



DATE: October 10, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-35
Requesting City Council to Issue Short-Term Subordinate Urban Renewal and Redevelopment Bonds for the City's Urban Renewal Areas and Pledging Revenues from Those Areas to the Bonds

BOARD ACTION REQUESTED

Adopt Resolution No. 6973

ACTION DESCRIPTION

This action requests City Council to authorize the issuance of taxable, short-term subordinate urban renewal and redevelopment bonds through the end of Fiscal Year 2016-17 and authorizes the City Council to pledge tax increment revenues from the relevant urban renewal areas to pay the bonds.

BACKGROUND AND CONTEXT

Oregon Revised Statutes §457.440(6)(b) only allows tax increment collections to be used to pay principal and interest on indebtedness. The City of Portland (City) issues taxable, short-term subordinate indebtedness to permit the Portland Development Commission (PDC) to access tax increment revenues deposited into the City's debt service funds that exceed amounts needed to pay debt service on long-term bonds and lines of credit. While the terms of the bonds permit repayment of the debt within 30 days of issuance, the City historically has repaid the debt on the business day following the issuance of the debt. This "du jour" indebtedness effectively serves as pay-as-you-go funding for projects qualifying for tax increment financing.

The amounts shown the table in the Budget and Financial Information section represents the maximum amount of short term debt that may be issued on an annual basis.

COMMUNITY AND PUBLIC BENEFIT

This action will ensure PDC receives du jour resources required to help fund the projects and programs in the FY 2012-13 Adopted Budget and Five-Year Forecast.

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable.

BUDGET AND FINANCIAL INFORMATION

Short-term debt, also described as “overnight” or “du jour” borrowing requires a minimal fee. Since the borrowing converts tax increment revenues to tax increment debt proceeds overnight, there are no interest costs associated with the borrowing provided it is repaid the next day. The total principal amount of short-term debt for each district issued in any fiscal year during the five-year period shall not exceed the amounts shown in the following table.

District	Maximum Amount
Central Eastside Urban Renewal Area	\$ 3,000,000
Education Urban Renewal Area	3,000,000
Interstate Corridor Urban Renewal Area	11,500,000
Gateway Regional Center Urban Renewal Area	3,500,000
Lents Town Center Urban Renewal Area	9,000,000
North Macadam Urban Renewal Area	7,000,000
River District Urban Renewal Area	29,000,000
Willamette Industrial Urban Renewal Area	1,000,000
Total	\$ 67,000,000

RISK ASSESSMENT

Not authorizing the issuance of short-term debt will require PDC to request City Council to authorize more long-term debt, which is more expensive. Furthermore, not authorizing the issuance of short-term debt may prevent and/or delay the implementation of projects and programs critical to PDC’s mission.

ALTERNATIVE ACTIONS

The Board could decide not to request that City Council not approve the ordinance. This will result in the City and PDC being unable to issue and receive short-term du jour proceeds for FY 2012-13 to fund planned projects and programs.

ATTACHMENTS

None