

DATE: November 18, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-69

Authorizing an Intergovernmental Agreement with the City of Portland to Provide
General Fund-Secured Interim Financing for River District Public Improvement Projects

BOARD ACTION REQUESTED

Adopt Resolution No. 7154

ACTION DESCRIPTION

The proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) authorizes the Executive Director to execute an intergovernmental agreement (IGA) with the City of Portland (City) Office of Management and Finance (OMF) related to the issuance of and repayment for general fund-secured bonds (Bonds) in an amount of up to \$45,000,000 to finance public infrastructure projects in the River District Urban Renewal Area (URA).

BACKGROUND AND CONTEXT

The Broadway Corridor Framework Plan (Framework Plan), which the PDC Board adopted on October 14, 2015, through Resolution No. 7147 and Portland City Council (City Council) adopted on November 5, 2015, through Resolution No. 1158, is the guiding document for future development of the United States Postal Service Processing and Distribution (P&DC) site at 715 NW Hoyt Street and properties located in the area adjacent to the Broadway Bridge in the River District URA. In order to achieve the objectives of the Framework Plan, PDC staff is taking steps to acquire and redevelop the P&DC site, which has long been contemplated by PDC and the City as a once-in-a-generation opportunity in the Central City. However, the costs of acquiring and redeveloping the P&DC site and other River District URA project commitments exceed available PDC resources for the River District URA in the short term and additional funds are needed until PDC is able to sell the P&DC site.

At its October 14, 2015, meeting, the PDC Board approved Resolution No. 7149, requesting that City Council issue Bonds secured by the City's full faith and credit to pay the costs of certain projects in the River District URA that exceed currently available PDC resources. Subsequently, at its November 5, 2015, meeting, City Council approved Ordinance No. 1160 authorizing the issuance of these Bonds and through Ordinance No. 1159 authorized the execution of the IGA that is the subject of this proposed PDC Board action. In short, the IGA outlines terms and conditions for providing interim financing to bridge project funding deficit in the River District URA until the P&DC site can be sold to repay the Bonds.

The total principal amount of the Bonds will not exceed \$45,000,000 and will be secured by the City's full faith and credit in order to reduce costs. In addition, the IGA obligates PDC to pledge proceeds from

the sale of the P&DC site and other River District URA resources to repay the debt. The City expects to solicit bids from banks to provide a line of credit through a competitive request for proposal process.

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 including projects included in the fiscal year (FY) 2015-16 Adopted Budget and Five-Year Forecast. Acquisition of the P&DC site will be funded with proceeds of River District URA tax increment supported debt; however, inclusion of full acquisition and redevelopment costs in the Five-Year Forecast creates temporary cash flow constraints that would preclude moving forward with public projects already anticipated in the current forecast. Issuing Bonds as full faith and credit obligations lowers the cost of PDC financing and provides the necessary cash flow to complete planned River District URA projects. Completing all projects in the River District URA will maximize public benefits, including 13 acres of redevelopment at the P&DC site (including affordable and market rate housing, office, retail, new city attractions such as civic parks, open space amenities, and signature connections) as well as selective demolition of Centennial Mills, improvements to Union Station, and implementation of the Multnomah County Health Department project.

PUBLIC PARTICIPATION AND FEEDBACK

There has been no specific public participation related to this proposed action, as it is an administrative mechanism for authorization of the IGA between PDC and the City. However, the authorization of the IGA supports projects and initiatives identified in the River District URA FY 2015-16 Adopted Budget and Five-Year Forecast that have broad support from community members and stakeholders. In addition, staff conducted significant and innovative public participation through development of the Framework Plan, which contemplates acquisition and redevelopment of the P&DC site.

BUDGET AND FINANCIAL INFORMATION

Since the Bonds are secured by the City's General Fund, all proceeds must be used specifically for public projects where there will be no private participation to avoid the City's lending of credit to a private entity. Projects identified in PDC's FY 2015-16 Adopted Budget and Five-Year Forecast that can be financed include:

- Union Station
- Additional funds for the Multnomah County Health Department project (not currently in the budget and forecast due to year-end approval of intergovernmental agreement in June 2015)
- 10th and Yamhill Garage
- Selective demolition of Centennial Mills and future public improvements
- Public improvements (parks/streets) associated with the P&DC site.

The IGA provides the City with a first claim on proceeds from the sale of the P&DC site to repay the Bonds. Additionally, the IGA includes a first claim on PDC's program income from the River District URA assets (i.e., its loan portfolio and other property income) as well as residual bond reserves funded by River District URA tax increment bond proceeds that may become available as the River District URA's forecasted tax increment revenues are projected to exceed planned debt service payments. PDC will budget program income necessary to pay interest on the Bonds as part of the annual budget process and make adjustments based on any changes throughout the year as part of regularly scheduled budget revisions.

Ultimately, the Bonds are an obligation of the City's General Fund. If the sale of the P&DC site is delayed or if proceeds are not sufficient to repay the obligation when due, General Fund resources may be required to repay the Bonds.

RISK ASSESSMENT

It is currently forecast that accumulated and forecast program income in the River District URA will be sufficient to pay interest costs on the Bonds. However, the current, conservative forecast indicates that proceeds from Phase 1 disposition of the P&DC site may not be sufficient to pay the entire principal balance of the Bonds if the full \$45,000,000 is drawn.

In the event that proceeds from the first phased property disposition of the P&DC site are insufficient to repay principal, additional resources from River District URA (program income or release of planned bond reserves) may be needed to retire all principal in accordance with the terms of the proposed IGA. In the event that PDC is unable to dispose of the P&DC site in the timeframe identified, OMF may need to refinance the interim financing to extend the time for repayment with River District URA resources, or if necessary, resources of the City's General Fund until such time that the P&DC site can be sold to repay the City's obligation per the terms of the IGA. In the event City General Fund monies are used, PDC's payment obligation to the City will include the repayment amount of the long-term Bonds plus interest on funds borrowed from the City, thus committing River District URA program income to longer-term debt service payments.

ALTERNATIVE ACTIONS

The PDC Board could choose not to authorize the IGA. This will prevent issuance of the Bonds by OMF and therefore prevent or delay funding of current projects in the FY 2015-16 Adopted Budget and Five-Year Forecast if the long-term Bonds acquisition moves forward.

ATTACHMENTS

None.