



DATE: April 30, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-01

Requesting the City Council to Issue Bonds to Refund Bonds Previously Issued for the River District Urban Renewal Area

BOARD ACTION REQUESTED

Adopt Resolution No. 6940

ACTION DESCRIPTION

With this action, the Portland Development Commission (the "Commission") will request that the Portland City Council issue refunding bonds for the River District Urban Renewal Area. Additionally, the Commission will authorize the Executive Director and the City, on behalf of the Commission, to execute such agreements and take such additional actions as may be required to issue, sell and deliver the Bonds on terms favorable to the Commission and the City. The Resolution authorizes the Executive Director and the City, on behalf of the Commission, and without further action by the Commission, to execute agreements and take additional actions as may be required to issue, sell, and deliver the Bonds on terms favorable to the City and the Commission.

If the Resolution is approved, it is anticipated the City Council will consider an ordinance on this matter at its May 23, 2012, meeting. If requested by the Commission and approved by the City Council as currently scheduled, the City plans to issue the Bonds through a negotiated bond sale in July 2012.

BACKGROUND AND CONTEXT

The Resolution for consideration requests the City Council to authorize the issuance of urban renewal and redevelopment bonds (the "Refunding Bonds") for the River District Urban Renewal Area in order to refund any or all of the outstanding River District Urban Renewal and Redevelopment Bonds, 2003 Series A (Tax Exempt) (the "2003 Series A Bonds") and 2003 Series B (the "2003 Series B Bonds") to achieve debt service savings or a favorable reorganization of debt. Interest rates are currently favorable and debt service savings can be achieved by refunding the 2003 Series A Bonds in conformance with the five percent Net Present Value savings test established in the City's debt policy. It is expected that the 2003 Series B Bonds will not be refunded at this time as savings cannot be achieved at levels defined in the City's debt policy.

The River District URA is a Standard Rate Plan with a last date to issue debt of June 30, 2021. The City and the Commission are planning a sale of River District urban renewal and redevelopment bonds (the "Bonds") to repay lines of credit that have provided interim financing for River District capital improvements, including the Resource Access Center, and to refund the 2003 Series A Bonds. The Commission has previously requested that the City issue interim financing and bonds to these lines of credit under Resolutions 6744 and 6830.

COMMUNITY AND PUBLIC BENEFIT

Issuance of the Bonds will facilitate the Commission's ability to cost-effectively carry out the River District Urban Renewal Area Plan.

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable.

BUDGET AND FINANCIAL INFORMATION

It is estimated that, based on current market conditions, total debt service savings related to the 2003 Series A Bonds will be approximately \$2.2 million through FY 2022-23. The resulting annual savings, assuming savings is taken uniformly, is estimated at approximately \$200,000 per year in FY 2012-13 through FY 2022-23. Net present value savings as a percentage of the par amount of the refunding bonds plus original issue premium is projected to be approximately 5.0%.

The total par amount of the Bonds is estimated at \$75,725,000, assuming premium couponing, including \$31,325,000 to refund the 2003 bonds and \$44,400,000 to repay outstanding balances on lines of credit.

No bond proceeds for future projects are anticipated from the bond sale. Projects identified in the FY 2012-13 Requested 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 Commission could direct staff to delay the bond sale to FY 2012-2013. A delay in bond sale would carry additional risk for potential negative impacts on financing assumptions related to changes in market conditions.

ATTACHMENTS

None.