

**CITY OF WILSONVILLE
URBAN RENEWAL BUDGET COMMITTEE MEETING MINUTES**

**WILSONVILLE CITY HALL
29799 SW TOWN CENTER LP E**

May 3, 2012

A regular meeting of the Wilsonville Urban Renewal Budget Committee was held at Wilsonville City Hall on Thursday May 3, 2012. Chair Núñez called the meeting to [order at 9 PM](#), followed by roll call and the Pledge of Allegiance.

Tim Knapp, Mayor
Celia Núñez, [Councilor/Chair](#)
Scott Starr, Councilor
Steve Hurst, Councilor

Wendy Buck, Committee Chair
Anne Easterly, Committee Member
Tony Holt, Committee Member
Lonnie Geiber, Committee Member
Alan Steiger, Committee Member

Richard Goddard was excused.

[Staff present included:](#)

Bryan Cosgrove, City Manager
Gary Wallis, Finance Director
Chris Neamtzu, Planning Director
Kirsten Retherford, UR Project Manager
Sandra King, City Recorder
Pat Duke, Library Director
Holly Miller, IS Manager
Cathy Rodocker, Asst. Finance Director
Stephan Lashbrook, Transit Director
Delora Kerber, Public Works Director
Arnie Gray, Public Works Supervisor
Steve Allen, SMART Operations Mgr.
Keith Katko, Finance Operations Manager
Kourtnei Kersey, Finance Admin.
Jen Massa Smith, Program Manager

Dan Knoll, Public Affairs Coordinator
Dan Stark, GIS Manager
Jadene Stensland, Engineering
Patty Brescia, Community Programs Mgr.
Steve Munsterman, Water Operations Chief
Scott Simonton, Fleet Services Manager
Floyd Peoples, Public Works Operations Mgr.
Martin Brown, Building Inspector
Gerald Fisher, Engineering
Mark Ottenad, Public Affairs Director
Matt Baker, Public Works Supervisor
Andy Stone, IS
Vania Heberlein, Senior Accountant
Brian Stevenson, Recreation Coordinator

RECONVENE AGENCY BUDGET COMMITTEE MEETING FROM APRIL 30, 2012

PUBLIC HEARING/CITIZEN INPUT

Chair Núñez called for Citizen Input. There was none.

QUESTIONS FROM THE BUDGET COMMITTEE

Chair Núñez called for any questions for Mr. Wallis or Mr. Cosgrove. There was none.

URBAN RENEWAL COMMITTEE DELIBERATIONS

A. Motion to approve the proposed budget

Motion:

Alan Steiger moved to approve the 2012-13 proposed budget in the amount of \$39,197,823 and levying the full amount ~~of the divide the taxes~~ [1022 1:43] of the West Side district, and set the increment value in the Year 2000 Planned District to approximately \$303 million, which will generate a levy of \$4,200,000. The motion was seconded by Steve Hurst.

B. Discussion

Scott Starr:

- Understood the Committee would reconvene in July or August to discuss specifics on whether to close one of the two urban renewal districts and when that might occur.
 - Bryan Cosgrove, City Manager clarified that he recommended the Budget Committee deal with the financial policies first in the General Fund before tackling urban renewal separately and later in the year. Although urban renewal was related to the budget, a robust discussion was required by City Council because it was tied into economic development. Any financial impacts could be brought back to the Budget Committee, or they could be invited to that meeting. Urban renewal was more of a policy-city direction issue that City Council should weigh in on first.
- Questioned when City Council was to meet with the school board, as closing an urban renewal district would affect schools.
 - Mr. Cosgrove believed meetings were scheduled but he was unable to give exact dates. Many pieces were involved with urban renewal that required lengthy detailed analysis. Mr. Wallis, Finance Director would present "A Look Ahead" and touch on some of the data that would need to be gathered, as well as some implications, but the detailed work would require a lot of effort and time.

Ms. Easterly said she looked forward to the review and discussion that evening and to providing some comments. However, with regard to discussion about any specific changes to urban renewal, she believed the entire Budget Committee should be involved in that discussion from the beginning. A lot of dialogue occurs from the beginning that would be important to understand and know specifically the legal parameters and specifics regarding the urban renewal districts that were established some time ago. Those discussions were best heard by the entire committee.

- Mr. Cosgrove clarified he was suggesting that there were many city visions and strategic planning-type issues that might not involve the Budget Committee directly, but certainly the Committee should not be excluded from that conversation.

C. Final motion to approve the FY 2012-13 Urban Renewal Proposed Budget as amended

Councilor Núñez called for the vote on the 2012-13 Urban Renewal Budget as presented.

Councilor/Chair Núñez	Yes	Lonnie Gieber	Yes
Mayor Knapp	Yes	Alan Steiger	Yes
Councilor Starr	Yes	Anne Easterly	Yes

Councilor Hurst

Yes

Tony Holt

Yes

Wendy Buck

Yes

The motion passed 9-0.

RECESS MEETING UNTIL MAY 10, 2012 OR ADJOURN

Chair Núñez adjourned the Urban Renewal meeting at [approximately 9:06 pm](#).

SPECIAL PRESENTATION “A LOOK AHEAD” – Gary Wallis, Finance Director

Mr. Wallis presented “A Look Ahead” via PowerPoint reviewing the West Side and East Side Urban Renewal Districts with these additional key comments:

- He appreciated the earlier discussion regarding the direction of the City’s financial policies, as well as on the General Fund, and urban renewal and he looked forward to participating in those discussions.
- Material on General Fund would not be covered due to the earlier discussion by the Committee. The material would be revisited when the Committee and Staff meet later in the summer or early fall.
- Urban Renewal – West Side: District boundaries were shown in gold on the displayed map.
 - \$30 million of the original plan was used to: complete the Boeckman Rd Extension, shown with a red line, and a portion of Barber St; purchase property on north end of town for the school, which was recently relocated on property purchased more in the center of Villebois; help pay for park improvements in Villebois; and defray some of the increased water system development charges (SDCs) related to the sprinkler systems in the buildings identified in the gray shaded areas.
 - Several projects remain to be completed, including the listed projects shown in green. He reviewed the projects, noting that \$10 million was not enough to complete [the plan](#). The City could either not complete the remaining projects or consider a substantial plan amendment that would increase the maximum debt limit.
 - Under current State law, the City would need to get concurrence by a majority of the overlapping taxing [jurisdictions](#), the school, County, and fire district, regarding any increase in the maximum debt, which would likely entail a vote of out the public as well.
 - Getting concurrence involved a process similar how the district was initially formed. The remaining projects would need to be identified and cost estimates provided. The City would also need to forecast the assessed value if the remaining portion of the urban renewal district was built out. Finally, the City would need buy in from citizens and the other districts and be prepared to answer questions about how the increased maximum debt would be beneficial.
 - While a number of challenges exist, the past has indicated that such an amendment is doable. One aspect to consider was whether the City had the capacity to repay the increased debt.
 - Issuing the full \$40 million would require an annual payment of principle and interest of about \$3 million per year. Because the City was borrowing money, the lender requires the City to have a debt service reserve of typically 25% in excess

of what the City had to pay, so the City would have to pay about \$3.7 million per year. For next year, the City would be at \$3 million, which was close.

- The assessed value in the district was about \$225 million for next year, generating \$3 million. The value would need to increase \$45 million to generate \$3.7 million, which translates into about 200 homes. A developer indicated the absorption rate seen in Villebois was five or six per month, so on the conservative side, about 70 homes annually, making it possible to achieve the needed value in three years.
- Hypothetically, if the District's amount doubled, from \$40 million to \$80 million, the required annual payment would be \$7.5 million. The assessed value needed to balance that would also double, \$540 million, requiring about 1,400 homes. This illustration was a worst-case scenario; it was not likely the City would have \$80 million of outstanding debt at any time, which meant the number of homes would have actually been less.
- Using an apartment complex in the scenario would depend on the size of the complex [to determine the assessed value](#). Using Brenchley Estates as an example, both the north and south sides of that development were expected to generate about \$30 million of assessed value each. Each Brenchley home was guesstimated at \$220,000 to \$225,000 of assessed value. [The contribution of the apartment complexes could be estimated using these figures. \[1025 0:42\] \[moved here\]](#)
- While there were many caveats, the timing of when the City sold in relation to the development in the district would be important. Increasing the maximum debt limit was doable, but the timing and planning were critical. It had taken quite a few years to reach the point where most all the debt issued from the original \$30 million was being amortized. Currently, \$8 million was due next month with the remaining \$7 million hopefully in a year.
- Urban Renewal – East Side:
 - The assessed value of the district was currently \$361 million, but the value was actually higher because some properties had been removed from the district, which made tracking difficult. If included, the district probably had more than \$400 million worth of improvements in the past 20 years.
 - On an average basis, the district [was providing the City about \\$1 million per year](#), perhaps a bit better, which was good news. [The City was trying to be responsible within this district. \[1025 2:18\]](#)
 - He explained that the district's formal name, Year 2000, came from the goal of when the projects would be completed, not the goal for when the district would be shut down. The debt issued tended to be 10 to 20 years out, so eight years was an optimistic outlook.
 - Reasons to consider closing the district include: an estimated \$4 million in taxes would be released to all other overlapping jurisdictions; doing so would demonstrate good faith with the citizens, the public, and urban renewal supporters; enabling a new district to be created.
 - There are 629 acres within the East Side District. State law limits the property allowed in an urban renewal district to no more than 25% of the community's overall acreage. Currently, the East Side was a couple percentage points below that 25% level.
 - The estimated acreages for Basalt, Coffee Creek, Frog Pond and Advance Road areas were listed. Closing the East Side would allow investigation and moving into other

districts, if desired. Without closing the East Side, no capacity would exist to take on a new district.

- Unfavorable reasons to consider closing the district include: loss of a resource for doing future infrastructure projects; potential tax loss to the school district; and a potential pre-payment penalty on the outstanding debt. Closing the East Side would require the City to pay off the debt early or diffuse it. The City would have to address these issues.
- Two graphs were displayed reflecting the cash balance, money coming into the debt fund less amounts paid for principle and interest and the outstanding amortizing debt.
 - The first graph indicated the City issuing another \$13 million in short-term debt over the next several years for desired projects. The City would be in a position to retire some debt by about 2019.
 - The second graph reflected the City issuing another \$21 million, which would have to be done as an amortizing debt over a short period of time. However, with those assumptions, [the City could begin to retire debt](#) in 2020. The natural closing of the district, without extending the maximum debt was about eight years out, even if all the debt were issued. Without any more debt, the [closing](#) date would be in 2017 or 2018. [\[refer to slides, 1026 0:08\]](#)
- The overlapping jurisdictions that would benefit from closing the district and the estimated taxes they would receive were displayed. One great incentive was that \$700,000 would come into the General Fund. The library district would also get about a \$100,000 increase in resources, some of which could go back to the City.
- One negative aspect of closing the district involved compression, which was related to Measure 5 that attempted control property taxes. Using the table on Slide 12, he described how compression area schools.
 - [The rate](#) for all combined schools within the overlapping jurisdiction, including school, community colleges, ESD, etc, could not exceed \$5 [per \\$1,000](#). [\[include or just assumed given the discussion\]](#) The \$5 rate is multiplied by the current real market value (RMV) of \$440 million resulting in a tax limit of \$2.2 million.
 - Subsequently, Measure 50 changed the calculation so that taxes were no longer based upon real market value, but on assessed value. The current assessed value in the district was \$397 million.
 - Slide 12 listed the permanent rates, the top number, for each overlapping school jurisdiction; [the taxes that](#) could be used for operations, as opposed to the general obligation debt. [\[10264:48\]](#) The bottom row indicated the school districts local option levy, which had a tax rate of \$1.50 [per \\$1,000](#).
 - The Math column reflected the tax totals for each jurisdiction using the current derived rates after the urban renewal portion was separated out. Today, the total taxes are \$2.35 million, which exceeded the \$2.2 million tax limit and resulted in compression. The school district could not collect more than \$2.2 million, so the \$150,000 excess would be subtracted from the local option levy line, which would create a revised local option level to return [the total taxes received](#) to the \$2.2 million.
- [\[begins 1027 1:42\]](#) [If the East Side District were shut down, the tax rates would increase, according to the County Assessor. These new tax rates, shown as the second rate for each jurisdiction, would result in \\$2.695 million, also exceeding the \\$2.2 million limit. He described how the excess \\$495,000 would be addressed, noting the school district would receive \\$100,000 versus the \\$445,000; however, because the school district would receive more money due to the higher tax rate for the permanent operating tax portion.](#)

- The overall difference in monies received would only be about \$50,000 less, or \$70,000 less according to the County Assessor, and this significant change in the local option levy would need to be discussed with the school district.
- Although the permanent tax portion goes to the school, it also gets reported to the State, which determines the amount paid to the school district from the State coffers via the State equalization process. He was uncertain how that might affect the school district and suggested further discussion with school district's finance person to see what they anticipated as far as any impacts.
- Closure of the East Side District was a complex matter. While urban renewal on the East side had no adverse impact on schools today, it could be argued that closing the district would have no benefit to the school district today. The analysis was contrary to what he believed would happen with urban renewal.
 - The biggest factor that would benefit the schools was increasing RMV. Growing RMVs would increase the tax limit, which would then raise the local option levy portion and give the school district more money. The City could not directly impact the RMV, except by doing things along the lines of economic development.
 - If the East Side District were closed today, the schools would lose money, but the amount remained to be seen.
- He reviewed the next steps with regard to the East Side District and suggested developing a written document for the "Glide Path" to closing the district, to identify the projects that would be completed projects, the timing of when things would occur and to lay a roadmap for the future.

Mr. Starr:

- Asked whether the prepayment penalty was a hard and fast penalty or would it decrease as time passed.
 - Mr. Wallis explained the prepayment penalty was calculated based upon ~~what~~ the potential loss in interest income ~~is~~. If a loan at X percent was paid off early and the bank was not able to invest at the same interest rate, the bank would lose money compared to what was expected in interest from the City.
 - Mr. Hurst suggested people visit Wikipedia about Yield Maintenance Agreements, which were more similar to the City's loan scenario and based on a more complex calculation. He agreed Mr. Wallis' explanation was accurate. The bank loaned the City X amount and invested based on that. If liquidated, the bank would no longer have that income coming in and would need to reinvest at today's lower interest rate. The City [would have to pay the difference between the loan rate and investment percentage times the outstanding balance. \[1028 2:53\]](#)
 - Mr. Wallis added the plus side was that the principle was going down in that district, and in two years, one of the outstanding notes would be completely paid off, while the other would have only two years remaining.
- Recalled from a prior discussion with Mr. Wallis that year after year, a substantial gap exists between the contribution of homes, townhouses, and condominiums to the City's tax roles versus apartment complexes. [Given X amount of property, the City would get the best return on its dollar by having houses in a district, not apartments. \[1028 3:30\]](#)
 - Mr. Wallis responded it would depend on the density of the apartments; he assumed the assessed value [would increase if one area had a lot of apartments. \[1028 4:14\]](#)

- Noted the difference in the amount contributed between homes and apartments was significant, unless a 14-story high-rise apartment building was put in. He would talk with Mr. Wallis later to understand that better.

Mr. Hurst stated that urban renewal was one possible solution for paying for things in the future. He used a home equity loan as an analogy to explain the complex issue of urban renewal, which could be useful or destructive, similar to a home equity loan. Like a house, the City had a certain amount of equity and urban renewal incurs debt against that equity as a way to pay for projects. The challenge was to ensure that debt was used for emergency or critical core needs and not frivolous projects.

- In the upcoming discussions, the Committee should look back on how urban renewal has been used. In retrospect, some projects would not be considered vital. Urban renewal is an important option to keep on the table, but it should be used extremely judiciously. The City must know what it is getting into and be sure it can pay for urban [renewal, given the assessed values](#). [1029 2:27]

Ms. Easterly:

- Noted that the projects paid for by urban renewal funds were limited, unlike a home equity loan where the money could be used for almost anything. [1029 3:31]
- [Stated that while the prepayment penalty was a consideration, closing the urban renewal district would position the City for future success. Issuing new debt through a new urban renewal district at an incredible interest rate for a longer period of time could be beneficial in the long run and should be considered. Another factor to consider was that a new urban renewal district should build projects that truly bring a solid rate of return to the City's equity.](#)
 - In moving toward a "Glide Path," [the Committee needed to consider the City's existing interest rates and what new capital improvement projects the City needs, such as infrastructure development and potentially developing communities that would give back to the benefit of the school district.](#)
- Asked if closing the Year 2000 Urban Renewal District, while also strategically establishing a new urban renewal district, would offset some of the losses to the local option levy or operating [taxes](#) the school district receives.
 - Mr. Wallis answered no; the new district would not have any positive impact on the schools in that regard. The real benefit to schools would be if the RMV increased, which would allow the Measure 5 limit to increase and enable the [school district](#) to collect more on the local option levy. Currently, the school district could not collect more than \$2.2 million from that urban renewal district due to compression.
- Asked if the new urban renewal district would potentially contribute if located where some of the school property was located.
 - Mr. Wallis noted the Basalt Creek and Coffee Creek districts would likely have industrial development, which would not have children, so the increased value of the new development would not have any impact on the schools. When that district was shut down, there would be future value that would flow to the school district with no increase in their service area. Conversely, the fire department might say their level of service could be higher depending on the type of development in the industrial area.

- He confirmed Frog Pond and Advance Road would have direct impact [to the school district](#) because of the schoolchildren within those areas.
- He added that in the life of the Year 2000 District, urban renewal had provided millions of dollars in assistance towards improvements at the high school, so there was some synergy between the City and school district.

Chair Núñez concluded by thanking the Budget Committee for electing her as Chair and for a unanimous vote approving the budget. She also recognized the exceptional work Mr. Wallis had provided the Wilsonville community, along with his staff, and noted that he would be missed.

Mr. Wallis said he felt fortunate to have worked for the City of Wilsonville for the past 17 ½ years, and that he has enjoyed working with everyone.

The 2012-2013 Budget Meeting concluded [at 9:45 pm](#).

Respectfully submitted,

Paula Pinyerd, ABC Transcription Services, Inc. for
Sandy King, City Recorder