DATE: October 14, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Requesting Portland City Council to Issue Bonds for Public Improvements in the River District Urban Renewal Area

BOARD ACTION REQUESTED
Adopt Resolution No. 7149

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) River District Urban Renewal Plan. The action also requests that the City Council issue Long-Term revenue bonds (Long-Term Bonds) to refinance the Interim Bonds.

This action is related to two other proposed PDC Board actions:
1. Adopting the Broadway Corridor Framework Plan as the Guiding Document for Future Development of the United States Postal Service Site and Properties Located in the Study Area Adjacent to the Broadway Bridge in the River District Urban Renewal Area (Resolution No. 7147)
2. Requesting Portland City Council to Issue Bonds for the River District Urban Renewal Area; Pledging Revenues from the River District Urban Renewal Area to those Bonds; and Authorizing Additional Covenants (Resolution No. 7148)

The requested Interim Bonds will be issued to pay for public improvement projects in the River District Urban Renewal Area (URA). The Interim Bonds are being requested because the costs of acquiring and redeveloping the United States Postal Service Processing and Distribution Center (P&DC Site) at 715 NW Hoyt Street in the River District URA and other commitments exceed available River District URA resources in the short term. All proceeds from the requested Interim Bonds must be used specifically for public projects where there will be no private participation (such as the selective demolition of Centennial Mills, improvements to Union Station, and implementation of the Multnomah County Health Department project), as the Interim Bonds are secured by the City’s General Fund and in order to avoid the City’s lending of credit to a private entity. Should PDC not be able to negotiate acquisition of the P&DC site, these Interim Bonds to fund public improvements will not be necessary as there will be sufficient River District URA tax increment financing (TIF) in the PDC budget.

The interim bonds that are the subject of Resolution No. 7148, by contrast, are a common PDC practice to provide TIF in URAs and will be paid by issuing Long-Term urban renewal bonds.
BACKGROUND AND CONTEXT
The total principal amount of the Interim Bonds will not exceed $45,000,000 and is expected to be repaid with proceeds of the Long-Term Bonds. The Long-Term Bonds are expected to be repaid with proceeds obtained by disposition of the P&DC Site.

The Interim Bonds and the Long-Term Bonds (collectively, Bonds) will be secured by the City's full faith and credit in order to reduce costs; however, the Bonds are expected to be repaid from the proceeds of the sale of P&DC Site and other River District URA resources. Section 15-106 of the Charter of the City authorizes City Council, upon request by the PDC Board, to issue bonds payable from resources of the PDC.

The City expects to solicit bids from banks to provide a line of credit through a competitive request for proposal process.

COMMUNITY AND PUBLIC BENEFIT
The Bonds will enable the PDC to finance the current and proposed costs of carrying out the River District Urban Renewal Plan, including projects included in the fiscal year (FY) 2015-16 Adopted Budget and Five-Year Forecast. Acquisition of the P&DC Site will be funded with proceeds of River District URA tax increment supported debt; however, inclusion of full acquisition and redevelopment costs in the Five-Year Forecast would create temporary cash flow constraints that would preclude moving forward with public projects already anticipated in the current forecast. Issuing Bonds as full faith and credit obligations lowers the cost of PDC financing and provides the necessary cash flow to complete planned River District URA projects. Completing all projects in the River District URA will maximize public benefits including 13.5 acres of redevelopment at the P&DC Site (including affordable and market rate housing, office, retail, new city attractions such as civic parks, open space amenities, and signature connections) as well as selective demolition of Centennial Mills, improvements to Union Station, and implementation of the Multnomah County Health Department project.

PUBLIC PARTICIPATION AND FEEDBACK
There was no public participation for this proposed action; however, the projects identified in the River District URA FY 2015-16 Adopted Budget and Five-Year Forecast for which the Bonds will provide funding have broad support from community members and stakeholders.

BUDGET AND FINANCIAL INFORMATION
Since the Interim Bonds are secured by the City’s General Fund, all proceeds must be used specifically for public projects where there will be no private participation to avoid the City’s lending of credit to a private entity. Projects identified in PDC’s FY 2015-16 Adopted Budget and Five-Year Forecast that can be financed include:

- Union Station;
- Additional funds for the Multnomah County Health Department project (not currently in the budget and forecast due to year-end approval of intergovernmental agreement in June 2015);
- 10th and Yamhill garage;
- Selective demolition of Centennial Mills and future public improvements; and
- Public improvements (parks/streets) associated with the P&DC Site.

The annual debt service payments on the Bonds will depend on amounts drawn by PDC each year and financing terms provided by lending institutions. Amounts drawn will ultimately depend on:

- Final amount and timing of the P&DC Site acquisition;
• Final timing and amount of public improvement projects identified in PDC’s River District URA Forecast; and
• Amount and timing of public improvement projects and disposition of the property associated with redevelopment of the P&DC Site.

The interest on the Interim Bonds will be paid from program income earned annually by the River District URA. Principal will be paid from proceeds obtained by disposition of the P&DC Site. Additional backstops will be put in place via an intergovernmental agreement between PDC and the City’s Office of Management and Finance (OMF) to mitigate risk to the City’s General Fund. In addition to proceeds from sale of the P&DC Site, PDC will pledge program income from River District URA’s assets (loan portfolio and other property income) as well as residual River District URA bond reserves funded by tax increment debt proceeds that may become available as district tax increment revenue is forecast to exceed planned debt service payments.

RISK ASSESSMENT

The ordinance authorizing the Interim Bonds will have its first reading before City Council on November 5, 2015. 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 River District URA could not be issued unless approved by the voters.

The City and PDC will identify terms of the financing, including security and repayment, in an intergovernmental agreement in order to minimize risk to the City’s General Fund. It is currently forecast that accumulated and forecast program income in the River District URA will be sufficient to pay interest costs on the Interim Bonds. However, the current, conservative forecast indicates that proceeds from Phase 1 disposition of the P&DC Site may not be sufficient to pay the entire principal balance of the Bonds if the full $45,000,000 is drawn.

In the event that proceeds from Phase 1 disposition are insufficient to repay principal, additional resources from River District URA (program income or release of planned bond reserves) may be needed to retire all principal. In the event that PDC is unable to dispose of the site in the timeframe identified, OMF may need to refinance the Long-Term Bonds (authorized by this action) to extend the time for repayment with River District URA resources, or if necessary, resources of the City’s General Fund until such time that the P&DC Site can be sold to repay the City’s obligation. In the event City General Fund monies are used, PDC’s payment obligation to the City will include the repayment amount of the Long-Term Bonds plus interest on funds borrowed from the City.

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 2015-16 Adopted Budget and Five-Year Forecast if the P&DC Site acquisition is approved.

ATTACHMENTS

None.