DATE: August 13, 2014
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 14-36
Requesting the Portland City Council to Issue Bonds to Refund Bonds Previously Issued for the Interstate Corridor Urban Renewal Area, and Providing for Related Matters

BOARD ACTION REQUESTED
Adopt Resolution No. 7071

ACTION DESCRIPTION
With this action, the Portland Development Commission (PDC) Board of Commissioners (Board) will request that the Portland City Council (City Council) issue refunding bonds for the Interstate Corridor Urban Renewal Area (URA). Additionally, by adoption of the resolution, the PDC Board will authorize the Executive Director and the City of Portland (City), on behalf of PDC, to execute such agreements and take such additional actions as may be required to issue, sell, and deliver the bonds on terms favorable to PDC and the City.

If the resolution is approved, it is anticipated that City Council will consider an ordinance on this matter at its August 20, 2014, meeting. If requested by the PDC Board and approved by City Council as currently scheduled, the City would issue the bonds through a negotiated bond sale in fall 2014.

BACKGROUND AND CONTEXT
The resolution for consideration requests City Council to authorize the issuance of urban renewal and redevelopment bonds for the Interstate Corridor URA in order to refund any or all of the outstanding urban renewal and redevelopment bonds, 2004 Series A (the 2004 Series A Bonds) to achieve debt service savings. Interest rates are currently favorable and debt service savings can be achieved by refunding the 2004 Series A Bonds in conformance with the five percent net present value savings test established in the City’s debt policy.

COMMUNITY AND PUBLIC BENEFIT
Issuance of the bonds will facilitate PDC’s ability to cost-effectively carry out the Interstate Corridor URA Plan.

PUBLIC PARTICIPATION AND FEEDBACK
Not applicable.
BUDGET AND FINANCIAL INFORMATION

Based on current market conditions, annual debt service savings achieved by refunding the 2004 Series A Bonds are estimated at approximately $225,000 per year assuming savings are taken uniformly. Total net present value debt service savings are projected to be approximately $1,900,000 through fiscal year (FY) 2024-25, which represents approximately 8.8 percent savings as a percentage of the proceeds of the refunding bonds.

The total par amount of the bonds is estimated at $19,450,000, assuming premium couponing.

No bond proceeds for future projects are anticipated from the bond sale. Projects identified in the FY 2014-15 Proposed Budget and Five-Year Forecast will be funded by short-term (du jour) financing and line of credit financing until being refinanced by future bond sales.

RISK ASSESSMENT

The financial assumptions noted above are subject to change based on market conditions at the time bonds are issued.

ALTERNATIVE ACTIONS

The PDC Board could direct staff to delay the bond sale to FY 2015-16. A delay in bond sale would carry additional risk for potential negative impacts on financing assumptions related to changes in market conditions.

ATTACHMENTS

None.