THE URBAN RENEWAL AGENCY OF THE CITY OF WILSONVILLE

URA RESOLUTION NO. 179

A RESOLUTION AUTHORIZING THE ISSUANCE AND NEGOTIATED SALE OF A SERIES OF URBAN RENEWAL BONDS; DELEGATING AUTHORITY TO NEGOTIATE AND EXECUTE ALL DOCUMENTS; AND RELATED MATTERS.

WHEREAS the Urban Renewal Agency of the City of Wilsonville is authorized to issue bonds payable from the tax increment revenues of the West Side Urban Renewal Area; and,

WHEREAS the City of Wilsonville has approved a maximum indebtedness for the West Side Urban Renewal Area of $40,000,000; and

WHEREAS the Agency has previously issued $30,000,000 of short term indebtedness that is subject to that maximum indebtedness limitation; and

WHEREAS the Agency adopts this resolution to refund $10,000,000 of that short term indebtedness which refunding does not count against the maximum indebtedness limitation, leaving the Agency $10,000,000 of capacity (excluding additional refinancings) to incur indebtedness for the West Side Urban Renewal Area; and,

WHEREAS, the Agency adopts this resolution to authorize the issuance of a bond which is payable from the tax increment revenues of the West Side Urban Renewal Area in a principal amount necessary to refund the amounts due under an intergovernmental agreement with the City of Wilsonville, and to pay costs of issuance of the bond, and to provide the terms under which future urban renewal indebtedness may be issued; now, therefore,

NOW THEREFORE, THE URBAN RENEWAL AGENCY OF THE CITY OF WILSONVILLE, RESOLVES AS FOLLOWS:

Section 1. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

"Agency Official" means the Finance Director of the City or a person designated by the Finance Director to act as Agency Official under this resolution.

"Agency" means the Urban Renewal Agency of the City of Wilsonville.

"Area" means the City's West Side Urban Renewal Area described in the Plan, and all additions thereto.

"Bank" means Bank of America, N.A.

"City" means the City of Wilsonville, Oregon.

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

"Intergovernmental Agreement" means the intergovernmental agreement dated August 24, 2006 and amended on April 30, 2008 between the Agency and the City of Wilsonville related to the Tax-Exempt Non-Revolving Credit Facility in a maximum amount of $10,000,000 dated August 24, 2006, and extended on April 30, 2008.

"Plan" means the Agency's West Side Urban Renewal Plan which was originally dated November 3, 2003, as it has been amended.

"Series 2009 Bond" means the Agency's West Side Urban Renewal Area Urban Renewal Bond, Series 2009 which is authorized by Section 2 of this resolution.

Section 2. Authorization of Series 2009 Bond.

2.1. Pursuant to the authority of ORS Chapter 457, the Agency hereby authorizes the issuance of its Series 2009 Bond in a principal amount sufficient to refund the amounts owed under the Intergovernmental Agreement, and pay costs related to issuing the Series 2009 Bond.

2.2. The Agency also hereby authorizes the execution and delivery of a bond declaration or bond purchase agreement, which shall specify the terms under which the Series 2009 Bond is issued and the covenants of the Agency relating to the Series 2009 Bond and any parity indebtedness.

Section 3. Security for the Series 2009 Bonds.

The Series 2009 Bond shall not be a general obligation of the City or the Agency. The Series 2009 Bond and the interest and premium, if any, thereon shall be payable solely from the tax increment revenues of the Area and other amounts that are pledged to pay the Series 2009 Bond and any parity indebtedness in the bond declaration or bond purchase agreement described in Section 4.G of this resolution.

Section 4. Delegation.

The Agency Official may, on behalf of the Agency and without further action by the Agency:

A. establish the final principal amount, reserve amount, maturity schedule, interest rates, sale price, redemption terms, payment terms and dates, and other terms of the Series 2009 Bond;

B. fund a reserve for the Series 2009 Bond with tax increment revenues;

C. establish limits on the Agency's ability to issue parity indebtedness, including requiring historical tax increment revenues equal to 125% of the annual debt service on the Series 2009 Bond and any proposed series of parity indebtedness or projected tax increment revenues equal to 135% of the annual debt service on the Series 2009 Bond and any proposed series of parity indebtedness;

D. grant a first lien on the tax increment revenues of the Area to the owner of the Series 2009 Bond;

E. amend the intergovernmental agreements that will remain outstanding with the City after the Intergovernmental Agreement is refunded to subordinate the claims on the tax increment revenues of the Area that are granted to the City in those intergovernmental agreements;

F. award the sale of the Series 2009 Bond to the Bank;

G. establish the terms of, execute and deliver a bond declaration or bond purchase agreement, which shall pledge the tax increment revenues of the Area, reserves and related amounts to the Series 2009 Bond, describe the terms of the Series 2009 Bond, describe the terms under which future obligations may be issued on a parity with the Series 2009 Bond, and make the covenants to benefit owners customary for tax increment borrowings, including covenants to limit the removal of property within the Area;

H. execute and deliver the Series 2009 Bond;

I. enter into covenants to maintain the excludability of 2009 Bond interest from gross income under the Code;

J. designate the 2009 Bond as a "qualified tax-exempt obligation" pursuant to Section 265 of the Code, if applicable;

K. refund the Intergovernmental Agreement with proceeds of the Series 2009 Bond by transferring the proceeds of the 2009 Bond to the City to discharge the credit facility related to the Intergovernmental Agreement; and,

L. execute any documents and take any other action in connection with the Series 2009 Bond which the Agency Official finds will be advantageous to carry out this resolution.

Section 5. Effective Date of Resolution.

This resolution shall take effect immediately upon its adoption.

ADOPTED by the Urban Renewal Agency of the City of Wilsonville at a regular meeting thereof this 17th day of February, 2009 and filed with Wilsonville City Recorder this same date.

Tim Knapp

Tim Knapp, Mayor

ATTEST:

Starla J. Schur

Starla J. Schur, CMC, Deputy City Recorder

SUMMARY OF VOTES:

Chair Knapp	Yes
Board Member Kirk	Excused
Board Member Ripple	Excused
Board member Núñez	Yes
Board Member Hurst	Yes

City of
WILSONVILLE
in OREGON

FINANCE DEPARTMENT STAFF REPORT

Date: February 17, 2009

To: Honorable Mayor, City Council and Urban Renewal Board

From: Gary S. Wallis, Finance Director

Subject: $10 Million West Side Long Term Debt Issuance

Two Resolutions are presented, one for the City Council the other for the Urban Renewal Board. Both pertain to converting a short-term credit facility from the Bank of America to a long-term debt. The West Side District has three credit facilities outstanding, a $10 million, a $15 million and a $5 million. The $10 million is proposed to be refinanced at this time. The other two will come back to you in a couple of months for extension.

The District borrowed a total of $30 million to finance the construction of Boeckman Road, Barber Street, acquire property for future ball fields and school site, pay for miscellaneous park improvements and related project administration. We have reached our limit on borrowing until Villebois development begins again. There are no surplus tax receipts beyond servicing the current outstanding debt. This means we will not be able to borrow more to construct the next round of projects – Barber extension west, Kinsman north, Tooze and Grahams Ferry – until sometime in the future.

Terms of the financing deal are provided in the accompanying resolution and bank term sheet. Key terms include an interest rate of 4.9%, amortized over 20 years with a balloon payment in year 15. As proposed, the bond would be non-callable. Security for the debt would be solely from the tax receipts of the West Side District, we would fund a cash reserve at closing and a pledge to not issue more debt unless tax receipts exceed debt service by at least 25%.

The bank offered other alternatives reflected in the table below. Staff recommends the terms stated above as they provide the lowest interest rate with preserving the ability to issue more debt in the future. We believe the rates to be very competitive as indicated in the table below.

The bonds could be structured with a callable feature after 10 years, however, staff feels this is not a great deal for the District as there is only a short five years before the bonds would be refinanced or repaid anyway, the basic bonding terms are not onerous, calling the bonds for a lower interest rate would require rates dropping to 4% or less, and adding the call feature increases the interest rate from 4.90% to 5.03%. The long-term bonds in the East Side have a 10 year bond life, whereas this bond is proposed at 15 years. The longer life lowers the annual principal and interest payment and allows greater flexibility to refinance the remaining $20 million. Of course total interest cost increases commensurately.

The short resolution for the City is to formally accept a second lien position behind the bank on use of tax receipts. It's really a technical matter as for all intents we always viewed urban renewal taxes as pledged first to the loan.

A final technical point is that the bonds will be issued as bank qualified. This affords us a lower interest rate. The trade-off is that we can issue no more than $10 million of debt in a calendar year and this refinancing would maximize that limit. At this time we reasonably expect that no other tax exempt debt will be issued in calendar 2009.

In summary form, here are the financing highlights.

Interest Rate

4.90% if secured by urban renewal revenues only, bank qualified, 15/20 structure
5.40% if secured by urban renewal revenues only, bank qualified, 20/20 structure

Comparable Rates

6.71% Baa market rate, 15 year (UR bonds would likely be rated at this level)
6.89% Baa market rate, 20 year (UR bonds would likely be rated at this level)
5.04% "A" market rate, 15 year (Unlikely these bond would be rated this high)

Callable Terms

0.13% additional if callable after 10 years with 15/20 structure
0.19% additional if callable after 10 years with 20/20 structure

Other Terms

$ 10,000 Origination fee
$ 600 Bank legal expense

Annual principal and interest:	$ 800,000	15/20 structure, 4.90% as bank qualifed
Interest only on other debt:	$ 600,000	

Current annual tax collections: $ 2,000,000

Bank of America

Bank of America, N.A.
Public Sector Banking
OR1-129-17-15
121 SW Morrison Street
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Portland, OR 97204-3117

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Bankofamerica.com

February 12, 2009

Gary Wallis
Finance Director
City of Wilsonville
29799 SW Town Center Loop E
Wilsonville, OR 97070

Re: $10,000,000 Series 2009 Urban Renewal Refunding Bond

Dear Gary:

Attached is a proposal for Bank of America to provide a credit facility to the Urban Renewal Agency of the City of Wilsonville, Oregon. Please call me at 503-795-6459, or Sharon Capizzo at 503-795-6395, to discuss any questions or comments you may have regarding the proposal.

We look forward to working with you on this transaction.

Very truly yours,

BANK OF AMERICA, N.A.

Douglas Bowlsby
Senior Vice President

Sharon Capizzo
Senior Vice President

Cc: Gulgan Mersereau, K&L Gates
Harvey Rogers, K&L Gates
Alan Schulkin
Merlean Locke, Bank of America

SUMMARY OF TERMS AND CONDITIONS
URBAN RENEWAL AGENCY OF THE CITY OF WILSONVILLE, OREGON
February 12, 2009

(For Discussion Purposes Only)

BORROWER: Urban Renewal Agency of the City of Wilsonville, Oregon (the "Borrower").

LENDER: Bank of America, N.A. ("Bank of America").

CREDIT FACILITY: $10,000,000 Tax-Exempt Urban Renewal Bond (the "Credit Facility").

PURPOSE: The proceeds of the Credit Facility shall be used to refund principal outstanding on the City of Wilsonville's $10,000,000 Amended Tax-Exempt Non-Revolving Credit Facility (2006).

INTEREST RATE: Fixed rate at 4.90%. This is an indicative rate as of today's date. The final rate will be locked one week prior to closing upon mutual consent by Borrower and Bank of America, based on market rates for municipal loans prevailing at that time. The Credit Facility is to be certified as a tax-exempt bank qualified obligation.

The interest rate may be locked earlier than one week prior to closing based on mutual agreement by Borrower and Bank of America, and subject to market costs incurred by Bank of America to provide such a rate lock. As of February 12, 2009, a rate lock one-month prior to closing for the proposed Credit Facility would increase the interest rate by 0.05%.

All calculations of interest shall be made on the basis of a 30-day month and a 360-day year.

ORIGINATION FEE: 10 bps ($10,000) payable at closing.

REPAYMENT/MATURITY: Interest on the Credit Facility shall be paid semi-annually. Principal on the Credit Facility shall be repaid annually each year, based on 20-year amortization and approximately level annual debt service. The Credit Facility will mature, and all unpaid principal and interest will be due and payable, 15 years after closing.

SECURITY: Bank of America shall receive a perfected security interest in the following:

- First lien parity pledge of all Tax Increment Revenues from Borrower's West Side Urban Renewal Area (including amounts held in the Tax Increment Revenue Account, and earnings thereon);
- First lien parity pledge of all amounts in the Debt Reserve Account; and
- First lien pledge of unexpended proceeds of the Credit Facility.

PREPAYMENTS: Any prepayment of a fixed rate loan under this Credit Facility prior to its scheduled maturity shall result in the imposition of a prepayment fee. The calculation of such prepayment fee shall include any loss or expense which Bank of America may incur or sustain as a result of such prepayment, calculated in the manner set forth in the attached Exhibit A.

PREPAYMENTS: Borrower may purchase an option to prepay the Credit Facility at par, subject to market costs incurred by Bank of America to provide such an option. For example, as of February 12, 2009, an option to prepay the Credit Facility at par 10 years after closing, and semi-annually thereafter, would increase the interest rate by 13 bps.

LEGAL OPINION: Borrower to provide a legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank and its legal counsel, that (i) the resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed; (ii) the resolution and all documents related to the Credit Facility constitute a legally binding obligation of the Borrower, payable from the Security and enforceable according to their terms (subject to standard exceptions); (iii) interest payable on the Credit Facility is excludable from net income for purposes of federal and state income taxes; and (iv) Borrower has designated the Credit Facility as a "qualified tax-exempt obligation".

REPRESENTATIONS AND WARRANTIES: Usual and customary for transactions of this type.

COVENANTS: Usual and customary for transactions of this type, to include without limitation:

- **Collection Covenant**: Borrower will agree to certify for collection each fiscal year an amount of Tax Increment Revenues equal to the full amount of the Divide the Taxes Revenues available to Borrower.
- **Reserve Requirement** - Borrower to maintain funds in a Debt Reserve Account in an amount not less than the lesser of the following:
  a) Maximum annual debt service due on the Credit Facility; or
  b) 125% of the average amount of principal, interest and premium due on the Credit Facility, or
  c) 10% of the proceeds of the Credit Facility.
- Borrower would agree not to issue additional debt obligations with a lien on the Security that is senior to Bank of America.
- **Additional Bonds Test**: Borrower may issue additional debt obligations with a lien on the Security on a parity with the Credit Facility, subject to the following terms and conditions:
  a) No event of default has occurred for any Outstanding Parity Bond or any other obligations with a lien on the Security issued on a parity with the Credit Facility; and
  b) No deficiencies exist in a Bond Account or a Debt Service Reserve Account for any Outstanding Parity Bonds or any other obligations with a lien on the Security issued on a parity with the Credit Facility; and either
  c) Available Tax Increment Revenues during the 12 months immediately preceding the issuance of the Additional Parity Bonds were not less than 1.25 times of the actual total debt service that is scheduled to be paid (including all Outstanding Parity Bonds and any Additional Parity Bonds) during each fiscal year that the Additional Parity Bonds are outstanding; or
  d) Available Tax Increment Revenues projected by an Independent Consultant will not be less than 1.35 times the actual total debt service that is scheduled to be paid (including all Outstanding Parity Bonds and any Additional Parity Bonds) during each fiscal year that the Additional Parity Bonds are outstanding.

  For purposes of the tests in subsections c) and d) above, "actual debt service" for the Credit Facility will be calculated as if the Credit Facility were a fully-amortizing 20-year obligation.

COVENANTS:

- Borrower may reduce the size of the Urban Renewal Area, subject to the following conditions
  a) After taking into consideration the effects of the reduction, actual Tax Revenues during the fiscal year in which the reduction occurs are no less than 150% of the combined maximum annual debt service for all Outstanding Parity Bonds; or
  b) Based on the report of an independent professional consultant with experience and expertise in urban renewal financing, after taking into consideration the effects of the reduction projected Tax Increment Revenues are no less than 150% of the combined maximum annual debt service for all Outstanding Parity Bonds.

  For purposes of the tests in subsections a) and b) above, "maximum annual debt service" for the Credit Facility will be calculated as if the Credit Facility were a fully-amortizing 20-year obligation.

FINANCIAL REPORTING REQUIREMENTS:

Financial Information from Borrower. Borrower to provide financial information and statements in form and content acceptable to Bank of America indicated below:

- Within 210 days of fiscal year end, Borrower's audited annual financial statements.
- Within 45 days of adoption, Borrower's annual budget.
- Borrower to notify Bank of America promptly of any material adverse development, which might reduce or retard Borrower's receipt of resources pledged to the repayment of the Credit Facility.

EVENTS OF DEFAULT:

Usual and customary in transactions of this type.

If an event of default occurs due to (i) nonpayment of principal, interest, fees or other amounts when due, or (ii) failure to maintain the tax exempt status of the Credit Facility, then Bank of America may increase the interest rate spread by three percent (3.0%).

GOVERNING LAW/ARBITRATION:

State of Oregon. Any dispute arising out of or related to this letter or the final loan documentation shall be determined by binding arbitration in accordance with the Federal Arbitration Act. All arbitration proceedings shall be conducted through the American Arbitration Association (an independent, alternative dispute resolution service).

EXPENSES:

Borrower will pay all reasonable costs and expenses associated with the preparation, due diligence, administration and enforcement of all documentation executed in connection with the Credit Facility, including Bank of America's attorneys' fees. Bank of America's attorneys' fees for initial review and approval of documentation are subject to a cap of $600.

EXPIRATION OF PROPOSAL:

The terms proposed herein lapse if the subject transaction is not closed by March 1, 2009.

FOR DISCUSSION PURPOSES ONLY:

This Summary of Terms and Conditions does not constitute a commitment to lend by Bank of America or any of its affiliates and is presented for discussion purposes only. The actual terms and conditions upon which Bank of America may extend credit to Borrower is subject to satisfactory completion of due diligence, necessary credit approval and such other terms and conditions as determined by Bank of America, in its sole discretion.

This Summary of Terms and Conditions contains confidential and proprietary loan structuring and pricing information. Except for disclosure on a confidential basis to your accountants, attorneys and other professional advisors retained by you in connection with the credit facilities contained in this Summary of Terms and Conditions or as may be required by law, the contents of the Summary of Terms and Conditions may not be disclosed in whole or in part to any other person or entity without our prior written consent, provided that nothing herein shall restrict disclosure of information relating to the tax structure or tax treatment of the proposed credit facilities.

Under Oregon law, most agreements, promises, and commitments made by Bank concerning loans and other credit extensions which are not for personal, family, or household purposes or secured solely by the borrower's residence must be in writing, express consideration, and be signed by Bank to be enforceable.

Exhibit A:
Prepayment Fee

Prior to (Maturity/the Par Call Date), the Credit Facility may be prepaid in whole, or in part, on any date, with three (3) days prior written notice to Bank of America by payment of an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the Prepayment Fee. For purposes hereof, the Prepayment Fee will be the sum of fees calculated separately for each Prepaid Installment, as follows:

(i) The Bank will first determine the amount of interest which would have accrued each month for the Prepaid Installment had it remained outstanding until the applicable Original Payment Date at the Initial Cost of Funds Rate applicable to the Prepaid Installment under this Agreement.

(ii) The Bank will then subtract from each monthly interest amount determined in (i), above, the amount of interest which would accrue for that Prepaid Installment if it were reinvested from the date of prepayment or redemption through the Original Payment Date, using the Treasury Rate.

(iii) If (i) minus (ii) for the Prepaid Installment is greater than zero, the Bank will discount the monthly differences to the date of prepayment or redemption by the Treasury Rate. The Bank will then add together all of the discounted monthly differences for the Prepaid Installment.

The following definitions will apply to the calculation of the Prepayment Fee:

(i) "Initial Cost of Funds Rate" means he fixed interest rate of interest per annum representing, in Bank's sole and absolute discretion, Borrower's cost of purchasing funds, or the cost of purchasing and exchanging funds through swaps or other derivative products, for an amount and under terms reflecting the characteristics of the Prepaid Installment from the date the Loan shall begin to bear interest at the Note Rate through Maturity.

(ii) "Original Payment Dates" mean the dates on which the prepaid or redeemed principal would have been paid if there had been no prepayment or redemption. If any of the principal would have been paid later than the end of the fixed rate interest period in effect at the time of prepayment or redemption, then the Original Payment Date for that amount will be the last day of the interest period.

(iii) "Prepaid Installment" means the amount of the prepaid or redeemed principal which would have been paid on a single Original Payment Date.

(iv) "Treasury Rate" means the yield on the Treasury Constant Maturity Series with maturity equal to the Original Payment Date of the Prepaid Installment which are principal payments (calculated as of the prepayment in accordance with accepted financial practice and rounded to the nearest quarter-year), as reported in Federal Reserve Statistical Release H.15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication. If no maturity exactly corresponding to such Original Payment Date appears in Release H.15, the Treasury Rate will be determined by linear interpolation between the yields reported in Release H.15. If for any reason Release H.15 is no longer published, the Bank of America shall select a comparable publication to determine the Treasury Rate.