



**DATE:** September 14, 2016  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 16-47  
Requesting the City Council to Issue Bonds for the City's Urban Renewal Areas; Pledging Revenues from Those Areas to Those Bonds; and Authorizing Additional Covenants

### **BOARD ACTION REQUESTED**

Adopt Resolution No. 7206

### **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) urban renewal plans and to refinance outstanding interim financings. The action also requests that City Council issue long-term tax increment bonds (Long-Term Bonds) to refinance the interim financing obligations.

### **BACKGROUND AND CONTEXT**

The requested Interim Bonds will be issued to pay for projects in five of the City's urban renewal areas (URAs) and are expected to be in the form of separate lines of credit for each URA. Section 15-106 of the Charter of the City of Portland authorizes City Council, upon request by PDC, to issue bonds payable from the tax increment revenues of the City's URAs 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 City General Fund and/or tax increment revenues and are anticipated to be repaid with tax increment revenues, proceeds of a replacement line of credit, or Long-Term Bonds. 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 Interim Bonds are repaid as soon as practical and to reduce risk to the City's General Fund (for Interim Bonds secured by the General Fund). The Long-Term Bonds shall be secured only by the tax increment revenues of the URA for which the Interim Bonds are being repaid 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 \$112,305,000 for all five URAs and is expected to meet expenditure requirements through December 2019. This amount includes approximately \$37,000,000 on current lines of credit, scheduled to expire on December 31, 2016, that will be rolled onto the new lines of credit set to expire in December 2019.

The City has previously executed lines of credit to provide interim financing for projects carried out under the City’s urban renewal plans. The Interim Bonds will enable PDC to finance the current and proposed costs of carrying out the City’s urban renewal plans as included in the Adopted Fiscal Year (FY) 2016-17 Budget and to refinance outstanding interim financings as reflected below.

The amounts for each URA are based on projected long-term debt draws as presented in the PDC’s FY 2016-17 budget and five-year forecast, plus additional authority that could be added to the forecast if expenditures are moved up in the forecast. No Interim Bonds will be issued for project expenditures unless the project is included in PDC’s adopted budget.

District	Outstanding Line Balance (General Fund Secured)	Planned New General Fund-Secured Draws through December 2019	Planned TIF Only- Secured Draws through December 2019	Issuance Costs	Total Interim Financing
CES	\$6,186,639	\$0	\$0	\$33,361	\$6,220,000
Gateway	12,552,386	2,000,000	3,000,000	\$87,614	17,640,000
Lents	0	1,200,000	45,000,000	\$235,000	46,435,000
Interstate	8,017,000	2,500,000	9,000,000	\$103,000	19,620,000
NMAC	10,277,680	8,000,000	4,000,000	\$112,320	22,390,000
<b>Total</b>	<b>\$37,033,705</b>	<b>\$13,700,000</b>	<b>\$61,000,000</b>	<b>\$571,295</b>	<b>\$112,305,000</b>

**COMMUNITY AND PUBLIC BENEFIT**

The Interim Bonds will enable the PDC to finance the current and proposed costs of carrying out the City’s urban renewal plans and to refinance existing lines of credit which expire on December 30, 2016. Issuing Interim Bonds as full faith and credit bonds lowers the cost of PDC financing until they are refinanced with Long-Term Bonds.

**PUBLIC PARTICIPATION AND FEEDBACK**

Not applicable.

**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 either replacement lines of credit or 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 be presented for a first reading before City Council on September 14, 2016. 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 2016-17 Adopted Budget and five-year forecast and

would require approximately \$37,000,000 of all outstanding lines of credit be either paid off by the immediate issuance of Long-Term Bonds or repaid from existing tax increment resources.

**ATTACHMENTS**

None.