

**RESOLUTION NO. 2017**

**A RESOLUTION OF THE CITY OF WILSONVILLE AUTHORIZING A \$10 MILLION LINE OF CREDIT TO FINANCE ROAD PROJECTS, PROPERTY ACQUISITION, PARK IMPROVEMENTS AND RELATED PROJECT ADMINISTRATION IN THE WEST SIDE URBAN RENEWAL AREA.**

WHEREAS, the City entered into a \$15 million Tax-Exempt Non-Revolving Credit Facility with the Bank of America, N.A. (the "Bank") dated June 23, 2005 (the "2005 Facility") under the authority of Resolution 1933 to finance urban renewal projects in the West Side Urban Renewal Area; and,

WHEREAS, additional resources are needed to finance road projects, property acquisition, park improvements and related project administration (collectively, the "Projects") in the West Side Urban Renewal Area; and,

WHEREAS, the Bank is willing to offer similar lending terms as those described in the 2005 Facility and for expediency the city benefits from negotiating with the Bank for a \$10 million line of credit; and,

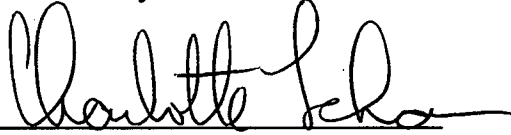
WHEREAS, the proposed terms from the Bank are described in Attachment A.

**NOW, THEREFORE, THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:**

1. To accept the Bank of America, N.A. proposal to provide variable rate financing for the Projects in a maximum amount of \$10,000,000 with a maximum loan origination fee of \$10,000.
2. To authorize the Finance Director or the Finance Director's designee (each of whom is described in this resolution as a "City Official") to:
  - (A) Enter into an intergovernmental agreement (the "Intergovernmental Agreement") with the Urban Renewal Agency of the City of Wilsonville that obligates the agency to pay tax increment revenues from the West Side Urban Renewal Area to the City in amounts sufficient to pay the amounts the City due from the City under the Credit Facility that is authorized by Section 2(B) of this resolution.

- (B) Negotiate the terms of, execute and deliver a line of credit or similar instrument (a "Credit Facility") pursuant to ORS 288.165 with Bank of America, N.A. (the "Bank") for the purposes described in this resolution. The City Official may pledge the City's full faith and credit, the proceeds of any long term financing for the projects financed with the Credit Facility, and all amounts the City receives under the Intergovernmental Agreement, to pay the amounts due under the Credit Facility. Subject to the limitations of this resolution, the Credit Facility may be in such form and contain such terms as the City Official may approve.
- (C) Covenant to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, (the "Code") so that interest on the Credit Facility is excludable from gross income under the Code, and designate the Credit Facility as a "qualified tax-exempt obligation" under Section 265 of the Code, if applicable.
- (D) Execute and deliver any other certificates or documents and take any other actions which the City Official determines are desirable to carry out this resolution.

ADOPTED by the City Council of the City of Wilsonville at a regular meeting thereof this 7th day of August, 2006 and filed with Wilsonville City Recorder this same date.

  
 CHARLOTTE LEHAN, MAYOR

ATTEST:

  
 Sandra C. King, MMC, City Recorder

**SUMMARY OF VOTES:**

Mayor Lehan	Yes
Council President Kirk	Yes
Councilor Holt	Yes
Councilor Knapp	Yes
Councilor Ripple	Excused

**ATTACHMENT A  
BORROWING TERMS**

**Proposed Terms of the Note:**

**Type of Facility:** Line of credit

**Note Amount:** \$10,000,000

**Maturity:** May 1, 2008

**Origination Fee:** \$10,000

**Interest Rate:** If Prime Rate: A rate per year equal to 63.5% of Bank of America's Prime Rate, minus a spread of 1.21%. The Prime Rate is the rate of interest publicly announced from time to time by Bank of America as its Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in Bank of America's Prime Rate.

If LIBOR Fixed Rate: A rate per year equal to 63.5% of the LIBOR Fixed Rate, plus a spread of 0.50%. The LIBOR Fixed Rate is a fixed rate of interest per annum (rounded upwards, if necessary to the nearest 1/100 of 1%) equal to the British Bankers Association LIBOR Rate as published by Reuters (or other commercially available source) as the London interbank offered rate for deposits in United States Dollars for the applicable interest rate period, as adjusted from time to time in Bank of America's sole discretion for then-applicable reserve requirements, deposit insurance assessment rates and other regulatory costs. The LIBOR Rate shall be renewed upon the expiration of the initial interest period for a like tenor (not exceeding the expiration date of the Line of Credit Facility) and the rate adjusted to the applicable LIBOR Fixed Rate in effect at the time of such renewal. LIBOR Fixed Rate advances with tenors up to 12 months would be available (not exceeding the expiration date of the Line of Credit Facility).

**Prepayment:** At any time without penalty except for reimbursement of Bank of America's breakage and redeployment costs in the case of prepayment of LIBOR based borrowings.

**Interest Payable:** Calendar quarterly basis

**Tax Exempt?**

Yes

**Bank Qualified?**

Yes

**Disclosure:**

None

**Security:**

Both the tax increment revenue from the West Side urban renewal area and the full faith and credit pledge of the city.

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**FINANCE DEPARTMENT**  
**STAFF REPORT**

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**Date:** August 7, 2006

**To:** Honorable Mayor and City Council &  
Urban Renewal Board

**From:** Gary S. Wallis, Finance Director

**Subject:** \$10 million Line of Credit for West Side District

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**SUMMARY:**

Two Resolutions (one for City, one for Agency) are needed to approve a new \$10 million line of credit financing from Bank of America. The new money will provide financing for road projects (e.g. Barber), property acquisition (elementary school and park site), park improvements and related project administration. The line is in addition to a \$15 million line of credit approved last year. Both lines of credit are expected to be repaid via a long-term bond to be issued by May 2008.

As was the case with the first borrowing, the City will pledge its full faith and credit as security for the bonds. This affords a lower interest rate, thus reducing borrowing costs. The pledge of full faith and credit requires a City Resolution. Debt service payments are expected to be paid from tax increment proceeds from the West Side district, thus the requirement for an Urban Renewal Agency resolution.

**BACKGROUND:****Original Plan vs Actual**

The Urban Renewal Plan adopted in November 2003 provided a list of projects, a year of construction and the estimated cost. A recap of this information is provided below. Also provided is the current estimate of the year of construction and cost. As Table A shows, most of the projects have been accelerated in date of construction and cost estimates are up. As a result, the necessity for borrowing has accelerated.

**Table A**

**West Side District  
Selected Project Costs and Dates**

Project	Original Plan Estimate		Current Estimate	
	Year	In Millions	Year	In Millions
Boeckman	2007	\$3.2	2007	\$7.3
Kinsman	2008	\$3.6		
Barber	2008	\$2.3	2007	\$3.5
Old Town/WV	2009	\$4.2		
Parks	2014	\$5.5	2008	\$2 (partial)
School Site	2016	\$2.2	2006	\$4.2

*Not a complete list of all projects*

The accelerated level of debt issuance raises a concern with the ability to repay these large amounts. With this new issue the total debt outstanding will be \$25 million. To keep payments low these interim financings are set for interest only payments. The principal amount will be repaid in 2008 when we anticipate a large long-term debt issuance. By that time the assessed value of the district and resulting taxes generated should be sufficient to cover principal and interest payments. Table B summarizes future tax revenues and debt payments.

**Table B**

**West Side District  
Tax Increment and Debt Service**

	2005-06	2006-07	2007-08	2008-09
Assessed value for tax increm't	\$35,033,457	\$82,097,636	\$187,683,741	\$300,547,429
Taxes generated	\$544,119	\$1,254,567	\$2,868,070	\$4,592,785
Prin + Int, \$25MM, 5%				(\$2,000,000)
New units constructed	50	213	637	535

New construction estimates more conservative than developer plans.

Value based on 2005 costs, not inflated. Separate costs by home, condo, apt, retail.

The forecasted assessed value is a significant increase over the original Plan estimate. For comparison, the Plan projected the 2008-09 value to be \$169 million. To issue the long-term debt the assessed value needs to be at least \$150 million.

**About This \$10 Million Issue**

The improvements to be funded from the \$10 million borrowing are as follows (costs are estimates only):

- Barber Phase 1 (\$3.5 million)
- School/park site (\$4.2 million)
- Park improvements (\$2 million)
- Project administration (\$0.3 million)

Terms for the borrowing are improved from the prior line of credit because the district is now generating tax increment and new construction is active. Interest rate is variable based on either a percentage of Prime Rate or LIBOR (London InterBank Offered Rate). For more information on the terms see the attachment to the City resolution.

**RECOMMENDATION:**

Approval of both resolutions.