

DATE: May 8, 2013
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 13-17
Analysis of Early Defeasance of Urban Renewal Areas

BOARD ACTION REQUESTED

No action is requested, information only.

SUMMARY

The Mayor of the City of Portland (Mayor) and Portland City Council (City Council) asked the Portland Development Commission (PDC) to provide information on the early defeasance (i.e., repayment) of urban renewal bonds, for the purpose of understanding when and under what circumstance it would be possible to increase tax revenue to the City of Portland (City) General Fund or to create new urban renewal areas (URA). PDC staff modeled two scenarios for current URAs to frame the discussion for a more selective scenario that would impact only certain URAs:

1. Early Defeasance Scenario: This assumes PDC issues no more debt in any URA beginning in fiscal year (FY) 2014-15. Defeasance dates range from FY 2013-14 to FY 2024-25.
2. Current Defeasance Scenario: This assumes PDC continues to issue debt for all URAs as shown in the current budget and forecast. Defeasance dates range from FY 2019-20 to FY 2044-45.

The analysis examines impacts to the City General Fund under both scenarios, the level of investment that would be foregone under early defeasance, and some of the dynamics of starting new URAs as they relate to timing and access to tax increment funds.

BACKGROUND AND CONTEXT

At the point the City defeases bonds for a URA, the tax revenues generated from that URA's incremental assessed value are returned to the overlapping taxing jurisdictions. More acreage and assessed value also become available for the creation of a new URA or expansion of an existing URA.

Using current data on existing URA bonds, forecasts on tax increment growth, and planned investments in each URA, the analysis identified the following under both scenarios:

- The date ranges for the defeasance of each URA;
- The potential near-term and long-term impact to the City General Fund;
- The amount of foregone project funding, including investments in affordable housing ; and
- What factors determine the timing and amount of tax increment revenues for new URAs.

Staff prepared the presentation with the City of Portland's Office of Management and Finance, which is responsible for issuing and managing urban renewal debt, and has reviewed the presentation with the

Mayor and City Council. As a next step, staff anticipates working with other City bureaus to develop scenarios that would impact only certain URAs for Mayor, City Council, and Board consideration.

ATTACHMENTS

- A. PowerPoint: Analysis of Early Defeasance of Urban Renewal Areas

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

REPORT NO. 13-17

ATTACHMENT A

ANALYSIS OF EARLY DEFEASANCE OF URBAN RENEWAL AREAS

Attachment A includes this cover page and contains 16 pages:

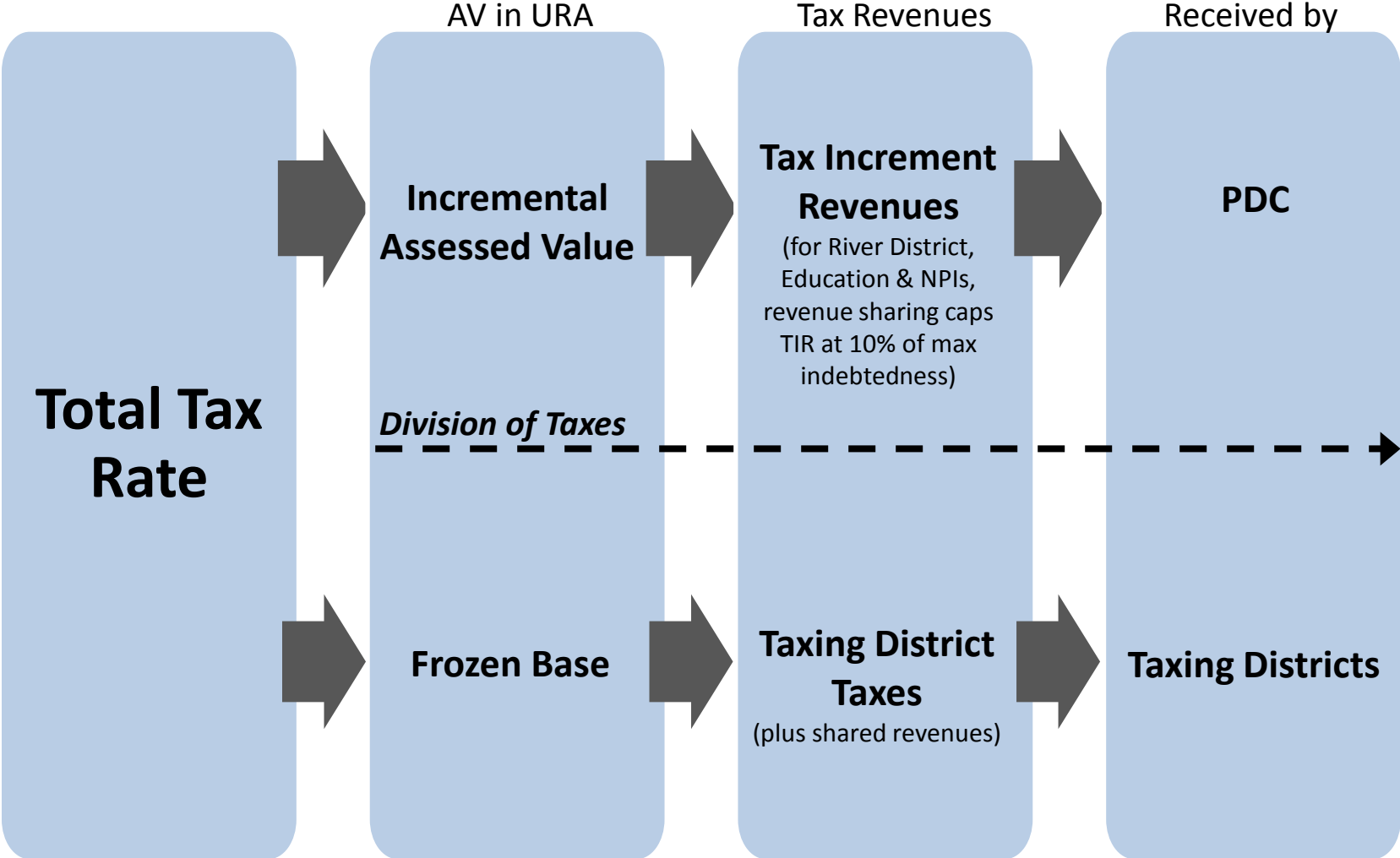
- PowerPoint: Analysis of Early Defeasance of Urban Renewal Areas

Analysis of Early Defeasance of Urban Renewal Areas

May 8, 2013



Urban Renewal Overview



Calculation of Tax Increment Revenues

TIR = Incremental AV x URA Consolidated Tax Rate/\$1,000

Summary of 2012-13 TIR for All URAs

Taxing Jurisdiction	Tax Rate per \$1,000 AV	TIR by Taxing Jurisdiction	% of Total
Permanent Rates	\$15.1806	\$68,586,968	70%
City	\$4.5770	\$20,804,146	21%
County	\$4.3434	\$19,736,152	20%
Metro	\$0.0966	\$415,285	0%
Port	\$0.0701	\$293,865	0%
PPS: State School Fund	\$4.7743	\$19,729,130	20%
PPS: Gap Levy	\$0.5038	\$1,886,859	2%
Other	\$0.8154	\$5,721,531	6%
Local Option Levies	\$5.0506	\$24,923,641	25%
City Children	\$0.4026	\$1,663,596	2%
FPDR	\$2.6080	\$11,847,775	12%
County (Hist Society & Library)	\$0.0500	\$3,903,274	4%
PPS	\$1.9900	\$7,508,996	8%
Bond Levies	\$1.0549	\$5,050,272	5%
City	\$0.2243	\$965,330	1%
County	\$0.1406	\$613,051	1%
Metro	\$0.3077	\$1,308,909	1%
Other	\$0.3823	\$2,162,982	2%
Taxes Imposed*	\$21.2861	\$98,560,881	

* Taxes Imposed = TIR net compression; FY 2012-13 compression for all URAs = \$13.4 M

Limits on URA Acreage

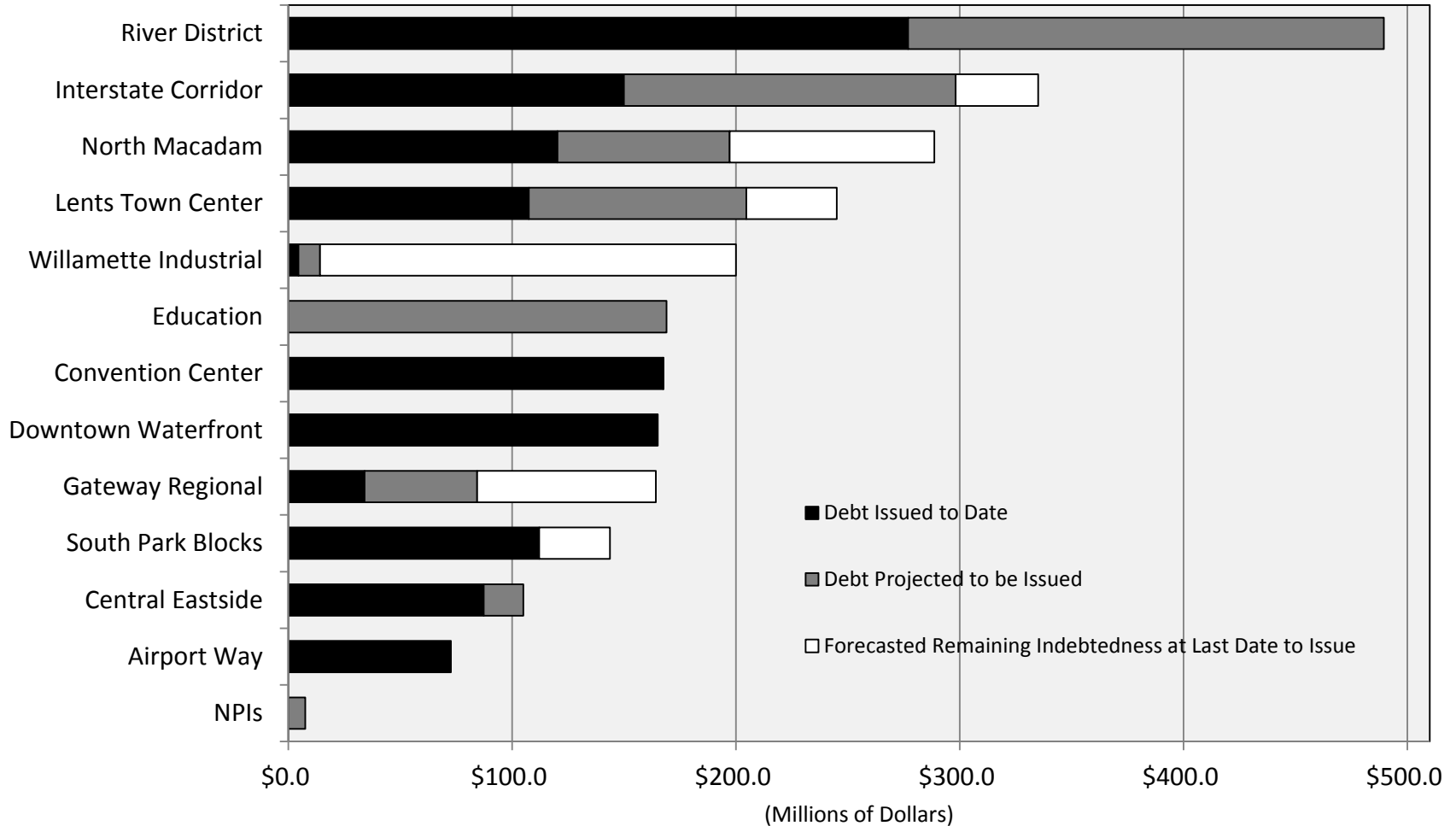
Urban Renewal Area	Acreage
Airport Way	1,841.4
Central Eastside	692.3
Downtown Waterfront	233.1
Gateway	658.5
Interstate Corridor	3,990.0
Lents Town Center	2,846.3
North Macadam	401.9
Oregon Convention Center	410.0
River District	351.2
South Park Blocks	97.9
Willamette Industrial	755.5
Education	144.0
NPIs	803.7
URA Total	13,225.8
URAs as % of City	14.2%
Maximum Allowed (%)	15.0%
Acres Remaining	700.1
Percent Remaining	0.8%

Types of Urban Renewal Debt

- Du Jour
 - Pay-as-you-go / cash-financed portion of URA
 - Over the life of a typical URA, half of debt issued is du jour
- Line of Credit borrowing
 - Used to fund projects in early years of URA and/or consolidate borrowing until issuing long-term bonds is cost-effective
- Long-term Bonds
 - Issued to retire line of credit balances and provide additional funding for specific project needs
 - Gateway, Willamette Industrial, Education and NPIs are only URAs that do not have outstanding long-term bonds

Maximum Indebtedness Summary

as of 3/31/2013



* Debt issued to date includes du jour, line of credit borrowing and long-term bonds.

Summary of Estimated Bond Repayment Dates

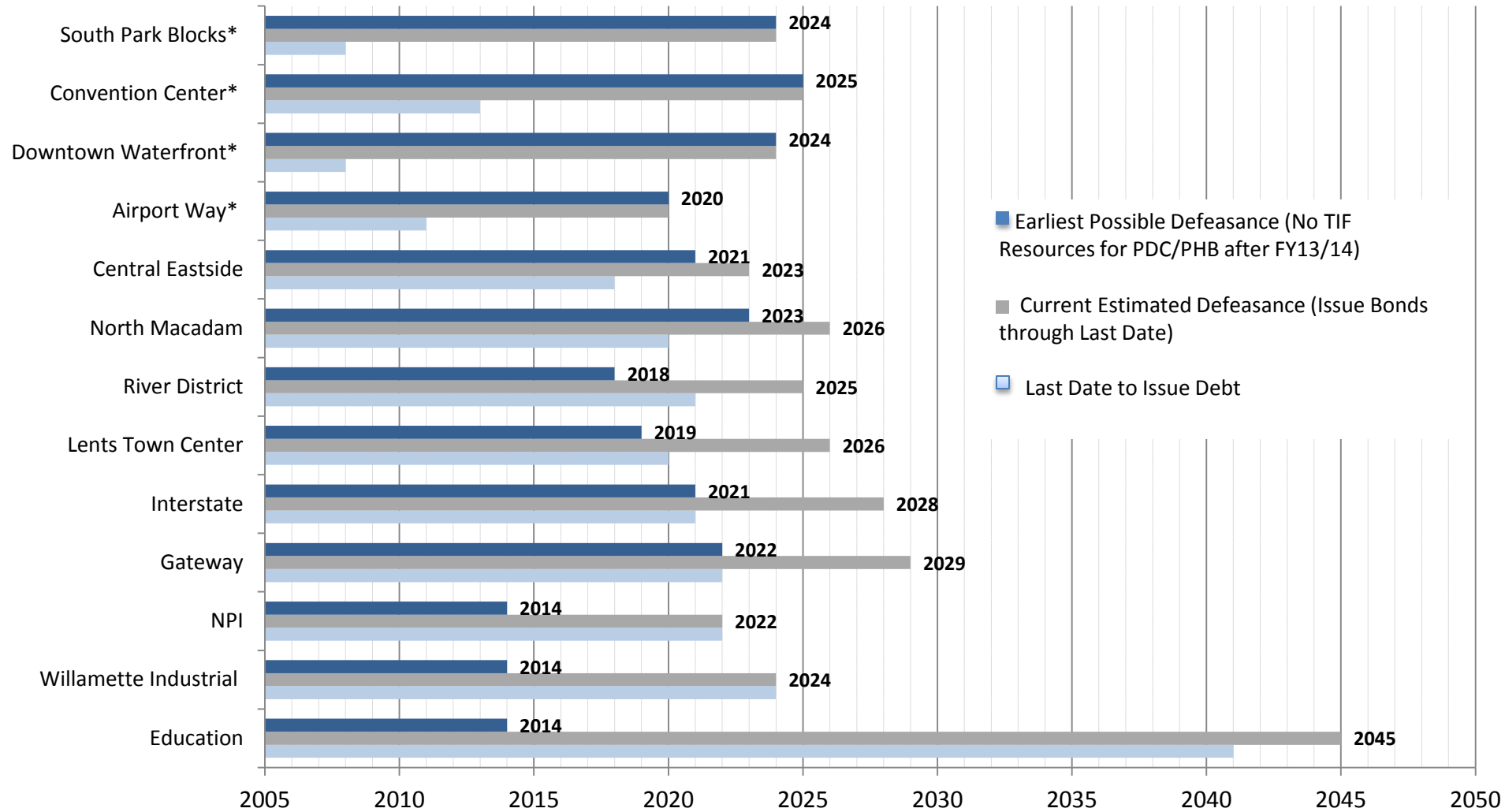
Bonds through Last Date vs. No More Debt Beginning in FY 2014-15

URA	Last Date to Issue Debt	Current Estimated Defeasance + (Issue Bonds through Last Date)	Earliest Possible Defeasance+ (No TIF Resources for PDC or PHB after FY 13-14)
Education	2041	2045	2014
Willamette Industrial	2024	2024	2014
NPI	2022	2022	2014
Gateway	2022	2029	2022
Interstate	2021	2028	2021
Lents Town Center	2020	2026	2019
River District	2021	2025	2018
North Macadam	2020	2026	2023
Central Eastside	2018	2023	2021
<i>Airport Way*</i>	<i>2011</i>	<i>2020</i>	<i>2020</i>
<i>Downtown Waterfront*</i>	<i>2008</i>	<i>2024</i>	<i>2024</i>
<i>Convention Center*</i>	<i>2013</i>	<i>2025</i>	<i>2025</i>
<i>South Park Blocks*</i>	<i>2008</i>	<i>2024</i>	<i>2024</i>

* No impact on Option 3 URAs; + Defeasance dates subject to change based on AV growth and bond market conditions

Summary of Estimated Bond Repayment Dates

Bonds through Last Date vs. No More Debt Beginning in FY 2014-15



Impact of Early Bond Repayment to Projects

- Reduced investment in projects & initiatives by URA
 - Affordable Housing & Support for Housing Non-Profits: **\$148M (total)**
 - River District: **\$111M**
 - Old Town/Chinatown (Kalberer Annex, Suey Sing & Casket buildings, Block 26)
 - Centennial Mills (redevelopment or demolition)
 - North Macadam: **\$27M+**
 - Zidell Property Build-out*
 - Interstate, Gateway and Lents: **\$98M**
 - Killingsworth, Lombard & Halsey-Weidler commercial corridor improvements
 - Gateway Transit Center
 - Storefronts grants and loans to small businesses
 - Neighborhood Prosperity Initiative: **\$6M**
 - Central Eastside: **\$8M**
 - Station Area Planning & Development
 - Education: **\$122M**
 - Multnomah County Human Services Building
 - PSU Expansion/Research Facility
 - PPS Goose Hollow Site

* Could increase resources in North Macadam through PDC by as much as \$55M; through PHB by as much as \$24M.

Impact to PDC & PHB Operations

PDC

	2013-14	2014-15	2015-16	2016-17	2017-18
Current Projected Staffing & Admin. Costs					
PDC Staffing and Overhead	20,560,745	16,819,969	16,860,860	16,669,336	16,993,274
<i>PDC Projected FTE</i>	122	95	95	95	95
% Change from FY 2013-14		(18.2%)	(18.0%)	(18.9%)	(17.4%)
End Debt Issuance in All URAs starting FY14-15					
PDC Staffing and Overhead	20,560,745	3,657,658	2,568,477	2,239,674	2,701,852
<i>PDC Projected FTE</i>	122	21	14	13	15
% Change from FY 2013-14		(82.2%)	(87.5%)	(89.1%)	(86.9%)

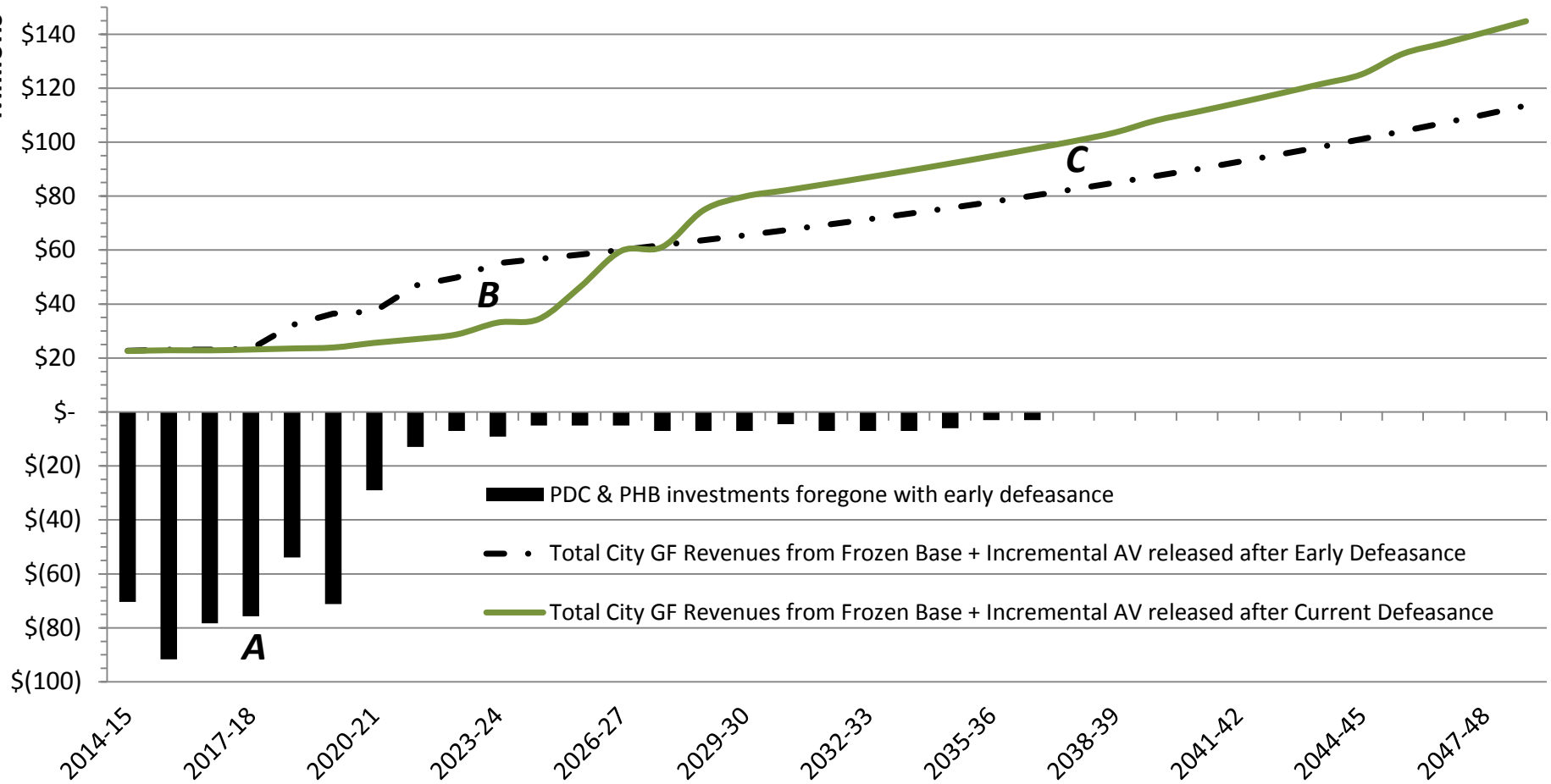
PHB*

	2013-14	2014-15	2015-16	2016-17	2017-18
Current Projected Staffing & Admin. Costs					
PHB Staffing and Overhead	4,141,418	4,394,783	4,364,780	4,352,390	4,339,465
<i>PHB Projected FTE</i>	21	21	21	21	21
% Change from FY 2013-14		6.1%	5.4%	5.1%	4.8%
End Debt Issuance in All URAs starting FY14-15					
PHB Staffing and Overhead	4,141,418	0	0	0	0
<i>PHB Projected FTE</i>	21	0	0	0	0
% Change from FY 2013-14		(100.0%)	(100.0%)	(100.0%)	(100.0%)

*Impact to PHB reflects only staff and overhead funded by TIF.

Impact of Early Bond Repayment to City General Fund

All URAs (excluding Option 3)



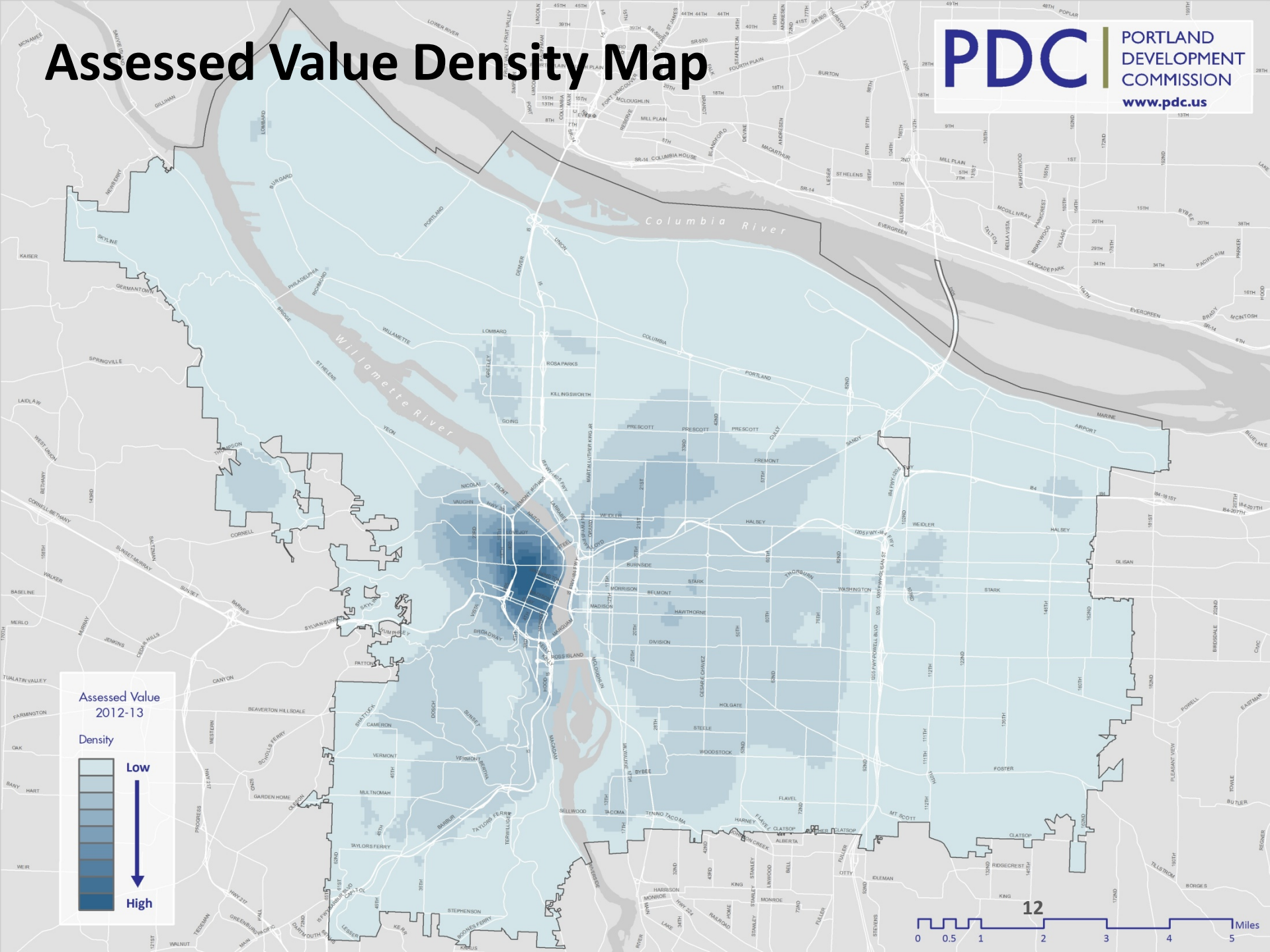
A: PDC & PHB investments foregone = \$591M (PV = \$507M*)

B: Early bond repayment & foregone new taxable AV from PDC investments increases City GF revenues by \$132M for 10 yrs starting in FY18-19 (PV=\$102M)*

C: Early bond repayment & foregone new taxable AV from PDC investments decreases City GF revenues by \$428M for 20 yrs starting in FY28-29 (PV=\$198M)*

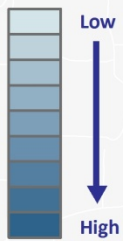
* PV assumes 3% discount rate; Current def. assumes 1/2 of investments (net PHB & indirect; apply commercial CPR; 6:1 leverage) produces new taxable AV in 2 yrs

Assessed Value Density Map



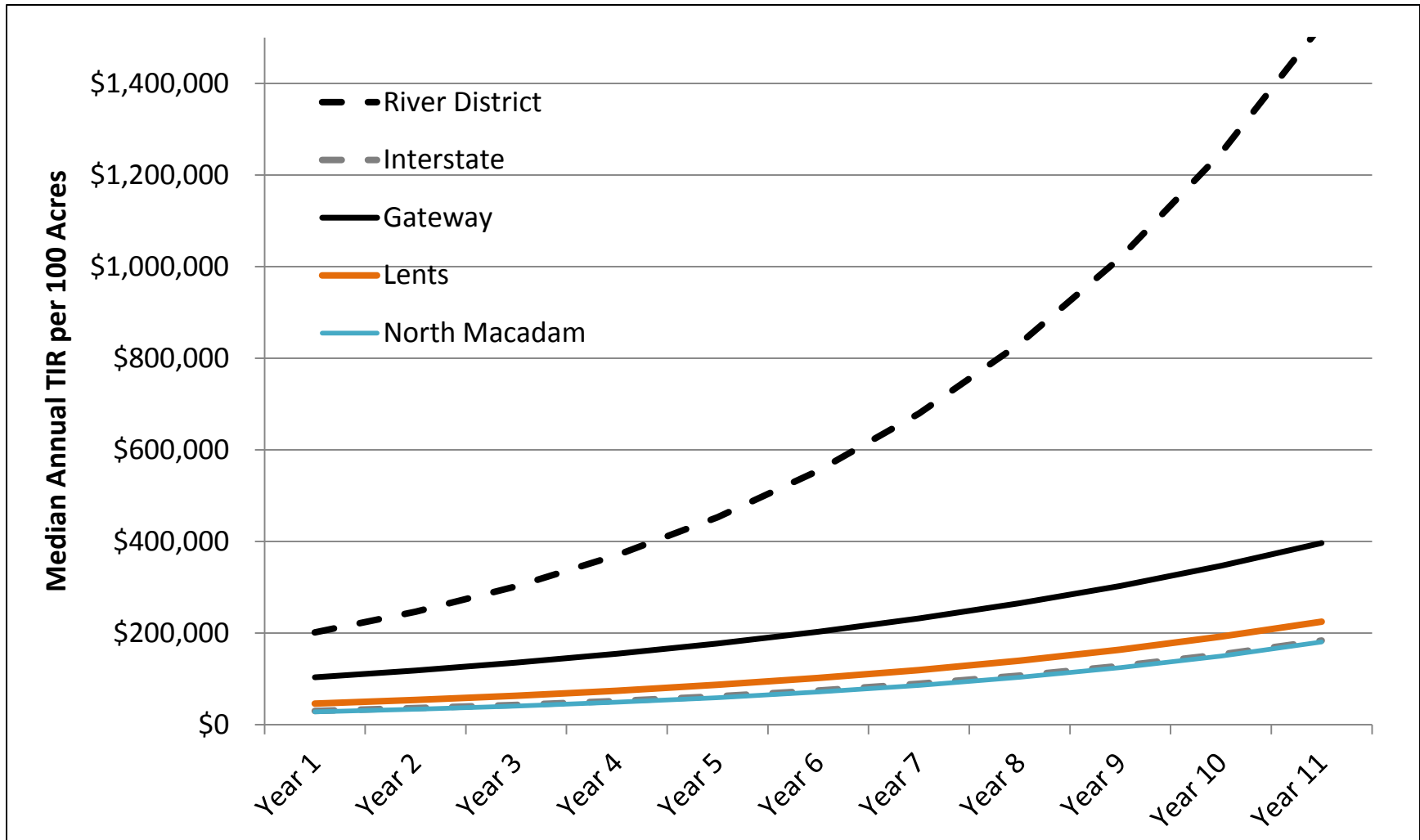
Assessed Value
2012-13

Density



Growth Trends of Tax Increment Revenues

(URA Inception through Year 11)



*Approx. median TIR/100 acres in Year 5: River District = \$500k; Gateway = \$200k; Lents = \$100k

Growth Trends of Tax Incremental Revenues (cont.)

- Takes several years before incremental AV growth produces significant revenues
- Tax increment revenue (TIR) varies widely based on URA
- Recent changes to ORS 457 reduce TIR
 - Revenue Sharing
 - HB 2632, if passed, will exclude local option levies from urban renewal taxes

Questions?

