SHERWOOD URBAN RENEWAL AGENCY BOARD OF DIRECTORS
MEETING AGENDA

Tuesday, August 20, 2024
6:00 pm
(Following the 5:30 pm City Council Work Session)

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

This meeting will be live streamed at
https://www.youtube.com/user/CityofSherwood

URA BOARD WORK SESSION

1. **CALL TO ORDER**

2. **TOPICS**

   A. **Ice Age Drive Funding Option** (David Bodway, Finance Director)
   B. **URA Financing Update** (David Bodway, Finance Director)

3. **ADJOURN**

URA Board of Directors Meeting

Date: August 20, 2024

- List of Meeting Attendees: ✔
- Request to Speak Forms: ✔
- Documents submitted at meeting: ✔

Work Session

- "City of Sherwood Ice Age Drive Worksession" PowerPoint presentation from Finance Director David Bodway, Exhibit A
- "City of Sherwood Urban Renewal Financial Update" PowerPoint presentation from Tiberius Solutions consultant Nick Popenuk, Exhibit B
- Informational brochure on Business Oregon's Special Public Works Fund from Finance Director David Bodway, Exhibit C
- "Sherwood Urban Renewal Area Financial Update" memo from Tiberius Solutions consultant Nick Popenuk and Ali Danko, Exhibit D

URA Board of Directors Meeting Date: August 20, 2024

ATTENDANCE SHEET

NAME	ADDRESS	PHONE

CITY OF SHERWOOD ICE AGE DRIVE WORKSESSION

August 20, 2024

City of Sherwood Oregon

Home of the Tualatin River National Wildlife Refuge

8/20/2024
Date

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URA – Current Status

- Currently the URA has performed better than originally planned when it was created in 2021
- TIF revenue has exceeded original expectations
- Forecasted to experience strong growth
- Funding for additional capital projects currently is limited

Ice Age Drive – Funding Options

1. Business Oregon Loan - Special Public Works Fund

2. Combination: Business Oregon Loan and use of existing City reserves

What is the Special Public Works Fund

- Loan through Business Oregon Loan

- Provides low-cost financing to municipalities for planning, design, and construction of utilities and facilities essential to industrial growth and job creation

- Terms up to 30 years for most projects

- Loan funding (max $10 million)

Option #1 (Recommended)

- 2 Loans through Business Oregon for the full amount
- Estimated remaining project costs: $17,500,000 (factors in $3 million Federal Grant)

Option #2

- Business Oregon Loan and use of existing reserves
- Estimated remaining project costs: $17,500,000
- Sale of purchased property in the TEA
- Use of existing reserve balances in the Street, Water, Storm and Sewer Funds
- Drawback on use of reserves: Potential delay of other identified projects

Questions

City of Sherwood Urban Renewal Financial Update

August 20, 2024

Nick Popenuk

Tiberius Solutions

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5-Year TIF Forecast

Assessed Value Forecast Assumptions

- Appreciation from existing assessed value limited to 3% annually by Oregon Constitution
- Existing property annual growth assumptions:
  - Real Property: (91% of total URA assessed value): 3%
  - Manufactured, personal, and utility property: 0%

New Development

Development	Construction Date	Year on Tax Roll	Improvement Value (2024 $)	Net New AV (2024 $)
Flex Industrial Building(s)	2024	2026	$ 54,200,000	$ 33,900,000
Flex Industrial Building(s)	2026	2028	$ 57,700,000	$ 35,400,000
Flex Industrial Building(s)	2026	2028	$ 10,700,000	$ 6,700,000
Warehouse/Distribution Building	2025	2027	$ 51,500,000	$ 28,700,000
Warehouse Building	2025	2027	$ 2,500,000	$ 1,700,000
Commercial Building	2025	2027	$ 2,600,000	$ 1,800,000
Retail Building	2025	2027	$ 3,700,000	$ 2,100,000
Manufacturing Building	2024	2026	$ 4,500,000	$ 2,900,000
5-Unit Live-Work Townhome	2024	2026	$ 3,100,000	$ 1,600,000
Total			**$ 190,500,000**	**$114,800,000**

Assessed Value Forecast

FYE	Utility, Manufactured, and Personal Property	Real Property: Existing	Real Property: Plus: 3% Appreciation of Existing	Real Property: Plus: New Construction	Total	URA Total
2024	$ 26,582,903				$ 261,050,710	**$287,633,613**
2025	$ 26,582,903	$ 261,050,710	$ 7,831,521	$ -	$ 268,882,231	**$295,465,134**
2026	$ 26,582,903	$ 268,882,231	$ 8,066,466	$ 40,702,947	$ 317,651,644	**$344,234,547**
2027	$ 26,582,903	$ 317,651,644	$ 9,529,549	$ 37,447,775	$ 364,628,968	**$391,211,871**
2028	$ 26,582,903	$ 364,628,968	$ 10,938,869	$ 47,398,977	$ 422,966,814	**$449,549,717**
2029	$ 26,582,903	$ 422,966,814	$ 12,689,004	$ -	$ 435,655,818	**$462,238,721**

TIF Forecast

	Assessed Value		TIF Revenue	
FYE	Amount	% Change	Amount	% Change
2024	$ 287,600,000		$ 1,100,000	
2025	$ 295,500,000	3%	$ 1,200,000	8%
2026	$ 344,200,000	17%	$ 1,800,000	49%
2027	$ 391,200,000	14%	$ 2,300,000	32%
2028	$ 449,500,000	15%	$ 3,000,000	30%
2029	$ 462,200,000	3%	$ 3,200,000	5%

Finance Plan

Desired Project List

Project	Total Cost	Spent Through FYE 2024	Remaining Cost
Festival Plaza	$ 1,916,636	$ 1,916,636	$ -
99W Pedestrian Bridge	$ 29,834,772	$ 6,300,000	$ 23,534,772
Ice Age Drive	$ 19,078,621	$ 2,500,000	$ 16,578,621
Sherwood Broadband	$ 8,000,000	$ 1,900,000	$ 6,100,000
Tannery Clean-Up	$ 7,270,141	$ 150,000	$ 7,120,141
Public Works Facility	$ 25,000,000	$ -	$ 25,000,000
Cedar Creek Trail Undercrossing	$ 24,000,000	$ -	$ 24,000,000
Total	**$ 115,100,170**	**$ 12,766,636**	**$ 102,333,534**

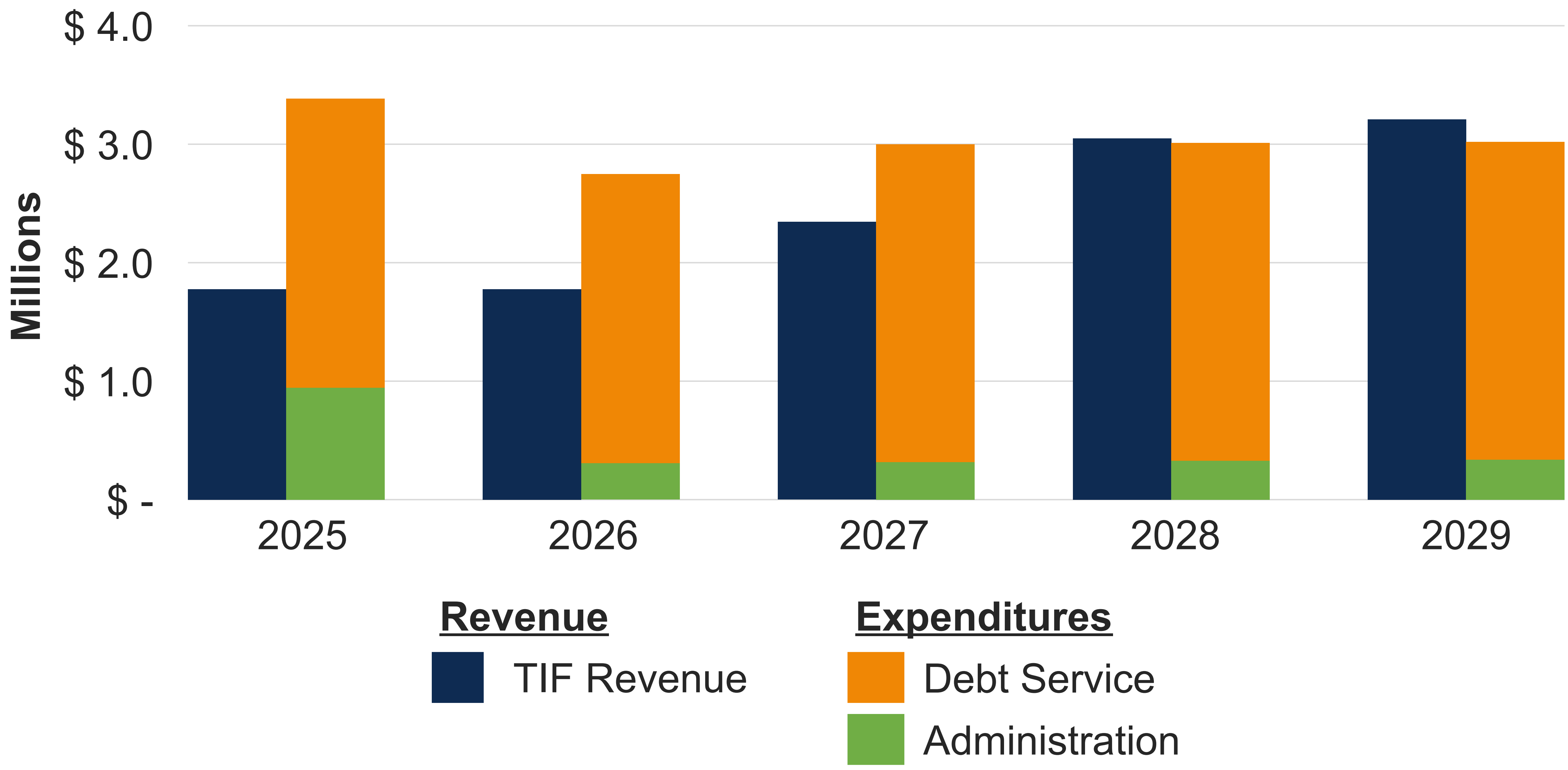
Sources of Funds by Year

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	Total
Beginning Fund Balance	$ 6,447,799	$ -	$ -	$ -	$ -	**$ 6,447,799**
Interest Earnings	$ 338,509	$ 13,950	$ -	$ -	$ -	**$ 352,459**
TIF Revenue	$ 1,192,701	$ 1,775,650	$ 2,344,531	$ 3,048,636	$ 3,210,072	**$ 11,571,590**
Bond/Loan Proceeds	$ 12,000,000	$ -	$ -	$ -	$ -	**$ 12,000,000**
Grants	$ 6,700,000	$ 4,700,000	$ 600,000	$ -	$ -	**$ 12,000,000**
Total	**$ 26,679,009**	**$ 6,489,600**	**$ 2,944,531**	**$ 3,048,636**	**$ 3,210,072**	**$ 42,371,848**

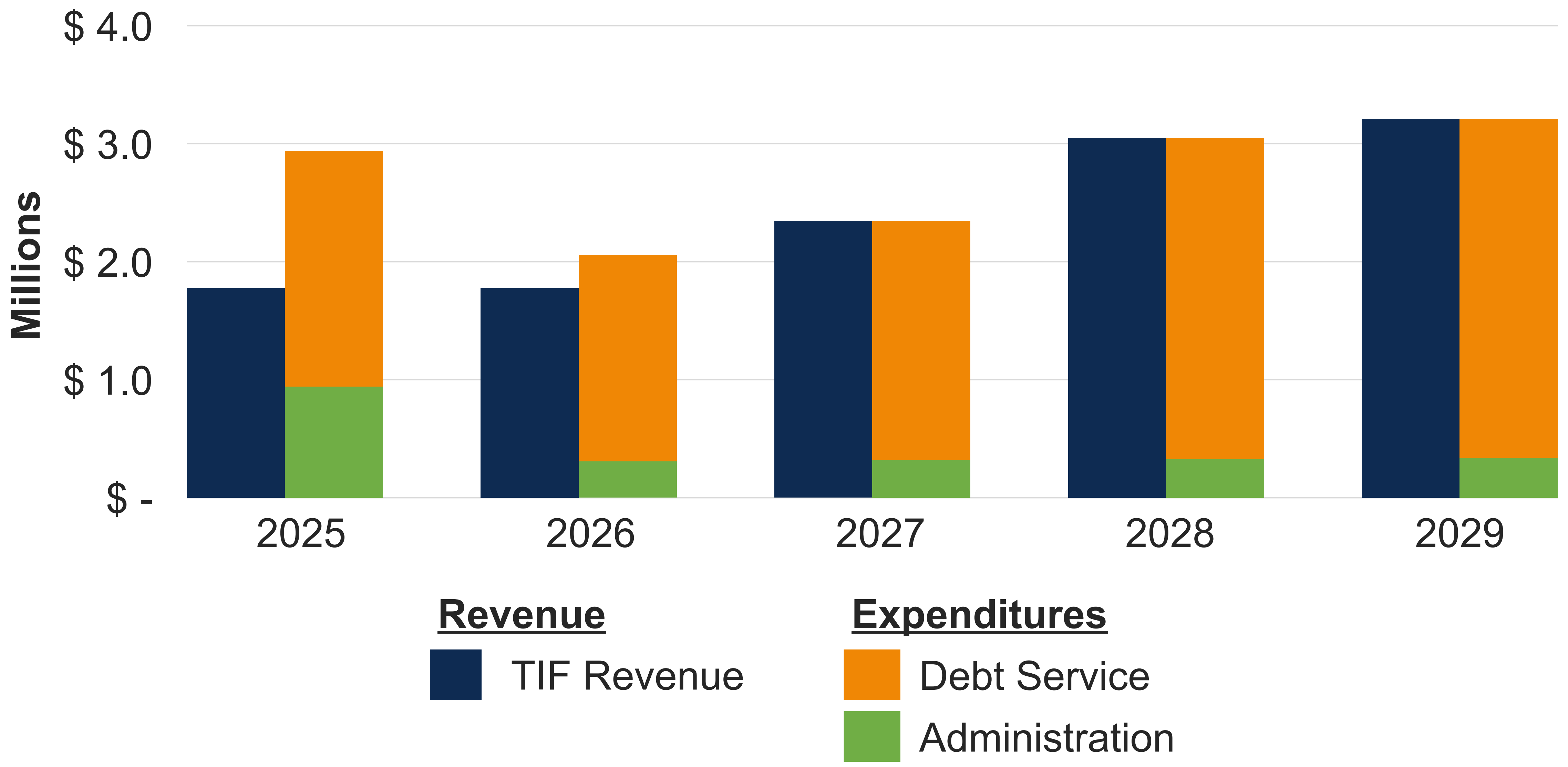
Uses of Funds by Year

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	Total	Total (2025 $)
Administration	$ 944,097	$ 309,000	$ 318,270	$ 327,810	$ 337,650	**$ 2,236,827**	**$ 2,144,087**
Debt Service							
Series 2021	$ 871,488	$ 871,488	$ 1,111,938	$ 1,111,924	$ 1,111,503	**$ 5,078,341**	**$ 4,770,825**
City Water Fund	$ 1,122,704	$ 874,832	$ 914,323	$ 1,608,902	$ 1,760,919	**$ 6,281,680**	**$ 5,870,820**
Capital Projects							
99W Pedestrian Bridge	$ 19,100,000	$ -	$ -	$ -	$ -	**$ 19,100,000**	**$ 19,100,000**
Ice Age Drive	$ 2,500,000	$ 1,500,000	$ -	$ -	$ -	**$ 4,000,000**	**$ 3,956,311**
Sherwood Broadband	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ -**
Tannery Clean-Up	$ 1,875,000	$ 3,200,000	$ 600,000	$ -	$ -	**$ 5,675,000**	**$ 5,547,354**
Public Works Facility	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ -**
Cedar Creek Trail Undercrossing	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ -**
Total	**$ 26,413,289**	**$ 6,755,320**	**$2,944,531**	**$3,048,636**	**$3,210,072**	**$ 42,371,848**	**$ 41,389,397**

Projected Cash Flow: Level Debt Service



Projected Cash Flow: Debt Service Matches TIF



Project Funding Gap (2025 $)

Project	Total Project Cost	URA Expenditures: Through FYE 2024	URA Expenditures: FYE 2025-2029 (Forecast)	Total Through FYE 2029 (Forecast)	Funding Gap
Festival Plaza	$ 1,916,636	$ 1,916,636	$ -	$ 1,916,636	**$ -**
99W Pedestrian Bridge	$ 29,834,772	$ 6,300,000	$ 19,100,000	$ 25,400,000	**$ (4,434,772)**
Ice Age Drive	$ 19,078,621	$ 2,500,000	$ 3,956,311	$ 6,456,311	**$ (12,622,310)**
Sherwood Broadband	$ 8,000,000	$ 1,900,000	$ -	$ 1,900,000	**$ (6,100,000)**
Tannery Clean-Up	$ 7,270,141	$ 150,000	$ 5,547,354	$ 5,697,354	**$ (1,572,787)**
Public Works Facility	$ 25,000,000	$ -	$ -	$ -	**$ (25,000,000)**
Cedar Creek Trail Undercrossing	$ 24,000,000	$ -	$ -	$ -	**$ (24,000,000)**
Total	**$ 115,100,170**	**$ 12,766,636**	**$ 28,603,664**	**$ 41,370,300**	**$ (73,729,870)**

Conclusions & Implications

- Constrained cashflow:
  - Debt service and admin expenses exceed TIF revenues
  - Capital projects must rely on fund balance, debt, or grants
- Forecast strong growth in TIF, but that growth is already needed to pay for planned indebtedness
- Planned future construction activity is vital, but values and timing are not guaranteed
- After FYE 2025, we do not expect funding for additional capital projects over 5-year period

Questions?

Nick Popenuk

Tiberius Solutions LLC

popenuk@tiberiussolutions.com

business oregon

INFRASTRUCTURE FINANCE:
Special Public Works Fund

Expanding economic development activity and employment opportunities in Oregon...

Do you need financing for your public works project?

The Special Public Works Fund provides low-cost financing to eligible municipalities for planning, design, and construction of utilities and facilities essential to industrial growth, commercial enterprise, and job creation.

ELIGIBLE PROJECTS

Capital improvement (acquisition, preliminary and final design, & engineering) or planning projects (technical and financial feasibility studies) that assist in developing industrial lands, supporting an immediate job creation/retention/expansion opportunity, or replacement of essential community facilities. Typical projects funded by this program are:

- Emergency projects
- Energy systems
- Essential community facilities
- Industrial site certification
- Levee certification
- Marine facilities
- Telecommunication systems
- Transportation infrastructure
- Water, sewer, and storm water utilities improvements

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Business Oregon's infrastructure finance programs assist communities to build infrastructure capacity to address public health safety and compliance issues as well as support their ability to attract, retain and expand businesses. We strive to coordinate the delivery of infrastructure financing to Oregon communities and to better collaborate with local partners.

BUSINESS OREGON

Main Office:
775 Summer St., NE, Suite 200
Salem, OR 97301

www.oregon4biz.com
Ph: 503-986-0123
business.oregon@oregon.gov

Business Oregon is an agency of the state of Oregon.

ELIGIBLE ENTITIES

Municipally incorporated entities as defined in Oregon Revised Statute (ORS) are eligible to receive funds, including the following:

- Cities (ORS 221), Counties (ORS 201), Special Districts (ORS 198), and Ports (ORS 777)
- Tribal Councils
- Domestic water supply districts (ORS 264) and water authority (ORS 450)
- Sanitary districts (ORS 450) and sanitary authority (ORS 450)
- Joint water and sanitary authority (ORS 450)
- County service districts (ORS 451)
- Airport districts (ORS 838)

FUNDING

Loan funding (max $10 million) is available for financing small to large projects with very favorable interest rates and terms up to 30 years for most projects. Limited grant funding is available for technical assistance and emergency projects based on financial analysis.

CUSTOM USES

Emergency projects–25% local match; loans; grants (max $500,000 whichever is less for federal disaster relief assistance).

Grants for development projects with *firm business commitment* to create or retain traded-sector jobs up to $5,000 per eligible job and not to exceed 85% of the project cost or $500,000 per project.

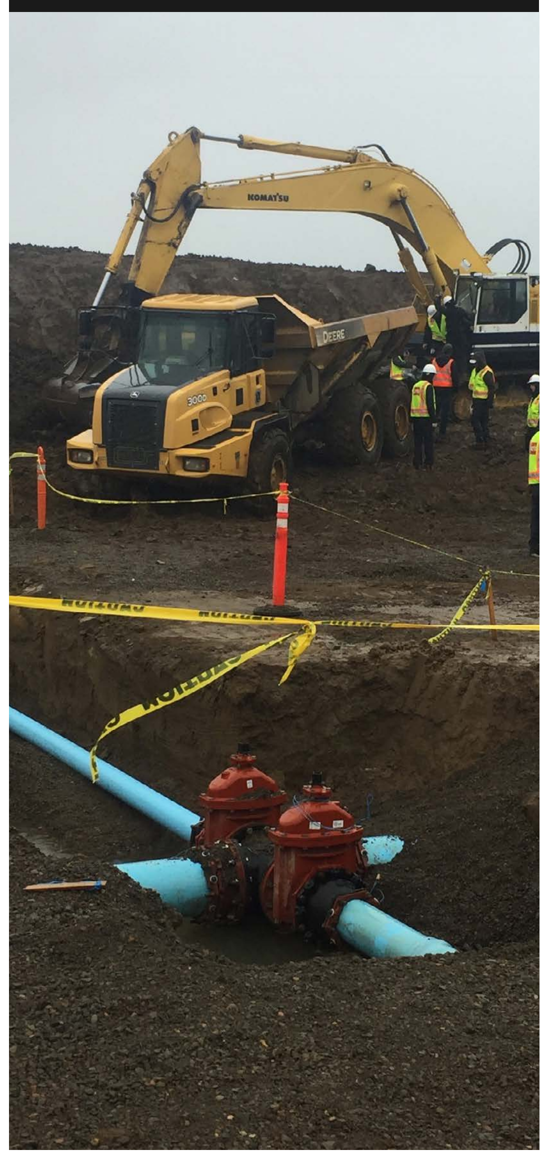
Levee certification—$50k grants; principle only 0% interest rate loan, max $1 million per area and not to exceed 50% of total loan; and market rate loans, max $2.5 million; for drainage districts (ORS 547) and corporations for drainage or flood control (ORS 554).

Planning grants (max $60,000) 85% of project cost are available for the purpose of industrial site development and certification.

TO APPLY OR GET MORE INFORMATION:

Start the application process today by contacting the Regional Development Officer in your area:

orinfrastructure.org



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SOLUTIONS

DATE: July 31, 2024
TO: City of Sherwood
FROM: Nick Popenuk and Ali Danko
SUBJECT: SHERWOOD URBAN RENEWAL AREA FINANCIAL UPDATE

Summary

For the City of Sherwood, Tiberius Solutions completed a 5-year financial update for the Sherwood Urban Renewal Area (URA) through fiscal year ending (FYE) 2029. This memorandum summarizes the results of the financial analysis. This memorandum includes one attachment as a technical appendix: "How Tax Increment Financing Works."

We draw the following conclusions and implications from the results of the analysis:

- The cashflow for the Sherwood URA faces substantial constraints in the current year. In FYE, existing debt service payments and administrative costs are expected to exceed annual TIF revenues. Thus any expenditures on capital projects must be funded through existing fund balance, new indebtedness, or external funding sources such as grants.
- Over time, the URA is forecast to experience strong growth in TIF revenue that will increase its financial capacity. However, debt service for the planned borrowing of $12 million in FYE 2025 will consume much of that anticipated increase in revenue. If the URA were to make level debt service payments on the new debt, it would amount to over $1.5 million per year. Coupled with the existing debt service obligations and administrative expenses, the URA is not projected to have sufficient annual revenues to cover those annual costs until FYE 2028.
- Terms of the proposed FYE 2025 borrowing are somewhat flexible, allowing the City to make smaller annual debt service payments in the early years when revenue is constrained. However, the debt will be required to be repaid in full within ten years, and lower payments in early years will necessitate higher debt service payments in later years.
- Future growth in TIF revenue is expected to be strong, nearly tripling from $1.2 million in FYE 2025 to $3.2 million in FYE 2029. However, future growth in revenue is not guaranteed and depends upon the value and timing of new construction in the area. This forecast assumes $188 million on new construction activity occurs within the URA boundary between now and FYE 2026. If the actual value of new construction in the area is lower or slower than projected, it will result in less TIF revenue than we have forecast.
- In future years, the URA could fund additional project costs by taking on additional indebtedness. However, doing so would likely require refinancing the proposed $12 million borrowing. We estimate this borrowing would still have $8.6 million of remaining unpaid principal at the end of FYE 2029, which

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- would limit the ability of the URA to incur additional debt to fund capital projects.
- Ultimately, other than the budgeted expenditures for FYE 2025, we do not anticipate that the URA will have resources available to fund additional capital projects over the five-year forecast period, except to the extent that external resources, such as State or Federal grants are available.

TIF Forecast

Consolidated Tax Rate

The Sherwood URA is a "permanent rate" plan, as defined by Oregon Revised Statutes (ORS) 457.010. The consolidated tax rate is equal to the sum of all permanent tax levy rates. Local option levies and general obligation bond levies are not impacted by permanent rate plans. The Sherwood URA boundary is composed of nine TCAs, with six unique combinations of overlapping taxing districts. Exhibit 1 shows the consolidated tax rate for the TCAs in FYE 2024. The consolidated tax rate within each TCA ranges from $9.1161 to $12.8058 per $1,000 of assessed value. Ninety nine percent of total assessed value in the URA is located in TCAs 088.52, 088.57, 088.60, and 088.61, which are included in the City, Metro, and Tualatin Valley Fire and Rescue, but outside of the Urban Road Maintenance District.

Exhibit 1. Consolidated Tax Rates, Impacted TCAs, FYE 2024

	Tax Code Area					
Taxing District	**088.54**	**088.62**	**088.52, 088.57, 088.60, 088.61**	**088.64**	**088.55**	**088.53**
General Government						
Washington County	$ 2.2484	$ 2.2484	$ 2.2484	$ 2.2484	$ 2.2484	$ 2.2484
Tualatin Soil & Water	$ 0.0735	$ 0.0735	$ 0.0735	$ 0.0735	$ 0.0735	$ 0.0735
Metro	$ 0.0966	$ 0.0966	$ 0.0966	$ -	$ -	$ 0.0966
Port of Portland	$ 0.0701	$ 0.0701	$ 0.0701	$ 0.0701	$ 0.0701	$ 0.0701
TV Fire & Rescue	$ 1.5252	$ 1.5252	$ 1.5252	$ 1.5252	$ 1.5252	$
City of Sherwood	$ -	$ 3.2975	$ 3.2975	$ 3.2975	$ -	$ 3.2975
Clean Water Services	$ -	$ -	$ -	$ -	$ -	$ -
Tri-Met	$ -	$ -	$ -	$ -	$ -	$ -
Urban Road Maintenance	$ -	$ 0.2456	$ -	$ -	$ -	$ -
Subtotal	*$ 4.0138*	*$ 7.5569*	*$ 7.3113*	*$ 7.2147*	*$ 3.9172*	*$ 5.7861*
Education						
Sherwood School District	$ 4.8123	$ 4.8123	$ 4.8123	$ 4.8123	$ 4.8123	$ 4.8123
Portland Community College	$ 0.2828	$ 0.2828	$ 0.2828	$ 0.2828	$ 0.2828	$ 0.2828
NW Regional ESD	$ 0.1538	$ 0.1538	$ 0.1538	$ 0.1538	$ 0.1538	$ 0.1538
Subtotal	*$ 5.2489*	*$ 5.2489*	*$ 5.2489*	*$ 5.2489*	*$ 5.2489*	*$ 5.2489*
Total Consolidated Rate	**$ 9.2627**	**$ 12.8058**	**$ 12.5602**	**$ 12.4636**	**$ 9.1661**	**$ 11.0350**
Total Assessed Value (FYE 2024)	**$ 3,057,908**	**$ 7,900**	**$284,503,805**	**$ 58,000**	**$ 2,000**	**$ 4,000**

Source: Washington County Department of Assessment & Taxation, SAL Table 1a, 4e, and 6a, FYE 2024

Future Growth in Assessed Value

The Sherwood URA had an assessed value of $287,633,613 in FYE 2024, shown in Exhibit 2. Real property includes land and buildings, and accounts for 91% of the total assessed value of the URA. Personal property (e.g., machinery and equipment), manufactured property, and utility property are smaller components.

Exhibit 2. Assessed Value by Property Type, Sherwood URA, FYE 2024

Property Type	Assessed Value	Percent of Total
Real	$ 261,050,710	91%
Manufactured	$ 32,460	0%
Personal	$ 19,838,973	7%
Utilities	$ 6,711,470	2%
Total	**$ 287,633,613**	**100%**

Source: Washington County Department of Assessment & Taxation, SAL Table 1a, FYE 2024

The forecast of assessed value includes increases from appreciation of existing property value (limited by the Oregon Constitution to a maximum of 3% annually, see Attachment A for more detail), and from new construction (not subject to the 3% limit). Real property value typically achieves the maximum 3% growth, but manufactured, personal, and utility value tend to be more volatile.

To maintain our conservative analysis, our forecast assumes that real property assessed value will grow by the maximum allowable 3%, but manufactured, personal, and utility value will remain unchanged over the forecast period. We assume an additional increase in value over the forecast period from exception events (i.e., new construction), based on City staff's knowledge of recent or upcoming construction activity (including projects recently completed, in progress, or likely planned to begin construction in the near future), summarized in Exhibit 3. New construction in the Sherwood URA through FYE 2029 is forecast to total $114.8 million in 2024 dollars and $125.5 million in nominal dollars. The new construction, includes three "flex" industrial developments, three warehouse and/or distribution buildings, one manufacturing building, two commercial buildings, a restaurant, and a five-unit live/work townhome development. There is a delay between when a development receives its certificate of occupancy and when the value is reflected on the tax roll. For the purposes of this analysis, we assume the full amount of assessed value from new construction is added to the tax roll in the second fiscal year following the calendar year in which construction is completed.

Exhibit 3. Forecast Assessed Value from New Construction, Sherwood URA

Construction Year	FYE on Tax Roll	2024 $	Nominal $
2022	2024	$	$
2023	2025	$ -	$ -
2024	2026	$ 38,400,000	$ 40,700,000
2025	2027	$ 34,300,000	$ 37,400,000
2026	2028	$ 42,100,000	$ 47,400,000
2027	2029	$ -	$ -
Total		**$ 114,800,000**	**$ 125,500,000**

Source: Tiberius Solutions with information from City of Sherwood

Exhibit 4 shows the forecast of total assessed value in the URA through FYE 2029. Total Assessed Value in the URA is forecast to increase from $287,633,613 in FYE 2024 to $462,238,721 in FY 2026-27.

Exhibit 4. Forecast Total Assessed Value, Sherwood URA

FYE	Utility, Manufactured, and Personal Property	Real Property: Existing	Real Property: Plus: 3% Appreciation of Existing	Real Property: Plus: New Construction	Real Property: Total	URA Total
2024	$ 26,582,903				$ 261,050,710	**$287,633,613**
2025	$ 26,582,903	$ 261,050,710	$ 7,831,521	$ -	$ 268,882,231	**$295,465,134**
2026	$ 26,582,903	$ 268,882,231	$ 8,066,466	$ 40,702,947	$ 317,651,644	**$344,234,547**
2027	$ 26,582,903	$ 317,651,644	$ 9,529,549	$ 37,447,775	$ 364,628,968	**$391,211,871**
2028	$ 26,582,903	$ 364,628,968	$ 10,938,869	$ 47,398,977	$ 422,966,814	**$449,549,717**
2029	$ 26,582,903	$ 422,966,814	$ 12,689,004	$	$ 435,655,818	**$462,238,721**

Source: Tiberius Solutions

Tax Increment Revenue Forecast

Exhibit 5 shows the forecast of assessed value and TIF revenue over the five-year forecast period, through FYE 2029. Net TIF revenues reflect adjustments for discounts, delinquencies, and other factors. Annual net TIF revenues are forecast to increase from $1,100,461 in FYE 2024 to $3,210,072 in FYE 2029. From FYE 2025 through FYE 2029, the 5-year forecast period, the URA is forecast to receive $11,571,590 in cumulative net TIF revenue.[1]

Exhibit 5. TIF Revenue Forecast, Sherwood URA, FYE 2025-2029

FYE	Assessed Value: Total	Assessed Value: Frozen Base	Assessed Value: Increment	Blended Tax Rate	TIF Revenue: Gross	TIF Revenue: Adjustments	TIF Revenue: Net
2024	$ 287,633,613	$ 197,862,377	$ 89,771,236	$ 12.5601	$ 1,127,536	$ (39,923)	$ 1,100,461
2025	$ 295,465,134	$ 197,862,377	$ 97,602,757	$ 12.5601	$ 1,225,900	$ (45,668)	$ 1,192,701
2026	$ 344,234,547	$ 197,862,377	$ 146,372,170	$ 12.5602	$ 1,838,464	$ (74,880)	$ 1,775,650
2027	$ 391,211,871	$ 197,862,377	$ 193,349,494	$ 12.5602	$ 2,428,508	$ (95,638)	$ 2,344,531
2028	$ 449,549,717	$ 197,862,377	$ 251,687,340	$ 12.5602	$ 3,161,243	$ (123,852)	$ 3,048,636
2029	$ 462,238,721	$ 197,862,377	$ 264,376,344	$ 12.5602	$ 3,320,620	$ (121,364)	$ 3,210,072
Total (FYE 2025-2029)					**$ 11,974,736**	**$ (461,402)**	**$ 11,571,590**

Source: Tiberius Solutions

Finance Plan

Sources of Funds

This analysis focuses on TIF as the primary source of revenue for the Sherwood URA. That TIF revenue is expected to support several other sources of funds through FYE 2029:

- **Fund Balances:** These are previously received funds that have yet to be spent. The estimated fund balance as of July 1, 2024 was $6.4 million.

[1] TIF revenues are technically calculated separately for each of the nine TCAs impacted by the URA. The figures shown in Exhibit 5 are a summary of the results at the TCA level, reflecting a "blended" tax rate, using the weighted average of all impacted TCAs.

- **Interest earnings:** This is interest earned on fund balances, estimated to be $352,000 from FYE 2025 through FYE 2029.
- **TIF Revenue:** This is annual TIF revenue received by the URA, shown in Exhibit 5. Total net TIF revenue that the URA is forecast to receive through FYE 2029 is $11.6 million.
- **Debt proceeds:** This analysis assumes that in FYE 2025, the URA would undertake a $12 million loan from the City's Water Fund, with an interest rate of 5.2%. The loan would be repaid in no more than 10 years, but principal repaid each year reflects available TIF revenue.
- **Grants:** Through FYE 2029, the URA is forecast to receive $12 million from the following grants:[2]
  - Federal Grant for Ice Age Drive, totaling $3 million ($1.5 million in FYE 2025 and in FYE 2026)
  - State Grant for the Pedestrian Bridge, totaling $4 million in FYE 2025
  - EPA Grant for the Tannery Cleanup, totaling $5 million ($1.2 million in FYE 2025, $3.2 million in FYE 2026, and $600,000 in FYE 2027)

Exhibit 6 summarizes the Sherwood URA's forecast sources of funds through FYE 2029.

Exhibit 6. Forecast Sources of Funds (Nominal $), FYE 2025-2029, Sherwood URA

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	Total
Beginning Fund Balance	$ 6,447,799	$ -	$ -	$ -	$ -	**$ 6,447,799**
Interest Earnings	$ 338,509	$ 13,950	$ -	$ -	$ -	**$ 352,459**
TIF Revenue	$ 1,192,701	$ 1,775,650	$ 2,344,531	$ 3,048,636	$ 3,210,072	**$ 11,571,590**
Bond/Loan Proceeds	$ 12,000,000	$ -	$ -	$ -	$ -	**$ 12,000,000**
Grants	$ 6,700,000	$ 4,700,000	$ 600,000	$ -	$ -	**$ 12,000,000**
Total	**$ 26,679,009**	**$ 6,489,600**	**$ 2,944,531**	**$ 3,048,636**	**$ 3,210,072**	**$ 42,371,848**

Source: Tiberius Solutions

Uses of Funds

Exhibit 7 shows the desired list of potential projects that the Sherwood URA would like to fund through FYE 2029, if there were adequate financial resources to do so. This project list and estimated costs were provided by City staff. Project costs total $115.1 million in 2024 dollars, including $12.8 million of funding already provided by the URA through FYE 2024. The remaining costs for these projects total $102.3 million.

[2] Grants have been awarded, but payment has not yet occurred.

Exhibit 7. Desired Projects (2025 $), Sherwood URA

Project	Total Cost	Spent Through FYE 2024	Remaining Cost
Festival Plaza	$ 1,916,636	$ 1,916,636	$ -
99W Pedestrian Bridge	$ 29,834,772	$ 6,300,000	$ 23,534,772
Ice Age Drive	$ 19,078,621	$ 2,500,000	$ 16,578,621
Sherwood Broadband	$ 8,000,000	$ 1,900,000	$ 6,100,000
Tannery Clean-Up	$ 7,270,141	$ 150,000	$ 7,120,141
Public Works Facility	$ 25,000,000	$ -	$ 25,000,000
Cedar Creek Trail Undercrossing	$ 24,000,000	$ -	$ 24,000,000
Total	**$ 115,100,170**	**$ 12,766,636**	**$ 102,333,534**

Source: City of Sherwood

In addition to the desired list of capital projects (described in Exhibit 7), the URA is also expected to have expenditures for administration and debt service. These uses of funds are summarized below:

- **Administration:** This includes personnel costs in both the URA's Operations and Capital Funds.
- **Capital Projects:** This includes expenditures on specific projects.
- **Debt Service:** This includes:
  - Repayment of the URA's existing 2021 Series A and B full faith and credit loans, totaling $5.9 million through FYE 2029.
  - Repayment of the planned new City Water Fund loan. Annual payments, sized to be as large as possible each year after all other expenditures are accounted for.

Exhibit 8 shows the forecast expenditures on projects from FYE 2025 to FYE 2029, totaling $42.4 million in nominal dollars.

Exhibit 8. Forecast Expenditures (Nominal $), FYE 2025-2029, Sherwood URA

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	Total
Administration	$ 944,097	$ 309,000	$ 318,270	$ 327,810	$ 337,650	**$ 2,236,827**
Debt Service						
Series 2021	$ 871,488	$ 871,488	$ 1,111,938	$ 1,111,924	$ 1,111,503	**$ 5,078,341**
City Water Fund	$ 1,122,704	$ 874,832	$ 914,323	$ 1,608,902	$ 1,760,919	**$ 6,281,680**
Capital Projects						
99W Pedestrian Bridge	$ 19,100,000	$	$	$	$	**$ 19,100,000**
Ice Age Drive	$ 2,500,000	$ 1,500,000	$ -	$ -	$ -	**$ 4,000,000**
Sherwood Broadband	$ -	$ -	$ -	$ -	$ -	**$ -**
Tannery Clean-Up	$ 1,875,000	$ 3,200,000	$ 600,000	$ -	$ -	**$ 5,675,000**
Public Works Facility	$ -	$ -	$ -	$ -	$ -	$ -
Cedar Creek Trail Undercrossing	$ -	$ -	$ -	$ -	$ -	$ -
Total	**$ 26,413,289**	**$ 6,755,320**	**$2,944,531**	**$3,048,636**	**$3,210,072**	**$ 42,371,848**

Source: Tiberius Solutions

Exhibit 9 calculates the funding gap for the URA's project priorities in 2025 dollars. Project costs total $115.1 million, with $12.8 million already funded through FYE 2024. The URA is forecast to be able to fund an additional $28.6 million over the next 5 years, through FYE 2029. Therefore, after FYE 2029, the URA is forecast to have $73.7 million of remaining project costs (in 2025 dollars). The Festival Plaza has already been fully funded. Several projects are expected to be partially funded, including the 99W pedestrian bridge, Ice Age Drive improvements, Sherwood Broadband, and the Tannery clean-up. The URA is projected to have insufficient funds through FYE 2029 to contribute any funding for two projects: the public works facility and the Cedar Creek Trail undercrossing.

Exhibit 9. Capital Project Funding Gap (2025 $), Sherwood URA

Project	Total Project Cost	URA Expenditures Through FYE 2024	FYE 2025-2029 (Forecast)	Total Through FYE 2029 (Forecast)	Funding Gap
Festival Plaza	$ 1,916,636	$ 1,916,636	$ -	$ 1,916,636	$ -
99W Pedestrian Bridge	$ 29,834,772	$ 6,300,000	$ 19,100,000	$ 25,400,000	$ (4,434,772)
Ice Age Drive	$ 19,078,621	$ 2,500,000	$ 3,956,311	$ 6,456,311	$ (12,622,310)
Sherwood Broadband	$ 8,000,000	$ 1,900,000	$ -	$ 1,900,000	$ (6,100,000)
Tannery Clean-Up	$ 7,270,141	$ 150,000	$ 5,547,354	$ 5,697,354	$ (1,572,787)
Public Works Facility	$ 25,000,000	$ -	$ -	$ -	$ (25,000,000)
Cedar Creek Trail Undercrossing	$ 24,000,000	$ -	$ -	$ -	$ (24,000,000)
Total	**$ 115,100,170**	**$ 12,766,636**	**$ 28,603,664**	**$ 41,370,300**	**$ (73,729,870)**

Source: Tiberius Solutions

Conclusions and Implications

We draw the following conclusions and implications from the results of the analysis:

- The cashflow for the Sherwood URA faces substantial constraints in the current year. In FYE, existing debt service payments and administrative costs are expected to exceed annual TIF revenues. Thus any expenditures on capital projects must be funded through existing fund balance, new indebtedness, or external funding sources such as grants.
- Over time, the URA is forecast to experience strong growth in TIF revenue that will increase its financial capacity. However, debt service for the planned borrowing of $12 million in FYE 2025 will consume much of that anticipated increase in revenue. If the URA were to make level debt service payments on the new debt, it would amount to over $1.5 million per year. Coupled with the existing debt service obligations and administrative expenses, the URA is not projected to have sufficient annual revenues to cover those annual costs until FYE 2028.
- Terms of the proposed FYE 2025 borrowing are somewhat flexible, allowing the City to make smaller annual debt service payments in the early years when revenue is constrained. However, the debt will be required to be repaid in full within ten years, and lower payments in early years will necessitate higher debt service payments in later years.
- Future growth in TIF revenue is expected to be strong, nearly tripling from $1.2 million in FYE 2025 to $3.2 million in FYE 2029. However, future growth in revenue is not guaranteed and depends upon the value and timing of new construction in the area. This forecast assumes $188 million on new construction activity occurs within the URA boundary between now and FYE

2026. If the actual value of new construction in the area is lower or slower than projected, it will result in less TIF revenue than we have forecast.

- In future years, the URA could fund additional project costs by taking on additional indebtedness. However, doing so would likely require refinancing the proposed $12 million borrowing. We estimate this borrowing would still have $8.6 million of remaining unpaid principal at the end of FYE 2029, which would limit the ability of the URA to incur additional debt to fund capital projects.
- Ultimately, other than the budgeted expenditures for FYE 2025, we do not anticipate that the URA will have resources available to fund additional capital projects over the five-year forecast period, except to the extent that external resources, such as State or Federal grants are available.

Attachment A: How Tax Increment Financing Works

Urban renewal/Tax Increment Financing (TIF) is an economic and redevelopment financing tool permitted by Oregon Revised Statute (ORS) chapter 457. Urban Renewal allows municipalities (cities and counties) across Oregon to collect the incremental property tax revenues in an Urban Renewal Area (URA) and spend that revenue on infrastructure and economic development projects and programs within the URA.

Overview

Urban Renewal Plans

To establish a URA, a municipality must adopt an Urban Renewal Plan. ORS 457 defines the specific requirements of Urban Renewal Plans. Key elements of Urban Renewal Plans include:

- Boundary of the URA, including a map and legal description
- Goals and objectives for the URA
- Eligible projects to be funded in the URA
- Findings of "Blight" within the URA as defined in ORS 457.010
- The dollar limit on the cumulative amount of indebtedness that the URA may incur, known as "Maximum Indebtedness"

Tax Increment Financing

Urban renewal allows municipalities to use TIF revenue to fund projects and programs within a URA. When a URA is established, the existing assessed value in the URA is certified as the "Frozen Base" value. As assessed value in the URA increases over time, the difference between the total assessed value and the frozen base is considered "Increment" assessed value. Each year, property tax revenue generated by the frozen base of the URA is distributed normally to all overlapping taxing districts, and the URA receives all the property tax revenue generated from the increment, called TIF revenue.

Maximum Indebtedness

Once a URA has incurred the full amount of maximum indebtedness, it cannot incur additional debt, and once a URA has collected sufficient TIF revenue to fully repay the maximum indebtedness, the URA loses its ability to collect TIF revenue, effectively resulting in the termination of the URA.

Consolidated Tax Rate

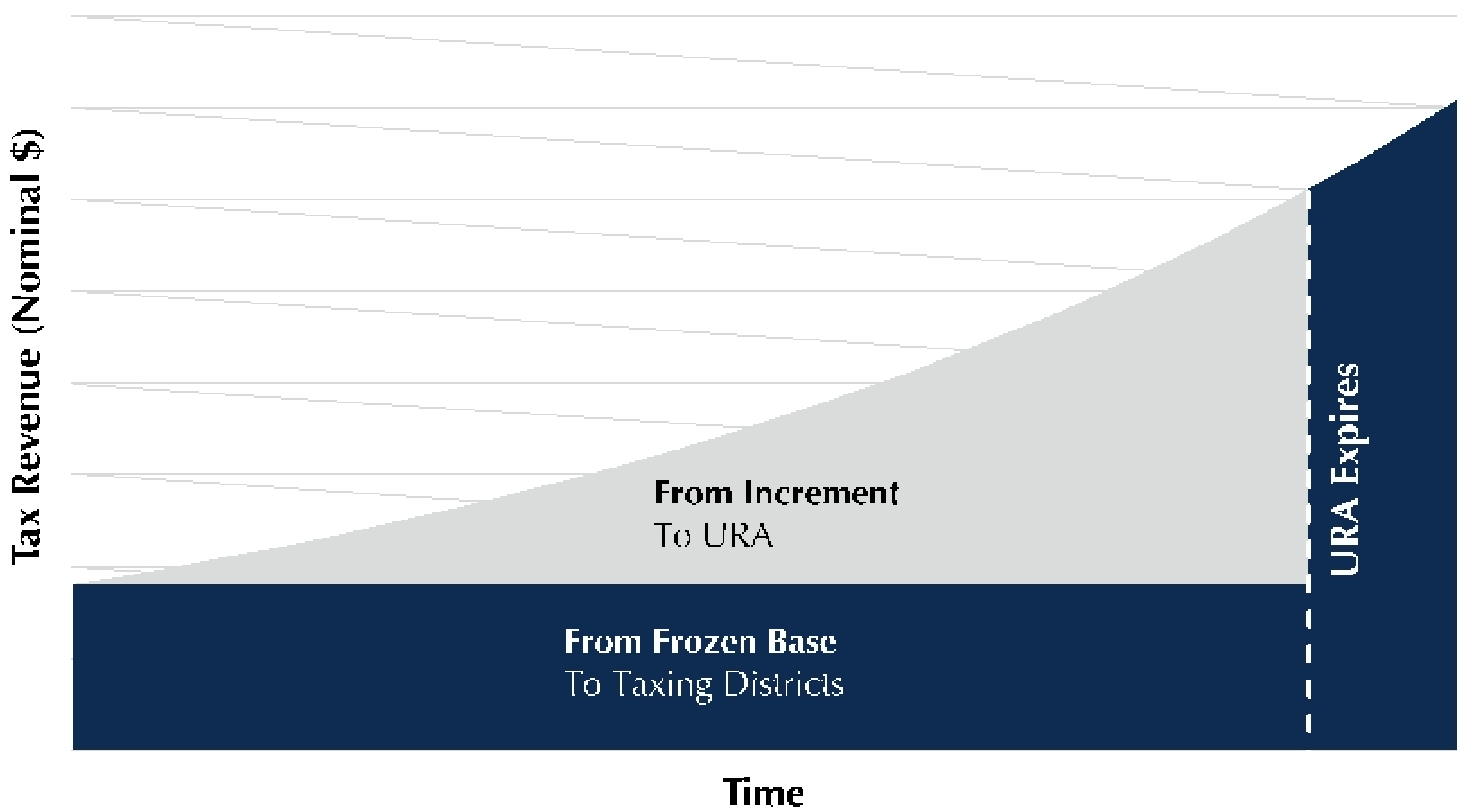
Oregon statutes governing TIF have been amended over time, resulting in different types of Urban Renewal Plans. A key difference is the determination of which tax rates are included in the calculation of TIF revenue. All new Urban Renewal Plans are "permanent rate" plans. The consolidated tax rate is equal to the sum of all permanent tax rates. Local option levies and general obligation bond levies are <u>not</u> impacted by new Urban Renewal Plans.

Tax Increment Financing

When a URA is established, the assessed value of all property within the URA boundary establishes the frozen base value. When assessed value in the URA grows over time, the difference between the total assessed value and the frozen base is considered increment assessed value. Each year, property tax revenue from the frozen base in the URA is distributed normally to all overlapping taxing districts, and the URA receives all the property tax revenue generated from the increment, called TIF revenue.

TIF revenue can only be spent to repay indebtedness incurred on behalf of the URA, and the proceeds from that indebtedness can only be spent on capital projects located within the URA that are identified in the corresponding Urban Renewal Plan. Once all indebtedness for a URA has been repaid, the Urban Renewal Plan may be terminated, which results in all future tax revenue being returned to the overlapping taxing districts. Exhibit 10 illustrates the general tax revenue distribution within a URA boundary over the life of the URA.

Exhibit 10. Example Tax Revenue Distribution in a URA



Source: Tiberius Solutions

The local county assessor calculates total TIF Revenue to be generated by a URA by multiplying the increment assessed value of a URA by the applicable consolidated tax rate. Although the amount of tax revenue to be raised is calculated based on the assessed value of properties within a URA, that tax is actually imposed upon all properties citywide. The local county assessor divides the total tax revenue to be raised for a URA by the aggregate assessed value of all property citywide, which results in an URA tax rate. This rate is then extended to all properties citywide. All other component property tax rates that were included in the consolidated tax rate are reduced proportionally, so that the imposition of the URA tax rate does not result in any net increase to the total tax rate. In short, URA tax revenues are calculated based on property values within the URA, but are paid by all properties citywide.

Maximum Indebtedness

Urban Renewal Plans are required to include a maximum indebtedness limit. As stated earlier, URAs are only allowed to spend TIF revenue on debt service. Thus, the maximum indebtedness functions as a limit on the cumulative amount of TIF revenue that can be spent on projects in a URA. Note that maximum indebtedness does not function as a revolving credit limit. In other words, paying off previous debt for a URA does not free up maximum indebtedness capacity to be used on future indebtedness. Once a URA incurs the full amount of maximum indebtedness, it cannot incur additional debt to fund additional projects.

Consolidated Tax Rate

Oregon statutes governing TIF have been amended over time, resulting in different types of Urban Renewal Plans that are subject to different provisions. Oregon statutes establish three major classifications of Urban Renewal Plans: permanent rate plans, reduced rate plans, and standard rate plans. The determination of each of these plan types is primarily dependent upon the effective date of the plan, or the effective dates of certain subsequent substantial amendments to a plan. A fundamental difference among these types of Urban Renewal Plans is the method for determining the consolidated tax rate as described below.

- "Permanent Rate Plans" have a consolidated tax rate equal to the total of all permanent property tax rates for overlapping taxing districts.
- "Reduced Rate Plans" have a consolidated tax rate equal to the total of all tax rates for overlapping taxing districts except for the following:
  - URA special levies
  - Local option levies approved by voters on or after October 6, 2001
  - General obligation bond levies approved by voters on or after October 6, 2001
- "Standard Rate Plans" have a consolidated tax rate equal to the total of all tax rates for overlapping taxing districts except for the following:
  - URA special levies
  - Local option levies approved by voters on or after January 1, 2013

Revenue Sharing

Plans initially approved or substantially amended to increase maximum indebtedness on or after January 1, 2010 are subject to additional provisions in ORS regarding revenue sharing. For such plans, revenue sharing occurs when a plan achieves certain thresholds of annual TIF revenue, relative to the maximum indebtedness of the plan.[3]

Overview of Oregon's Property Tax System

Property Tax Ballot Measures

Oregon's property tax system is largely defined by two property-tax-related ballot measures that were approved by voters in the 1990s: Measure 5 passed in 1990 and Measure 50 passed in 1997.

Prior to the passage of Measures 5 and 50, Oregon had a levy-based property tax system. This meant that each taxing district would decide the dollar amount to levy each year based on budget requirements, and that levy amount would be converted into a levy by dividing the total levy amount by the total value of property district-wide. This system resulted in annual variations in the effective tax rates for individual properties each year.

Measure 5 limited the property taxes paid by individual property owners to $10 per $1,000 of real market value for general government taxes and $5 per $1,000 of real market value for education taxes. Levies passed by voters to repay general obligation bonds were excluded from these limits.

Measure 50, passed in 1997, was a further overhaul of Oregon's property tax system, including the following key elements:

- Switching from a levy-based system to a rate-based system, including the establishment of permanent tax rates for each taxing district instead of variable levies. Note that in addition to permanent tax rates, taxing districts may also impose local option levies and levies for general obligation bonds, both of which are temporary in nature and are subject to voter approval.
- Reducing assessed value. Assessed value is no longer equal to real market value. In fiscal year 1997-98, a maximum assessed value for each property was established, which was equal to 90% of its assessed value from two years prior (fiscal year 1995-96).
- Limiting assessed value growth. Growth in maximum assessed value was limited to three percent annually. The actual assessed value used to calculate a property's tax bill is equal to the lesser of the property's maximum assessed value and real market value.

There are some exceptions to the three percent limit in maximum assessed value growth. The most common exceptions are new construction and significant improvements that did not exist in 1995-96 when the maximum assessed value was established. To determine the exception value in these situations a changed property ratio is used to establish the initial maximum assessed value. The changed property ratio is calculated annually as the ratio between aggregate assessed value and aggregate real market value for each property class (residential, multifamily,

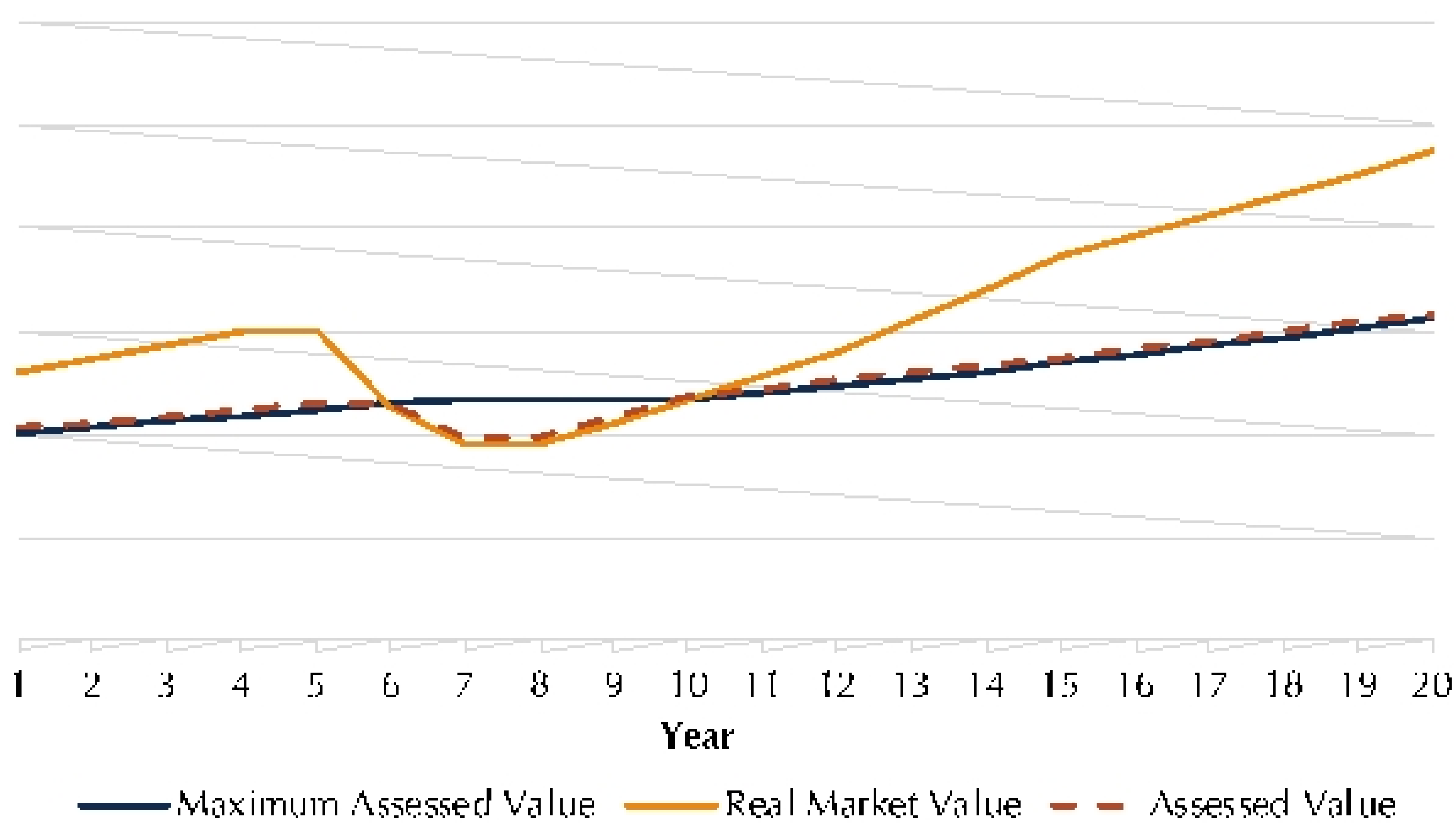
[3]Formulas for calculating required Revenue Sharing are defined in ORS 457.470. For most Urban Renewal Plans in Oregon, the formulas refer to the initial Maximum Indebtedness of a Plan.

commercial/industrial, etc.) in each county. The changed property ratio is applied to the real market value of all new development to determine initial maximum assessed value, after which time, it grows at three percent per year like all other existing property.[4]

Illustration of Assessed Value Calculation

Exhibit 11 shows the relationship between maximum assessed value, real market value, and assessed value for a hypothetical property. Real market value fluctuates based on market conditions. For all years where real market value is greater than maximum assessed value, maximum assessed value grows at three percent. From year one through year six, the property's real market value is greater than the property's maximum assessed value. The property's assessed value must be the lower of the two, and is therefore equal to the maximum assessed value. In years six through ten, the property's real market value dips below the property's maximum assessed value. In these years, the assessed value is equal to the real market value and maximum assessed value remains constant. When real market value grows past maximum assessed value beginning in year ten, assessed value is once again equal to maximum assessed value, and the maximum assessed value resumes annual growth of three percent per year.

Exhibit 11. Maximum Assessed Value, Real Market Value, and Assessed Value for a Hypothetical Property



Measure 5 Compression

As stated earlier, Measure 5 limits the property taxes paid by individual property owners to $10 per $1,000 of real market value for general government taxes and $5

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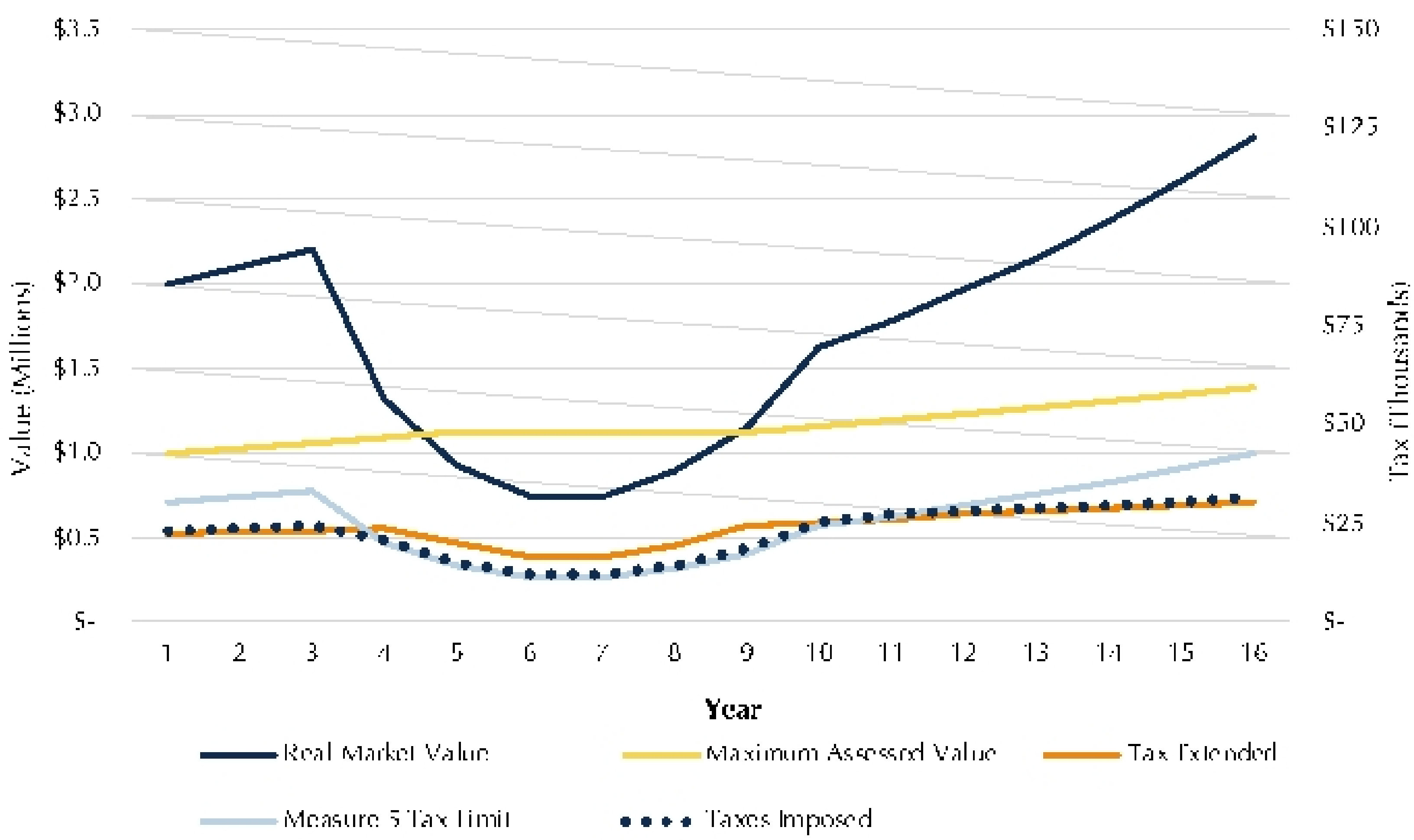
[4] Other exceptions include: partitioning or subdividing a property, rezoning a property and change of use consistent with that zone, and the disqualification or termination of property tax exemptions (e.g., property transferring from public to private ownership).

per $1,000 of real market value for education taxes. If either of these limits are exceeded by the taxes extended on an individual property, the taxes imposed are reduced proportionally until the Measure 5 limits are met. Local option levies are reduced first. If local option levies are reduced to zero and a property is still exceeding its Measure 5 limits, then permanent rate levies are reduced proportionally until the limits are no longer exceeded. General obligation bonds are never reduced, as they are not subject to Measure 5 limits.

Exhibit 12 shows the effect of Measure 5 compression on a hypothetical property. In years one through three, the Measure 5 tax limits for the property are higher than the taxes extended to the property. Therefore, the property pays the total tax extended. Beginning in year four, declining real market value results in a corresponding decrease in the maximum allowable tax bill, and the property finds itself in “compression” due to Measure 5. Therefore, the taxes extended are proportionally reduced until they conform to Measure 5 limits. The compression loss is the difference between tax extended and tax imposed. By year 12, real market value has grown enough so that the taxes extended are once again below the Measure 5 limits, and the property no longer experiences compression.

Exhibit 12. Compression of Hypothetical Property



Property Types

The State of Oregon classifies all taxable property into one of four types: real, personal, manufactured, and utility. Below, we describe these property types and highlight considerations for forecasting future changes in assessed value.

- **Real** property includes land, buildings, structures, and improvements. Real property typically makes up the majority of property value in an area. Real property is typically the most reliable property type to forecast. Changes in real market value of real property are tied to broader market trends. At this time, most real property accounts in Oregon have a significant gap between real market value and maximum assessed value, which means that the assessed value is equal to maximum assessed value, which experiences three percent growth each year from appreciation. Factors that can cause a real property account to experience a change in maximum assessed value other than three percent appreciation include: construction of new property, demolition of an existing structure, establishment or expiration of tax exemptions (such as a transfer of ownership from public to private use, or vice versa), and rezoning with a corresponding change in use.
- **Personal** property includes all property that "enhances or promotes" a business.[5] This includes machinery, equipment, and décor/office furniture. Personal property for personal use (e.g., home furniture and appliances) are exempt. The Department of Revenue maintains multiple schedules for depreciation of value, based on the specific type of personal property. Personal property tends to depreciate relatively rapidly, but these losses in value are generally offset by further reinvestment in new personal property accounts.
- **Manufactured** property includes all manufactured structures (i.e., mobile homes). Unlike other types of housing, the real market value of mobile homes depreciate over time. In the early years after construction, a manufactured property account may experience modest growth in assessed value based on the maximum allowed three percent growth in maximum assessed value. However, over time the real market value of the property will likely drop below the maximum assessed value, leading to a sustained decrease in assessed value from manufactured property in future years.
- **Utility** property include the value of any privately-owned utility provider, including: communication, electric, gas, water, pipelines, air transportation, private railcars, railroads, heating, toll bridges, and small electrics.[6] The Oregon Department of Revenue assesses the value of these properties annually, based on reports submitted by the owners. The value is not explicitly based on geography, but the State apportions assessed value to each tax code area each year based on factors, including the physical location of utility assets. Because utility value is calculated by the State each year, based on reports of value provided by the utilities themselves, the assessed value of utility accounts can be volatile, and difficult to forecast.

[5] Oregon Department of Revenue, Methods for Valuing Personal Property, 2020
[6] Oregon Department of Revenue, Centrally Assessed Companies

INFRASTRUCTURE FINANCE:
Special Public Works Fund

Expanding economic development activity and employment opportunities in Oregon...

Do you need financing for your public works project?

The Special Public Works Fund provides low-cost financing to eligible municipalities for planning, design, and construction of utilities and facilities essential to industrial growth, commercial enterprise, and job creation.

ELIGIBLE PROJECTS

Capital improvement (acquisition, preliminary and final design, & engineering) or planning projects (technical and financial feasibility studies) that assist in developing industrial lands, supporting an immediate job creation/retention/expansion opportunity, or replacement of essential community facilities. Typical projects funded by this program are:

- Emergency projects
- Energy systems
- Essential community facilities
- Industrial site certification
- Levee certification
- Marine facilities
- Telecommunication systems
- Transportation infrastructure
- Water, sewer, and storm water utilities improvements

Business Oregon's infrastructure finance programs assist communities to build infrastructure capacity to address public health safety and compliance issues as well as support their ability to attract, retain and expand businesses. We strive to coordinate the delivery of infrastructure financing to Oregon communities and to better collaborate with local partners.

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Ph: 503-986-0123
business.oregon@oregon.gov

Business Oregon is an agency of the state of Oregon.

ELIGIBLE ENTITIES

Municipally incorporated entities as defined in Oregon Revised Statute (ORS) are eligible to receive funds, including the following:

- Cities (ORS 221), Counties (ORS 201), Special Districts (ORS 198), and Ports (ORS 777)
- Tribal Councils
- Domestic water supply districts (ORS 264) and water authority (ORS 450)
- Sanitary districts (ORS 450) and sanitary authority (ORS 450)
- Joint water and sanitary authority (ORS 450)
- County service districts (ORS 451)
- Airport districts (ORS 838)

FUNDING

Loan funding (max $10 million) is available for financing small to large projects with very favorable interest rates and terms up to 30 years for most projects. Limited grant funding is available for technical assistance and emergency projects based on financial analysis.

CUSTOM USES

Emergency projects–25% local match; loans; grants (max $500,000 whichever is less for federal disaster relief assistance).

Grants for development projects with *firm business commitment* to create or retain traded-sector jobs up to $5,000 per eligible job and not to exceed 85% of the project cost or $500,000 per project.

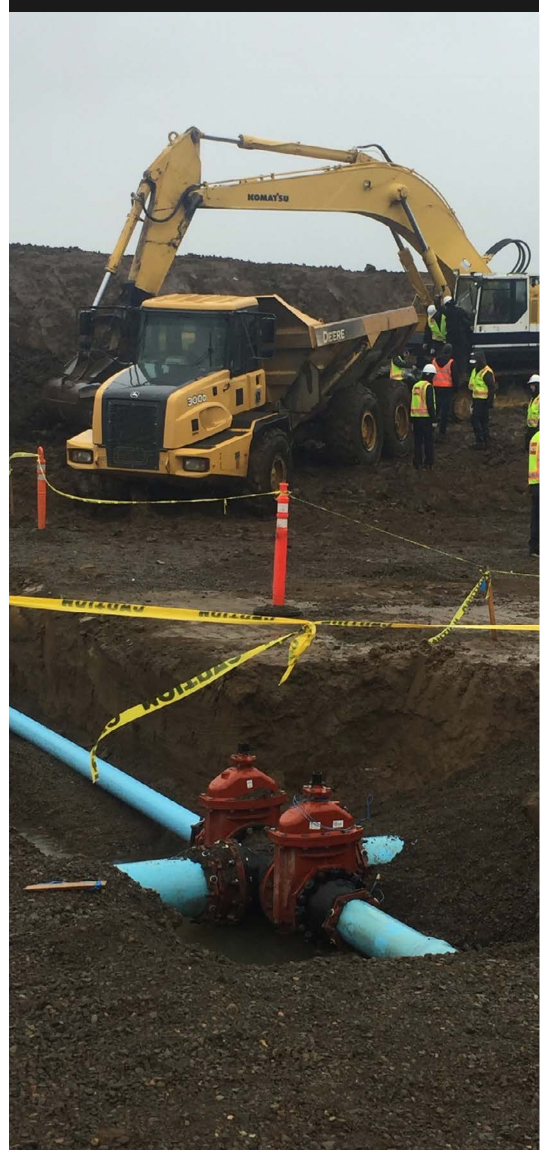
Levee certification—$50k grants; principle only 0% interest rate loan, max $1 million per area and not to exceed 50% of total loan; and market rate loans, max $2.5 million; for drainage districts (ORS 547) and corporations for drainage or flood control (ORS 554).

Planning grants (max $60,000) 85% of project cost are available for the purpose of industrial site development and certification.

TO APPLY OR GET MORE INFORMATION:

Start the application process today by contacting the Regional Development Officer in your area:

orinfrastructure.org



Approved Minutes

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