

**COOS COUNTY URBAN RENEWAL AGENCY
REGULAR BOARD MEETING**

4:30 P.M. Wednesday, April 12, 2017

Port of Coos Bay Conference Room, 125 Central Avenue, Suite 230, Coos Bay, Oregon 97420

MINUTES

ATTENDANCE

Agency Board Members: Chairman Todd Goergen, At Large; Eric Farm, Port Commissioner; Brianna Hanson, Port Commissioner; John Sweet, Coos County; Melissa Cribbins, Coos County; Mike Erbele, City of North Bend; Nathan McClintock, Legal Counsel.

Guests: Hans Gundersen, Port Staff; John Burns, Port Staff; Fred Jacquot, Port Staff; Amrha Wimer, Port Staff; Ed Ellingsen, Nasburg Huggins Insurance; Chris Williamson, CCMS.

1. CALL MEETING TO ORDER

Chair Todd Goergen called the meeting to order at 4:30pm

2. INTRODUCTION OF GUEST

3. CONSENT ITEMS

A. Approval of January 19, 2017, Board Meeting Minutes

Upon a motion by Melissa Cribbins (Second by Brianna Hanson), the Agency Board Members voted to approve the January 19, 2017, Board Meeting Minutes. **Motion Passed.**

B. Approval of February 27, 2017, Work Session Minutes

Upon a motion by Melissa Cribbins (Second by Brianna Hanson), the Agency Board Members voted to approve the February 27, 2017, Work Session Minutes. **Motion Passed.**

C. Informal Audit Report for Fiscal Year 2015-2016

Upon a motion by John Sweet (Second by Eric Farm), the Agency Board Members voted to approve the Informal Audit Report for Fiscal Year 2015-2016. **Motion Passed.**

4. ACTION ITEMS

A. CCURA Plan Amendment – Discussion of duration versus Maximum Indebtedness – Presented by Fred Jacquot

Duration Background:

The North Bay Urban Renewal Plan currently has a duration provision in Section 8, Plan Duration and Validity, written as, “This plan may remain in effect for a period of not more than twenty (20) years from the First Plan Amendment. The plan may remain in effect after termination of the division of ad valorem taxes provided for in Section 7.” This duration provision can be removed in the same substantial amendment that is being proposed currently as duration is no longer required by ORS 457.

When it comes to duration provisions and urban renewal there are two options, one, have a set duration stipulated by your plan or two, have no set duration stipulated by your plan. When considering whether to extend or possibly remove a duration provision key issues include pleasing taxing districts and tax payers and reaching your maximum indebtedness. One of the most common complaints among taxing districts and citizens critical of urban renewal is that it takes too long, or that durations get out of control. However, if your district does not achieve the growth expected, or needed, you may not be able to reach your maximum indebtedness in the amount of time set by your duration provision.

This leads to the main argument for elimination of a duration provision, which is to enable a district to reach its’ maximum indebtedness. Because duration is no longer the controlling factor of urban renewal in ORS 457, maximum indebtedness is, it is perfectly acceptable for an urban renewal agency to eliminate its’ duration provision in order to obtain its’ maximum indebtedness. However, there may be backlash from overlapping taxing districts or tax payers who thought they had a time frame commitment from the urban renewal agency.

Tax Code Areas:

Of the twelve different tax code areas in the North Bay Urban Renewal Area two are of special importance. The first is tax code area 6932, which has a frozen base value of \$36,949,088. The current assessed value (AV) of tax code area 6932 is \$27,650,363. This means that before any increment will be seen from tax code area 6932, there will need to be \$9,298,725 in AV growth in the area. A detailed breakdown of the assessed value and ownership of parcels in tax code area 6932 is shown in Exhibit 1.

The second tax code area to note is 6902, which is producing the majority of increment for the urban renewal area. In FYE 2017, tax code area 6902 generated 97.5% of the total tax increment finance revenue in the Area (excluding revenue from the special levy). The frozen base for tax code area 6902 is \$808,658 and the excess value is \$11,056,649. The breakdown of the assessed value and ownership of parcels of the tax code area is shown in Exhibit 2.

As shown by the table, the main contributor to the assessed value in tax code area 6902 is Southport Lumber Co., LLC.

Maximum Indebtedness:

We have not yet been able to establish how much of the \$60,900,390 of maximum indebtedness of the North Bay Urban Renewal Area has been used. However, in order to come to a decision about the extension or deletion of the duration provisions, it is helpful to provide an estimate of the revenue producing capacity of the urban renewal area. The estimates of cumulative future tax increment revenue

are preliminary and only consider tax increment finance revenue generated by tax code area 6902 and the urban renewal special levy. The table presents two scenarios for assessed value growth in the urban renewal area. The first is the 3% allowed by the Oregon Constitution and the other is .06% which is the average growth for this tax code area in the urban renewal area over the last 7 years.

Growth Rate	3.00%	0.06%
20 years	\$5,978,000	\$4,620,481
25 years	\$8,051,347	\$5,811,421
30 years	\$10,460,079	\$7,039,501
35 years	\$13,257,613	\$8,305,853
40 years	\$16,505,874	\$9,611,636

The table indicates that given the growth achieved in the urban renewal area historically, and even given the 3% growth allowed by the Oregon Constitution, the North Bay Urban Renewal Area will produce at most \$16,505,874 of tax increment over a 40-year time period. Typically, the maximum indebtedness produced off this tax increment is about 70%, the other 30% is used for interest, although this ratio of tax increment revenue to borrowing capacity (or maximum indebtedness) can vary substantially based on the specific financing assumptions for debt incurred. In this case, assuming 3% assessed value growth would mean using about \$11,554,112 of maximum indebtedness over 40 years (70% of \$16,505,874).

If substantial growth occurs in the urban renewal area, this could change the projections. If that growth occurs in tax code area 6932, no new increment will be produced until over \$9,298,725 of growth occurs. If it occurs elsewhere in the urban renewal area, it will produce tax increment. The projections in the table above assume a 2017 assessed value of \$11,866,807. So, if another \$12 million of assessed value is placed on the tax rolls, the tax increment could double. That still reaches about \$33 million of tax increment, and a smaller amount of actual maximum indebtedness. The bottom line is that the maximum indebtedness of this urban renewal area is far in excess of the potential of the area unless a major project occurs. Given this, we have four recommendations:

1. The duration provision should be deleted from the North Bay Urban Renewal Plan. An extension of 20 years provides very little capacity. Even an extension of 40 years does not allow the urban renewal area to reach its maximum indebtedness. While there may be some consternation from taxing districts, you will be able to show them the projected annual impacts of the urban renewal area.
2. The Port and/or the Coos County Urban Renewal Agency should provide the consultant a list of potential development and associated assessed value to add into the financial analysis. (This has already been requested as part of the pending amendment.)
3. After updated information about potential assessed value in addition to the existing information about existing assessed value, the Coos County Urban Renewal Agency should make a determination of an appropriate amount of time to continue urban renewal and adjust the list of projects to meet the potential amount of tax increment revenue in that time period. This does not mean re- establishing a duration provision, but using a timeframe to enable the decisions about which projects can reasonably be funded.
4. While you may not want to change (reduce) the maximum indebtedness amount, you may want to note a reasonable expectation on the amount of Maximum Indebtedness you will expect the North Bay Urban Renewal Area to reach.

Exhibit 1 – Tax Code Area 6932

TXCD	AV	OWNER	ACRES
6932	\$5,847,429	FORT CHICAGO HOLDINGS II U.S., LLC	69.17
6932	\$4,550,350	SOUTHPORT LUMBER CO., LLC	33.53
6932	\$4,010,310	LESSOR	44.64
6932	\$3,324,090	ROSEBURG FOREST PRODUCTS CO.	228.88
6932	\$1,900,000	NORTHWEST NATURAL GAS CO.	0
6932	\$1,602,030	SOUTHPORT LUMBER CO., LLC	0
6932	\$1,264,000	PACIFICORP	0
6932	\$1,148,490	ROSEBURG FOREST PRODUCTS CO.	0
6932	\$641,000	VERIZON COMMUNICATIONS	0
6932	\$600,214	FORT CHICAGO HOLDINGS II U.S., LLC	97.11
6932	\$587,640	ROSEBURG FOREST PRODUCTS	0
6932	\$398,000	AT & T INC	0
6932	\$383,280	FORT CHICAGO HOLDINGS II U.S. LLC	157.39
6932	\$338,160	DB WESTERN INC	0
6932	\$326,020	FORT CHICAGO HOLDINGS II U.S. LLC	67.9
6932	\$280,000	AT & T INC	0
6932	\$120,400	MANUFACTURER SERVICES	0
6932	\$119,570	FORT CHICAGO HOLDINGS II U.S., LLC	16.25
6932	\$81,000	FRONTIER COMMUNICATIONS	0
6932	\$43,650	LESSOR	0.04
6932	\$29,540	PAPE MATERIAL HANDLING, INC.	0
6932	\$27,860	LESSOR	0
6932	\$15,250	PRAXAIR, INC.	0
6932	\$5,120	FORT CHICAGO HOLDINGS II U.S. LLC	4.76
6932	\$2,000	FRONTIER COMMUNICATIONS	0
6932	\$1,890	CISSNA, ROBERT L.	2.56
6932	\$1,720	CIT FINANCE LLC	0
6932	\$720	VEND WEST SERVICES, INC.	0
6932	\$410	PITNEY-BOWES, INC.	0
6932	\$220	PITNEY BOWES GLOBAL FINANCIAL SERVICES L	0
6932	\$0	OREGON INTERNATIONAL PORT OF COOS BAY	191.58
6932	\$0	U.S.A.	13.75
6932	\$0	U.S.A.	5.9
6932	\$0	OREGON INT'L PORT OF CB	160.23
6932	\$0	EDGE WIRELESS	0
6932	\$0	ATC SEQUOIA, LLC	0
6932	\$0	OREGON INT'L PORT OF CB	102.84
6932	\$0	OREGON INTERNATIONAL PORT OF COOS BAY	182.24
6932	\$0	CIT TECHNOLOGY FINANCING SERVICES, INC	0

Exhibit 2 – Tax Code Area 6902

TXCD	AV	OWNER	ACRES
6902	\$9,998,950	SOUTHPORT LUMBER CO., LLC	0
6902	\$342,208	OREGON DUNES SAND PARK, LLC	19.45
6902	\$289,110	SOUTHPORT CHIPCO. LLC	29.31
6902	\$196,000	PACIFICORP	0
6902	\$191,000	CENTRAL LINCOLN PUD	0
6902	\$89,170	OREGON DUNES SAND PARK, LLC	37.5
6902	\$86,790	DOUGLAS A. PARKER REVOCABLE LIVING TRUST	3.22
6902	\$57,330	SOUTHPORT CHIPCO, LLC	3.94
6902	\$42,000	COOS BAY RAILROAD OPERATING COMPANY LLC	0
6902	\$25,319	OREGON DUNES SAND PARK, LLC	17.6
6902	\$25,000	FRONTIER COMMUNICATIONS	0
6902	\$21,290	DESIGN SPACE MODULAR BUILDINGS, INC	0
6902	\$11,500	OREGON DUNES SAND PARK, LLC	6.3
6902	\$8,220	OREGON DUNES SAND PARK, LLC	3.53
6902	\$1,740	OREGON DUNES SAND PARK, LLC	2.82
6902	\$1,290	COOS PACIFIC SAND, LLC	0
6902	\$1,170	COOS COUNTY	9.5
6902	\$540	RAYONIER WASHINGTON TIMBERLANDS COMPANY	5
6902	\$520	COOS COUNTY	4.38
6902	\$260	OREGON DUNES SAND PARK, LLC	2.3
6902	\$210	NORTHERN LEASING SYSTEMS, INC	0
6902	\$100	R.L. GOERGEN & SONS, LLC	1.22
6902	\$50	COOS COUNTY	0.63
6902	\$40	VEND WEST SERVICES, INC.	0
6902	\$0	U.S.A.	627.97
6902	\$0	OREGON INTERNATIONAL PORT OF COOS BAY	80
6902	\$0	U.S.A.	637.4
6902	\$0	STATE OF OREGON DEPT OF STATE LANDS	11.08
6902	\$0	STATE OF OREGON DEPT OF STATE LANDS	2.3
6902	\$0	STATE OF OREGON DEPT OF STATE LANDS	0.3
6902	\$0	U.S.A.	80
6902	\$0	OREGON INT'L PORT OF CB	48
6902	\$0	U.S.A.	72
6902	\$0	COOS BAY-NORTH BEND WATER BOARD	1.65
6902	\$0	U.S.A.	32.23

TXCD	AV	OWNER	ACRES
6902	\$0	U.S.A.	274.39
6902	\$0	OREGON INTERNATIONAL PORT OF COOS BAY	22.12
6902	\$0	U.S.A.	210.03
6902	\$0	OREGON INTERNATIONAL PORT OF COOS BAY	298.03
6902	\$0	OREGON INT'L PORT OF CB	0.76
6902	\$0	DIVISION OF STATE LANDS, LESSOR	2.91
6902	\$0	U.S.A.	249.92
6902	\$0	OREGON INT'L PORT OF CB	19.6
6902	\$0	OREGON INT'L PORT OF CB	13.4
6902	\$0	OREGON INT'L PORT OF CB	10.38
6902	\$0	U.S.A.	276.85
6902	\$0	U.S.A.	75.11
6902	\$0	U.S.A.	40.6
6902	\$0	STATE OF OREGON DEPT OF STATE LANDS	82.8
6902	\$0	U.S.A.	5.48
6902	\$0	U.S.A.	19.2
6902	\$0	U.S.A.	10.06
6902	\$0	U.S.A. CORPS OF ENGINEERS	281.6
6902	\$0	OREGON INT'L PORT OF CB	0
6902	\$0	COOS COUNTY	0
6902	\$0	COOS COUNTY	0
6902	\$0	COOS COUNTY	23
6902	\$0	COOS COUNTY	0
6902	\$0	BENTON FLAXEL TRUST; ETAL	0.12
6902	\$0	COOS COUNTY	0.25
6902	\$0	OREGON INT'L PORT OF CB	2.39
6902	\$0	OREGON INT'L PORT OF COOS BAY	17.31
6902	\$0	GREATAMERICA FINANCIAL SERVICES CORP	0
6902	\$0	NMHG FINANCIAL SERVICES, INC.	0
6902	\$0	CIT TECHNOLOGY FINANCING SERVICES, INC	0
6902	\$0	BANC OF AMERICA LEASING & CAPITAL, LLC	0
6902	\$0	PITNEY BOWES GLOBAL FINANCIAL SERVICES L	0
6902	\$0	GE EQUIP MIDTICKET LLC 2011-1	0
6902	\$0	STEVE DAYTON	0
6902	\$0	SOUTHPORT LUMBER CO., LLC	0
6902	\$0	COOS BAY TIMBER OPERATORS, INC.	0
6902	\$0	NORTHWEST NATURAL GAS CO.	0

Fred Jacquot stated that Howard Consulting, LLC discussed the background of urban renewal and the importance of maximum indebtedness during the work session held in February. It is common practice

to have maximum indebtedness be the controlling factor of a plan instead of a duration provision. Mr. Jacquot stated that since the discussion took place during a work session and no action items were planned, it was decided to present the Board with the opportunity to discuss if the Agency wants to continue the plan amendment with a duration provision or use maximum indebtedness as the controlling factor.

Mr. Jacquot reviewed the memo that was put together by Howard Consulting, LLC. Mr. Jacquot stated that the Port of Coos Bay Finance Department is doing an analysis of what maximum indebtedness is left. The key factor from Howard Consulting, LLC is the ability to repay and will have more of an impact on the duration of the agency depending on how much the agency commits to expending.

Mr. Jacquot stated that Eileen Howard (project manager) needs direction from the Board to continue to formally declare a 20-year duration for the agency or drop the duration provision and manage the longevity of the agency through the maximum indebtedness. Mr. Jacquot stated that he does not have a recommendation either way but one key issue to remember is if a duration provision is used and the agency continues to exist in 20 years there will need to be another plan amendment to extend the duration.

Commissioner Cribbins asked if the recommendation of the consultant was to eliminate the duration provision. Mr. Jacquot said that was correct but not necessarily the \$60,900,390. Mr. Goergen stated that the agency will have to find out what the remaining maximum indebtedness is, create a project list and finally determine a maximum indebtedness level.

Commissioner Cribbins stated it makes more sense to figure what still needs to be done rather than setting an arbitrary time frame.

Mr. Jacquot stated one of the statutory requirements for a plan amendment will be feasibility. There will be guidance from the consultant about pairing down the project budgets to better reflect the agency expected growth.

Commissioner Farm asked if a project analyst was in the original scope of the budget. Mr. Jacquot stated that it was part of optional work that was added. The consulting team is in the process of updating the cost from the original plan and in contact with utility and district stakeholders to identify if there are additional projects. The current project plan has the next presentation from the consulting team presenting the draft plan amendment with a plan approval meeting planned for a month later. The agency will have a chance to review the draft plan before it is submitted for approval.

Commissioner Hanson asked about the agency debt. Mr. Jacquot stated the agency is trying to figure out how much project and administrative expenditures have been made. Mr. Gundersen stated the analysis is to show what has been spent on projects and agency expenses. It tells the agency what has been spent but not what was borrowed. Mr. Jacquot further clarified by stating urban renewal agencies would take out a large debt initially, execute infrastructure, and then debt would be paid off over time while the improved infrastructure would elevate the tax base.

Commissioner Sweet asked what happens if investments don't attract new business. Mr. Jacquot stated that was the impetus behind removing the duration requirement and using maximum indebtedness. The goal would be for an agency to make improvements and pay them off over 20 years but if growth doesn't happen it might take 30 years to pay off the debt. An agency stays in existence until the debt is paid off. Mr. Jacquot stated board members have to balance the fiduciary responsibility of taking on debt versus the expectation of growth. Build it and business will come does not always pan out. Mr. Burns stated

that on the other hand, without a certain amount of infrastructure business will never come. Mr. Goergen added that having the capital available to move in a timely manner when an opportunity does arise is important. Mr. Jacquot stated that he does not believe there are any projects that are urgent enough to require a loan to complete. There are some drainage issue and road conditions that need improvements but in general having the plan amendment updated with projects ready to go and commitments by the agency, the plan becomes a good marketing tool for attracting private partners for the area.

Commissioner Cribbins added she thinks it makes more sense to have the duration determined by when projects are completed other than an arbitrary time limit. Commissioner Sweet added that the dilemma is waiting for 20 years and crossing different entities for money waiting for something that may or may not happen. The agency is taking away tax revenue from all taxing districts.

Commissioner Cribbins asked if the agency would rather be project focused rather than time focused.

Commissioner Sweet and Commissioner Farm stated they would like to see the project list before they decide. Mr. Jacquot stated that the projects are the projects from the 2006 update. There are several projects that will be recommended to drop off the list.

Mr. Jacquot said if he were to describe the difference between a duration provision versus maximum indebtedness, if the agency chooses to maintain a duration then the project list will be open up to all projects but money won't be spent until something comes to drive the spending. On the flip side, maximum indebtedness would execute on projects over the next couple years and bring on the debt and pay it off over the target duration instead of waiting for something to happen.

One discussion point that was presented at the work session was a political component to both; duration is essentially saying to the other taxing districts that we will be done in 20 years or there will be another amendment and maximum indebtedness says we are going to get the projects done and think we will have them paid off in 20 years but it might take 30 if the assumption in the plan for growth don't pan out.

Mr. Gundersen added that it is important to look at it from the potential business that is looking and considering relocating. This is not the only area looking to capture new business. It is a competitive advantage to have the land ready for development in a short time.

Mr. Goergen asked if the Port has determined what obstacles there are to develop the land. Mr. Jacquot stated that the Port has some of the information but it is not as defined as Mr. Jacquot would like.

Commissioner Farm asked if the agency goes with maximum indebtedness the analysis looks like tentatively 16 million over 40 years where duration provision there is still 60 million maximum indebtedness. If a massive project came up with a customer tied to it and completed within the 20 years, the agency can still go to the 60 million. Mr. Jacquot stated that the agency does not need to back away from the 60 million even if the duration is dropped. Most likely what will be presented in the plan amendment will be 60 million or less in committed projects with potential projects being the rest of the maximum indebtedness.

Howard Consulting LLC recommends the agency drop the duration provision and look at a project list that will fit a targeted agency life.

Commissioner Hanson asked if there is more flexibility with duration provision versus maximum indebtedness and if there is a way to leave flexibility with the project list for maximum indebtedness. Mr. Jacquot stated that if the maximum indebtedness was left at 60 million but a project list of 10 million worth of projects identified for immediate execution in the next five years and the remainder were general plans. If an opportunity came up for a minor project, the agency can make a minor amendment with a board action item. As long as the maximum indebtedness has the capacity to cover the project. Mr. Jacquot said they both have equal flexibility but the key with a duration provision is that if the maximum indebtedness is not achieved by the time the duration is reached, the agency will need to extend the life of the agency especially if the agency has outstanding debt that will require time past the duration.

Commissioner Sweet stated since there is a yearly revenue of about \$200,000, the agency could not take on a project that was greater than \$200,000 a year. Mr. Gundersen stated that there is about \$1 million of reserves in the bank.

Commissioner Hanson asked how does the agency measure the return on the investment. Mr. Jacquot stated the plan amendment is based on assumed growth. Part of the stakeholder outreach is to see what projects are planned to be completed on their own that will help increase the assessed value on the property. The consulting team is asking the Port what the expected growth and assessed value is on the Port property. Mr. Goergen stated the agency would want a good assumption the investment will generate a return in the near future. Half of the \$200,000 the agency gets a year is from a special levy the agency elected to take every year which affects all taxing districts. Mr. Goergen stated the agency needs to discuss if the special levy should be used if there are no projects.

Commissioner Hanson asked if there are benefits of receiving grants. Mr. Jacquot stated he is not aware of any but the foundation of an urban renewal designation is blight. Mr. Jacquot would believe that there would be grants targeted for blight areas.

Commissioner Farm stated there is a limited amount of funds to complete projects with but it is important to have something but not get too far ahead. It is important to create infrastructure that can be used by different types of businesses.

Mr. Jacquot stated from a direction stand point, if the agency decides to take no action at this time, the plan amendment will continue under the assumption it will be duration. Mr. Jacquot stated he does not see any drawbacks to not having a decision to change the direction at this point. The project is progressing and a meeting will be scheduled for the approval. The expectation is the first part of May where there will be a potential projects memo. Everything is on track for the plan amendment and if it stays on track a draft plan will be presented to the agency early June with the final approval by the county planned late July or August.

Mr. Jacquot summed up by stating that the point of the discussion was to raise the issue of maximum indebtedness versus duration provision and seek guidance from the agency board on how to proceed with the plan amendment.

Commissioner Hanson wanted to clarify that there was flexibility to not do a project. Mr. Goergen stated that the flexibility to change projects is always present and the board doesn't need to stick with a certain project.

Commissioner Farm added that if there is no duration provision, the agency will not have to spend money on a plan amendment in another 20 years. Mr. Goergen stated that it cost \$114,000 for the plan amendment this year.

Upon a motion by Melissa Cribbins (Second by Eric Farm), the Agency Board Members voted to adopt the recommendation from Howard Consulting, LLC to eliminate the duration provision and use maximum indebtedness. **Motion Passed.**

5. PUBLIC COMMENT

There was no public comment.

6. SCHEDULE NEXT MEETING DATE

7:30 am, Tuesday, June 13, 2017

7. OTHER/ADJOURN

Todd Goergen adjourned the meeting at 5:38pm