

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7154

AUTHORIZING AN INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF PORTLAND TO PROVIDE GENERAL FUND-SECURED INTERIM FINANCING FOR RIVER DISTRICT PUBLIC IMPROVEMENT PROJECTS

WHEREAS, the Portland Development Commission (“PDC”) Board of Commissioners (“Board”) and Portland City Council (“City Council”) have adopted the Broadway Corridor Framework Plan (“Framework Plan”), guiding PDC activities, investments, and projects in the River District Urban Renewal Area (“URA”);

WHEREAS, a key component of the Framework Plan is acquisition and redevelopment of the United States Postal Service Processing and Distribution Center (“P&DC Site”) at 715 NW Hoyt Street, which has long been contemplated by PDC and the City of Portland (“City”) as a significant opportunity to create employment, residential, and public amenities at a key site in the Central City;

WHEREAS, acquisition of the P&DC Site is not included in the existing PDC Five-Year Forecast for the River District URA. If the costs of acquiring and redeveloping the P&DC Site are added to the other PDC project priorities shown in that Five-Year Forecast, the costs will exceed PDC’s resources, including short- and long-term tax increment bond proceeds and program income, creating temporary cash flow constraints that would preclude moving forward with other public projects;

WHEREAS, PDC desires City financial support to assist in completing certain project priorities within the River District URA;

WHEREAS, on October 14, 2015, through Resolution No. 7149 the PDC Board requested City Council to issue bonds for public improvement projects associated with the River District URA;

WHEREAS, on November 5, 2015, through Ordinance No. 1160 City Council authorized \$45,000,000 of financing for the costs of carrying out the urban renewal plan for the River District URA, and through Ordinance No. 1159 approved execution of an intergovernmental agreement (“IGA”) with PDC to provide general fund-secured interim financing for River District URA public improvement projects;

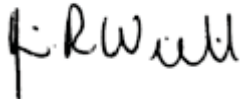
WHEREAS, PDC plans to sell the P&DC Site during the first phase of development activity, currently expected in fiscal year 2021-22, to provide sufficient resources to fully repay the interim financing provided by the City and has agreed to provide to the City a first claim on sale proceeds until the outstanding balance of the interim financing and any bonds issued to refinance the interim financing are paid in full; and

WHEREAS, PDC and the City Office of Management and Finance (“OMF”) desire to enter into an IGA that will establish terms and conditions by which the City will provide interim financing secured by its full faith and credit to allow PDC to undertake the P&DC Site acquisition and redevelopment as well as other project commitments.

NOW, THEREFORE, BE IT RESOLVED, that the PDC Board hereby authorizes the Executive Director to execute an IGA with the City’s Office of Management and Finance in a form substantially similar to the draft agreement attached as Exhibit A; and

BE IT FURTHER RESOLVED, that this resolution shall become effective immediately upon its adoption.

Adopted by the Portland Development Commission on November 18, 2015

A handwritten signature in black ink, appearing to read "Gina Wiedrick". The signature is written in a cursive, flowing style.

Gina Wiedrick, Recording Secretary

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7154

EXHIBIT A

**AUTHORIZING AN INTERGOVERNMENTAL AGREEMENT WITH THE CITY
OF PORTLAND TO PROVIDE GENERAL FUND-SECURED INTERIM
FINANCING FOR RIVER DISTRICT PUBLIC IMPROVEMENT PROJECTS**

Exhibit A includes this cover page and contains 11 pages:

- Intergovernmental Agreement between Portland Development Commission and the City of Portland, Oregon for River District Urban Renewal Area Support

INTERGOVERNMENTAL AGREEMENT
Between
Portland Development Commission
And the
City of Portland, Oregon
For
River District Urban Renewal Area Support

This Intergovernmental Agreement (this “Agreement”), dated this _____ day of _____, 20 __, (“Effective Date”) is made and entered into by and between the **City of Portland acting through its Office of Management and Finance, Bureau of Revenue and Financial Services (“OMF”)** and the **Portland Development Commission (“PDC”)**.

RECITALS

1. PDC, as the duly-designated Urban Renewal agency of the City of Portland, is granted broad powers under ORS 457.170 for the planning and implementation of urban renewal projects.
2. OMF, through its Bureau of Revenue and Financial Services, Public Finance & Treasury Division, is responsible for managing the City’s debt obligations, including those issued on behalf of PDC.
3. The PDC Board of Commissioners and the City Council have authorized PDC to undertake the Broadway Corridor Framework Plan (“Framework Plan”). A key component of the Framework Plan is acquisition of the current site of the Processing and Distribution Center owned by the United States Postal Service (“Post Office Property”) for redevelopment. Redevelopment plans call for a high density mix of uses, including both employment and residential uses and investments in public infrastructure such as parks and multi-modal streets (“Post Office Project”).
4. The Post Office Project is not included in the existing PDC Five-Year Forecast for River District. If the costs of completing the Post Office Project are added to the other PDC project priorities shown in that forecast, the costs will exceed PDC’s resources, including short- and long-term tax increment bond proceeds and program income that are shown in that forecast, creating temporary cash flow constraints that would preclude moving forward with other public projects already anticipated in the current forecast.
5. PDC desires City financial support to assist in completing certain project priorities within the River District Urban Renewal Area (“URA”).
6. PDC and OMF desire to enter into an agreement that will establish terms and conditions by which one party will engage and compensate the other party for performing specific services.

Now therefore, in consideration of the mutual promises, conditions and covenants contained herein, the Parties hereby incorporate the above Recitals and agree as follows:

AGREEMENT

I. FINANCING SUPPORT FOR RIVER DISTRICT URA

A. Post Office Project Plan of Finance

1. The City Council and PDC Board of Commissioners have agreed on a plan of finance to allow PDC to undertake the Post Office Project and other project priorities. The plan utilizes traditional tax increment financing and financing secured by the City's General Fund that will be paid from PDC's River District program income, including amounts received from the sale of the Post Office Property. Expected sources and uses of funds are documented in Exhibit A.
2. The City Council has authorized interim financing secured by both the City's General Fund and tax increment revenues ("Tax Increment Financing"), but which ultimately will be repaid with the proceeds of long term bonds secured only by the tax increment revenues ("Tax Increment Bonds") of the River District URA.
3. The Tax Increment Financing will be used by PDC to undertake acquisition and redevelopment of the Post Office Property and certain other projects such as affordable housing, the Old Town/Chinatown Action Plan, and a portion of the Multnomah County health building. While General Fund-backed Tax Increment Financing is outstanding, projects receiving that financing must be owned by the City, PDC, or another public entity, and may not be sold to a private entity.
4. The City Council has authorized the City to provide interim financing secured by the City's General Fund ("Interim Financing") that is expected to be repaid from PDC's River District program income. This Interim Financing will bridge the project funding deficit in the River District until the Post Office Property can be sold to repay the City's Interim Financing.
5. All proceeds of the Interim Financing must be used specifically for public projects and may not be sold to any private entity except as provided in Section D.2.c.
6. Acquisition of the Post Office Property is expected to be completed in FY 2017-18 with Tax Increment Financing. PDC plans to sell certain Post Office Property during in the first phase of development activity, currently expected in FY 2021-22, to provide sufficient resources to fully repay the Interim Financing provided by the City.

B. City Responsibilities and Obligations

1. The City agrees to provide Interim Financing for certain infrastructure projects in the River District URA ("City Funded Projects") in an amount not to exceed \$45,000,000, which will consist of the projects shown in Table A.3 of Exhibit A. However, PDC may only access \$40,000,000 of Interim Financing until it

demonstrates to the City's satisfaction that sufficient funds are available to repay amounts greater than \$40,000,000, which in no event will exceed \$45,000,000. No additional projects shall be included for funding without the City's written consent.

2. The City expects to issue its Interim Financing in the form of a line of credit with a commercial bank with a draw period corresponding to the planned expenditures for City Funded Projects.
 - a) The draw period will be the shorter of five years from the execution date of the Interim Financing, or the bank limitations on the term for the Interim Financing.
 - b) Expenditures funded with Interim Financing must be made no later than December 30, 2020.
 - c) In order to maximize resources for River District urban renewal projects, Interim Financing will be structured with interest-only payments until the expected repayment date at maturity.
 - d) The City will have sole discretion to determine specific terms of the Interim Financing, but will work collaboratively with PDC to ensure project needs are addressed to the extent feasible.
3. If proceeds from the sale of Post Office Property have not been realized by PDC by the expiration date of the Interim Financing, the City expects to issue longer, General Fund-backed term bonds ("Takeout Financing") to repay the Interim Financing.
 - a) The Takeout Financing will be structured in a manner that provides time for PDC to sell the Post Office Property, in whole or in part, in amounts sufficient to pay off the principal amount of the Takeout Financing plus accrued interest.
 - b) The Takeout Financing is expected to have a term of no greater than ten years. PDC and the City will consult with each other prior to the maturity of the Interim Financing to determine the status of the Post Office Project and appropriate structure of the Takeout Financing.
 - c) Terms of the Takeout Financing will recognize the City's desire to free up General Fund debt capacity as soon as practical. Minimizing the term of loan, amortizing principal if practical, or other provisions may be structured into the Takeout Financing at the City's discretion.
 - d) Recognizing the uncertainty of when the Post Office Property will be sold, the City expects to consider the feasibility of flexible bond prepayment terms, including early redemption provisions.
 - e) The Takeout Financing is expected to be repaid, first, from PDC River District program income, including sale proceeds of the Post Office Property and other program income; second, from released taxable bond

proceeds held in River District bond debt service reserves if included in the financing plan; and third, if necessary, with General Fund revenues.

- f) OMF will work with the City Budget Office (“CBO”) and the City Council to establish a budgetary appropriation of General Fund revenue if such revenue is needed to repay Interim Financing or Takeout Financing.

C. Security for City Financing

1. The City shall have a first claim on the sale proceeds of the Post Office Property or other revenues generated by the Post Office Property to repay the Interim Financing and the Takeout Financing, regardless of phasing or timing of Post Office Property sales, until such time that these financing obligations have been fully repaid. PDC shall record such payment claims and obligations as appropriate in its Comprehensive Annual Financial Report.
2. PDC shall strive to have infrastructure and other improvements completed on at least one parcel of Post Office Property so that the improved parcel can be sold at the highest market price to fully repay the Interim Financing or Takeout Financing obligation no later than June 30, 2022 (“Sale Deadline”). PDC shall provide copies of the commercial appraisal, purchase and sale or other transactional agreement to the City related to the parcel proposed for sale or conveyance.
3. PDC shall keep the City informed of its efforts to improve and sell the Post Office Property. Any changes to the anticipated amount of proceeds, format, and timing of the disposition of the Post Office Property by the Sale Deadline shall be subject to review and approval of the City.
4. PDC shall make a good faith effort to complete the sale of Post Office Property by the Sale Deadline, including undertaking timely improvements and actively marketing such improved parcels as may be necessary to obtain sale proceeds sufficient to fully repay the Interim Financing. PDC shall not take actions, or fail to take actions, that unreasonably delay the sale of Post Office Property.
5. No later than February 1, 2021, PDC and the City will assess whether the full amount of remaining maximum indebtedness capacity is needed to complete projects paid with Tax Increment Financing. If PDC and the City agree that the remaining maximum indebtedness capacity exceeds project commitments and amounts needed to fund debt service reserves and issue costs of Tax Increment Bonds, then the City will issue Tax Increment Bonds in an amount which fully utilizes the maximum indebtedness. Proceeds in excess of amounts needed to repay Tax Increment Financing, debt service reserves, and issuance costs will be used to repay Interim Financing.
6. PDC may request an extension to the Sale Deadline due to market or economic conditions or other factors. The request for extension will include relevant information to support the request such as, but not limited to, efforts to sell, objective market or economic information and other relevant documents. An extension to the Sale Deadline must be approved by the City in writing.

7. In addition to the first claim on sale proceeds from the Post Office Property described in C.1 above, PDC agrees to give the City a first claim on all unrestricted program income of the River District, as shown in Exhibit B, which will be dedicated to pay interest and other financing costs (e.g., unused commitment fee) of the Interim Financing and the Takeout Financing.
8. Unless otherwise agreed to by the City and PDC in writing, PDC River District URA program income fund balances shall be maintained at a level sufficient to pay interest, assuming a 5.0% interest rate but subject to market conditions if a higher rate is indicated, on the full commitment of the Interim Financing or Takeout Financing until the Interim Financing and any Takeout Financing are paid, or until proceeds of the Post Office Property sale are sufficient to repay the City obligation.
9. If City General Fund resources are used at any time to pay Interim Financing or Takeout Financing, PDC will reimburse the City with Post Office Property sale proceeds, other program income, or other PDC resources as soon as practical, with interest based on the City's daily pooled investment rate as determined by the City Treasurer, plus an additional 100 basis points (1.00%).

D. PDC Responsibility & Obligations

1. PDC will retain responsibility for completing the Post Office Project and City Funded Projects. City Funded Projects must be completed by PDC no later than February 1, 2021. Any City Funded Project expenditure overruns shall be the responsibility of PDC.
2. PDC will comply with the following project funding restrictions:
 - a) City Funded Projects must be for infrastructure that does not specially benefit private parties or trigger lending of credit issues.
 - b) City Funded Projects must be eligible for tax increment financing and also qualify for tax-exempt financing throughout the time period when Interim Financing and Takeout Financing are outstanding.
 - c) While Interim Financing or Takeout Financing is outstanding PDC may not sell any City Funded Project or make any other transfer of an interest in that project to a private party unless: (i) the project is sold for a cash payment of not less than the project's fair market value, the sale price is paid before the private party acquires rights as an owner of the project, and the proceeds of the sale are transferred to the City to repay the Interim Financing no later than 30 days after the sale occurs, or (ii) the City obtains an opinion of its bond counsel that the proposed sale or transfer will not cause a prohibited lending of credit. PDC will promptly notify the City of any such proposed sale or transfer so that bond counsel may be consulted before PDC is committed to make the proposed sale or transfer.

3. Prior to undertaking projects expected to be funded with proceeds of Tax Increment Financing that will involve private participation, PDC shall inform the City so that bond counsel may be consulted regarding the use of proceeds.
4. Loan proceeds shall be disbursed by the City to PDC on an expense reimbursement basis (as is the current practice for tax increment-secured lines of credit). PDC shall request loan proceeds in accordance with the City's then-current Tax Compliance Procedures.
5. So long as Interim Financing or Takeout Financing is outstanding, PDC shall not:
 - a) Take actions that will reduce or restrict sources of program income that secures PDC's repayment obligations unless agreed to by the City in writing.
 - b) Create covenants, restrictions or encumbrances on the use of the Post Office Property, except for a commitment to affordable housing described in the memorandum entitled "PDC-PHB USPS Affordable Housing," dated October 23, 2015, that will further reduce PDC's ability to gain the highest market value unless agreed to by the City in writing.
6. PDC agrees that the City will direct the use of the tax increment bond-funded debt service reserves if excess cash in the River District Urban Renewal Area Debt Redemption Fund ("Tax Increment Fund") is sufficient to replace these reserves.
 - a) If cash in the River District Tax Increment Fund is sufficient to replace tax-exempt bond proceeds used for River District urban renewal bond debt service reserve funds, proceeds from these tax exempt bond reserves will be rededicated to fund City Funded Projects to reduce the City's Interim Financing commitment. Debt service reserves in the amount of \$1,088,663 associated with the River District Urban Renewal and Redevelopment Bonds, 2012 Series C are specifically excluded from this provision.
 - b) If cash in the River District Tax Increment Fund is sufficient to replace taxable bond proceeds in debt service reserve funds securing River District taxable bonds, at the City's discretion, proceeds from these taxable bond reserves may be rededicated to fund City Funded Projects to reduce the City's Interim Financing commitment, or they may be used to repay the Takeout Financing if the sale of Post Office Property is delayed. PDC and the City will agree on the use of these proceeds prior to executing the Interim Financing.
7. PDC will comply with the following reporting requirements:
 - a) Quarterly reports on progress on the Post Office Project, including milestones, completion dates, delays, cost overruns;
 - b) Change in use/sale of City Funded Projects; and
 - c) Quarterly report on River District program income, including fund balance, and more frequent reports at the request of the City.
8. Repayment of Interim Financing and Takeout Financing

- a) PDC will take all budgetary actions needed to ensure payment of debt service or reimbursements to the City.
- b) In order to make timely payments of principal, interest and other payment due on Interim Financing and Takeout Financing, PDC authorizes the City to deduct funds from PDC's cash holdings fund in accordance with the following process. Five Business Days before the City is required to make any principal, interest, or other payment due on its Interim Financing or Takeout Financing, the City will notify PDC, via email or other acceptable method, of the amount due and provide a copy of the invoice or other documentation demonstrating the amount due. Within three business days of the notification, PDC will confirm that sufficient River District program income is available and provide acknowledgment to the City that the amount due will be deducted from PDC's cash holdings fund. On the payment due date, the City will deduct funds from the PDC cash holdings fund, provide documentation to PDC of the deduction, and make the payment on the Interim Financing or Takeout Financing. PDC shall ensure that the resources deducted from the cash holdings account are appropriately recorded with PDC.
- c) In the event PDC fails to timely make funds available to the City to pay all payments due on the Interim Financing or Takeout Financing, the City will make those payments from City funds, and PDC shall reimburse the City for such payments, together with interest at the City's daily pooled investment rate as determined by the City Treasurer, plus an additional 100 basis points (1.00%).

II. GENERAL

A. IGA Managers.

1. Chief Financial Officer Ken Rust, or his designee, will be the City's IGA Manager. The City Debt Manager or designee will be the City project manager for day to day tasks related to this Agreement. Executive Director Patrick Quinton, or his designee, will be the PDC IGA Manager. The PDC Budget Officer or designee will be the PDC project manager for day to day tasks related to this Agreement.
2. If either IGA Manager is not performing or is not able to continue performing the responsibilities designated in this Agreement, then the respective Party shall designate a replacement IGA Manager.
3. IGA Managers will confer at least quarterly to review funding needs and identify desired changes, if any.

B. Termination.

1. This Agreement will remain in effect until PDC has completed the City Funded Projects and PDC has paid or reimbursed the City for all payments related to the Tax Increment Financing, Tax Increment Bonds, Interim Financing, Takeout

Financing, and any other amounts PDC is required to pay to the City under this Agreement.

2. PDC may terminate this Agreement at any time by paying to the City all amounts specified in subsection B.1 of this section..
3. If PDC fails to acquire the Post Office Property by June 30, 2018, the City shall immediately cease disbursements to PDC from the Interim Financing and there will be no further obligation of the City to fund City Funded Projects in the River District unless an extension is agreed to in writing by the City. PDC shall continue to make interest payments on the Interim Financing until such time that Tax Increment Bonds are issued, proceeds of which will be used to repay the outstanding principal of Interim Financing.

C. Change and Conflict Resolution.

1. Every effort has been made to accurately identify the scope, schedule and budget for the anticipated River District URA support. The parties recognize that events and conditions may arise that significantly impact economic development in the URA and City economic forecast and budget. Should either party identify or foresee such a circumstance, both parties agree to the following:
 - a) As soon as practicable, notify both the IGA manager of the other party in writing of the circumstance, its origin and anticipated or confirmed impact.
 - b) Both project managers shall make reasonable efforts to meet within 14 days to identify anticipated or confirmed affects to the IGA.
 - c) Both parties shall work cooperatively to make any necessary and appropriate revisions to this IGA.
2. If a dispute arises regarding any terms and conditions of this Agreement, all parties agree to exercise good faith in expeditiously resolving said conflict in the following manner.
 - a) All conflicts should first be discussed and resolved if at all possible by the IGA managers.
 - b) If the conflict cannot be resolved by the IGA managers, or involves one of the IGA managers, then the conflict should be elevated to the supervisors of the IGA managers for discussion and resolution, and thereafter to the IGA signatories for discussion and resolution.

D. Compliance with Laws. In connection with its activities under this Agreement, the parties shall comply with all applicable federal, state and local laws and regulations.

E. Indemnification. Subject to the limits of the Oregon Tort Claims Act and Oregon Constitution, PDC agrees to indemnify, hold harmless and defend, the City and its directors, officers, employees and agents from and against all claims, suits, actions of whatsoever nature, damages or losses, and all expenses and costs incidental to the investigation and defense thereof including reasonable attorneys' fees, resulting from

or arising out of the activities of PDC, its officers, employees or agents under this Agreement.

F. Maintenance of Records. Each Party shall maintain records on a current basis in accordance with State public records retention laws and the retention schedules set forth by the City Auditor. Each Party may inspect, audit and copy, on reasonable notice and from time to time, any records of the other Party related to projects and funding identified in this IGA.

G. Funding Acknowledgement / Signage.

1. Any oral reports made to neighborhood, business, or other civic organizations, as well as to any members of the press shall acknowledge work being done is based on a partnership between the City, OMF and the Portland Development Commission and, if appropriate, financed by “Broadway Corridor Framework Plan Implementation.”
2. Any project signage at a project shall similarly acknowledge the City funding support. The sign shall remain in place until construction is complete.

III. AMENDMENTS

Except as otherwise provided for in this Agreement, OMF or PDC may amend this Agreement only in writing signed by the contract signatories.

IV. MERGER CLAUSE

This Agreement contains the entire agreement between PDC and OMF. It supersedes all prior written or oral discussions or agreements concerning work to be performed by either party.

[Signature page to follow]

IN WITNESS WHEREOF, OMF and PDC have executed this Agreement as of the Effective Date.

**CITY OF PORTLAND, OFFICE OF
MANAGEMENT AND FINANCE**

**PORTLAND DEVELOPMENT
COMMISSION**

Kenneth L. Rust, Director of the Bureau
of Revenue and Financial Services and
Chief Financial Officer

Patrick Quinton, Executive Director

Date

Date

APPROVED AS TO FORM:

APPROVED AS TO FORM:

City Attorney

Legal Counsel

RESOLUTION NO. 7154

RESOLUTION TITLE:

AUTHORIZING AN INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF PORTLAND TO PROVIDE GENERAL FUND-SECURED INTERIM FINANCING FOR RIVER DISTRICT PUBLIC IMPROVEMENT PROJECTS

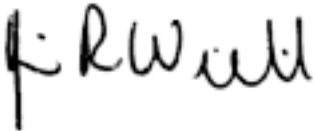
Adopted by the Portland Development Commission on November 18, 2015

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Tom Kelly	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Gustavo Cruz, Jr.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Aneshka Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Mark Edlen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner William Myers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

CERTIFICATION

The undersigned hereby certifies that:

The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and as duly recorded in the official minutes of the meeting.

	<p>Date:</p> <p>November 20, 2015</p>
<p>Gina Wiedrick, Recording Secretary</p>	