

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** October 27, 2010  
**TO:** Board of Commissioners  
**FROM:** Bruce A. Warner, Executive Director  
**SUBJECT:** Report Number 10-96  
URA Lines of Credit Authorization

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6830

#### ACTION SUMMARY

This action will request the City Council to issue revenue bonds (the "Interim Bonds") under Oregon Revised Statutes 287A.150 to provide interim financing for the current and proposed costs of carrying out the City's urban renewal plans and to refinance outstanding interim financings. The action also requests the City Council issue long-term tax increment bonds (the "Long-term Bonds") to refinance the interim financing obligations.

The Interim Bonds will be issued to pay for projects in seven of the City's urban renewal areas and is expected to be in the form of a separate line of credit for each urban renewal area. The Interim Bonds will be secured by the City's available general funds in order to reduce costs and simplify borrowing plans. However, the Interim Bonds are expected to be repaid from the proceeds of the Long-term Bonds secured solely by tax increment revenues.

The City expects to solicit bids from banks to provide the lines of credit through a competitive Request for Proposals process.

This action requests issuance of the Long-term Bonds to provide greater assurance that the City's general fund is protected and that the Interim Bonds are reduced as soon as practical. The Long-term Bonds shall be secured only by the tax increment revenues of the urban renewal area for which the Interim Bonds are being repaid and may be issued in an amount sufficient to repay the Interim Bonds, to fund a debt service reserve, and to pay issuance costs.

The total principal amount of the Interim Bonds will not exceed \$315.5 million for all urban renewal areas, which is expected to meet expenditure requirements through December 2013. This amount includes approximately \$107 million on current lines of credit that will be rolled onto the new lines of credit because the existing lines expire on December 30, 2010.

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The amount of Interim Bonds requested for each urban renewal area is as follows:

	<b>Rollover Amount From Current Lines</b>	<b>New Money Authorized</b>	<b>Total Amount Authorized</b>
Central Eastside	\$29,195,340	\$10,154,660	\$39,350,000
Oregon Convention Center	25,496,155	15,153,845	40,650,000
Gateway	12,545,073	12,554,927	25,100,000
Interstate Corridor	29,364,127	36,635,873	66,000,000
Lents	0	25,800,000	25,800,000
North Macadam	0	26,500,000	26,500,000
River District	9,978,966	82,121,034	92,100,000
Total	<u>\$106,579,661</u>	<u>\$208,920,339</u>	<u>\$315,500,000</u>

## **PUBLIC BENEFIT**

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.

The Bonds will enable the Commission to finance the current and proposed costs of carrying out the City's urban renewal plans and to refinance existing lines of credit which will expire on December 30, 2010. Issuing Interim bonds as full faith and credit bonds lowers the cost of Commission financing until such time as they are refinanced with Long-term Bonds.

### **This action will support the following PDC goals:**

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

## **PUBLIC PARTICIPATION AND FEEDBACK**

Not applicable.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

This action will allow staff to continue work outlined in adopted urban renewal plans.

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## **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 revenue proceeds to service the lines of credit proposed. Debt service for Long-term Bonds will be determined once the bonds are issued.

## **RISK ASSESSMENT**

Legal: The Ordinance is requested to be approved by Council on November 3, 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**

No additional work load impacts are anticipated.

## **ALTERNATIVE ACTIONS**

The City has existing lines of credit for urban renewal areas with outstanding balances. These lines of credit are scheduled to expire in December 2010. Although it is expected the City will eventually 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 the existing lines of credit when they expire in December and to provide for future budgeted costs of the urban renewal areas. 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).

As has been the practice of the City for prior urban renewal lines of credit, it is anticipated the Interim Bonds will be secured by the City's available general funds in order to reduce costs and simplify borrowing plans. Therefore, this action also requests the City Council authorize the issuance of Long-term Bonds to provide greater assurance the City's general fund is protected and that the full faith and credit commitments are reduced as soon as practical.

## **CONCURRENCE**

Staff of the Commission have 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 Adopted 2010-11 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 are scheduled to expire in December 2010. This action will request the City Council to issue revenue bonds (the “Interim Bonds”) under Oregon Revised Statutes 287A.150 to provide interim financing for the current and proposed costs of carrying out the City’s urban renewal plans and to refinance outstanding interim financings. The action also requests the City Council issue long-term tax increment bonds (the “Long-term Bonds”) to refinance the interim financing obligations.

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.

Issuing Interim bonds as full faith and credit bonds lowers the cost of Commission financing until such time as they are refinanced with Long-term Bonds. On November 3, 2010, the City Council is requested to adopt an Ordinance to authorize the issuance of revenue bonds to finance the current and proposed costs of carrying out the City’s urban renewal plans and to refinance outstanding interim financings.

The Bonds will enable the Commission to finance the current and proposed costs of carrying out the City’s urban renewal plans as included in the Adopted 2010-11 Budget and to refinance outstanding interim financings as reflected below. The total principal amount of the Interim Bonds will not exceed \$315.5 million for all urban renewal areas, which is expected to meet expenditure requirements through December 2013. This amount includes approximately \$107 million on current lines of credit that will be rolled onto the new lines of credit because the existing lines expire on December 30, 2010.

The amounts for each urban renewal area are based on project cash flows and projected tax increment collections as presented in the Commission’s FY 2010-11 budget and financial plan. No Interim Bonds will be issued for project expenditures unless the project is included in the Commission’s adopted budget.