

CITY OF COOS BAY URBAN RENEWAL AGENCY
Agenda Staff Report

MEETING DATE	AGENDA ITEM NUMBER
September 18, 2012	

TO: Chair Melton and Board Members

FROM: Susanne Baker, Finance Director *MS*
Through: Rodger Craddock, City Manager *pec*

ISSUE Adoption of Resolutions for Refunding URA Loans

BACKGROUND

The City of Coos Bay Urban Renewal Agency authorized the issuance of bonds in 2003 for the Downtown district in the amount of \$5,700,000 and for the Empire district in the amount of \$2,600,000. The terms of these Series 2003 bonds each require two annual payments, have terms of 15 years, at an interest rate of 4.5%.

Staff has contacted several financial institutions that specialize in municipal financing and conferred with the City/Agency's Financial Advisor, Western Financial Group, and have determined that current market conditions are favorable to seek a lower interest rate and refund (refinance) both of the Series 2003 bonds. Western Financial Group suggests that there is a good possibility to obtain a lower interest rate, though cautions that we may not receive many responses; financial institutions have been selective in providing loans and/or favorable terms. Staff has contacted several financial institutions and confirmed Western Financial Group's opinion that there is not a broad market for long term financing at the current low rates. However, the existing contracts do not have prepayment penalties; the balance of the loans are relatively low, Downtown \$2,530,741 and Empire \$1,154,373; and the City/Agency have a good credit rating which reflects marginal risk and will be appealing to financial institutions.

Staff proposes that a Request for Proposal (RFP) be solicited to local and other possible financial institutions for rate quotes. The scope of the RFP will be to retain the existing term of the loan and obtain a lower interest rate. If the rate and terms are favorable enough to produce an adequate debt service savings, then staff would proceed with the refunding.

The attached resolutions provide authority from the Agency for the City Manager or the Finance Director to act on behalf of the Agency to negotiate, execute, and deliver a purchase agreement, declaration or other document to memorialize the terms of the refunding.

ADVANTAGES

The RFP process may subsequently result in a lower interest rate on the existing loans, which will reduce the interest paid and properly steward the public's resources.

DISADVANTAGES

None.

BUDGET

If the RFP produces an adequate debt service savings, there will be a cost involved to complete the refunding which could be up to \$30,000, which includes bond counsel review, financial advisor services, with the majority depending upon the bank fee requirements and negotiations. The cost will be funded from the Urban Renewal Downtown and Empire district budgets.

RECOMMENDATION

It is staff's recommendation the Agency approve soliciting an RFP; approve staff to select a financial institution if a proposal provides an adequate debt service savings; proceed with the refunding; and adopt Resolution 12-08 and 12-09.

smb

Attachments:

- Resolution 12-08 Downtown District Authorizing Refinancing
- Resolution 12-09 Empire District Authorizing Refinancing
- Western Financial Group Refinancing August 28, 2012 Memo

Urban Renewal Agency of the City of Coos Bay

Resolution 12-08

A RESOLUTION AUTHORIZING THE SALE OF DOWNTOWN URBAN RENEWAL AREA URBAN RENEWAL REFUNDING BONDS

WHEREAS the Coos Bay Urban Renewal Agency (the "Agency") is authorized to issue bonds payable from the tax increment revenues of the Downtown Urban Renewal Area; and,

WHEREAS, the Agency has chosen Option One for the Area as provided in ORS 457.435 (2)(a), and is authorized to impose the Special Levies described in ORS 457.435(2)(a); and,

WHEREAS, the Agency previously adopted Resolution 02-07 on December 3, 2002, which authorized the issuance of its Downtown Urban Renewal Area Urban Renewal Bond, Series 2003A and provide for the issuance of Parity Indebtedness; and,

WHEREAS, the Agency previously issued its Urban Renewal Bond, Series 2009 as Parity Indebtedness under the Master Resolution; and,

WHEREAS, the City of Coos Bay has approved a maximum indebtedness for the Area of \$45,055,764, with indebtedness issued for the Area of \$10,098,235, leaving the Agency \$34,957,529 of capacity to incur indebtedness for the Downtown Urban Renewal Area; and

WHEREAS, Oregon Revised Statutes section 287A.360 authorizes Oregon urban renewal agencies to refund outstanding borrowings; and,

WHEREAS, under current market conditions refunding all or a portion of the Series 2003 Bonds may produce adequate debt service savings; and,

WHEREAS, it is now desirable to authorize the refunding of the Series 2003 Bonds to achieve debt service savings;

BE IT RESOLVED BY THE COOS BAY URBAN RENEWAL AGENCY, Coos County, Oregon, as follows:

Section 1. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings. Capitalized but undefined terms shall be given the meanings for such terms established in the Master Resolution.

"2003 Bond Purchase Agreement" means the Bond Purchase Agreement related to the Series 2003 Bond between the Agency and Umpqua Bank dated January 24, 2003.

“2009 Bond Purchase Agreement” means the Bond Purchase Agreement related to the Series 2009 Bonds between the Agency and U.S. Bank dated August 28, 2009.

“Actual Tax Increment Collections” means the amount of the Tax Increment Revenues actually received by the Agency in a Fiscal Year.

“Agency” means the Coos Bay Urban Renewal Agency.

“Area” means the Downtown Urban Renewal Area described in the Plan, and all additions thereto.

“Bond Purchase Agreements” means the 2003 Bond Purchase Agreement and the 2009 Bond Purchase Agreements.

“City” means the City of Coos Bay, Oregon.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Divide the Taxes Revenues” means the amount of taxes calculated based on the increase in value of property in the Area which are payable to the Agency as permitted by Article IX, Series 1c of the Oregon Constitution.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon law.

“Parity Indebtedness” means obligations issued in compliance with the Master Resolution which are secured by a lien on, and pledge of, the Security, which is on a parity with the lien on, and pledge of, the Security which secures the Series 2003 Bonds, the Series 2009 Bonds, the Refunding Bonds, and future Parity Indebtedness.

“Plan” means the Agency’s 1988 Urban Renewal Area Plan, which was approved by city Ordinance no. 130 on September 20, 1988, as that plan has been, and may in the future be, amended.

“Refunding Bonds” means refunding bonds authorized by this Resolution.

“Resolution” means this Resolution No. 12-08 adopted by the Board of Directors of the Agency on September 18, 2012.

“Security” means the Actual Tax increment Collections, all earnings on the Actual Tax Increment Collections while they are held in the Tax Increment Fund, and all amounts in the Bond Reserve Account.

“Series 2003 Bond” means the Urban Renewal Bond, Series 2003A dated as of January 24, 2003.

“Series 2009 Bond” means the Urban Renewal Bond, Series 2009, dated as of August 28, 2009.

“Special Levy” means a tax levy in connection with the Area pursuant to Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(a) or any replacement statute.

“Tax Increment Fund” means the fund established under ORS 457.440(6)(b) to hold the Tax Increment Revenues.

“Tax Increment Revenues” means all Divide the Taxes Revenues, all Special Levies, and all earnings on amounts in the Tax Increment Fund.

Section 2. Refunding Bonds Authorized.

The Agency hereby authorizes the issuance of refunding bonds to refund all or any portion of the Series 2003 Bonds that achieve adequate debt service savings. The bonds authorized by this Section 2 (the “Refunding Bonds”) shall be sold and issued as provided in this Resolution pursuant to ORS Chapter 287A. The Refunding Bonds may be issued in an amount sufficient to pay and redeem the Series 2003 Bonds that are being refunded, plus an amount sufficient to pay estimated costs related to the refunding and the Refunding Bonds.

Section 3. Security.

The Refunding Bonds shall be issued as “Bonds” and “Parity Indebtedness” under the Master Resolution. The Refunding Bonds shall not be general obligations of the Agency. The Agency shall be obligated to pay the Refunding Bonds solely from the Security. The Agency hereby irrevocably pledges the Security to pay the Refunding Bonds, on an equal basis with the other Bonds. The lien on and pledge of the Security to pay the Bonds shall be superior to all other claims against those amounts. In addition, the Agency hereby pledges the unexpended proceeds of the Refunding Bonds to pay the Refunding Bonds.

Section 4. Parity Indebtedness.

Before issuing the Refunding Bonds, the Agency shall confirm that the conditions for issuing Parity Indebtedness in the Master Resolution and the Bond Purchase Agreements have been met.

Section 5. Master Resolution Effective; Covenants Reaffirmed.

The rights and remedies of the Master Resolution inure to the benefit of the Owners of the Refunding Bonds, as Parity Indebtedness. Although the Series 2003 Bonds may no longer be Outstanding after the issuance of the Refunding Bonds, the Master Resolution remains in full force and effect and the Agency hereby reaffirms the covenants contained in the Master Resolution.

Section 6. Delegation.

The City Manager of the City or the Finance Director of the City or the person designated by the City Manager or the Finance Director to act on behalf of the Agency under this Resolution (each of whom is referred to herein as a “Agency Official”) is hereby authorized, on behalf of the Agency and without further action by the Board of Directors, to:

- 6.1 Issue one or more series of Refunding Bonds.
- 6.2 Determine the final principal amount, interest rates, payment dates prepayment rights and all other terms of each series of Refunding Bonds.

- 6.3 Negotiate, execute and deliver a purchase agreement, declaration or other document to memorialize the terms of each series of Refunding Bonds.
- 6.4 Select one or more purchasers for each series of Refunding Bonds and negotiate the sale of the Refunding Bonds. Subject to the limitations of this Resolution, each series of Refunding Bonds may be in such form and contain such terms as the Agency Official may approve.
- 6.5 Determine whether each series of Refunding Bonds will bear interest that is excludable from gross income under the Code, or is includable in gross income under that Code. If a series of Refunding Bonds bears interest that is excludable from gross income under the Code, the Agency Official may enter into covenants to maintain the excludability of interest on that financing from gross income.
- 6.6 Designate each series of Refunding Bonds as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code, if applicable.
- 6.7 Enter into additional covenants and provisions which the Agency Official determines are desirable to sell each series of Refunding Bond on favorable terms.
- 6.8 Execute and deliver any other certificates or documents and take any other actions that the Agency official determines are desirable to carry out this Resolution and the Master Resolution.

The foregoing resolution was duly adopted by the Urban Renewal Agency of the City of Coos Bay, Coos County, Oregon, City of Coos Bay this 18th day of September 2012.

Gene Melton, Chair

ATTEST

Susanne Baker, City Recorder

Urban Renewal Agency of the City of Coos Bay

Resolution 12-09

A RESOLUTION AUTHORIZING THE SALE OF EMPIRE URBAN RENEWAL AREA URBAN RENEWAL REFUNDING BONDS

WHEREAS the Coos Bay Urban Renewal Agency (the "Agency") is authorized to issue bonds payable from the tax increment revenues of the Empire Urban Renewal Area; and,

WHEREAS, the Agency has chosen Option One for the Area as provided in ORS 457.435 (2)(a), and is authorized to impose the Special Levies described in ORS 457.435(2)(a); and,

WHEREAS, the Agency previously adopted Resolution 02-09 on December 3, 2002, which authorized the issuance of its Empire Urban Renewal Area Urban Renewal Bond, Series 2003A and provide for the issuance of Parity Indebtedness; and,

WHEREAS, the City of Coos Bay has approved a maximum indebtedness for the Area of \$12,550,011, with indebtedness issued for the Area of \$4,429,174, leaving the Agency \$8,120,837 of capacity to incur indebtedness for the Empire Urban Renewal Area; and

WHEREAS, Oregon Revised Statutes section 287A.360 authorizes Oregon urban renewal agencies to refund outstanding borrowings; and,

WHEREAS, under current market conditions refunding all or a portion of the Series 2003 Bonds may produce adequate debt service savings; and,

WHEREAS, it is now desirable to authorize the refunding of the Series 2003 Bonds to achieve debt service savings;

BE IT RESOLVED BY THE COOS BAY URBAN RENEWAL AGENCY, Coos County, Oregon, as follows:

Section 1. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings. Capitalized but undefined terms shall be given the meanings for such terms established in the Master Resolution.

"2003 Bond Purchase Agreement" means the Bond Purchase Agreement related to the Series 2003 Bonds between the Agency and Umpqua Bank dated January 24, 2003.

"Actual Tax Increment Collections" means the amount of the Tax Increment Revenues actually received by the Agency in a Fiscal Year.

"Agency" means the Coos Bay Urban Renewal Agency.

"Area" means the Empire Urban Renewal Area described in the Plan, and all additions thereto.

“City” means the City of Coos Bay, Oregon.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Divide the Taxes Revenues” means the amount of taxes calculated based on the increase in value of property in the Area which are payable to the Agency as permitted by Article IX, Series 1c of the Oregon Constitution.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon law.

“Parity Indebtedness” means obligations issued in compliance with the Master Resolution which are secured by a lien on, and pledge of, the Security, which is on a parity with the lien on, and pledge of, the Security which secures the Series 2003 Bonds, the Refunding Bonds, and future Parity Indebtedness.

“Plan” means the Agency’s Coos Bay Empire District Urban Renewal Plan, which was approved by City Ordinance no. 216 on August 30, 1995, as that plan has been, and may in the future be, amended.

“Refunding Bonds” means refunding bonds authorized by this Resolution.

“Resolution” means this Resolution No. 12-09 adopted by the Board of Directors of the Agency on September 18, 2012.

“Security” means the Actual Tax increment Collections, all earnings on the Actual Tax Increment Collections while they are held in the Tax Increment Fund, and all amounts in the Bond Reserve Account.

“Series 2003 Bonds” means the Urban Renewal Bonds, Series 2003A dated as of January 24, 2003.

“Special Levy” means a tax levy in connection with the Area pursuant to Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(a) or any replacement statute.

“Tax Increment Fund” means the fund established under ORS 457.440(6)(b) to hold the Tax Increment Revenues.

“Tax Increment Revenues” means all Divide the Taxes Revenues, all Special Levies, and all earnings on amounts in the Tax Increment Fund.

Section 2. Refunding Bonds Authorized.

The Agency hereby authorizes the issuance of refunding bonds to refund all or any portion of the Series 2003 Bonds that achieve adequate debt service savings. The bonds authorized by this Section 2 (the “Refunding Bonds”) shall be sold and issued as provided in this Resolution pursuant to ORS Chapter 287A. The Refunding Bonds may be issued in an amount sufficient to pay and redeem the Series 2003 Bonds that are being refunded, plus an amount sufficient to pay estimated costs related to the refunding and the Refunding Bonds.

Section 3. Security.

The Refunding Bonds shall be issued as "Bonds" and "Parity Indebtedness" under the Master Resolution. The Refunding Bonds shall not be general obligations of the Agency. The Agency shall be obligated to pay the Refunding Bonds solely from the Security. The Agency hereby irrevocably pledges the Security to pay the Refunding Bonds, on an equal basis with the other Bonds. The lien on and pledge of the Security to pay the Bonds shall be superior to all other claims against those amounts. In addition, the Agency hereby pledges the unexpended proceeds of the Refunding Bonds to pay the Refunding Bonds.

Section 4. Parity Indebtedness.

Before issuing the Refunding Bonds, the Agency shall confirm that the conditions for issuing Parity Indebtedness in the Master Resolution and the 2003 Bond Purchase Agreement has been met.

Section 5. Master Resolution Effective; Covenants Reaffirmed.

The rights and remedies of the Master Resolution inure to the benefit of the Owners of the Refunding Bonds, as Parity Indebtedness. Although the Series 2003 Bonds may no longer be Outstanding after the issuance of the Refunding Bonds, the Master Resolution remains in full force and effect and the Agency hereby reaffirms the covenants contained in the Master Resolution.

Section 6. Delegation.

The City Manager of the City or the Finance Director of the City or the person designated by the City Manager or the Finance Director to act on behalf of the Agency under this Resolution (each of whom is referred to herein as a "Agency Official") is hereby authorized, on behalf of the Agency and without further action by the Board of Directors, to:

- 6.1 Issue one or more series of Refunding Bonds.
- 6.2 Determine the final principal amount, interest rates, payment dates prepayment rights and all other terms of each series of Refunding Bonds.
- 6.3 Negotiate, execute and deliver a purchase agreement, declaration or other document to memorialize the terms of each series of Refunding Bonds.
- 6.4 Select one or more purchasers for each series of Refunding Bonds and negotiate the sale of the Refunding Bonds. Subject to the limitations of this Resolution, each series of Refunding Bonds may be in such form and contain such terms as the Agency Official may approve.
- 6.5 Determine whether each series of Refunding Bonds will bear interest that is excludable from gross income under the Code, or is includable in gross income under that Code. If a series of Refunding Bonds bears interest that is excludable from gross income under the Code, the Agency Official may enter into covenants to maintain the excludability of interest on that financing from gross income.

- 6.6 Designate each series of Refunding Bonds as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code, if applicable.
- 6.7 Enter into additional covenants and provisions which the Agency Official determines are desirable to sell each series of Refunding Bond on favorable terms.
- 6.8 Execute and deliver any other certificates or documents and take any other actions that the Agency official determines are desirable to carry out this Resolution and the Master Resolution.

The foregoing resolution was duly adopted by the Urban Renewal Agency of the City of Coos Bay, Coos County, Oregon, City of Coos Bay this 18th day of September 2012.

Gene Melton, Chair

ATTEST

Susanne Baker, City Recorder



WESTERN
FINANCIAL
GROUP

August 28, 2012

TO: Susanne Baker
FROM: Kieu-Oanh Nguyen, Western Financial Group
RE: URA refinancing

Per your request, the following memo describes the potential refinancing of the Coos Bay Urban Renewal Agency's (the "URA") outstanding 2003A loans ("2003A" loans).

BACKGROUND

The URA currently has 2 loans outstanding that are refinancing candidates. The loans were entered into in 2003 to finance projects in the Downtown Urban Renewal Area (the "Downtown URA") and the Empire Urban Renewal Area (the "Empire URA"). Both loans carry an interest rate of 4.5% and are prepayable without any penalty. These loans mature December 1, 2017.

REFINANCING

We have seen reduced appetite from banks to provide loans for all types of borrowing, particularly urban renewal financings. However, we think it is still worthwhile for the URA to solicit proposals from banks. Given the currently low interest rate environment, there's a good possibility that the loans can be refinanced at a lower rate.

Upon your direction, we will proceed with the drafting of a Request for Proposals to banks to get the process started.