

RESOLUTION NO. 2876

A RESOLUTION ESTABLISHING A ZERO PERCENT SYSTEM DEVELOPMENT CHARGE FINANCE PROGRAM FOR EMPLOYMENT BASED PROJECTS

Findings

- A. The City of Bend collects System Development Charges (SDCs) from development projects in order to fund a portion of the new street, sanitary sewer, park and water system improvements that are required to serve such growth. Parks SDCs are only collected from residential and hotel/motel projects.
- B. Section 12.10.110 of the Bend City Code authorizes SDCs to be paid over time.
- C. Currently, SDCs must be paid at the time of permit issuance, unless the applicant has obtained approval for the SDC deferral program or has applied for and been approved for the City's current SDC loan program, both of which are authorized by section 12.10.110 of the Bend Code. The SDC deferral program allows for the SDCs to be paid at the time of occupancy or within 9 months whichever is earlier. The current loan program allows for 5-10 year financing at 6% to 7% interest.
- D. SDC fees could be a significant cash outlay for large employment based projects where construction may exceed 9 months and where the business is not looking for 5-10 year financing but rather cash flow relief during construction. Such businesses could benefit from low cost short term financing.
- E. Bend's economy continues to struggle since the 2007 recession and the City wishes to develop additional tools to provide economic development incentives to assist businesses that create jobs in Bend.
- F. City Staff has developed criteria relating to a 0% SDC finance program that would allow employment based projects to pay their SDCs over a period of 3 years without incurring finance charges. Based on the criteria developed, approximately 25% of the SDC funds collected in the past two years were from projects that would be eligible to apply for such a program.
- G. City Staff has analyzed the program and its potential impacts on the City's financial obligations. Staff anticipates that due to the limited number of projects that will be eligible for the program, this 0% SDC finance program will not significantly hinder the City's financial obligations that are dependent on SDC revenues. Also the City's current investment earnings rate is 0.6% to 0.9% and the Federal Reserve anticipates keeping short term interest rates near 0% through 2014. The City does not anticipate losing significant investment earnings by allowing a 0% SDC finance program for 3 years.
- H. For eligible projects, installment payments of the SDCs will be required on at least on an annual basis.

- I. Employment based criteria to consider whether businesses are eligible for this program include but are not limited to whether the business:
- Use is permitted outright in the Industrial Light (IL) and Industrial General (IG) zones.
 - Demonstrates the likelihood that the project will result in creation of new family wage jobs in the City (approximately \$35,500 per job per year).
 - Meets a Primary Employment test (50% of customers outside of Deschutes County) with ability for staff to consider non-primary employment projects based on number of jobs created and probability of long term duration of such jobs.
- J. The following items will be used in reviewing applications for approval:
- Businesses must demonstrate they have at least two years' worth of operations and revenue or other mitigating factors.
 - Demonstrate the ability of the business to repay the loan. A credit check will be required for all applicants.
- K. The City has the discretion to approve or deny applications based on eligibility requirements, credit scores and other relevant information.

Based on these findings,

THE CITY OF BEND RESOLVES AS FOLLOWS:

- Section 1. The City of Bend authorizes the creation of the 0% SDC Finance Program to be offered to employment based development projects.
- Section 2. Staff is directed to create an application form and process that will provide the City with the materials necessary to review whether applicants are eligible candidates for the program based on job creation potential and ability to repay the loan.
- Section 3. To qualify, applicants must undergo an application process which will include a credit review and require the submittal of a preliminary title report. Application for the 0% SDC Finance Program shall be filed with the Community Development Department prior to the issuance of a building permit.
- Section 4. Applicants who are currently in the City's SDC loan program or SDC Deferral Program may convert their existing SDC loan or deferred balance to this 0% SDC Finance Program subject to City approval. Such applicants, may apply for approval for this 0% SDC Finance Program within 60 days from the effective date of this resolution.

- Section 5 The amount of SDCs to be financed under this 0% SDC Finance Program will be limited to \$200,000 per application.
- Section 6. A lien in the amount of the SDCs will be placed on the subject property. In order to participate in the program, applicants will be required to execute and record a Promissory Note and/or Trust Deed regarding the applicable real estate and securing the amount of the SDCs.
- Section 7 Projects/companies that have been awarded the 0% loan will not be issued final Certificates of Occupancy for the building project until the loan is repaid in full. Rather a Temporary Certificates of Occupancy will be issued while the loan is outstanding. Final Certificates of Occupancy will be provided when the loan is repaid in full.
- Section 8 The 0% SDC Finance program is not transferrable. If a company is purchased that has been awarded a loan, the new owner must apply with the City to obtain the 0% loan or must pay SDCs in full prior to obtaining a Certificate of Occupancy.
- Section 9. Qualified applicants will be required to sign a Promissory Note and make installment payments on the outstanding balance of the SDCs on a monthly, quarterly or annual basis as determined in the Promissory Note.
- Section 10. In the event that the SDCs are not paid when due or the applicant no longer meets the criteria for approval of the loan, as provided in Sections 2 and 3 of this Resolution, the entire unpaid portion of the SDCs, plus 12% interest annually will become due and payable. Further, participating applicants will be required to waive all rights to contest the amount and means of calculating the SDC once they are approved for the program.
- Section 11. This program will expire on June 30, 2015. The City reserves the right to terminate the program at any time. The City Manager is authorized to establish additional rules and application forms for the implementation of this program.
- Section 12. This program shall apply city-wide to employment based development projects that qualify for the finance program based on the criteria to be developed by staff and approved by the City Manager per Section 2 of this Resolution.

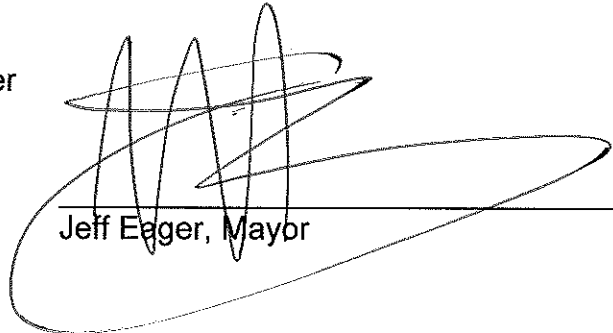
This resolution takes effect July 1, 2012.

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Adopted by roll call vote of the Bend City Council on May 16, 2012.

YES: Tom Greene
Scott Ramsay
Mark Capell
Kathie Eckman
Mayor Jeff Eager

NO: Jodie Barram
Jim Clinton



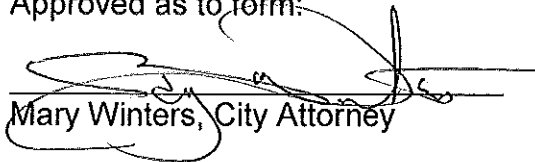
Jeff Eager, Mayor

ATTEST:



Robyn Christie, City Recorder

Approved as to form:



Mary Winters, City Attorney