



**DATE:** October 14, 2015  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 15-62

Requesting Portland City Council to Issue Bonds for the River District Urban Renewal Area; Pledging Revenues from the River District Urban Renewal Area to those Bonds; and Authorizing Additional Covenants

#### **BOARD ACTION REQUESTED**

Adopt Resolution No. 7148

#### **ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will request that the Portland City Council (City Council) issue revenue bonds (Interim Bonds) under Oregon Revised Statutes §287A.150 to provide interim financing for the current and proposed costs of carrying out the City of Portland's (City's) River District Urban Renewal Plan. The action also requests that City Council issue Long-Term tax increment bonds (Long-Term Bonds) to refinance the Interim Bonds.

This action is related to two other proposed PDC Board actions:

1. Adopting the Broadway Corridor Framework Plan as the Guiding Document for Future Development of the United States Postal Service Site and Properties Located in the Study Area Adjacent to the Broadway Bridge in the River District Urban Renewal Area (Resolution No. 7147)
2. Requesting Portland City Council to Issue Bonds for Public Improvements in the River District Urban Renewal Area (Resolution No. 7149)

The request to issue bonds is a common PDC practice to provide tax increment financing (TIF) in urban renewal areas (URAs). Those TIF revenues are required to accomplish priorities in the River District Urban Renewal Plan.

#### **BACKGROUND AND CONTEXT**

The requested Interim Bonds will be issued to pay for projects in the River District URA. Section 15-106 of the Charter of the City authorizes City Council, upon request by PDC, to issue bonds payable from the tax increment revenues of the River District URA and authorizes PDC, with the concurrence of City Council, to pledge those tax increment revenues to pay those bonds.

The Interim Bonds will be secured by the City's full faith and credit in order to reduce costs and simplify borrowing plans. However, the Interim Bonds are expected to be repaid from the proceeds of the Long-Term Bonds secured solely by tax increment revenues. The City expects to solicit bids from banks to provide the lines of credit through a competitive request for proposal process.

This action also requests issuance of the Long-Term Bonds to provide greater assurance that the City's General Fund is protected and that the Interim Bonds are reduced as soon as practical. The Long-Term Bonds shall be secured only by the tax increment revenues of the River District URA and may be issued in an amount sufficient to repay the Interim Bonds, to fund a debt service reserve, and to pay issuance costs.

The total principal amount of the Interim Bonds will not exceed \$90,000,000, which is expected to meet expenditure requirements through June 2021.

The City has previously executed lines of credit to provide interim financing for projects carried out under the City's urban renewal plans. The bonds will enable PDC to finance the current and proposed costs of carrying out the River District Urban Renewal Plan as included in the Adopted Fiscal Year (FY) 2015-16 Budget. No Interim Bonds will be issued for project expenditures unless the project is included in PDC's adopted budget.

#### **COMMUNITY AND PUBLIC BENEFIT**

The bonds will enable PDC to finance the current and proposed costs of carrying out the River District Urban Renewal Plan and FY 2015-16 Adopted Budget. Issuing Interim Bonds as full faith and credit bonds lowers the cost of PDC financing until such time as they are refinanced with Long-Term Bonds.

#### **PUBLIC PARTICIPATION AND FEEDBACK**

There was no public participation for this proposed action; however, the projects identified in the River District URA FY 2015-16 Adopted Budget and five-year forecast, for which the bonds will provide funding, have broad support from community members and stakeholders.

#### **BUDGET AND FINANCIAL INFORMATION**

The annual debt service payments on lines of credit will depend on amounts drawn by PDC each year. Typically, interest is paid on outstanding balances until the lines are refinanced with Long-Term urban renewal and redevelopment bonds. Debt service costs are expected to be paid from tax increment revenues of each URA for which lines of credit are established. Current tax increment revenue projections show that there are sufficient tax increment revenue proceeds to service the lines of credit proposed. Debt service for Long-Term Bonds will be determined once the bonds are issued.

#### **RISK ASSESSMENT**

The ordinance authorizing the Interim Bonds will have its first reading before City Council on November 5, 2015. A 30-day referral period will begin if the ordinance is approved following its second reading. If, during the referral period, written petitions signed by at least six percent of the City's electors are filed with the City Auditor, any bonds for the URAs could not be issued unless approved by the voters.

#### **ALTERNATIVE ACTIONS**

The PDC Board or City Council could choose not to authorize the issuance of the Interim Bonds. This may prevent funding of current projects in the FY 2015-16 Adopted Budget and five-year forecast.

#### **ATTACHMENTS**

None.