



**DATE:** October 9, 2019  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 19-46

Requesting the Portland City Council to Issue Bonds for the City of Portland's North Macadam Tax Increment Financing District; Pledging Revenues from That District to Those Bonds; and Authorizing Additional Covenants

#### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No. 7342

This action by the Prosper Portland (Prosper) 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) tax increment financing (TIF) plans for the North Macadam TIF district and to refinance its outstanding interim financings. The action also requests that City Council issue long-term tax increment bonds (Long-Term Bonds) to refinance the interim financing obligations.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

This action delivers on Prosper Portland's Strategic Plan goal of operating an equitable, innovative, and financially sustainable agency.

#### **BACKGROUND AND CONTEXT**

The requested Interim Bonds will be issued to pay for projects in the City's North Macadam TIF district. Section 15-106 of the City Charter authorizes City Council, upon request by Prosper Portland, to issue bonds payable from revenues of the City's TIF Districts and authorizes Prosper, with the concurrence of City Council, to pledge those revenues to pay those bonds. On September 14, 2016 through Resolution No. 7206, the Prosper Portland Board requested that City Council issue bonds for the Central Eastside, Gateway Regional Center, Interstate Corridor, Lents Town Center, and North Macadam TIF districts in an aggregate amount of \$112,305,000; on September 21, 2016 City Council on the second adopted Ordinance No. 187999 authorizing revenue bonds for these TIF districts. This current request would increase the authorization for the North Macadam TIF district by an additional \$21,590,000.

The Interim Bonds will be secured by City General Fund and/or North Macadam TIF revenues and are anticipated to be repaid with TIF revenues, proceeds of a replacement line of credit, or Long-Term Bonds. The City expects to solicit bids from banks to provide the lines of credit through a competitive request for proposals process.

This action also requests issuance of the Long-Term Bonds to provide greater assurance that the Interim Bonds are repaid as soon as practical and to reduce risk to the City's General Fund (for Interim Bonds

secured by the General Fund). The Long-Term Bonds shall be secured only by revenues of the North Macadam TIF District for which the Interim Bonds are being repaid and may be issued in an amount sufficient to repay the Interim Bonds, to fund a debt service reserve, and to pay issuance costs.

The total principal amount of the Interim Bonds will not exceed \$43,980,000 for the North Macadam TIF District and is expected to meet expenditure requirements through December 2022. This amount is inclusive of the approximately \$13,900,000 of the district's current existing lines of credit scheduled to expire on December 31, 2019 and will represent the new total for lines of credit set to expire in December 2022.

In addition to, and including the North Macadam TIF district, current existing lines of credit amounts for all TIF districts set to expire on December 31, 2019 total approximately \$56,808,000. Upon adoption of this resolution, the updated total lines of credits for the TIF districts will total approximately \$91,310,000, also with an expiration date of December 2022.

The City has previously executed lines of credit to provide interim financing for projects carried out under the City's TIF plans. The Interim Bonds will enable Prosper Portland to finance the current and proposed costs of carrying out the City's TIF plans as included in the Fiscal Year (FY) 2019-20 Adopted Budget and to refinance outstanding interim financings as reflected below.

The amounts for each TIF District are based on projected long-term debt draws as presented in Prosper Portland's FY 2019-20 Adopted Budget and five-year forecast, plus additional authority that could be added to the forecast if expenditures are moved forward in the forecast. No Interim Bonds will be issued for project expenditures unless the project is included in Prosper Portland's adopted budget and forecast.

#### **EQUITY IMPACT**

This action will allow Prosper Portland to access resources to deliver on priorities in the North Macadam TIF district, including affordable housing, transportation improvements, and job creation activities.

#### **COMMUNITY PARTICIPATION AND FEEDBACK**

There was no community participation related to this proposed action.

#### **BUDGET AND FINANCIAL INFORMATION**

The annual debt service payments on lines of credit will depend on amounts drawn by Prosper Portland each year. Typically, interest is paid on outstanding balances until the lines are refinanced with either replacement lines of credit or long-term TIF and redevelopment bonds. Debt service costs are expected to be paid from TIF revenues of each district for which lines of credit are established. Current TIF revenue projections show that there are sufficient proceeds to service the proposed lines of credit. Debt service for Long-Term Bonds will be determined once the bonds are issued.

#### **RISK ASSESSMENT**

The ordinance authorizing the Interim Bonds will be presented for a first reading before City Council on October 11, 2019. 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 TIF districts could not be issued unless approved by the voters.

#### **ATTACHMENTS**

None.



