

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: May 14, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number No. 08-60
South Park Blocks Urban Renewal Area Bonds Authorization

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6581

ACTION SUMMARY

This action will initiate a request that the City of Portland (City) issue South Park Blocks Urban Renewal and Redevelopment Bonds (Bonds) under the authority of Article IX, Section 1c of the Oregon Constitution, Oregon Revised Statutes and the City Charter. Issuance of the Bonds will enable the Portland Development Commission (Commission) to finance the current and proposed costs of carrying out the City's urban renewal plans, to repay the existing line of credit and to refund all or a portion of the City's outstanding South Park Blocks Urban Renewal and Redevelopment Bonds.

The last date to issue "new money" bonds under the urban renewal plan (Plan) for the South Park Blocks Urban Renewal Area (Area) is July 23, 2008. Proceeds of the Bonds are expected to include "new money" to finance capital improvements for the Area based on City Council (Council) and Commission direction considering the Urban Renewal Advisory Group (URAG) recommendations. In addition, the issue will be sized to include sufficient proceeds to repay principal and interest on an existing line of credit, to fund a debt service reserve, and to pay the costs of issuance. The Bonds will be issued as parity indebtedness with other outstanding senior lien urban renewal and redevelopment bonds for the Area in conformance with all City covenants related to those bonds.

Section 15-106 of the Charter of the City authorizes the Council, upon request of the Commission, to issue bonds that are payable from the urban renewal tax revenues of the City's urban renewal areas, and authorizes the Commission, with the concurrence of the Council, to pledge those urban renewal tax revenues to pay those bonds. Commission staff anticipates that an ordinance authorizing issuance of the bonds will be approved by the Council in May 2008.

PUBLIC BENEFIT

This action will benefit the public by supporting the following Commission goals for the Area:

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

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This action will allow staff to continue the work outlined in the adopted South Park Blocks Urban Renewal Plan.

FINANCIAL IMPACT

Debt service costs are expected to be paid from urban renewal tax revenues of the Area. Current urban renewal tax revenue projections show that urban renewal tax revenues will be generated by the Area in amounts sufficient to service the debt service requirements on the Bonds. Bonds issued in the Area will provide “new” resources and repay outstanding principal on existing debt. The bond issuance was originally contemplated in the FY 2007-08 Revised Budget. The bond issuance will, however, be moved to the Proposed FY 2008-09 Budget to reflect the current schedule which anticipates closing the bonds in July 2008.

RISK ASSESSMENT

While the final amount of the issue will not be determined until closer to the sale date of the 2008 Bonds, annual debt service will not exceed an amount which, when added to debt service on outstanding Area bonds is equal to the Area’s fixed divide the taxes revenues and planned allocation of the Special Levy.

WORK LOAD IMPACT

No additional work load impacts are anticipated.

ALTERNATIVE ACTIONS

The Board could delay its recommendation to issue bonds for the Area; however, the last date to issue new money bonded indebtedness under the Plan is July 23, 2008. Authorization at this time will allow staff sufficient time to work with the City’s Office of Management and Finance (OMF) staff to prepare for a late June 2008 bond sale.

CONCURRENCE

The decision to issue the Bonds is supported by OMF and the South Park Blocks Urban Renewal Area Managers; is included in the proposed 2008-09 Proposed Budget and is consistent with URAG Recommendations.

BACKGROUND

Pursuant to Section 15 -106 of the City Charter, the Board initiates the process for issuance of urban renewal and redevelopment bonds by adopting a resolution which requests the City to issue the bonds. The bonds may only be issued when the Council adopts an ordinance authorizing the bonds. The Council is scheduled to consider an ordinance authorizing the Bonds in May 2008.

The last date to issue new money bonded indebtedness under the Plan for the Area is July 23, 2008. The timing for seeking authorization to issue long-term urban renewal and redevelopment bonds allows sufficient time for OMF and Commission Finance staff to prepare for a late June 2008 bond sale.

The City has previously executed a line of credit to provide interim financing for projects carried out under the Area's Plan. Approval of the proposed Resolution requesting the City to issue the Bonds is recommended in order to finance the current and proposed costs of carrying out the City's urban renewal plans and to repay the existing line of credit and to refund all or a portion of the City's Outstanding South Park Blocks Urban Renewal Redevelopment Bonds to achieve debt service savings or a favorable reorganization of the permanent debt structure..

The Commission appointed an Urban Renewal Advisory Group (URAG) to follow up on the 2004 Central City Urban Renewal Area Study; to provide recommendations on the transfer of parts of the Area into the River District Urban Renewal Area; and to provide recommendations to assist the Commission and Council to prioritize competing priorities within the downtown urban renewal areas.

The URAG held its final meeting in March 2008 and recommended that (a) the last date to issue "new money" bonded indebtedness for the Area should not be extended beyond July 2008; and (b) the 2008 bonds should be issued in an amount which, together with all other outstanding bonded indebtedness of the Area, can be paid from the tax increment revenues that are expected to be received from the Area by the end of fiscal year 2023-24.

Consistent with URAG recommendations, the Bonds will be issued in an amount sufficient to repay the existing line of credit, to fund a debt service reserve, to pay costs of issuance, to include "new money" to cover proposed costs of carrying out the City's Plan for the Area and, to refund all or a portion of the City's Outstanding South Park Blocks Urban Renewal and Redevelopment Bonds to achieve debt service savings or a favorable reorganization of the permanent debt structure.

Further, the interest rate environment is favorable, and urban renewal tax revenues securing the proposed Bonds are expected to provide adequate debt service coverage over the life of the Bonds.

CC: J. Cody, Interim Central Services Director
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