

FINANCIAL IMPACT STATEMENT
For Council Action Items
(Use this form for Ordinances and Resolutions)
(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Eric Johansen, Debt Manager	2. Telephone Number 503/823-6851	3. Bureau/Office/Dept. Financial Services/Public Finance and Treasury
4a. To be filed (date) December 2, 2010	4b. Calendar (Check One) Regular Consent 4/5ths [X] [] []	5. Date Submitted to FPD Budget Analyst: November 22, 2010

1) Legislation Title:

* Authorize Central Eastside Urban Renewal and Redevelopment Bonds (Ordinance)

2) Purpose of the Proposed Legislation:

The Ordinance authorizes the City to issue urban renewal and redevelopment bonds (the "2011 Bonds") to refinance outstanding balances on lines of credit for the Central Eastside urban renewal area (the "Area"). The amount of 2011 Bonds authorized may not exceed \$36.2 million, which represents the sum of the amounts required to (a) refinance the outstanding lines of credit that financed urban renewal projects in the Area, and (b) provide any additional amounts that the Debt Manager estimates are necessary to fund debt service reserves and to pay costs related to the 2011 Bonds. The 2011 Bonds will be secured by the tax increment revenues of the Area.

3) Revenue:

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated identify the source.

This legislation will not generate or reduce current or future revenue to the City.

4) Expense:

What are the costs to the City as a result of this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years) (If the action is related to a grant or contract please include the local contribution or match required)

While the final amount of the issue will not be determined until the sale date of the 2011 Bonds, annual net debt service on 2011 Bonds is expected to be in the range of \$2.8 million annually. Debt service will be paid with tax increment revenues of the Area.

Staffing Requirements:

5) Will any positions be created, eliminated or re-classified in the current year as a result of this legislation? *(If new positions are created please include whether they will be part-time, full-time, limited term or permanent positions. If the position is limited term please indicate the end of the term.)*

No position changes are anticipated.

6) Will positions be created or eliminated in future years as a result of this legislation?

No position changes are anticipated.

Complete the following section only if an amendment to the budget is proposed.

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Center Code column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Amount

Eric Johansen, Debt Manager

APPROPRIATION UNIT HEAD (Typed name and signature)



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE
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Ken Rust, Chief Administrative Officer

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184290

DATE: November 22, 2010

TO: Mayor Sam Adams

FROM: Eric Johansen, Treasurer

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

RE: * Authorize Central Eastside Urban Renewal and Redevelopment Bonds

1. INTENDED THURSDAY FILING DATE: December 2, 2010
2. REQUESTED COUNCIL AGENDA DATE: December 8, 2010
3. CONTACT NAME & NUMBER: Eric Johansen, City Treasurer, x3-6851
4. PLACE ON: CONSENT X REGULAR
5. BUDGET IMPACT STATEMENT ATTACHED: X Y N N/A
6. (3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY
ATTACHED: Yes No ✓ N/A

7. **BACKGROUND/ANALYSIS**

Introduction and History – Attached is an Ordinance for Council consideration on December 8, 2010. The Ordinance authorizes the City to issue urban renewal and redevelopment bonds (the “2011 Bonds”) to refinance outstanding balances on a line of credit for the Central Eastside urban renewal area (the “Area”). The amount of 2011 Bonds authorized may not exceed \$36,200,000, which represents the sum of the amounts required to (a) refinance the outstanding line of credit that financed urban renewal projects in the Area, and (b) provide any additional amounts that the Debt Manager estimates are necessary to fund debt service reserves and to pay costs related to the 2011 Bonds. The 2011 Bonds will be secured by the tax increment revenues of the Area.

The City currently has approximately \$33 million outstanding on a line of credit established to finance projects in the Area. The City has intended to refinance amounts on lines of credit when tax increment revenues of the Area are sufficient to provide a level of debt service coverage on long-term bonds that is acceptable to the financial markets. If the Ordinance is approved by Council, the City will issue an amount of 2011 Bonds to finance as much debt on the line of credit as possible given current tax increment revenue collections, required debt service reserves, debt service coverage, and other market requirements. The amount of the 2011 Bonds may be less than the \$36.2 million authorized by this Ordinance.

The Ordinance delegates to the Debt Manager certain tasks including negotiating the terms of and executing a bond declaration in substantially the form of Exhibit A to the Ordinance; establishing the final principal amounts, maturity schedules, interest rates, and other terms related to the sale of the bonds; providing that any series of bonds may be issued as tax-exempt bonds, taxable bonds, or taxable bonds that are eligible for federal interest subsidies or tax credits; purchasing municipal bond insurance or other forms of credit enhancement; and executing documents.

The 2011 Bonds are expected to be sold in March of 2011.

Legal Issues – Central Eastside is an urban renewal area for which there currently are no outstanding long-term urban renewal and redevelopment bonds. Pursuant to Ordinance 184212 adopted by the Council on November 4, 2011, the Debt Manager shall present a final form of the master bond declaration for Council approval, which is attached as Exhibit A to the Ordinance. Council action may be by emergency ordinance. The referral period for Ordinance 184212 ended on December 3, 2010, and no petitions were filed to refer that ordinance to the voters.

Additionally, the Portland Development Commission Board of Commissioners must approve a resolution requesting the City to issue the 2011 Bonds. This action was taken on October 27, 2010 with the approval of PDC Resolution 6830.

Link to Current City Policies – None.

Controversial Issues – None

Citizen Participation – Not Applicable

Other Government Participation – The City is working with the staff of the Portland Development Commission to complete the financing.

8. FINANCIAL IMPACT

While the final amount of the issue will not be determined until the sale date of the 2011 Bonds, annual net debt service on 2011 Bonds is expected to be in the range of \$2.8 million annually if the full \$36.2 million is issued. Debt service will be paid with tax increment revenues of the Area.

9. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve this Ordinance in order to provide the necessary funding to carry out the Central Eastside urban renewal plan.