

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 11, 2008
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 08-77
Authorize Extension of Line of Credit

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6598

ACTION SUMMARY

This action will authorize an extension of the repayment date for the Line of Credit established for purpose of financing construction of the Portland streetcar extension within the North Macadam Urban Renewal Area., a credit facility that was used to help provide financing for the Streetcar extension from Portland State University to River Place in the North Macadam Urban Renewal Area (URA) and authorizes the Executive Director to enter into an agreement with the City of Portland to legally commit the net sales proceeds from the sale of certain properties in the North Macadam Urban Renewal Area to the repayment of the Line of Credit.

Office of Management and Finance (OMF) have prepared an ordinance for City Council which will authorize OMF staff to negotiate with Bank of America for a two year extension to the maturity date of the Line of Credit which currently expires on June 15, 2008. The extension is required since the originally anticipated source of repayment (sale of Parcel 3 and/or Parcel 8 in the North Macadam URA) is not expected until at next fiscal year at the earliest. To expedite repayment of the Line of Credit, repayment will occur from \$1 million in available cash balances and any unencumbered property sale proceeds for North Macadam URA in FY 2008-09 and FY 2009-10 including Block 49, Parcel 3 and/or Parcel 8, depending on timing and amount of the transactions.

PUBLIC BENEFIT

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

Repayment of the Streetcar Line of Credit has been included in all budgets and financial plans for the last five fiscal years and therefore identified as a priority in budget discussions with North Macadam Urban Renewal Advisory Committee (URAC) members and stakeholders.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Portland Development Commission (PDC) has completed funding for the streetcar extension which was a component of the North Macadam URA Central District Development Agreement. Approval of the proposed two-year extension on the Streetcar Line of Credit will allow the PDC to meet its financial obligations on an extended timeline in accordance with the forecast for resources which are anticipated to be generated from the disposition of Block 49, Parcel 3 and Parcel 8 in connection with development strategy for the North Macadam URA.

FINANCIAL IMPACT

The current outstanding balance of the Streetcar Line of Credit is \$5,888,339. PDC will pay down the current balance on the Line of Credit using \$1 million in unencumbered cash from the North Macadam URA fund. If the proposed two-year extension is approved and the entire outstanding balance of the Streetcar Line of Credit is not paid, interest will continue to accrue on the current outstanding balance on the Line of Credit. The higher payoff balance will require a greater amount of resources from the eventual sale of property (Block 49, Parcel 3 and/or Parcel 8). The budget and five-year forecast will need to be adjusted to reflect the timing of the property sales and anticipated payoff amount of the Line of Credit. There is no impact to other budgeted projects in the North Macadam URA at this time.

RISK ASSESSMENT

There is a potential that the properties being used to secure the Line of Credit will not sell to private parties in the two year extension period. This will result in the need to identify an alternate source of repayment for the Line of Credit from North Macadam URA's available resources

WORK LOAD IMPACT

There is no impact to current work load as a result of this action.

ALTERNATIVE ACTIONS

Not authorizing the extension to the Line of Credit repayment would require a draw on a separate Line of Credit facility for North Macadam of \$5,888,339. OMF recommends an extension rather than using other existing lines of credit to avoid displacing other anticipated uses of the existing lines of credits.

CONCURRENCE

The expiration of the Line of Credit and inability to immediately pay the full balance of the facility has been reviewed with OMF. OMF recommends negotiating an extension of the current Line of Credit as the preferred option.

BACKGROUND

The City of Portland and PDC authorized a \$7 million credit facility in 2003 to provide funds for extension of the Portland Streetcar from Portland State University to River Place in the North Macadam Urban Renewal Area. The credit facility was secured using property owned by PDC in the North Macadam Urban Renewal Area (Parcels 3 and 8). The Line of Credit expires on June 15, 2008, however PDC only has \$1 million in cash resources available to pay the \$5,888,339 balance on the Line of Credit. Renegotiating and extending the Line of Credit will allow more time for property to be sold and the payoff to occur.

The Resolution will authorize the extension of the Line of Credit and will authorize the Executive Director to enter into negotiations for an agreement with the City to legally commit the proceeds from North Macadam Urban Renewal Area property sales to the repayment of the Line of Credit.

CC: J. Cody, Chief Financial Officer
F. Brown, Principal Debt Analyst
D. Elott, Interim General Counsel
J. Jackley, Executive Operations Manager

PROJECT SUMMARY

Project Name: Extension of Maturity Date on Line of Credit

Description: Extension of maturity date on line of credit established for purpose of financing construction of portland streetcar extension within the North Macadam Urban Renewal Area and agreement with City to legally commit the net sales proceeds from the sale of Block 49, Parcel 8 and/or Parcel 3 to the repayment of the outstanding principal and interest due on the Line of Credit.

URA: North Macadam Urban Renewal Area

Site/Project Map:

