CITY OF KEIZER MISSION STATEMENT

KEEP CITY GOVERNMENT COSTS AND SERVICES TO A MINIMUM BY PROVIDING CITY SERVICES TO THE COMMUNITY IN A COORDINATED, EFFICIENT AND LEAST COST FASHION

A G E N D A

KEIZER URBAN RENEWAL AGENCY/KEIZER CITY COUNCIL
JOINT WORK SESSION

Monday, October 10, 2011
5:45p.m.
Keizer Civic Center
930 Chemawa Road NE
Keizer, Oregon 97303

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **DISCUSSION**

   a. **Keizer Station LID Debt/Urban Renewal Substantial Plan Amendment**

4. **ADJOURN**

Upon request, auxiliary aids and/or special services for those with disabilities will be provided. To request services, please contact us at 390-3700 or through Oregon Relay 1-800-735-2900 at least two working days(48 hours) in advance

JOINT CITY COUNCIL/URBAN RENEWAL AGENCY MEETING: October 10, 2011

AGENDA ITEM NUMBER:_____

TO: CHAIR CHRISTOPHER AND BOARD MEMBERS

FROM: CHRIS EPPLEY
CITY MANAGER

E. SHANNON JOHNSON
CITY ATTORNEY

SUSAN GAHLSDORF, CPA
FINANCE DIRECTOR

SUBJECT: KEIZER STATION LID DEBT/ URBAN RENEWAL SUBSTANTIAL PLAN AMENDMENT

Staff wants to address the Council/Urban Renewal Agency concerning the Keizer Station LID. Some of the LID properties are in default. This staff report does not address foreclosure issues with regard to the LID, which would be the subject of litigation and is confidential. However, staff wishes to discuss the potential extension of the Urban Renewal maximum indebtedness as a remedy to supplement or backup the foreclosure option.

BACKGROUND:

In May 2008, at the developer's request, the City issued $26,810,000 in bonds to finance infrastructure within Area A of the Keizer Station. At that time, we formed a Local Improvement District (LID) to collect assessments from the property owners within the LID area to pay off the bonds. The City collects principal and interest payments from the property owners in the LID Area every six months, but we are only required to make interest payments until June 1, 2031 when a balloon payment for the entire principal amount is due. The City has the right to pay down the principal by calling bonds twice per year with the assessments we collect. Since the City has been collecting both principal and interest from the property owners in the LID area, the City has been able to pay off $2,450,000 in principal to date, leaving $24,360,000 due by June 1, 2031 if no additional principal payments are made.

If assessment payments are insufficient to make the interest payments, the City is still obligated to make the full interest payment since the bonds are backed by the full faith and credit of the City of Keizer.

The City's debt was structured so that the property owner's payments would be sufficient to pay down principal and pay off the bonds in 2025, six years ahead of schedule. This debt service goal or model (Model) assumes that most property owners in the LID area make their principal and interest assessment payments on time and for the full amount. As of this writing, the assessments for five parcels are currently over one year past due. See Exhibit #1 – Keizer Station Area A, Properties in Default. Chuck Sides' companies own or lease these properties.

To date, the City has paid a sufficient amount of principal to stay in line with the Model. However, if the defaulting property owners do not become current on their assessment payments by November 1, 2011, the City will be behind the Model on principal payments. Beginning in calendar year 2012 the city will only have enough assessment money to make the semi-annual interest payments plus about $100,000 to pay principal. In order to pay off the entire LID debt of $24,360,000 the City will need an additional estimated $400,000 per year, starting in June to pay off the bonds by the 2031 balloon payment date, assuming no other property owners default.

City staff will advise Council regarding foreclosure options confidentially. However, staff believes that it is imperative that we look at other sources of revenue to supplement or backup the foreclosure option. This is because we are unsure of the timeframe and the eventual total proceeds that can be acquired in the foreclosure process. As you well know, we are in a time of economic uncertainty on a global level. This could effect the ability to market foreclosed properties in a timely manner.

Consequently, staff strongly recommends that we move forward to accumulate all available urban renewal funds and use them to pay principal on the LID bonds, as appropriate. Exhibit #2 shows the listing of potential urban renewal funds that could be available. This option allows the urban renewal district to pay principal in amounts significant enough to meet its principal and interest debt obligations by the maturity date of 2031.

Exhibit #3 shows the impact of extending the maximum indebtedness on overlapping districts. This exhibit shows the taxes foregone by the overlapping districts for increment revenues collected in FY10-11.

In order to increase the maximum indebtedness, the City must obtain written concurrence of taxing districts imposing at least 75 percent of the amount of taxes imposed under permanent rate limits in the urban renewal area. If the City receives concurrence, the amount of funds needed from this action will depend on whether the District collects the funds over two, three or more years.

Increasing the maximum indebtedness requires adoption of a "substantial plan amendment." Exhibit #4 shows the process for a substantial plan amendment with specific dates. If the City wishes to extend the District, we must act now because the North River Road Urban Renewal District will likely reach its maximum indebtedness within the next several months. We have to extend the District by initiating the process

before that time or the opportunity will be lost. The extension of the maximum indebtedness will not cause individual property owners taxes to increase, or to increase a very nominal amount depending on bond levy obligations of other jurisdictions.

If other moneys become available (i.e. through sale of foreclosed properties) we can return the urban renewal funds to the overlapping jurisdictions by explicitly stating so in the amended plan.

This action will not relinquish the defaulting property owners from their debt obligations to the City. The City will continue to pursue remedies to these defaults.

If the City does not use Urban Renewal funds as advised above, and nothing changes, the City could owe over $15 Million by the end of 2031. Having nothing change means the defaulting property owners never make good on their payments, the city is not able to foreclose and resell these properties for sufficient value, and the remaining property owners continue to pay their assessments on time and for the full amount, neither paying off early nor defaulting.

This is General Obligation backed debt and unless other resources become available, the General Fund will be obligated to pay this debt. Current law does not explicitly allow the City to issue General Obligation debt to refinance existing debt.

Since we cannot issue a special levy to refinance existing debt, general fund revenues will be needed to make the annual debt service payments, or we will need to come up with another source of revenue. Depending on the terms of the restructured debt, this could cost the general fund significant amounts of money placing one or more other general fund programs in jeopardy.

RECOMMENDATION:

Staff recommends the Council direct staff to pursue a substantial amendment to the North River Road Urban Renewal District to increase the maximum indebtedness for the purpose of paying principal on bonds issued for the Keizer Station Local Improvement District development.

Exhibit '1'
Keizer Station Area A
Properties in Default

City of Keizer/Keizer Urban Renewal District
Potential Urban Renewal Funds Available for Keizer Station

	Estimated at September 2011
Funds set aside to reimburse Park Improvement Fund for all sale costs and option money used to purchase Buchholtz and Buchanan property	$ 195,000
Remaining proceeds from sale of properties to the Transit District and the 'Docs'	426,400
Estimated funds earmarked for River Road Renaissance projects	1,000,000
Extend maximum indebtedness - amount varies depending on how quickly tax increment revenues can be collected	variable

NORTH RIVER ROAD URBAN RENEWAL DISTRICT

DIVISION OF TAX URBAN RENEWAL RATES BY DISTRICT

FISCAL YEAR 2010-11

Excess Value	District	Billing Rate	Division of Tax	Perm Rate %
292,212,570	50 - Marion County	3.0252	884,001.47	23.64%
	109 - City of Keizer	2.0838	608,912.55	16.28%
	308 - Keizer FD	1.3526	395,246.72	10.57%
	Keizer FD Bonds	0.1415	41,348.08	
	420 - Salem-Keizer SD	4.5210	1,321,093.03	35.33%
	Salem-Keizer SD Bonds	1.3313	389,022.59	
	460 - Willamette Regional ESD	0.2967	86,699.47	2.32%
	500 - Chemeketa Community College	0.6259	182,895.85	4.89%
	Chemeketa Community College Bonds	0.0794	23,201.68	
	701 - Regional Library	0.0818	23,902.99	0.64%
	900 - Salem Area Mass Transit	0.7609	222,344.54	5.95%
	240 - Marion Soil & Water	0.0500	14,610.63	0.39%
		14.3501	4,193,279.60	100.00%

Source: Marion County

KEIZER URBAN RENEWAL AGENCY

SUBSTANTIAL PLAN AMENDMENT PROCESS

Excerpt from proposal by Elaine Howard Consulting, LLC (urban renewal consultant)

Document Coordination and Preparation

The following documents will be prepared, in compliance with the requirements of ORS 457. Since this is a substantial amendment, there are two major provisions of the existing documents which will also need to be updated. The first item is required by a 2009 Land Use Board of Appeals (LUBA) ruling that mandates the blight analysis of the existing district be updated when a substantial amendment is completed. This includes a review of all existing conditions for the Area. The second item is stating how the Plan conforms with the City's Comprehensive Plan. New standards have been established for this review since the adoption of the Keizer Urban Renewal Plan. The updating of these sections will be incorporated in the following documents:

- Keizer Urban Renewal Plan Amendment
- Keizer Urban Renewal Report on Amendment
- Keizer Urban Renewal Agency Report on Amendment
- Keizer Planning Commission Report
- Taxing Jurisdictions Memorandum
- Keizer City Council Report
- Keizer City Council Ordinance
- Notice for Open Public Meeting
- Notice for Planning Commission Meeting
- Notice for City Council Meeting
- Keizer County Commission Report
- Notice of Adoption
- Letter of transmittal to County Assessor/Recorder

Amendment Adoption

- Meeting with Agency on review of proposed amendment
- Open Public meeting to inform the public about the proposal and about the use of urban renewal in Keizer
- Meetings with the taxing jurisdictions (2 if necessary), one of which may occur before final document preparation
- Planning Commission meeting
- City Council Hearing and Meeting , First Reading of the Ordinance
- City Council Second Reading of the Ordinance, if first reading not passed unanimously
- County Commission Meeting