



DATE: May 23, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-07

Authorizing the Amended and Re-stated Intergovernmental Agreement with the Office of Management and Finance for the Veterans Memorial Coliseum Renovation

BOARD ACTION REQUESTED

Adopt Resolution No. 6943

ACTION DESCRIPTION

On January 11, 2012, the PDC Board authorized the Executive Director to enter into an Intergovernmental Agreement (“IGA”) with the City of Portland permitting the use of up to \$23.8 million in Tax Increment Financing for the redevelopment and upgrading of the Veterans Memorial Coliseum (“VMC”) from the Oregon Convention Center Urban Renewal Area. The PDC financing included a \$17.1 million grant to the City for certain redevelopment costs, plus up to an additional \$5.9 million for certain identified costs if they became necessary before a definitive, comprehensive Redevelopment Agreement (“RDA”) was finalized between the City of Portland, Portland Arena Management (“PAM”) and the Portland Winterhawks (“Winterhawks”). Any advances from the \$5.9 million were to be repaid, without interest, from either the anticipated Historic Tax Credit structure of the overall financing (if an RDA was ultimately executed), or from the City’s Spectator Fund (if an RDA was not ultimately executed).

This action will authorize the Executive Director to amend the Intergovernmental Agreement to modify the funding structure in two ways. First, it will increase PDC’s maximum financing by \$800,000. Second, it will restructure PDC’s contributions beyond the \$17.1 million grant. Specifically, the restructured financing calls for i) up to \$4.7 million of PDC’s additional contributions to be in the form of an interest-bearing loan, repayable from the City’s Spectator Fund and ii) a contingent obligation by PDC to grant up to \$2 million to pay for the capital costs of replacing the VMC heating and cooling system in the event that such replacements are necessary before a district energy system can be implemented for the Building.

The change in the funding structure is necessitated by the fact that the City, PAM and the Winterhawks were unable to obtain Historic Tax Credit financing for the project by the time that construction of the renovations were required to commence. If PDC’s Board approves this restructuring of PDC’s portion of the financing, it is anticipated that the City, PAM and the Winterhawks will sign a Redevelopment Agreement for VMC in the coming weeks, and that renovation of the Coliseum will commence early this summer. Nonetheless, the City, PAM and the Winterhawks will continue to pursue possible Historic Tax Credit financing to fund additional improvements to the Coliseum. If the parties are successful in later

obtaining a specified amount of Historic Tax Credit financing, the amended IGA requires that PDC's loan of up to \$4.7 million be repaid in an expedited manner.

BACKGROUND AND CONTEXT

On January 11, 2012, the PDC Board approved up to \$23 million in financing for the redevelopment of the Veterans Memorial Coliseum. The Veterans Memorial Coliseum is a regional community asset that hosts more than 400,000 visitors a year, including community events and amateur athletics, and is the primary venue for the Portland Winterhawks hockey franchise. The background for this project and for this Board action are fully described in the Report submitted to the Board at that time.

At the time of the January 11, 2012, PDC Board action, the City, PAM and the Winterhawks were still negotiating a definitive Redevelopment Agreement for the renovation of the Veterans Memorial Coliseum. That negotiation in January contemplated i) that Historic Tax Credits financing could be timely obtained as part of the total financing package and ii) that construction would need to occur during a relatively short building closure window of June-September 2012 required for the first phase of construction in order to accommodate event commitments within the Veterans Memorial Coliseum in the fall of 2012.

Since then, it has become apparent that Historic Tax Credit financing cannot be obtained in time to meet the required construction window. The restructuring of PDC's financing as described in the Amended and Restated Intergovernmental Agreement will i) enable the City, PAM and the Portland Winterhawks to consummate a binding Redevelopment Agreement for the Veterans Memorial Coliseum in the coming weeks, ii) result in the Winterhawks agreeing to provide up to \$10 million of private financing and iii) permit the project to commence this summer and have the first phase of construction be completed during the construction window.

COMMUNITY AND PUBLIC BENEFIT

The benefits of the Veterans Memorial Coliseum renovation are fully described in the January 11, 2012 Board Report. The restructuring of PDC's financial contribution will permit the City, PAM and the Winterhawks to finalize the definitive RDA for the renovation of the Veterans Memorial Coliseum, allowing this important project to proceed on schedule, during the required short construction period.

PUBLIC PARTICIPATION AND FEEDBACK

No specific public participation was completed related to the amendment of the IGA; however, extensive public participation has resulted in the current project plan as has been previously reported.

BUDGET AND FINANCIAL INFORMATION

PDC will invest \$21,100,000 into the renovation of the Veterans Memorial Coliseum from the OCCURA budget. PDC's funding is a combination of a \$17,100,000 grant less any expenses incurred prior to Redevelopment Agreement consideration by City Council, a loan of up to \$4,700,000 to the Office of Management and Finance. PDC's Finance Investment Committee reviewed the terms of the loan (Attachment A) on May 8, 2012 and recommended approval to PDC's Executive Director. Additional expected sources of funding include \$10,000,000 from the Portland Winterhawks. The total funding for the project from identified sources is \$31,100,000.

DRAFT VMC Sources and Uses 5-23-2012

Sources	Amount
PDC TIF	\$ 17,100,000
PWH \$	\$ 10,000,000
PDC Loan	\$ 4,700,000
Total	\$ 31,800,000
Uses	Amount
Total soft costs	\$ 4,315,050
Construction \$s available	\$ 27,062,950
RACC 2%	\$ 422,000
Total	\$ 31,800,000

The primary budget and financial differences between the terms of the original IGA and the proposed Amended and Restated Intergovernmental Agreement are:

1. PDC's aggregate maximum contribution to the project is increased by \$800,000, from \$23 million to \$23.8 million
2. While both agreements included a \$17.1 million grant, the structure of the additional funding has changed as follows:
 - A. The original IGA contemplated PDC paying up to \$5.9 million in additional contributions.
 - B. The Amended and Restated IGA contemplates PDC paying up to \$6.7 million in additional contributions as follows: a loan of up to \$4.7 million to be funded at Closing, and a contingent obligation for PDC to grant the City up to an additional \$2 million to finance the replacement of the facility's heating and cooling systems in the event that replacement becomes necessary before a district energy system can be constructed and connected to the Building.
 - C. Under the original IGA, advances above \$17.1 million would not accrue interest and repayment would occur at an unspecified time in the future, via the Historic Tax Credit financing structure. Under the amended agreement, the up to \$4.7 million loan will accrue interest at two percent after year five, and repayment will come from the City's Spectator Fund, commencing 2017 (Attachment C). However, if the City, PAM and the Winterhawks are able to obtain a designated level of additional Historic Tax Credit financing, the schedule for repayment of the \$4 million loan will be accelerated.

D. If any advances are required under the \$2 million contingent obligation, they will be in the form of a grant rather than a loan.

FY 2012-13 Proposed Budget for the Oregon Convention Center (OCC) URA includes \$17.1 million (P35051315 Rose Quarter Revitalization) for the renovation of the Veterans Memorial Coliseum. This assumed a maximum of \$6.7 million would be spent in the current fiscal year (FY 2011-12). Approximately \$1.7 million has been spent to date, and it is estimated that the balance of funds will disburse in July 2012. Staff will request that the balance of funds is added to the FY 2012-13 approved budget by the PDC Budget Committee (City Council) on May 30, 2012 to ensure adequate appropriations are in place for FY 2012-13. The total \$23.1 million is composed of the \$17.1 million grant less PDC expenses incurred before Redevelopment Agreement consideration by City Council, up to \$4.7 million loan and an additional \$2 million placeholder (Attachment C) for replacement of the existing Veterans Memorial Coliseum heating and cooling system if district energy is not implemented within the next two years.

The OCC URA FY 2012-13 Proposed Budget also includes \$1.68 million (P35057915 – Eco District Implementation), for potential investment in the district energy system at the Rose Quarter. To the extent that district energy is implemented and reduces the need for replacement of a standalone heating and cooling system in the Veterans Memorial Coliseum, the \$2 million will be returned as uncommitted resources to the OCC budget after October 31, 2014 (Attachment C).

RISK ASSESSMENT

If the City Spectator Facilities Fund net revenues are significantly lower than anticipated projections (Attachment C), this may delay the projected dates for repayment of the loan of up to \$ 4.7 million.

ALTERNATIVE ACTIONS

The PDC Board could choose not to authorize the Amended and Re-stated IGA.

Since the City, PAM and the Winterhawks have all indicated that their willingness to enter into a Redevelopment Agreement for Veterans Memorial Coliseum is contingent upon PDC's approval of the amended IGA, such action would likely cause these parties to either delay entering into a Redevelopment Agreement until additional, alternative financing is obtained or terminate negotiations altogether. If the negotiations are terminated, the prospect for the Portland Winterhawks to provide \$10 million in private financing is problematic.

The PDC Board could also direct PDC staff to attempt to negotiate modifications to the Amended and Restated IGA.

ATTACHMENTS:

- A. Letter of Agreement – Loan to City Spectator Facilities Fund (May 2, 2012)
- B. Letter of Agreement – Ice Floor and District Energy (May 2, 2012)
- C. City Spectator Facilities Fund Projections



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

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May 2, 2012

Terms of Agreement Between PDC and OMF related to Loan for VMC Project

This letter is intended to capture the understanding between the Portland Development Commission (PDC) and the Office of Management and Finance (OMF) concerning a loan from PDC to the Spectator Facilities Fund (SFF) related to renovation of Veterans Memorial Coliseum (VMC).

Terms

1. \$4,000,000 loan from PDC to be provided to SFF from proceeds of Oregon Convention Center Senior Lien Urban Renewal and Redevelopment Bonds, 2012 Series A (scheduled to close May 17, 2012).
2. SFF payment obligation is from net revenues after operations costs and is subordinate to:
 - o Existing SFF debt obligations
 - o Anticipated capital expenditures and repairs on JELD-WEN Field up to a maximum of \$600,000
 - o Anticipated capital expenditures, improvements and repairs to VMC up to an annual limit of \$250,000
 - o Anticipated Capacity Charges for District Energy (amount TBD pending discussions with Corix and PDC).
3. Prepayable anytime without penalty at City's discretion.
4. Repayment to be provided from net revenues of the Spectators Facilities Fund
 - o Interest accrues at 0.0% in Years 1-5 (through FY2016-17)
 - o Interest accrues at 2.0% interest beginning in FY2017-18
 - o Principal payment deferred until FY2017-18
 - o Balance amortized equally over 15-year period FY2017-18 through FY2031-32 (approximately \$311,350 annually).

If Historic Tax Credit proceeds are received and are available to fully fund VMC roof replacement, items #1-#3 above remain, and the repayment schedule in item #4 above will be replaced with the following:

Repayment to be provided from net revenues of the Spectators Facilities Fund

- o Interest accrues at 0.0% in Years 1-5 (through FY2016-17)
- o Interest accrues at 2.0% interest beginning in FY2017-18
- o Principal payment deferred until FY2017-18
- o Balance amortized equally over 8-year period FY2017-18 through FY2024-25 (approximately \$546,050 annually).

The Parties further agree that if Historic Tax Credit proceeds are received, the second priority for disbursement of those proceeds (after the roof replacement and prior to fan experience enhancements) will be for payment of up to \$500,000 to PDC in lieu of foregone payments in Years 1-5 (final amount dependent on HTC proceeds).

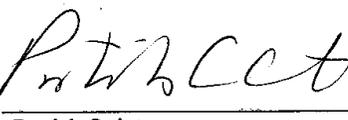
The undersigned Parties agree to the terms set forth above. Such terms will be further described in a document to be adopted by the PDC Board and City Council at a future date.



Jack D. Graham
Chief Administrative Officer
Office of Management and Finance

5/3/12

Date

 5/3/12

Patrick Quinton
Executive Director
Portland Development Commission

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May 3, 2012

Letter of Agreement on VMC Heating and Cooling - PDC and OMF

This letter is intended to capture the understanding between the Portland Development Commission (PDC) and the Office of Management and Finance (OMF) concerning plans for the repair of and possible replacement of the heating and cooling systems in Veterans Memorial Coliseum (VMC).

PDC and OMF both strongly support the development of a district energy system that would serve the buildings within the Rose Quarter. PDC and OMF will continue to work cooperatively to get all necessary agreements in place to implement a first phase of a district energy system in 2012 which would serve the Rose Quarter.

If a district energy system serving the Rose Quarter is not implemented in 2012, OMF will maintain primary responsibility for making necessary repairs to the existing heating and cooling systems in VMC for the period of October 2012 through October 2014. During this time period, the parties will continue to pursue a district energy system for the Rose Quarter.

Based on an initial review by Portland Arena Management, and with the assumption that the heating and cooling systems within VMC would need to operate for the next two years, approximately \$100,000 will likely be needed to tie-in chillers one and two and address reliability issues in chiller three. In addition, some work on the heat exchangers may be required and this cost might be covered within the \$100,000 estimate.

Over the past ten years, the City has spent on average \$40,000 per year on repairs to VMC heating and cooling equipment. Based on these historic costs and the assessment provided by PAM, OMF will commit to paying up to \$60,000/year for needed repairs to VMC heating and cooling systems during the period of October 2012 through October 2014. If district energy is not proceeding on schedule, the City, PDC, and PAM will work together to ensure that the tie-in for chillers one and two to the building's systems can be used for tie-ing into the district energy system as needed to provide back-up chilling functionality.

If during this two year period needed repair costs are anticipated to exceed \$120,000, OMF will likely pursue capital replacements for the system. OMF will consult with PDC prior to making that decision. PDC will pay 100% of capital costs for components of the heating and/or cooling system in VMC that need to be replaced.

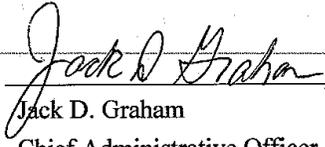
If after the two year period a district energy system has not been implemented and efforts to create a district energy system have terminated, PDC agrees to pay for replacement of the heating and cooling system in the VMC. Until the District Energy system is up and operating in place of the current VMC

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heating and cooling system, PDC agrees to set aside sufficient funds within the Oregon Convention Center Urban Renewal District to pay for system replacement.

It is understood that the terms of this Agreement must be approved by PDC's Board and, if so determined by the City Attorney, by City Council.



Jack D. Graham
Chief Administrative Officer
Office of Management and Finance


Date



Patrick Quinton
Executive Director
Portland Development Commission

Date

Spectator Fund Cash Flow Projection
Estimated as of May 7, 2012

Fiscal Year	Spectator Fund Net Income Before D/S (1)	Existing Debt Service (Actual)	Spectator Fund Net Income After D/S	Estimated PDC Loan Repayment
2011.12	3,567,829	4,962,987	(1,395,158)	-
2012.13	3,995,514	5,329,487	(1,333,973)	-
2013.14	4,792,069	5,460,725	(668,656)	-
2014.15	4,319,573	5,638,125	(1,318,552)	-
2015.16	5,044,711	5,824,350	(779,639)	-
2016.17	3,457,888	3,988,495	(530,606)	-
2017.18	2,938,867	2,106,155	832,712	311,350
2018.19	3,730,322	2,174,182	1,556,140	311,350
2019.20	3,819,750	2,244,929	1,574,821	311,350
2020.21	3,902,088	2,318,507	1,583,581	311,350
2021.22	3,987,270	2,395,028	1,592,242	311,350
2022.23	4,070,229	2,474,609	1,595,619	311,350
2023.24	4,200,895	3,260,488	940,407	311,350
2024.25	3,477,198	3,262,700	214,498	311,350
2025.26	4,351,062	3,261,825	1,089,237	311,350
2026.27	4,422,413	3,260,250	1,162,163	311,350
2027.28	4,491,171	-	4,491,171	311,350
2028.29	4,552,255	-	4,552,255	311,350
2029.30	4,610,581	-	4,610,581	311,350
2030.31	4,666,064	-	4,666,064	311,350
2031.32	3,818,613	-	3,818,613	311,350
2032.33	4,768,138	-	4,768,138	-

(1) Reflects anticipated revenues less required O&M and capital expenditures including \$250K annual capital, repair and improvement expenditures at VMC, \$600K in total capital and repair expenditures at JWF, and roof replacement at VMC in FY2016-17. The PDC Loan is additionally subordinate to Capacity Charges related to VMC District Energy. Capacity Charges are currently not known and any such amounts have not been included in these projections, and will be discussed with PDC prior to any commitment to District Energy.