

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: October 14, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-121
Request the City of Portland City Council to Issue Bonds Payable from the River District Urban Renewal Area

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6744

ACTION SUMMARY

The proposed Resolution requests the City of Portland City Council to issue bonds payable from the River District Urban Renewal Area tax increment revenues to finance the Resource Access Center and authorizes pledging revenues from that area to those bonds and provides for related matters.

PUBLIC BENEFIT

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

The Resource Access Center is included in the Amended and Restated River District Urban Renewal Plan adopted by City Council on June 24, 2009 and the Amended and Restated River District Urban Renewal Plan Second Amendment approved the Commission on September 23, 2009. These amendments to the River District URA Plan have gone through an extensive public process.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Resource Access Center is included in the Amended and Restated River District Urban Renewal Plan adopted by City Council on June 24, 2009 and the Amended and Restated River District Urban Renewal Plan Second Amendment approved the Commission on

September 23, 2009. Additionally, this action supports the City's Affordable Housing Tax Increment Financing (TIF) Set Aside Policy.

FINANCIAL IMPACT

Debt service costs are expected to be paid from River District URA tax increment revenues. 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. It is anticipated that funding for RAC in Fiscal Year 2009-10 will not exceed \$16 million. The appropriations for this amount was included in the Fiscal Year 2009-10 Budget Amendment No. 1 approved by the Commission on September 23, 2009 and included as Attachment A.

RISK ASSESSMENT

The total amount of the debt service on the bonds will not be known until the final take out issuance in 2011 or 2012 and is subject to some interest rate risk. However, current tax increment revenue forecasts indicate sufficient revenues to service the debt requirements on the bonds using conservative estimates.

WORK LOAD IMPACT

The RAC funding will be provided on the basis of construction draws which will require a minor increase in administrative services related to reviewing the requests for payment and processing the draws against bond proceeds.

ALTERNATIVE ACTIONS

The Commission could choose not to approve the bonds and alternate financing would have to be identified for the Resource Access Center. Or, the Commission could postpone its recommendation to issue bonds for the RAC; however a delay in PDC funding would likely cause the RAC construction to be delayed until next year and could jeopardize project completion.

CONCURRENCE

The decision to issue the bonds is supported by Portland Housing Bureau, the Office of Management and Finance and the River District Urban Renewal Area managers. The Resource Access Center is included in the Amended and Restated River District Urban Renewal Plan adopted by City Council on June 24, 2009 and the Amended and Restated River District Urban Renewal Plan Second Amendment approved the Commission on September 23, 2009 which has gone through an extensive public process.

BACKGROUND

The Portland Development Commission (the "Commission") has entered into a Disposition and Development Agreement and expects to enter into grant agreements to provide \$29.5 million of

funding for the proposed Resource Access Center (the “RAC”) from proceeds of bonds and interim financing secured by tax increment revenues of the River District Urban Renewal Area.

The RAC includes 130 studio apartments providing permanent supportive housing for very low income residents. A modern shelter will provide beds for 90 men. Project construction will be managed by the Housing Authority of Portland (“HAP”).

HAP will obtain interim financing for a portion of the costs of the RAC; that interim financing will facilitate obtaining low income housing tax credits for the RAC. A portion of that interim financing will be refinanced in 2011 or 2012 when the RAC is completed. To secure HAP’s interim financing so that the low income housing tax credits will be available for the RAC, the City, on behalf of PDC, will issue a subordinate lien tax increment bond to HAP. It is expected that tax increment bonds or an interim financing will be issued by the City on behalf of PDC to refund or replace that subordinate bond when RAC is completed.

Section 15-106 of the Portland City Charter authorizes the City Council, upon request of the Commission, to issue tax increment bonds, and authorizes the Commission, with the concurrence of the City Council, to pledge the tax increment revenues to pay those bonds.

The proposed Resolution requests the City Council to issue tax increment bonds to provide interim and long term financing for the RAC. Additionally, the Resolution authorizes the City’s Debt Manager to determine the form and terms of the tax increment bonds, including, but not limited to, lines of credit that may be secured by the City’s full faith and credit, senior lien urban renewal and redevelopment bonds that are secured solely by the River District URA tax increment revenues and the other funds that are specifically committed by the Bond Declaration for the outstanding River District Urban Renewal Area, subordinate lien bonds that are secured by a subordinate lien on the River District tax increment revenues and any reserves and other amounts that the Debt manager designates, including a subordinate lien “takeout” bond that obligates the Commission to provide approximately \$13.5 million of tax increment revenues to refinance the Housing Authority of Portland’s proposed interim financing for the RAC, and tax increment bonds to refinance any of the above. Although the subordinate lien “takeout” bond obligates the Commission to provide approximately \$13.5 million of tax increment revenues to refinance HAP’s interim financing, the take out financing is expected to be in the form of bonds in a principal amount sufficient to cover the \$13.5 million plus cost of issuance and required debt service reserves and which will require sufficient tax increment revenues to service the principal and interest payments on those bonds.

The total amount of the bonds requested shall not exceed the amounts the city determines are required to provide \$29.5 million of direct contributions to the RAC, plus the cost of issuing the bonds, including the costs of funding debt service reserves. This total amount is not expected to exceed \$36 million.

The Resolution also authorizes the Executive Director, on behalf of the Commission to execute agreements and take actions as may be required to issue the tax increment bonds requested in this resolution on terms favorable to the City and the Commission.

ATTACHMENTS:

- A. FY 2009-10 Revised Budget and Forecast

Attachment A – FY 2009-10 Revised Budget and Forecast

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Revised FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
River District URA						
Resources						
Beginning Fund Balance	16,879,294	27,660,830	3,414,718	7,580,135	4,655,385	3,271,635
Interest on Investments	320,000	1,000,000	200,000	50,000	50,000	50,000
Loan Collections	625,000	1,300,000	300,000	300,000	300,000	300,000
Property Income	200,000	200,000	200,000	200,000	200,000	200,000
Reimbursements	1,452,500	125,000	125,000	125,000	0	0
TIF Proceeds	18,944,960	25,218,829	50,416,817	0	0	0
Total Resources	38,421,754	55,504,659	54,656,535	8,255,135	5,205,385	3,821,635
Requirements						
Program Expenditures						
Business and Industry						
General Business Assistance						
H79020 Business Finance	1,100,000	1,995,000	3,100,000	0	0	1,100,000
h79023 Materials Lab	0	100,000	0	0	0	0
h79024 Oregon Manifest	0	5,000	0	0	0	0
Business and Industry Total	1,100,000	2,100,000	3,100,000	0	0	1,100,000
Housing						
Multi-Family - Rental Housing						
h12030 Fairfield Apartments	0	82,000	0	0	0	0
H32138 Pearl Family Housing	900,000	12,000,000	7,000,000	0	0	0
H37937 Access Center - Afford Housing	850,000	16,200,000	0	0	0	0
H37938 Blanchet House Redev	465,000	265,000	0	0	0	0
H37940 New Avenues for Youth	0	1,200,000	0	0	0	0
H80036 Yards at Union Station	50,000	0	0	0	0	0
H80037 Grove Apartments	500,000	100,000	0	0	0	0
H89030 Affordable Rental Housing	0	500,000	4,000,000	0	0	0
Portland Housing Bureau						
H28025 Administration	0	62,297	751,640	0	0	0
Housing Total	2,765,000	30,409,297	11,751,640	0	0	0
Infrastructure						
Facilities						
H60020 Union Station	725,000	425,000	0	0	0	0
Parks						
H13119 Neighborhood Park	350,000	350,000	2,450,000	0	0	0
Transportation						
H11233 Public Site Improvements	0	200,000	0	0	0	0
H11234 Westside Burnside-Couch Couplet	1,100,000	764,663	0	0	0	0
H11263 RD Public Site Improvements	250,000	79,000	0	0	0	0
H13137 Streetcar Loop Project	2,100,000	9,797,730	4,500,000	0	0	0
Infrastructure Total	4,525,000	11,616,393	6,950,000	0	0	0

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Attachment A – FY 2009-10 Revised Budget and Forecast (continued)

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Revised FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
Revitalization						
Plans and Strategies - Revitalization						
H13112 North Pearl District Plan	200,000	0	0	0	0	0
H92110 Westside/Central City Study	233,000	335,331	0	0	0	0
Redevelopment						
H10221 Transit Mall Revitalization	657,450	0	0	0	0	0
H10226 Meier & Frank Redevelopment	12,000	0	0	0	0	0
H11244 One Waterfront Place	400,000	350,000	7,350,000	600,000	0	0
H12101 Downtown Retail Strategy	5,000	27,500	0	0	0	0
H13104 Centennial Mills Redevelopment	585,000	200,000	9,335,000	800,000	0	0
H13143 RD Environmental	570,000	124,000	0	0	0	0
H22500 Post Office	1,200,000	200,000	0	0	0	0
H27001 Storefront Grants	200,000	200,000	200,000	0	0	0
H27050 DOS Grants	100,000	75,000	75,000	75,000	75,000	75,000
H28030 Redevelopment Loan Projects	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
H60021 10th and Yamhill Redevelopment	100,000	0	0	0	0	0
Revitalization Operations						
H13142 RD Project Management	25,000	0	0	0	0	0
Revitalization Total	4,287,450	3,011,831	18,460,000	2,975,000	1,575,000	1,575,000
Administration						
Finance						
H98001 Debt Management	50,000	50,000	50,000	50,000	50,000	0
Administration Total	50,000	50,000	50,000	50,000	50,000	0
Total Program Expenditures	12,727,450	47,187,521	40,311,640	3,025,000	1,625,000	2,675,000
Personal Services	1,315,358	1,086,995	826,804	91,960	49,400	81,320
Internal Expenditures	4,506,911	4,115,425	5,937,956	482,790	259,350	426,930
Total Fund Expenditures	18,549,719	52,389,941	47,076,400	3,599,750	1,933,750	3,183,250
Contingency	19,872,035	3,114,718	7,580,135	4,655,385	3,271,635	638,385
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	38,421,754	55,504,659	54,656,535	8,255,135	5,205,385	3,821,635