

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: January 13, 2010
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number No. 10-03
Requesting the City Council to increase the principal amount for bonds for City's urban renewal areas

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6758

ACTION SUMMARY

The proposed Resolution will request the City Council to increase the maximum amount of issuance for short-term revenue bonds (the "Bonds") under the State Uniform Revenue Bond Act. The increases are associated with existing lines of credit in three urban renewal areas. The total amount of the increase in line of credit interim financing will not exceed \$28 million. These lines will eventually be taken-out with long-term bonds requiring Commission action.

Urban Renewal Area	Current Amount (\$)	Increase (\$)	Total (\$)
Central Eastside	27,000,000	6,000,000	33,000,000
Gateway	15,300,000	2,000,000	17,300,000
Interstate Corridor	29,000,000	20,000,000	49,000,000

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 Central Eastside, Gateway and Interstate Corridor urban renewal plans.

FINANCIAL IMPACT

The annual debt service payments on lines of credit will depend on amounts drawn by the Commission each year. Typically, interest is paid on outstanding balances until the lines are refinanced with long-term urban renewal and redevelopment bonds. Debt service costs are expected to be paid from tax increment revenues of each urban renewal area for which lines of credit are established. Current tax increment revenue projections show that there is sufficient tax increment proceeds to service the lines of credit increases proposed.

RISK ASSESSMENT

If approved by the Commission, the Council will take action on an Ordinance to authorize the additional bonds in January 2010, at which time a 30-day referral period will begin. If during the referral period, written petitions signed by at least six percent of the City's electors are filed with the City auditor, any bonds for the urban renewal areas could not be issued unless approved by the voters.

WORK LOAD IMPACT

Additional work related to providing support to the City's Office of Management and Finance during the bond issuance and the subsequent accounting for bond proceeds is anticipated in current Central Services staff resource planning.

ALTERNATIVE ACTIONS

The City has existing lines of credit with outstanding balances for Gateway, Interstate and Central Eastside urban renewal areas. It is estimated that the costs of carrying out the urban renewal plans for these three urban renewal areas will exceed the maximum principal amounts specified for the existing lines of credit. Although it is expected the City will repay the lines with the proceeds of long-term urban renewal and redevelopment bonds secured by tax increment revenues, short-term financing is considered the most cost effective means to refinance existing lines of credit and to provide for future budgeted costs of the urban renewal areas until such time that long-term bonds are issued

The Commission may choose not to request the Council to authorize an increase in the lines of credit, which would require certain budgeted project activity to stop until long-term bonds are issued for each district.

Lines of credit allow the Commission to maximize the usage of maximum indebtedness by drawing funds needed to carry out the City's urban renewal plans as the funds are needed. This allows flexibility for the timing of project needs and limits financing costs to amounts actually borrowed (outstanding draws on the line). Additionally, this allows the City to aggregate financing needs for larger bond issues, thereby holding down the cost of issuance related to long-term bond sales.

CONCURRENCE

Staff of the Commission has worked closely with the Office of Management and Finance to determine financing needs. The decision to issue lines of credit is supported by the City and the Urban Renewal Area Managers and was contemplated in the FY 2009-10 Revised Budget.

BACKGROUND

The City of Portland ("City") has previously executed lines of credit to provide interim financing for projects carried out under the City's urban renewal plans. The existing lines of credit for three urban renewal areas are expected to reach their maximum principal draw amounts based on project spending. The attached Resolution requests the City to increase the maximum principal amount for these three urban renewal areas. Because the City's authority is granted under the State Uniform Revenue Bond Act, bonds are listed in the resolution as the financing tool.

Section 15-106 of the Charter of the City authorizes the City Council (the "Council"), upon request of the Portland Development Commission (the "Commission"), to issue bonds which are payable from the tax increment revenues of the City's urban renewal areas, and authorizes the Commission, with the concurrence of the Council, to pledge those tax increment revenues to pay those bonds.

It may enhance the security for, reduce the interest rate on and facilitate the payment of the bonds if the Council and the Commission pledge the tax increment revenues of each area to pay the bonds issued to finance projects in that area.

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