

**SHERWOOD URBAN RENEWAL AGENCY BOARD OF DIRECTORS
MEETING MINUTES
Tuesday, August 20, 2024**

**City of Sherwood City Hall
22560 SW Pine Street
Sherwood, Oregon 97140**

URA BOARD WORK SESSION

- 1. CALL TO ORDER:** Chair Tim Rosener called the meeting to order at 6:06 pm.
- 2. BOARD PRESENT:** Chair Tim Rosener, Vice Chair Kim Young, Board Members Keith Mays, Dan Standke, Renee Brouse, Taylor Giles, and Doug Scott.
- 3. STAFF AND LEGAL COUNSEL PRESENT:** City Manager Craig Sheldon, Assistant City Manager Kristen Switzer, Interim City Attorney Sebastian Tapia, Community Development Director Eric Rutledge, Interim Public Works Director Rich Sattler, HR Director Lydia McEvoy, Finance Director David Bodway, IT Director Brad Crawford, Economic Development Manager Bruce Coleman, City Engineer Jason Waters, Police Chief Ty Hanlon, Records Technician Katie Corgan, and City Recorder Sylvia Murphy.
- 4. TOPICS**

A. Ice Age Drive Funding Option

Finance Director David Bodway presented the "City of Sherwood Ice Age Drive Work Session" PowerPoint presentation (see record, Exhibit A) and recapped that the URA had performed better than originally planned when it was created in 2021. He outlined that TIF revenue had exceeded original expectations, it was forecasted to experience strong growth, and funding for additional capital projects was currently limited. Chair Rosener explained that the URA was forecasted to generate \$84 million over its lifetime, but in order for the city to have access to that money, it had to either bond against it or collect it, which took time. Mr. Bodway commented that when the city had originally taken out the loan in 2021, the interest rate was around 2.5% and was earning 5.3%. He outlined that there were two funding options for the Board's consideration. He noted that the URA was currently limited on its borrowing ability and commented that Business Oregon had a Special Public Works Fund. The first option was to utilize the Special Public Works Fund from Business Oregon. The second option was a combination of a Business Oregon loan, and the use of existing city reserves from restricted pots of money that could only be utilized for certain types of projects. Chair Rosener clarified that if the Board chose the second option, the city would pay itself back over time with interest via the URA district. Finance Director Bodway provided an overview of the Special Public Works Fund and explained that it was a loan through Business Oregon; it provided low-cost financing to municipalities for planning, design, and construction of utilities and facilities essential to industrial growth and job creation; it had terms up to 30 years for most projects; and there was a maximum of \$10 million in loan funding. He commented that it was possible to take out multiple loans through the Special Public Works Fund. He addressed Option 1 and stated that this was the recommended option. He outlined it entailed taking out two loans from Business Oregon for the full amount and there was an estimated remaining project cost of \$17.5 million, which factored in the \$3 million federal grant. Discussion regarding the option to temporarily turn over Ice Age Drive to a private developer to construct the road for

much less money occurred and Chair Rosener asked that staff look into that option. Finance Director Bodway addressed Option 2 and explained that this option utilized a Business Oregon Loan and the use of existing reserves. He stated that the estimated remaining project costs were \$17.5 million and there were two pieces of property in the TEA that the city could sell. Board Member Mays commented that it was important not to sell those properties until the road was completed or nearly completed in order to get the most money. Mr. Bodway stated that Option 2 also would use the existing reserve balances in the Street, Water, Storm and Sewer Funds. He cautioned that the use of those reserves could result in the potential delay of other CIP projects. He commented that he recommended Option 1 because it would allow the city to continue with other CIP projects by not using the reserves from the Street, Water, Storm and Sewer Funds while allowing for the completion of Ice Age Drive, which was vital to the growth of the URA growth and development. Chair Rosener referred to the remaining interior lots that Ice Age Drive would connect to, and asked what the impact of those would have on future revenue. He continued that it could be much cheaper for the city to find a developer who was willing to extend the road in exchange for credits or similar tradeoff rather than the city paying for the entire project upfront. Finance Director Bodway replied that in 2022 it was forecasted that the potential Storm/TDT/SDCs revenue that Ice Age Drive could generate with development was between \$9-16 million. Chair Rosener recapped that assuming the Board chose Option 1, much of the \$17.5 million would be offset by the fees that would get charged when those properties were developed, combined with the \$3 million federal grant would result in around a \$4 million long-term deficit. Discussion occurred and Finance Director Bodway commented that if the two properties in the URA were sold, the proceeds of those sales could be put back into the URA which would lower the amount spent thus far and would allow that money to be spent on other projects. Board Member Mays commented that from an oversight perspective, putting the proceeds of the sale of the two properties back into the URA to help pay off this project or start another project is what should be done. Discussion regarding the possibility of selling the two properties to a private developer at a discount in return for the developer paying for the construction of Ice Age Drive occurred. Board Member Mays commented he was not in favor of that idea because it was too difficult for a city to successfully navigate those types of situations and would prefer to build Ice Age Drive and sell the properties when the road was complete. Finance Director Bodway recapped next steps and outlined that with the Board's approval, staff would begin discussions with Business Oregon regarding funding options and staff would bring back various loan packages for them to consider. Board Member Scott asked if it was possible to have an estimated valuation of the URA-owned properties assuming the road was complete. Mr. Bodway replied that the properties had an estimated high value of \$3.3 million in 2012 and a new valuation would need to be completed on the properties. Board Member Scott commented that because the construction of Ice Age Drive was certain, it may be possible to sell the properties at "post-road" prices prior to the road actually being constructed. Board Member Giles commented that he needed more information on what was at risk by spending this money on Ice Age Drive. Finance Director Bodway referred to the Storm and Water Funds and explained that there was the operations side and the capital side, and the operations side of both the Storm and Water Funds were getting pretty high. He stated that within the next few years, 50% of the revenue would be moved over to the capital side to put money aside for capital projects because accounting standards stipulated that the operational balance could not be so high. City Manager Craig Sheldon recapped next steps and outlined that with the Board's approval, staff would begin discussions with Business Oregon regarding funding options and staff would bring back various loan packages for them to consider. He reported that staff should be able to bid the job in January or early February and explained that it would likely take 4-6 months to go through the loan process. Chair Rosener stated that the city should pursue a Business Oregon loan if the rates were favorable and commented that the city did not have that opportunity in every other category of spending, and it preserved flexibility. Finance Director Bodway added that Business Oregon loans were also ideal because they were revolving loans.

Board Member Brouse clarified that the \$3 million in federal funding would be lost if the city did not move forward with Ice Age Drive in a timely manner. Board Member Scott asked that staff come back with a detailed breakdown of what each option would cost and the likely impacts to other projects for the Board to consider and discussion occurred.

B. URA Financing Update

Nick Popenuk with Tiberius Solutions presented the "City of Sherwood Urban Renewal Financial Update" (see record, Exhibit B) and commented that the expected growth of the URA had exceeded expectations and therefore an updated financial forecast for the upcoming 5-year period was needed. He referred to growth and outlined that it was a permanent rate plan, so the only tax revenue or taxes that were involved were the permanent rate levies, so the tax rates would remain the same over the 5-year period. He addressed assessed value forecast assumptions and outlined that the appreciation from existing assessed value was limited to 3% annually by the Oregon Constitution. He explained that in order to get more TIF, additional growth in assessed value was needed, which could come from appreciation or new construction. He explained that due to Oregon's property tax system, growth was limited to 3% per year, which made new construction important. He provided an overview of the existing property annual growth assumptions and stated that real property accounted for 91% of the total URA assessed value. Mr. Popenuk explained that city staff had created a list of all of the known buildings that were planned to occur in this area over the next several years and outlined the projects on page 4 of the presentation. He reported that there was a total of \$190 million in improvement values for known projects in the area that were planned to be completed within the next two years. He noted that it typically took several years for that value to come onto the tax roll. He clarified that while the \$190 million was for the cost of construction, the actual taxable value was \$114 million due to the Oregon property tax system. He provided an overview of the assessed value forecast figures on page 5 of the presentation and stated that in fiscal year 2029, the URA total would be \$462 million, most of which would come from new construction. He noted the \$0 amount for 2029 new construction and explained that this was a conservative forecast which only used projects that had already pulled permits at the time of this meeting. Mr. Popenuk provided an overview of the assessed value and TIF revenue percentage change of the 5-year period on page 6 of the presentation. He explained that when there was strong growth in assessed value, stronger growth was seen in TIF revenue as a percent basis. He addressed the desired CIP project list on page 7 of the presentation and noted that there was \$102 million in remaining costs for the completion of the listed projects. Vice Chair Young asked if the list included the various grants the city had been awarded and Mr. Popenuk replied that the list did not include those grants, but the figures on pages 8-9 did. He provided an overview of the sources of funds by year and stated that there were over \$12 million in grants for the listed projects. He explained that URAs work best when cities could use their own increment revenue to leverage outside state and federal grants. Finance Director Bodway addressed the cited administrative costs on page 10 of the presentation and explained that forecasted staff time to build the projects was included in that figure. He explained that the personnel expenses were broken out in the capital budget, but staff billed their time to specific projects. Mr. Popenuk addressed the City Water Fund line item and explained that the figure assumed that the city wished to utilize Water Funds to pay for capital projects. He explained that the annual payment amounts were not fixed either because there was more flexibility on how the payment was structured. He provided an overview of the level of debt service chart on page 11 of the presentation and explained that the chart assumed that the \$12 million was borrowed and had level payments for 10 years. He explained that in this scenario, the annual TIF revenue would not be at the necessary level to cover the payments until 2028 and beyond. Mr. Popenuk provided an overview of the level of debt service matches TIF chart on page 12 of the presentation and explained that in this

scenario, the payments in the first few years were limited to interest-only payments on the new debt. There would be as much payment towards the principal as possible every year once there was enough TIF revenue to cover more than just the interest payments. He explained that interest-only payments early on significantly reduced the annual operating deficit of the URA over the next several years. He provided an overview of the project funding gap on page 13 of the presentation and stated that there was a \$73 million funding gap. Chair Rosener commented that the city would continue to seek federal funding for Sherwood Broadband, the new Public Works facility, and Cedar Creek Trail undercrossing projects. Mr. Popenuk reiterated that the listed figures were only for a 5-year period and commented that based on the level of growth the URA had seen already, the figures could look very different in 2031. He provided a summary of his findings and reported that debt service and administrative expenses exceeded TIF revenues which resulted in capital projects relying on fund balance, debt, or grants to proceed. He forecasted very strong growth in TIF, but that growth was already needed to pay for planned indebtedness. He stated that planned future construction activity was vital, but values and timing could not be guaranteed. He concluded that after fiscal year 2025, funding for additional capital projects over the 5-year period was not expected. Vice Chair Young asked for clarification on the list of new development projects on page 4 of the presentation and Community Development Director Eric Rutledge explained that staff only included applications that had permits or had applied for land use approval. Board Member Standke asked if there was a 20-year income forecast and Mr. Popenuk replied that an updated 20-year forecast had not been created since the original plan was created. He explained that the work was contingent on a lot of factors, such as how aggressive the URA wanted to be on future construction activity, but he could work with staff to create an updated 20-year forecast. Chair Rosener commented he would like to see a forecast that showed 4%, 10%, 15% etc. to help illustrate the possible ranges.

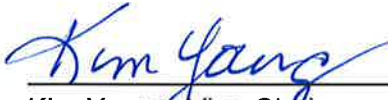
Record note: Prior to the meeting, Finance Director David Bodway emailed the Board an informational brochure on Business Oregon's Special Public Works Fund (see record, Exhibit C) and a "Sherwood Urban Renewal Area Financial Update" memo from Tiberius Solutions consultant Nick Popenuk and Ali Danko (see record, Exhibit D).

5. ADJOURN

Chair Tim Rosener adjourned the meeting at 7:01 pm and convened a City Council regular session.

Attest:


Sylvia Murphy, MMC, Agency Recorder


Kim Young, Vice Chair