



Where Life is Sweet

Mayor and Members of the City Council

STAFF REPORT

For the Meeting of March 10, 2025

Title/Subject

IGA for Loan and Repayment for a \$5,000,000 design and construction loan for NE Aspen Drive between the City of Hermiston and the Hermiston Urban Renewal Area.

Summary and Background

As part of the 2024-25 municipal budget, the city agreed to loan \$5,000,000 to the urban renewal district to cover the design costs of the NE Aspen Drive extension linking NE 4th Street and N 1st St (Highway 395). The \$5,000,000 comes from bond funding issued by the city for capital improvement projects. The bonded amount was designed to include the NE Aspen Drive project. The north urban renewal area is anticipated to generate enough revenue to cover the repayment of this loan within the repayment timeframe provided modest development and redevelopment occurs. To date, the Popeye's restaurant is already generating new tax revenue for the district.

The attached IGA covers this \$5,000,000 loan and is similar in structure and terms to the other two loan agreements between the city and urban renewal agency. Section 4 specifies the term of the loan. There is a twenty-year repayment term. An interest rate of 1% will be charged for each year of the loan. The loan will be repaid in monthly installments using the lesser of 1) a monthly payment sufficient to amortize the loan over the ten-year term or 2) the tax increment accrued to the district. Repayment of this loan over twenty years is possible with existing revenues and a 3% annual increase in assessed value within the district.

Tie-In to Council Goals

Construction of NE Aspen Drive is not a specific council goal but is a project within the urban renewal plan for the district adopted by the city council in 2023.

Fiscal Information

The estimated cost of the project is projected to be \$5,000,000 the total debt capacity of the north urban renewal area is also \$5,000,000 within the adopted plan.

Alternatives and Recommendation

Alternatives

The city council may choose to:

1. Approve the IGA with a twenty-year repayment period and 1% interest.
2. Modify the repayment period or interest rate.

Recommended Action/Motion

Staff recommends that the city council approve the IGA.

Staff recommends that the urban renewal board also approve the IGA.

Submitted By:

Clinton Spencer, Planning Director