

MEMORANDUM

May 14, 2021

TO: Chris Cummings, Assistant Director, Economic Development
THRU: Melisa Drugge, Regional Development Manager
FROM: Becky Bryant, Regional Project Manager
Dennis Knight, Finance Officer
SUBJ: Funding Opportunity of \$14,677,678 – Special Public Works Fund Program for City of Saint Helens Riverfront Redevelopment Project, No. 249-14268

Please accept this memorandum for the *Oregon Infrastructure Finance Authority* (IFA) for funding assistance. Business Oregon's (statutorily and by rule referred to as *Oregon Business Development Department*) staff administers the IFA. This memorandum will provide an application review, findings and analysis, and staff's recommendation for requested action. There may also be post approval follow-up instructions for staff.

BACKGROUND

Applicant: The city of Saint Helens is located in Columbia County. The area is considered RURAL and distressed.

(DEI) Per the American Community Survey (ACS) – Census Bureau, the race/ethnicity profile of city is represented by 92% White, 8% Hispanic, 1.5% Asian and .3% African American.

Funding Request: Loan

Project Type:

- Planning (technical)
- Design
- Construction

SPWF Source: SPWF Other

Project Background: The city of St. Helens once thrived as a booming timber industrial town. Its location along the Columbia River opened international trade opportunities for the area's wealth in timber and raw materials. The city's urban form and orientation toward the river is a remnant of the historic importance of the waterway. The decline in resource-based economy brought an end to growth in the area and caused a severe decline in local employment sectors. After years of declining profitability, the Boise Veneer Plant closed in 2009, leaving behind a vacant brownfield located along the shore of the Columbia River.

The 22-acre St. Helens Riverfront project site offers a half mile of Columbia River shoreline with stunning natural views of the confluence of the Columbia River and the Multnomah Channel, Mt. Hood, and Mt. St. Helens. Despite the site's wealth of natural beauty, due to its industrial

past, it is currently disconnected from the existing downtown street network and void of the public utilities necessary to transform the site into a mixed-use extension of the historic downtown St. Helens. The estimated cost of preparing the site for redevelopment and improving public access is \$15.5 million. However, due to the past industrial activities, the city's water and wastewater systems are more than adequately sized to take on the load of the redevelopment efforts.

This Riverfront Redevelopment Project is recognized as a regionally significant part of the U.S. Economic Development Administration's Comprehensive Economic Development Strategy (CEDS). It is also supported by the Governor's North Coast Regional Solutions Team. Thousands of community members have been engaged in the waterfront planning and visioning processes since 2009. State and federal grants, including funds from Business Oregon, have been leveraged to engage the community and develop long-range plans for the site's redevelopment. In an effort to advance and ensure the city's desired redevelopment outcome, the city purchased the property in 2015 after obtaining a Prospective Purchaser Agreement (PPA) through DEQ. With this PPA, the Department of Environmental Quality determined the remedial action to address environmental contamination at the site was complete and no further action was required. Brownsfield cleanup was completed as required.

The city council adopted the Waterfront Framework Plan in 2016, which envisioned the area as a vibrant, mixed-use waterfront neighborhood, taking advantage of the striking natural setting to provide new development and public access to the waterfront. Further related, the city adopted the St. Helens Riverfront Connector Plan in 2019, which defined the roadway improvements on the site to Highway 30. In addition to two successful Oregon Parks & Recreation Grants totaling just under \$1 million in funding for the Riverwalk Phase I Project, the city council adopted an Urban Renewal Plan in 2017 and updated revenue projections in July 2020.

The updated Urban Renewal revenue projections anticipate there will be approximately \$3 million in total Tax Increment Financing (TIF) funding available by 2024. Even further, by 2029, TIF revenue is projected to total \$9.6 million. These assumptions are based on the conservative, "low growth" scenario which assumes in the short-term (through FYE 2025) assessed value growth is limited to 3% appreciation on existing property plus exception value from known construction projects in the Area and the scheduled expiration of Enterprise Zone tax abatements for properties in the area. Longer-term (FYE 2026 and beyond), the low-growth scenario assumes a modest amount of speculative future development, resulting in 4.0% predicted annual growth in assessed value (3% from appreciation of existing property and 1% from exception value from new construction).

Project Description: The Recipient will procure Oregon-licensed engineer(s) to design and construct the following:

1. Roadway and utility extensions onto the Riverfront Redevelopment site.
 - The S. 1st Street extension begins at the termination of S. 1st Street at the north end of the Riverfront Property and includes approximately 1,720 feet of new roadway, connecting to existing Plymouth Street improvements to the south. The cross section is

a 60 foot wide and will include on-street parking, a shared travel lane for vehicles and bikes, landscape strips with street trees, and extra wide 8 foot sidewalks on each side.

- The Strand Street extension will begin at the termination of Strand Street, approximately 180 feet south of Cowlitz Street. It will extend approximately 620 feet and terminate at a new intersection with the South 1st Street extension. The conceptual cross section for Strand Street varies from 70 feet in width to 80 feet in width and is intended to be designed as a "festival street" where the roadway can be closed to vehicle traffic and be used for community events.
- Existing city utilities (water, sewer, and stormwater) will be designed and constructed to extend the full length of the new street extensions. Sanitary sewer improvements will also include a sanitary sewer lift station relocation to a more centralized location on the Riverfront Redevelopment site.

2. Intersection improvements in the existing downtown and undergrounding of utilities to help provide cohesion between the new mixed-use extension and the historic downtown.

Intersection improvements include reducing crossing distances with curb extensions at Cowlitz Street and Strand Street, Cowlitz Street and South 1st Street, and St. Helens Street and South 1st Street.

3. St. Helens Riverwalk Phase I and design of Phase II at 30%.

- Phase I will expand public access to the river in Columbia View Park and onto the Riverfront property with 400 feet of boardwalk, a potential cantilevered overlook, riparian restoration landscaping, railing, furnishings, lighting, and interpretive signage.
- Phase II (30%) design will provide conceptual design for the remainder of the access along the river to the southern connection with Plymouth Street. Phase II is approximately 2,780 feet from Phase I. Phase II will include additional overlooks, areas for cantilevered boardwalk, and/or pedestrian access down to the river. It will also be designed to connect with the S. 1st Street extension at mid-block crossings to allow the public to easily access the riverfront.

4. Design of a new Columbia View Park stage. The city will utilize the design package to apply for grant funding to supplement existing Park System Development Charges funds for the construction.

Work Plan: This project will have a phased design construction approach. The project is projected to be completed by April 30, 2024 and the project will be closed out by June 30, 2024.

Public Involvement Statement: The city has held numerous public meetings to discuss the project scope and potential funding opportunities.

FINDINGS AND ANALYSIS

This project helps implement the following goals and objectives of the Special Public Works Fund Program. Special Public Works Fund program goals are to provide financial or other assistance to enable municipalities to construct, improve and repair those facilities that are essential for supporting continuing and expanded economic activity (ORS 285.B.413 (2)).

Program Findings & Compliance

1. Applicant eligibility: The city is an “eligible municipality” per OAR 123-042-0020(16).
2. Project compliance: This is not a compliance project. Eligibility for funding under the Development Project Construction.
3. Project priority is high.
4. Program suggestions and/or monitoring: This project will be subject to the standard on-site monitoring procedures for a design and construction project.
5. The award amount for SPWF exceeds the maximum loan amount of \$10 million per Oregon Administrative Rule and therefore requires a waiver. A similar waiver was completed for the city of Beaverton (Project No. B21001) and is attached as reference (Waiver No. 304).
6. This project is found to be compliant with applicable Department policies, Rules and Statutes. The programmatic and financial sections of the Eligibility Checklist have been completed and the application has been determined per current ORS to be eligible for funding.

Funding Recommendation

Budget Line Items	SPWF	IFA Source	Match Funds	Totals
	\$0	\$0	\$0	\$ 0
Design / Engineering	\$1,512,461	\$0	\$0	\$1,512,461
Construction	\$9,113,318	\$0	\$838,500	\$9,951,818
Construction Contingency	\$2,371,676	\$0	\$0	\$2,371,676
Construction Management	\$1,259,401	\$0	\$0	\$1,259,401
Pre-Award Costs (Des/Eng)	\$300,000	\$0	\$0	\$300,000
Bond Issuance Fee	\$120,822			\$120,822
Total	\$14,677,678	\$ 0	\$838,500	\$15,516,178

Proposed Work Plan

Activity	Date
Street and Utilities Final Design Complete, plans reviewed and permits received	Mar 31, 2022
Riverwalk Phase I & Stage Design, Engineer & Permitting	June 30, 2022
Riverwalk Phase II- 30% Design	Dec 31, 2021
Streets, Utilities, Intersections & Underground Power Construction	November 30, 2023
Riverwalk Phase I Construction	Apr 30, 2024
Project Closeout	Jun 30, 2024

Source of Business Oregon Funds (Indicate Loan/Grant/Principal Forgiveness, Bond, Private or Public, and Taxable or Tax Exempt)	Amount
SPWF Loan, Bond Bank, Public, Tax Exempt	\$14,556,856
Bond Bank Fee	\$120,822
Total	\$14,677,678

Source of Other Funds (For other State funds, indicate loan / grant, et cetera)	Amount
Oregon Parks & Recreation Grant- Land & Water Conservation Fund	\$500,000
Oregon Parks & Recreation Grant- Local Government Grant	\$338,500
Total	\$838,500

Financial Findings & Compliance

Repayment source

The table below shows historic revenue from the Applicant's Urban Renewal Fund for the last two audited fiscal years ending June 30, 2019, unaudited FYE 2020 and fiscal year 2021 budget.

Urban Renewal
City of St. Helens

Performance Review	audited	audited	unaudited	budgeted
FY Ending June 30th	2018	2019	2020	2021
Beginning Fund Balance		0	51,595	52,575
<i>Revenues</i>				
URA Tax		51,595	980	354,930
Operating Revenues	0	51,595	980	354,930
Interest and Miscellaneous	0	0	0	0
Total Non-Operating Revenues		0	0	0
Total Revenues	0	51,595	980	354,930
<i>Expenditures</i>				
Personal Services	0	0	0	0
Total Operating Expenses	0	0	0	0
Net Operating Income	(0)	51,595	980	354,930
Debt Service	0	0	0	0
Total Expenses	0	0	0	0
Net Revenues	(0)	51,595	980	354,930
Net Transfers/Adjustments	0	0	0	0
Ending Fund Balance	(0)	51,595	52,575	407,505

The St Helens Urban Renewal Plan ("Plan") was adopted in 2017. The Plan identified a range of programs and capital projects to be completed. The Plan has a maximum indebtedness of \$62 million. The Plan does not include a formal sunset date.

The first tax revenue was received in FYE 2019. In FYE year 2020 the URA received substantially less TIF revenue due to the closure of a manufacturing facility located in the area of Armstrong

World Industries. This company was previously planning to invest more heavily in the area, but their closure instead caused the property value to decrease.

The projections were adjusted with refinements to assumed exception value from other new construction in the area and expiration of tax abatements, and also additions/changes that were made to the boundary to increase its property tax potential. This new projection was approved by the URA board and that is the projected revenue that is used in the 2021-2022 URA budget.

New construction in the Area anticipated to come on the tax roll between FYE 2021 and FYE 2024 is estimated to total \$39.6 million of real market value, contributing \$25.1 million of net new assessed value. These projects include a health clinic, apartment complex, grocery store (and associated drive thru), veterinary clinic, and an industrial building. Planned development of the Veneer site has the potential to add substantially more value in future years, estimated to include up to \$120 million of new residential construction. However, the exact amount and timing of that construction is speculative and therefore not included in the low-growth assumptions that were used in this analysis.

General Fund summary

The table on the following page shows a performance review of the Applicant's General Fund for the last two audited fiscal years ending June 30, 2019 and unaudited FYE 2020.

Balance of page intentionally left blank

General Fund
City of St. Helens

Performance Review	audited	audited	unaudited
Performance Review FY Ending June 30th	Audited 2018	Audited 2019	Unaudited 2020
Beginning Fund Balance	2,001,302	2,179,911	2,016,785
<i>Revenues</i>			
Property Taxes	1,744,284	1,846,810	1,883,996
Other Operating Revenues	4,275,635	4,897,005	4,148,895
Operating Revenues	6,019,919	6,743,815	6,032,891
Interest and Miscellaneous	219,315	456,453	600,293
Intergovernmental	655,009	534,434	517,779
Total Non-Operating Revenues	874,324	990,887	1,118,072
Total Revenues	6,894,243	7,734,702	7,150,963
<i>Expenditures</i>			
General Government	2,335,597	2,720,558	3,643,851
Public Safety	4,080,037	4,704,611	4,075,999
Total Operating Expenses	6,415,634	7,425,169	7,719,850
Net Operating Income	(395,715)	(681,354)	(1,686,959)
Capital Outlay	0	0	0
Debt Service	0	0	0
Total Expenses	6,415,634	7,425,169	7,719,850
Net Revenues	478,609	309,533	(568,887)
Net Transfers/Adjustments	(300,000)	(472,659)	(77,648)
Ending Fund Balance	2,179,911	2,016,785	1,370,250

Debt service analysis

Net Revenues for Debt Coverage: The table on the following page reflects the Projected Net Revenues for the Applicant's Urban Renewal only as provided with the Applicant's application. It reflects more than adequate net revenues necessary to provide the required 1.20 debt service coverage ratio.

Existing obligations and risks

The following table reflects the applicant's debt service requirements as of their last audit.

Summary of Outstanding Debt Obligations						
City of St. Helens						
Loan Source	6/30/2020 Bal	Anl Debt Ser	Payment Source	FF&C Pledged Debt	Priority	Maturity
Net Direct Debt						
Columbia Bank Note	\$553,844	\$124,748	General Fund	No	N/A	2025
Boise White Paper Note	\$2,275,000	\$150,000	Rent paymt.	No	N/A	2035
U.S. Bank Note	\$617,736	\$59,474	Street Fund	No	N/A	2032
<i>Net Direct Debt</i>	\$3,446,580	\$334,222				
Self-Supporting Debt						
DEQ R06801	\$1,150,000	\$100,000	Sewer Fund	No	N/A	2031
DEQ R80163	\$4,008,622	\$305,752	Sewer Fund	No	N/A	2037
Capital One	\$3,578,000	\$498,160	Water Fund	No	N/A	2029
Capital One	\$939,000	\$169,316	Sewer Fund	No	N/A	2026
<i>Self-Supporting Debt</i>	\$9,675,622	\$1,073,228				
Gross Bonded Debt	\$13,122,202	\$1,407,450				

In November of 2020 the city received a series 2020 bond issuance which consolidated all debt except the DEQ R60801 because it is a zero interest debt and the Boise White Paper note which also has no stated interest payment. The bond issuance is a full faith and credit debt with a 3% interest rate and a maturity in 2029.

COVID-19 Pandemic Response

The city has experienced some impact from the COVID epidemic. COVID has brought slightly less Transient Lodge Tax, fuel tax and other revenues and in some cases increased expenses complying with the imposed safety protocols. Fortunately, the State and Federal assistance have largely balanced the financial impacts to the city.

Underwriting standards

The Applicant meets 18 of the 18 applicable indicators in the attached Financial Summary.

RISK ANALYSIS SUMMARY:

The city’s financial condition can be characterized as healthy due to good and proactive management providing it with financial flexibility. With these kind of developments the city should experience positive long-term economic benefits that can be expected to accrue to the city and the local community.

Applicant’s bond rating - The applicant does have bonds rated by S&P with a “AA” rating as of November 2020

Financial statement of program SPWF as of April 25, 2021

1. Available funds \$47,081,214
2. Remaining balance, if the project is approved, is \$32,524,358
3. The city has no Business Oregon loans

Project Repayment Phase Loan Summary

Type	Award Amount	Bond Bank Fee	Total Loan Amount	Interest Rate*	Amortized [in years]	Est. Annual Payment*
SPWF	\$14,677,678	\$120,822	<u>\$14,556,856</u>	2.38%	30	\$690,100
Total	<u>\$14,677,678</u>	<u>\$120,822</u>	<u>\$14,556,856</u>			<u>\$690,100</u>

** Rate is Business Oregon Direct Loan rate for current quarter. Payment rounded to nearest \$100.*

FINANCIAL RECOMMENDATION

The recommended source of financing is the Special Public Works Fund (SPWF) program and a follow up with the Bond Bank. There are no subsidized interest rates or extended loan terms available for this project.

The proposed loan will be structured in two phases. Until Oregon Bond Bank bonds are sold, an interim financing loan will be used for the first phase, Construction phase, and will accrue interest on actual funds disbursed, estimated first disbursement will be in September 1, 2021. All accrued interest during the construction phase \$102,000 will be due prior to or with the first principal and interest payment. The interim bond interest rate will be set at 0.60% for this phase. Construction is scheduled for completion by June 2024. Interim financing is typically limited to, but not to exceed, 3 years. Even though the project may be completed prior to that time, these terms will be extended, if necessary, until the Oregon Bond Bank bonds are sold.

An Oregon Bond Bank loan is recommended for the second phase, Repayment Phase, and will begin with constant annual payments of principal and interest sufficient to repay the outstanding principal balance, together with interest, within a 30 year period. The Bond Bank loans are subject to a prepayment penalty for the first ten years. The estimated first principal and interest payment (or interest only subject bond sale) due is December 1, 2024. The interest

rate is estimated to be at 2.38% for the repayment phase. The project useful life is expected to exceed 30 years.

Funding Recommendation and Conditions of Award

Conditions:

Based upon the following analysis, the award recommended above should be subject to the following conditions:

- A. Full Faith and Credit Pledge.** The Recipient will be required to pledge its full faith and credit and taxing power within the limitations of Article XI, Sections 11 and 11 b, of the Oregon Constitution to pay the amounts due under the Financing Contract. The Financing Contract shall be payable from all legally available funds of the Recipient.
- B. Pledge of Net Revenues as Source of Repayment.** The Recipient will be required to grant to the State a security interest in and irrevocably pledge its Net Revenues of the Recipient's Urban Renewal tax increment finance (TIF) revenue to pay all of the obligations owed by the Recipient to the State under the Financing Contract.
- C. Financial Covenants.** The Recipient shall receive adequate TIF revenue in connection with the operation of the Urban Renewal tax increment finance (TIF) System which, when combined with other gross revenues, are adequate to generate Net Revenues each fiscal year at least equal to one hundred twenty (120%) percent of the annual debt service due in the fiscal year on the Loan, any outstanding senior lien obligations, and any outstanding Parity Obligations.
- D. Senior & Parity.** The standard contract language "No Parity or Senior Debt" shall apply.

Instructions

Not applicable

List of Attachments

Financial Summary

Budget recommends that this award come from [] Oregon Bond Bank [X] Program Funds

/s/ David Barnett 5/26/2021

David Barnett Date
Senior Finance Accountant (Budget)

APPROVAL:

X Approve project and recommendation as submitted

Approve project and recommendation with the following modifications:

/s/ Chris Cummings 5/26/2021

Chris Cummings, Assistant Director Date
Economic Development

The IFA Board shall consider *loans* over \$2,999,999, *grants* over \$500,000 and Safe Drinking Water forgivable loans over \$750,000 for approval. The Drinking Water Advisory Committee shall consider Safe Drinking Water projects over \$6,000,000.

This project exceeds the regular approval dollar amount.

Infrastructure Finance Authority Board has discussed the proposed project and has concluded to approve the award.

Infrastructure Finance Authority Board has discussed the proposed project and has concluded to approve the award with the following modifications:

Chris Cummings, Assistant Director
Economic Development

Board Meeting Date