.

"We worked really hard to make (the Oregon Garden) make it," Lattimer said. "The lottery dollars are used for economic development, and ... we wanted it understood that we're not going to do it forever."

He said over time the county furnished roughly a net \$6 million, about \$550,000 annually.

Marion County Community Services Director Tamra Goetsch cited the 2018 Oregon Garden Foundation budget estimating operations costs of \$402,000, while anticipated revenue from the various sources, including membership fees, paid visitors, transient occupancy taxes, donations and royalties, is around \$579,000. That budget excludes the bond payments.

Statesman Journal reports show that Marion County's involvement with Oregon Garden dates back to 2002 when it issued \$5 million in revenue bonds to support the garden. That eventually obligated the county to furnish lottery funds for bond payments when the garden could not make them.

But even that wasn't enough. In September 2005 the 80-acre Oregon Garden was placed in the hands of a court-appointed receiver when its financial troubles threatened to close it for good.

Marion County subsequently negotiated with Moonstone to take over management of the garden as part of a strategy to get the attraction on a more prosperous course. By the time of the receivership, documents showed, the garden had claims totaling more than \$8.17 million, including money owed to Marion County, the city of Silverton and various unsecured creditors.

Marion County's current proposal calls for the county to forgive all remaining Revenue Bond principle and interest debt of \$4,359,390 and forgive all receivership costs and interest of \$1,372,869 along with other costs totaling \$415,087.

jmuch@StatesmanJournal.com or cell 503-508-8157 or follow at twitter.com/justinmuch



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Oregon Garden financial timeline

A quick overview of how Marion County's lottery dollars ended up paying the bond debt of the tourist attraction in Silverton.

2000

In 2000, the newly established Oregon Garden's "preview season" drew large crowds. The official grand opening came a year later and 2001 tax records show the garden got off to a promising start, ending the year in the black.

2002

The garden's prosperity was short-lived. When Marion County commissioners approved a \$5 million bond for The Oregon Garden in 2002, attendance at the attraction already was plummeting. Garden officials maintained that the revenue bond would stabilize the garden's finances and consolidate its debts.

Financial projections provided by the garden's staff formed the basis of discussions about the attraction's viability. No one suggested that making bond payments might become an issue because garden attendance was expected to grow.

Instead, attendance experienced a sharp decline.

2003

By winter 2003, The Oregon Garden's board started a regimen of cost-

cutting. Staffing and programs were reduced.

Officials blamed the garden's troubles on the downturn in the economy, tourists staying close to home after the Sept. 11, 2001 attacks, and even visitors reluctant to venture out in unseasonably hot or wet weather.

Critics, including former garden employees, blamed the crisis on bad management.

2004

By the end of 2004, The Oregon Garden was on the verge of a permanent shutdown.

Marion County and Silverton now had a big problem. The garden's nonprofit foundation couldn't make bond payments.

Moreover, a complicated property lease agreement for the garden's city-owned property was part of the bond deal: about 61 acres was pledged as collateral for the bond.

2005

In August 2005, The Oregon Garden Foundation ran out of money. By September 2005, a court-appointed receiver was overseeing The Oregon Garden's operation. Work began on a plan to reorganize the garden's financial affairs and pay creditors.

Michael Batlan, the receiver, determined that selling about 11 acres of city-owned land to Moonstone Hotel Properties for its resort, and handing management of the garden to the

California company, was the best option.

2006

In 2006, Moonstone began managing the garden with the new Oregon Garden Foundation serving in an advisory role. Moonstone is required to pay royalties that ultimately go to Marion County, but the county still shoulders most of the garden's past debt. About \$500,000 a year in county lottery funds have been used to make bond payments since the garden's financial reorganization.

2008

Moonstone Hotel Properties opens its Oregon Garden Resort. Owner Dirk Winter reveals that Moonstone has paid about \$130,000 annually to offset the garden's losses over the past two years.

2012

Silverton has agreed to give Moonstone Hotel Properties another two years to begin making payments on 11 acres it purchased from the town.

2018

Marion County proposes forgiving about \$6 million owed by the garden: "It is also in all parties' interest that The Oregon Garden remains a long-term asset for the city of Silverton and Moonstone Resort. With that in mind, Marion County is going to remove itself from future obligations and responsibilities for the Oregon Garden."

Rails

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"The basic conclusion is that it is very unlikely to be cost effective to restore service to this part of the rail line," Fleishman said. "Doing so would require the businesses that are served to provide...a surcharge, some might call it a subsidy, to Willamette Valley Railroad. Probably to the point that it would not be worthwhile for the shippers or receivers to do because of the cost involved."

Fleishman said Oregon Department of Transportation indicated it was willing to make further investments in the line, if the line is going to be used. The ODOT offer has been ongoing.

"The question is for this 17-mile track from Silverton to Stayton, is there enough business to make it worthwhile to start up an engine and get down here?" Fleishman added. "The conclusion is probably not."

"If there was an additional customer; if we could get a new business in Stayton on the 75 acres of vacant industrial land we have that is going to be a rail customer, then perhaps maybe," he added. "But that's a big 'if' and a big 'perhaps maybe' at the end."

That said, Anzur's study, which may be released later this month after the county reviews it, does indicate that rail service remains an attractive shipping

option for businesses such as RedBuilt and Wilco in Stayton and Pratum Co-op, the three businesses that were using the line when the southern service faded out.

Stayton RedBuilt plant manager Brian Cowan said the plant would definitely take advantage of direct rail shipping if it was available. The plant currently trucks product into Salem and ships it by rail from there.

"Absolutely. We used to ship many, many cars out of this location before the flood washed out the rail," Cowan said. "We'd like to see it back in the picture...we currently truck to Salem and rail it from there."

Marion County Economic Developer Tom Hogue did share some preliminary results from the study:

■ The track is in surprisingly good condition although some repairs and upgrades are needed;

■ A viable operation would require some combination of shipping surcharges and increased shipping carloads;

■ Even with a surcharge, a shipper could enjoy cost savings over trucking for longer hauls;

■ Carloads per year will have to increase; industry expansion in Stayton is the likely way to do that.

"The track infrastructure, when we went out and looked at it, is in fairly decent shape," said Anzur, whose firm Anzur Logistics was hired by Marion County to assess the rail. "That said, there

were washouts that occurred in 2012 that haven't been repaired and need to be."

The repairs would have to take place in four spots; two near Macleay and two between Aumsville and Stayton. Anzur estimated the total cost of repairing those areas would be \$135,000. Another area that would require work is a bridge over Pudding River near Silverton. That work is estimated at \$52,000 and would have to take place within the first year of the train service's restoration.

"At those (washout) locations, as of now, a train cannot pass," Anzur said.

If the track was restored, the study indicates that businesses such as RedBuilt would have to make steady use of the service for the rail to be viable.

Willamette Valley Railway General Manager David Root said bringing an engine down to the southern end of the line was feasible as recently as 2009, before the recession and other circumstances siphoned off a significant chunk of the shipping.

Root said the bulk of the line's businesses served are from Mt. Angel to Woodburn.

Anzur said other current businesses on the south end of the line he consulted with included Modern Building Systems and Blazer near Aumsville, which could potentially use the line for incoming supplies. NORPAC, which has an extensive spur from the line into its Stayton facility, has not shipped from that line since 2006 and currently has no need to

use it.

Oregon Shipping Group, which is dedicated to strengthening statewide transportation infrastructure for economic-improvement purposes, was buoyed by the study.

"The railway will need customers south of Silverton in order to justify putting further investment into that portion of the line," said Oregon Shipping Group Deputy Director Connor Harrington. "Bringing the portion of rail between Silverton and Stayton back into service will be costly, but could be feasible if there were businesses willing to pay a surcharge to ship freight on that portion of the line."

"The trick is trying to incentivize a rail-served business to locate on a currently inoperable section of track. What you will probably need in addition to rail-served industry is public partners who can help fund some of the improvements needed to get the line back in service."

Harrington applauded the county for undertaking the feasibility study.

"Marion County took a very positive step in the right direction by commissioning a study as to the economic viability of the line," he said. "Others will now be able to utilize that information to further develop a game plan to get trains moving between Silverton and Stayton."

jmuch@StatesmanJournal.com or cell 503-508-8157 or follow at twitter.com/justinmuch

LOCAL ADVISORS

Salem Area

Vin Searles

FINANCIAL ADVISOR
Mission | 503-363-0445

Garry Falor

FINANCIAL ADVISOR
West | 503-588-5426

Michael Wooters

FINANCIAL ADVISOR
South | 503-362-5439

Chip Hutchings

FINANCIAL ADVISOR
Lancaster | 503-585-4689

Caitlin Davis

FINANCIAL ADVISOR
West | 503-585-1464

Tim Sparks

FINANCIAL ADVISOR
Commercial | 503-370-6159

Jeff Davis

FINANCIAL ADVISOR
Liberty | 503-581-8580

Keizer Area

Sheryl Resner

FINANCIAL ADVISOR
Keizer | 503-304-8641

Mario Montiel

FINANCIAL ADVISOR
Keizer | 503-393-8166

Surrounding Area

Bridgette Justis

FINANCIAL ADVISOR
Sublimity | 503-769-3180

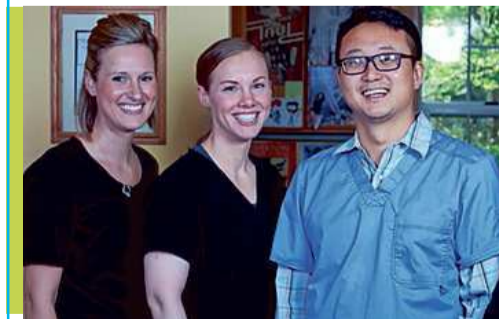
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Dallas | 503-623-2146

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