

**DATE:** June 8, 2016  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 16-33  
Amending Interfund Loan between the River District Urban Renewal Area Fund and the Business Management Fund

**BOARD ACTION REQUESTED**

Adopt Resolution No. 7192.

**ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will amend the interfund loan between the River District Urban Renewal Area (URA) Fund and the Business Management Fund (Interfund Loan) to change the interest rate from zero percent to 0.84 percent. If approved, this action would have the effect of reimbursing the River District URA for use of funds for acquisition of the United States Postal Service (USPS) Processing and Distribution Center (P&DC) site based on the current cost of funds for providing an interfund loan to the Business Management Fund.

**BACKGROUND AND CONTEXT**

The PDC Board adopted the original interfund loan as part of Resolution No. 7163 on January 13, 2016, which authorized a purchase and sale agreement with the USPS for the P&DC site in the River District URA. At that time, PDC staff proposed, and the PDC Board approved, a zero percent interest rate; since then, PDC staff have determined that it is prudent to provide the River District URA Fund with a reimbursement for the cost of funds over the term of the loan given that if the funds were to remain in the River District URA Fund, the fund would have received a minimal level of return.

Establishing an interest rate equivalent to the state and local government investment pool will provide a consistent treatment of cost of funds for the interfund loan, thereby ensuring that River District URA resources are returned with interest.

**COMMUNITY AND PUBLIC BENEFIT**

There are no direct public benefits that will result from this proposed action.

**PUBLIC PARTICIPATION AND FEEDBACK**

There was no public participation related to this proposed action.

**BUDGET AND FINANCIAL INFORMATION**

The inclusion of a 0.84 percent interest rate results in \$3,100,000 in interest that is estimated to be repaid from the Business Management Fund to the River District URA Fund based on the estimated timing of repayment of principal resulting from sale of the USPS P&DC site. Interest costs being paid by the Business Management Fund were previously forecast to remain in the Business Management Fund.

**RISK ASSESSMENT**

The PDC Board has the authority to establish the interest rate on interfund loans. PDC staff is recommending an interest rate based on the current cost of funds as a prudent financial practice for establishing interfund loans.

**ALTERNATIVE ACTIONS**

The PDC Board could choose not to amend the Interfund Loan interest rate or establish an alternative interest rate.

**ATTACHMENTS**

None.