

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: April 13, 2011

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number No. 11-23
Oregon Convention Center; Downtown Waterfront and South Park Blocks
URA Refunding Bonds Authorization

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6860

ACTION SUMMARY

In order to achieve debt service savings, this action will initiate a request that the City of Portland (the "City") issue refunding bonds (the "Refunding Bonds") in an amount sufficient currently to refund any or all of the:

1. Oregon Convention Center Urban Renewal and Redevelopment Bonds, 2000 Series A;
2. Oregon Convention Center Urban Renewal and Redevelopment Bonds, 2000 Series B;
3. the Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series A; and
4. South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series B.

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. Commission staff anticipates that an ordinance authorizing issuance of the bonds will be considered by the Council on April 13, 2011.

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 Oregon Convention Center Urban Renewal Plan. A key objective of issuing the Refunding Bonds is to recapture revenue capacity as part of a larger strategy to access the remaining maximum indebtedness in the Oregon Convention Center Urban Renewal Area.

FINANCIAL IMPACT

The City's debt policies require net present value savings of \$100,000 for a current refunding. By issuing the Refunding Bonds, the City estimates net present value savings of at least \$600,000 based on current cost and interest rate assumptions, exceeding the policy target.

RISK ASSESSMENT

None.

WORK LOAD IMPACT

Additional work related to providing support to the City's Office of Management and Finance during the bond issuance is minimal.

ALTERNATIVE ACTIONS

The Board could choose not to request the Council to issue the Refunding Bonds at this time. The Oregon Convention Center Bonds, Downtown Waterfront Bonds and South Park Blocks Bonds bear interest at higher rates than current market rates. A delay in issuing Refunding Bonds would likely miss the opportunity to refund for the amount of savings produced by current market rates.

CONCURRENCE

The City's Office of Management and Finance has reviewed and supports this action.

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 on April 13, 2011.

This action will initiate a request that the City issue Refunding Bonds in an amount sufficient to currently refund any or all of Oregon Convention Center Urban Renewal and Redevelopment Bonds, 2000 Series A, the Oregon Convention Center Urban Renewal and Redevelopment Bonds, 2000 Series B, the Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series A and the South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series B in order to achieve debt service savings.

The Refunding Bonds will be secured by the tax increment revenues of the urban renewal areas for which they are being issued. Additionally, the Refunding Bonds may have a lien on the tax increment revenues that is subordinate to the lien of existing urban renewal and redevelopment bonds, which would allow the City to obtain more favorable terms by eliminating the need for a debt service reserve for the Refunding Bonds. The City anticipates combined net present value debt service savings of at least \$600,000 based on current cost and interest rate assumptions, over the remaining life of the Refunding Bonds.

A key objective of issuing the Refunding Bonds is to recapture revenue capacity as part of a larger strategy to access the remaining maximum indebtedness in the Oregon Convention Center Urban Renewal Area. Lower debt service from the refunding reduces the amount of special levy needed to pay debt service; hence, these resources can then be redirected toward paying future Oregon Convention Center urban renewal bonds.

If approved by the Council, the amount of Refunding Bonds issued for each urban renewal area shall not exceed the sum of the principal amount of bonds that are refunded, plus the estimated costs related to the refunding.