

OLYMPIA WORKING GROUP SUMMARY FINANCE

Date: August 2, 2021

Time: 11:00 a.m. – 1:30 p.m.

Attendees: Steven Shields, Nathan Cherpeski, Wendy Thomas, Tami Moody, Chase Andrizzi, Alan Rae, Blake Thomas, D.A. Davidson representatives, Olympia Development Team

This meeting focused mostly on Public Infrastructure Districts (PIDs) and the group’s conversation that they would likely be the best financing option for infrastructure within the Olympia project. The group discussed the contract fee, that the specific amount probably doesn’t need to be identified at this stage, and that the project needs to pay for itself completely within its boundaries and proportionally for impacts on the rest of the city. The master development agreement (MDA) can be drafted not as an “agreement to agree,” but to include ways to address pro rata impact, payment methodology, and avoiding cross credits and double payment.

The group then discussed having multiple PIDs for the project. The D.A. Davidson representatives noted it’s expected that PID money is spent within three years of acquiring the bond funds. Since the project will be constructed in phases over a period of more than three years, multiple PIDs would need to be approved in advance, triggered by various phases. The D.A. Davidson representatives suggested setting up a few more PIDs than is needed as a cushion, and that any unused PIDs will simply terminate at the conclusion of Olympia’s construction. It was noted that the City would likely be amenable to approving multiple PIDs as long as the PIDs are paid back by contract fee revenue and not a mill levy.

A concern was brought up that if the PID collects contract fees (instead of the City collecting them), the City needs to ensure that fee has been paid before it issues a building permit. A solution was proposed to require a certificate from the PID for each unit noting the fee has been paid before the City issues the permit. This method has been used previously for fire impact fees.

It was noted that a PID can be structured as a cash flow bond that is repaid by contract fees going directly to debt service, which would not require a set annual principle/interest payment schedule. Maturity of the PID bond would be 10-15 years, but it was said that it’s more likely the repayment would be quicker than that, even down to 4-5 years. A question was asked about much can be bonded for in comparison to total need. The D.A. Davidson representatives said the market is very favorable to issuers right now, and that the buffer between bonding capacity and total costs is as thin as it’s ever been.

The group discussed options for payment for offsite impacts—either adding offsite costs in the contract fee or having a separate impact fee. It was noted there is also an option to pay those

impacts with either cash or in-kind payment via projects, including cash and projects paid with PID funds. It is the developer's hope that enough credit can be built up by in-kind project costs to fully offset impacts outside of Olympia. A simple suggested example of this is a needed water tank: Olympia would require a 1-million-gallon tank, but the City desires 2.5 million gallons total to help service other offsite needs. Instead of the City paying for the upsizing cost of that tank, Olympia could cover the full tank cost, and in return be credited for an equal amount of costs for offsite impacts.

Numbers for infrastructure costs are still being calculated, and offsite impacts are being analyzed with updated studies. The MDA doesn't need to include exact costs for those projects, but the agreement must include the list of projects in an enforceable structure to ensure they are paid for.

The group asked D.A. Davidson if there are any common pitfalls or barriers when cities deal with PIDs. They replied that the two major common ones relate to a mill levy rate and the total borrowing amount. The group noted neither of those concerns are applicable in this situation as a mill levy will not be used, and the City isn't anticipated to be concerned with a maximum borrowing amount because the City will not be a party with the PID bond.

It was noted that the City's existing PID policy will need to be amended to allow a PID outside the auto mall area. Staff will draft a new policy to propose adoption at the August 11th City Council meeting.

The group considered a plan B and C if PIDs were not to be approved by the City. Plan B would be funding projects with only a contract fee, with infrastructure built piecemeal. Plan C is using traditional impact fees and reimbursement agreements. It was again noted that the advantage of a PID is that a common resident concern is addressed—infrastructure being built before growth.

The group discussed two major pieces of infrastructure that will need to be constructed right away—the new water tank and the connection of 6400 West (from Herriman Boulevard to the north end of Olympia). The City is preparing for a transportation bond that may include 6400 West as part of its priority list. Another option to fund the new roadway is for Olympia to front the cost with PID bond money and have the City reimburse later; however, that would result in less PID money available in the first phase to go toward other infrastructure or parks. The transportation bond parameters are set for City Council approval for the upcoming meeting, and a specific project budget/priority list will be established once the bond is in place.

Similar funding options exist for the water tank. The tank needs to be about a million gallons to service Olympia, but the City wishes to upsize it to about 2.5 million gallons to help service other areas. The anticipated cost is about \$10 million—about half of which the City would be responsible for. The City could either find funds to cover its portion of the tank, or Olympia could cover it and either be reimbursed or credited for offsite impacts.