

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: April 14, 2010
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number No. 10-31
North Macadam Urban Renewal Area Bonds Authorization

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6781

ACTION SUMMARY

This action will initiate a request that the City of Portland (City) issue North Macadam Urban Renewal and Redevelopment Bonds (Bonds) under the authority of Article IX, Section 1c of the Oregon Constitution, Oregon Revised Statutes Chapter 457 and the City Charter Section 15-106. Issuance of the Bonds will enable the Portland Development Commission (Commission) to finance the current costs of carrying out the City's urban renewal plans and to repay the existing lines of credit.

Proceeds of the Bonds shall be used to refinance some or all of the outstanding balances on the lines of credit that financed urban renewal projects in North Macadam Urban Renewal Area (Area) and to pay costs related to the Bonds. The aggregate principal amount of the Bonds shall not exceed \$70 million which includes the sum of the amounts required to (a) refinance the lines of credit that financed urban renewal projects in the Area, and (b) provide any additional amounts that Executive Director estimates are necessary to fund debt service reserves and pay costs related to the Bonds, including costs of reserve sureties for the Bonds, costs of credit enhancement, and costs of issuing the Bonds.

Section 15-106 of the Charter of the City authorizes the Council, upon request of the Commission, to issue bonds that are payable from the urban renewal tax revenues of the City's urban renewal areas, and authorizes the Commission, with the concurrence of the Council, to pledge those urban renewal tax revenues to pay those bonds. Commission staff anticipates that an ordinance authorizing issuance of the bonds is scheduled to go before Council on April 21, 2010. The first reading of the ordinance is scheduled for April 14, 2010.

PUBLIC BENEFIT

This action will benefit the public by supporting the following Commission goals for the Area:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help business to create and sustain quality jobs

- Support a vibrant central city (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This action will allow staff to continue the work outlined in the adopted North Macadam Urban Renewal Plan.

FINANCIAL IMPACT

Debt service costs are expected to be paid from urban renewal tax revenues of the Area. Current urban renewal tax revenue projections show that urban renewal tax revenues will be generated by the Area in amounts sufficient to service the debt service requirements on the Bonds. Bonds issued in the Area will repay outstanding principal and interest on existing debt. The bond issuance was contemplated in the FY 2009-10 Revised Budget. Due to a delay in the anticipated sale date of the Bonds, the Bonds will likely be issued in early FY 2010-11 and budget adjustments if needed, will be included in the FY 2010-11 Proposed Budget.

RISK ASSESSMENT

While the final amount of the issue will not be determined until closer to the sale date of the Bonds, annual debt service will not exceed an amount which is supported by the Area's fixed divide the taxes revenues in a manner that complies with the City of Portland's debt policy for urban renewal debt.

WORK LOAD IMPACT

Additional work related to providing support to the City's Office of Management and Finance (OMF) during the bond issuance and the subsequent accounting for bond proceeds is anticipated in current PDC Central Services and Legal staff resource planning.

ALTERNATIVE ACTIONS

The Board could delay its recommendation to issue bonds for the Area and direct staff to act accordingly.

The City currently has \$62.8 million on lines of credit for the North Macadam URA, which expire between October 1, 2010 and January 11, 2012. Amounts on the lines of credit will need to be refinanced with the proceeds of long-term bonds. Interest rates are at a historic low level now, and delaying issuance of the bonds could result in higher interest costs to the City if rates rise. Higher interest costs on long-term debt reduce available short-term borrowing capacity for projects once bonds are issued.

CONCURRENCE

The decision to issue the Bonds is supported by OMF and the Area Managers; is anticipated in the PDC Budget and provides funding for projects consistent with URAC Recommendations.

BACKGROUND

Pursuant to Section 15 -106 of the City Charter, the Board initiates the process for issuance of urban renewal and redevelopment bonds by adopting a resolution requesting the City to issue the bonds. The bonds may only be issued when the Council adopts an ordinance authorizing the bonds. The Council is scheduled to consider an ordinance authorizing the Bonds on April 21, 2010. The first reading of the ordinance is scheduled for April 14, 2010.

Proceeds of the Bonds shall be used to refinance some or all of the outstanding balances on the lines of credit that financed urban renewal projects in the Area and to pay costs related to the Bonds. The City now has \$97,800,000 in authorized lines of credit for the Area, of which a balance of \$62,863,661 remains outstanding as of March 30, 2010.

The aggregate principal amount of the Bonds shall not exceed \$70 million which includes the sum of the amounts required to (a) refinance the lines of credit that financed urban renewal projects in the Area, and (b) provide any additional amounts that the Executive Director estimates are necessary to fund debt service reserves and pay costs related to the Bonds, including costs of reserve sureties for the Bonds, costs of credit enhancement, and costs of issuing the Bonds..

Further, the interest rate environment is favorable, and urban renewal tax revenues securing the proposed Bonds are expected to provide adequate debt service coverage over the life of the Bonds.