

**CITY OF WILSONVILLE
URBAN RENEWAL AGENCY**

The Urban Renewal Agency held a regular meeting on July 20, 2015 in the Wilsonville City Hall immediately following the adjournment of the City Council meeting. Chair Knapp called the meeting to order at 8:18 p.m. Board Members present: Tim Knapp, Chair, Board Members Starr, Fitzgerald, Stevens, and Lehan.

Staff included: Bryan Cosgrove, Executive Director; Mike Kohlhoff, City Attorney; Jeanna Troha, Assistant City Manager; Sandra King, City Recorder; Susan Cole, Finance Director; Holly Miller, IT Manager; Nancy Kraushaar, Community Development Director; Andrea Villagrana, HR Manager; Jon Gail, Community Relations Coordinator; and Kristin Retherford, Economic Development Manager.

CITIZEN INPUT - There was none.

NEW BUSINESS

A. **URA Resolution No. 259**

A Resolution Authorizing The Issuance Of A Series Of Urban Renewal Bonds For The West Side Urban Renal Area; Delegating Authority To Negotiate And Execute All Documents; And Related Matters.

Mr. Kohlhoff read the title of the resolution into the record.

Susan Cole prepared the following staff report.

The maximum indebtedness for the Urban Renewal Agency – West Side Plan Area is \$40 million. Of this amount, \$35 million has been issued, leaving capacity for \$5 million. The issue before the Urban Renewal Agency Board is to authorize the issuance of \$5 million in debt.

Based upon the timing and cost projections of completing the Barber Street Extension, contributions for park development, estimates for credits for residential fire sprinklers, as well as associated overhead and administrative costs, the West Side Plan Area has demonstrated need for this remaining \$5 million in debt.

The Finance Department solicited indicative bank terms from various commercial banks and has selected Columbia Bank. The \$5 million will be split into two pieces: One portion will be for \$4.25 million, at 2.63% for 10 years, paid each quarter, and qualifies for tax-exempt borrowing; another portion will be for \$750,000, at 3.65% for 5 years, paid each quarter, and will be taxable borrowing. Fees will be proportionately allocated to each portion. The \$750,000 taxable borrowing (net of fees) will be for park improvements for Montague Park, which will be owned and maintained by the homeowners association.

The funds are expected to finance projects outlined in the Capital Improvement Program (CIP) of the Urban Renewal Agency – West Side Plan Area, and include completing the Barber Street Extension, contributions for the development of Edelweiss Park and Montague Park, and

continuation of the residential fire sprinkler program, as well as associated overhead and administrative costs. Additionally, depending upon project timing and other funding sources, Tooze Road Improvements may be partially financed with the proceeds of this debt issuance.

The Urban Renewal Agency – West Side Plan Area continues to meet its debt covenants for outstanding Parity Bonds, and must demonstrate it does so for all outstanding bonds in order to issue new bonds. One covenant specifies the amount of tax increment that is collected, and another specifies how much cash to keep in reserve.

The Agency must certify that either: a) the tax increment revenue collected the twelve months preceding the issuance of new debt must meet or exceed 125% of the annual average debt service payments, including estimates for the new debt; or b) the tax increment revenue collected the same year and for five succeeding years meets or exceeds 135% of the annual average debt service payments, including estimates for the new debt. While staff has concluded that both tests can be met, staff is working with EconNW as an independent expert to ensure one or both tests of debt coverage are met.

Additionally, the West Side Plan Area must set aside 10% of the proceeds of each issuance into a debt reserve. The West Side Plan Area accounts for this in its Debt Service Fund. The Adopted FY 2015-16 budget shows the West Side Plan Area ending the year with \$4.4 million in Fund Balance. Of this amount, \$3 million is set aside for currently outstanding debt, and with the issuance of this \$5 million, and additional \$500,000 will be set aside.

The issuance of this \$5 million in debt takes the West Side Plan Area up to its maximum indebtedness. Staff is working toward proposing a Substantial Amendment to this area in order to raise the maximum indebtedness, and is projected to come before the Urban Renewal Agency Board sometime in early 2016.

The funds provided by this debt issuance will allow capital projects in the Urban Renewal Area – West Side Plan Area to continue.

Upon approval of this resolution, staff will negotiate final terms with Columbia Bank to fund the \$5 million, and expects to close within days of this resolution being approved.

The FY 2015/16 budget for the Urban Renewal Agency anticipated issuing \$5 million in debt.

The UR Agency has the authority under the plan and the authorizing statutes to fund the remaining projects including Montague Park even it is viewed as a private development interest. The authority for a UR Agency to contractually grant funding to a private development interest under its statutory powers is different from whether the bond issuance may qualify as tax exempt. In this case, bond counsel's wisdom is for UR Agency is taking a conservative approach to split the bonds in relation to the tax exempt status of the projects. As part of the final plat, a public access easement for the public's use of the park must be granted. There is an argument that can be made that the bond proceeds are supporting the park for public use; and therefore, could qualify for tax exempt status. But the park is to be owned and maintained by the Homeowners Association, which, on balance, may make it more private than public for Internal Revenue Code purposes. As it turns out, if the \$750,000 was added to the 10 year life of the larger, tax exempt bond issuance, the City would pay approximately \$33,000 more in interest.

The projects and the potential for issuing Urban Renewal debt was part of the FY 2015-16 budget process.

Entering into this debt obligation will allow for the completion of important road and park projects in the West Side Plan Area.

Urban Renewal is required to have debt obligations, paid with the tax increment received, in order to complete projects included in the Urban Renewal Plan. The alternative would be to not move forward on this debt issuance and delay the capital projects.

Ms. Cole used a PowerPoint to describe the changes to the resolution and listed the proposed projects including the Barber Street extension; Tooze Road improvements; Edelweiss Park improvements; improvements in Montague Park; sprinklers, and project overhead.

Following a discussion clarifying aspects of the funding, and project list the Board made a motion to adopt the resolution.

Motion: Ms. Lehan moved to approve URA Resolution No. 259.
Ms. Stevens seconded the motion.

Mr. Knapp said this west side district continues to have very strong assessed valuation and is an example of where the new development on the west side of town is paying for the infrastructure improvements over time. Urban renewal is an effective tool that enables development to pay for its own improvements and infrastructure.

Vote: Motion carried 5-0.

ADJOURN

The URA meeting adjourned at 8:32 p.m.

Respectfully submitted,

Sandra C. King, City Recorder

ATTEST:

Tim Knapp, Chair