



DATE: April 8, 2015

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number 15-15

Requesting Portland City Council to Issue Bonds to Refund Bonds Previously Issued for the Airport Way Urban Renewal Area, and Providing for Related Matters

BOARD ACTION REQUESTED

Adopt Resolution No. 7103

ACTION DESCRIPTION

With this action, the Portland Development Commission (PDC) Board of Commissioners (Board) will request that Portland City Council (City Council) issue refunding bonds for the Airport Way 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 additional actions as may be required to issue, sell, and deliver the bonds on terms favorable to PDC and the City.

It is anticipated City Council will consider an ordinance on this matter at its April 8, 2015 meeting. If requested by the PDC Board and approved by City Council as currently scheduled, the City plans to issue the bonds through a bank in the summer of 2015.

BACKGROUND AND CONTEXT

The resolution for consideration requests City Council to authorize the issuance of urban renewal and redevelopment bonds for the Airport Way URA in order to refund any or all of the outstanding urban renewal and redevelopment bonds, 2005 Series A (the 2005 Series A Bonds) to achieve debt service savings. Interest rates are currently favorable and debt service savings can be achieved by currently refunding the 2005 Series A Bonds in conformance with the net present value savings test established in the City's debt policy. For current refundings, the City's policy requires net present value savings of at least \$100,000.

COMMUNITY AND PUBLIC BENEFIT

Issuance of the bonds will facilitate PDC's ability to cost-effectively carry out the Airport Way 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 2005 Series A Bonds is estimated at approximately \$345,000 per year through fiscal year (FY) 2019-20 assuming savings is taken uniformly. Total net present value debt service savings is projected to be approximately \$1,660,000, which represents approximately 6.6 percent of the proceeds of the Refunding Bonds. By reducing debt service costs of outstanding Airport Way Urban Renewal and Redevelopment Bonds, a portion of the urban renewal special levy is freed up, which will be allocated to other outstanding URA bonds that rely on the special levy for repayment. There is no impact on the Airport Way URA project budget or forecast since the district cannot issue additional debt; all planned expenditures are funded from program income received from prior investments of bond proceeds.

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 that interest rates will have risen above current rates and result in less debt service savings.

ATTACHMENTS

None.