

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: January 13, 2010
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number No. 10-04
Lents Town Center Urban Renewal Area Bonds Authorization

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6759

ACTION SUMMARY

This action will initiate a request that the City of Portland (City) issue Lents Town Center Urban Renewal and Redevelopment Bonds (Bonds) under the authority of Article IX, Section 1c of the Oregon Constitution, Oregon Revised Statutes Chapter 457 and the City Charter Section 15-106. 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 and to repay the existing line of credit.

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 as provided in the Portland Development Commission budget and budget forecasts. 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.

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 January 2010.

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 Lents Town Center 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 and interest on existing debt. The bond issuance was contemplated in the FY 2009-10 Revised Budget.

RISK ASSESSMENT

While the final amount of the issue will not be determined until closer to the sale date of the 2010 Bonds, annual debt service will not exceed an amount which is supported by the Lents Urban Renewal Area’s fixed divide the taxes revenues in a manner that complies with the City of Portland’s debt policy for urban renewal debt.

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 Board could delay its recommendation to issue bonds for the Area. It is estimated the costs of carrying out the urban renewal plan will exceed the maximum principal amount specified for the existing line of credit. A delay in issuing long-term bonds would require an increase in the maximum principal amount of the existing line of credit or a potential delay in certain projects included in the budget and budget forecasts until long-term bonds could be issued.

CONCURRENCE

The decision to issue the Bonds is supported by OMF and the Lents Town Center Urban Renewal Area Managers; is included in the 2009-10 Revised Budget and provides funding for projects consistent with URAC 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 requesting 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 January 2010.

The City has previously executed a line of credit to provide interim financing for projects carried out under the Area's Plan. This action is necessary in order to (a) refinance projects in the Area that the City has financed with lines of credit; (b) provide net proceeds for additional projects in the Area, and (c) fund debt service reserves and pay costs related to the Bonds, including costs reserve sureties for the Bonds, costs of credit enhancement, and costs of issuing the Bonds.

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.