

**CANBY URBAN RENEWAL AGENCY
SPECIAL MEETING MINUTES
April 21, 2021**

PRESIDING: Chair Shawn Varwig

COMMISSIONERS PRESENT: Christopher Bangs, Brian Hodson, Greg Parker, Jordan Tibbals, Sarah Spoon, and Traci Hensley.

STAFF PRESENT: Scott Archer, City Administrator/Agency Director; Joseph Lindsay, City Attorney; Jamie Stickel, Economic Development Director; Finance Director Julie Blums; Tech Services Coordinator Valerie Kraxberger, and Melissa Bisset, City Recorder/ HR Manager.

OTHERS PRESENT: John Peterson, Senior Vice President, Piper Sandler & Co.

CALL TO ORDER: Chair Varwig called the Special Meeting to order at 5:35 p.m.

CITIZEN INPUT & COMMUNITY ANNOUNCEMENTS: Fire Chief Davis submitted the following statement to be read by Chair Varwig:

It is my understanding that the Urban Renewal Agency is considering a refinancing for a lower interest rate. At the last URA meeting there was some discussion around extending the date to terminate the URA from 2026 to a future date. The URA has done a great job providing the infrastructure in the industrial area for accommodating commercial growth.

In August of 2015 the URA met with the Fire District Board representatives, which at that time it was our understanding to terminate the URA in the 2026-2027 fiscal year.

Please if at all possible we would ask the URA to maintain the agreed upon termination date to 2026.

The Fire District has worked hard with the prior City Administrator and the URA to minimize the debt service with the understanding that the URA would terminate in 2026-2027. The Fire District agreed to a reduced amount in the original agreement.

The Fire District has planned staffing needs for the future, which align with the plan to terminate the URA in 2026. As the Fire District continues to experience significant call volume increases and plans to staff the northside station, we have strategically planned for the over \$450,000 lost every year to the URA, equivalent to 4 firefighter positions. To increase the URA debt would require the Fire Board to consider approving as a junior taxing district.

The Fire District will continue to be a great partner with the City of Canby and we appreciate all the cooperation.

CONSENT AGENDA: **Commissioner Hensley moved to adopt the minutes of the March 3, 2021 Urban Renewal Agency Special Meeting. Motion was seconded by Vice Chair Hodson and passed 6-0.

NEW BUSINESS

Discussion regarding The Façade Improvement Program:

Jamie Stickel, Economic Development Director, said the URA had directed staff to create a process for administrative approval of façade improvement grant applications. There was concern that without coming to the URA for the applications there would not be an opportunity for public input, especially for historic buildings. She, Carol Palmer, and Councilor Bangs met and came up with a process for completed applications to come to staff. They would be posted on the City's website, a link would be sent to the Design Committee, and they would be shared on the City's Facebook page for ten days. If no objection was received, applications could be approved by the City Administrator. If there were objections, applications would come to the URA for approval. Any administrative approvals would be reported to the URA.

Vice Chair Hodson asked how many people were on the Design Committee. Ms. Stickel said there were six.

Vice Chair Hodson asked about the Design Committee's process for reviewing applications. Ms. Stickel said applications were emailed to the Committee and they sent comments back. Not everyone responded. They typically heard back from about 50%.

Commissioner Hensley suggested making them an advisory committee to the URA. She thought this change would take away the voice of the people because not everyone was on social media. Going through the Design Committee, which should be an official advisory committee, and coming to a URA meeting gave the people more chance to comment. She did not think it should be a decision of staff.

Commissioner Tibbals agreed.

Vice Chair Hodson thought that there would be more visibility if applications came before the URA. It allowed the public to have input, URA oversight, and continuity of the program.

Commissioner Tibbals thought the intentions were good but it came down to accountability of the elected officials and transparency to the people. It didn't achieve everything that was trying to be achieved.

There was consensus to continue with the current process for façade improvement grant applications.

Discussion Regarding Refinancing of Urban Renewal Debt:

Julie Blums, Finance Director, said interest rates were very low right now and staff had looked into cost savings and closing the Urban Renewal District early. There were several refinancing options for the three bonds that were left. She provided an overview of the URA maximum indebtedness and debt overview. The maximum indebtedness for the Canby Urban Renewal Agency was \$51,149,000. This could be spent using cash funds from property taxes and/or acquiring debt that was repaid from property taxes. The remaining maximum indebtedness as of June 30, 2021 was projected to be \$4,456,557. Part of the remaining maximum indebtedness would be used for operational costs until the District closed and the rest could be used for projects if the Board so chose. The URA currently had three bonds with an outstanding principal of \$19,480,000. One from 2010 for 1st Avenue redevelopment that had no prepayment penalty, one from 2011 for the police facility that also had no prepayment penalty, and one from 2012 for the Library/Civic building and Sequoia Parkway which had a prepayment penalty until June 2022.

Option one was the current path where the City had been prepaying on debt to get it paid off faster. The total interest savings if they stayed on this path was \$4 million. It would leave cash available of about \$1.4 million that could be used against the maximum indebtedness amount. The interest rates were between 3.25% and 7%.

Option two was a straight refinancing of all three bonds. The remaining project work would be spread out over the 5 year payoff period so the District would still end in 2026. The interest rate would be about 1.2%. It would allow for the use of all the maximum indebtedness.

Option three would be to refinance and pull out in cash the remaining maximum indebtedness. With a tax exempt bond, they would be required to use 85% of what was pulled out within the first three years, which was about \$4.25 million.

Option four would be to refinance with taxable bonds and there was no requirement to spend the additional \$5 million that was pulled out.

The possible uses of the remaining maximum indebtedness were: façade grants, beautification and marketing, Wait Park improvements, NW 3rd Avenue Grant to Elm, NW 4th Avenue Grant to Elm, SW 1st Avenue Elm to Grant, 99E access improvements, and N Berg Parkway – 99E to NW 3rd.

Staff recommended Option 2 because it had the highest savings, allowed for the use of all maximum indebtedness if the Board chose to use it, and all debt would be paid in full in FY25-26 allowing the District to close and tax revenue to revert back to the taxing districts.

John Peterson, Senior Vice President of Piper Sandler & Co., explained the prepayment penalty for the 2012 bond. The bond was not eligible for prepayment until 2022. They could refinance it now by funding an escrow that would take it off the books and the escrow would be funded with securities and cash to pay the interest and pay off the bond when it was eligible for prepayment in 2022. It would allow them to be completely out of debt the moment the District was closed.

Ms. Blums noted all of the options met the 2026 closing date.

Vice Chair Hodson asked how much the escrow cost would be.

Mr. Peterson said the additional cost of funding the escrow was \$122,000 but the net savings for refinancing was \$1 million. If they waited to refinance, and a year from now rates were 1% higher than they were now, they would be at a wash. If the rates were more than 1% higher they would lose money by waiting. By combining with the other bonds, they were saving \$50,000 or more in issuance costs. Given that, they would need rates to rise by half a percent in order to come out even.

Commissioner Spoon clarified it was not a foregone conclusion that the District would close in 2026.

Commissioner Bangs asked about the difference between option two and options three and four. Ms. Blums said the difference was that in three and four if they wanted to spend the maximum indebtedness, they could spend it all immediately because the cash would be available. With option two it would take time to spend it because they needed the cash flow to be coming in from year to year.

Commissioner Spoon asked if staff could explain the projects that were left on the list and the estimated costs.

Chair Varwig agreed and also if there was staff capacity to handle the projects over the next three years and how much could be done.

Vice Chair Hodson thought refinancing made sense, the question was whether or not they wanted cash in hand with options three or four. The 99E access improvements were for the Walnut Street extension which was a Council priority.

Commissioner Parker asked staff to provide a priority list of the projects that could be done for the remaining \$5 million. It might make sense to proceed with 3rd Avenue and Wait Park improvements. He also asked if the City Administrator could meet with the Fire Chief regarding his concerns.

Mr. Archer would bring back the information. He had spoken with Chief Davis today and the Chief wanted it on the record that the Fire District opposed the Urban Renewal District extending beyond FY25-26.

Commissioner Parker was unclear whether Chief Davis was speaking for the Fire Board and he wanted to make sure the responses came from the elected board.

There was consensus for staff to move forward with options two through four, but abandon option one, to bring back a priority list for the remaining projects, and to look into extending the District boundary to include the Walnut Street project.

Chair Varwig adjourned the Special Meeting at 6:43 p.m.

Melissa Bisset, CMC
City Recorder

Shawn Varwig
Chair