

IMPACT STATEMENT

Legislation title: Authorize a temporary operating loan of \$51,000,000 between the Development Services Fund and the Housing Property Fund (Resolution)

Contact name: Mike K. Johnson

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Presenter name: Karl Dinkelspiel

Purpose of proposed legislation and background information:

This legislation authorizes an interfund loan in the amount of \$51,000,000 to as an interim financing method to fund the purchase of the Ellington Apartments, located at 1610 NE 66th Avenue (the “property”). On November 8, 2016, the voters of the City of Portland approved the issuance of \$258,400,000 in general obligation bonds (the “Housing Bond”) to finance capital costs of affordable housing for low income households. However, the latest closing date for the purchase agreement is February 6, 2017. It is unlikely that bond sale proceeds or grant funds will be available before this deadline; thus, interim financing methods are being explored. By separate ordinance heard in the December 7, 2016 Council session, the Office of Management and Finance is requesting authorization to finance all or any portion of the capital costs of purchasing the Property with short, intermediate or long term general obligation bonds or with interim financing secured by the City’s full faith and credit pursuant. However, the use of a temporary interfund loan has been further investigated and is deemed to be the most expedient and favorable interim financing option available to the City to complete this purchase.

By separate ordinance heard in the December 7, 2016 Council session, Council heard PHB’s purchase of the Ellington Apartments, for up to \$47,000,000 for which closing is expected in February, 2017. The difference between the \$51 million interim financing and the purchase price covers closing costs and necessary immediate repairs to the Property.

Financial and budgetary impacts:

The FY 2016-17 revised budget currently includes \$64,150,478 in available resources budgeted in Unappropriated Fund Balance and Contingency in the Development Services Fund. Recent Bureau of Development Services estimates place bureau reserves at \$76,000,000. This ordinance would immediately transfer \$51,000,000 from the Development Services Fund to the Portland Housing Bureau’s Housing Property Fund, with a repayment date of no later than June 30, 2018.

The Portland Housing Bureau intends to repay the loan through a combination of the Housing Bond sales and grants. The bureau intends to repay approximately \$37,000,000 in funds by the end of the FY 2016-17 fiscal year through bond sales, and repay the remainder through a yet-to-be acquired grant in FY 2017-18. If acquisition of the grant is unsuccessful, PHB will repay the loan completely from proceeds from sale of the Housing Bond.

PHB will be expected to repay interest on the interfund loan commensurate with proceeds that the funds would have yielded had they remained in the Development Services Fund. Assuming a high estimate of a 1.5% return rate, and the repayment of \$37,000,000 after 6 months with the remainder being repaid after 1 year from loan issuance, the estimated cost of this loan to PHB is \$487,500.

Community impacts and community involvement:

Due to the highly sensitive nature of negotiations, PHB hasn't involved the community in the purchase. Notice of PHB's interest in acquiring the property was provided to current tenants on Dec 2, 2016.

Budgetary Impact Worksheet**Does this action change appropriations?**

- ☐ **YES:** Please complete the information below.
☒ **NO:** Skip this section

TO BE HELD WEDNESDAY, DECEMBER 21, 2016 AT 9:30 A.M.

37261

FOUR-FIFTHS AGENDA

COMMISSIONER SALTZMAN

<u>Agenda No.</u>	<u>Title</u>
*1452	Authorize the appropriation of \$51,000,000 for a Housing Property Fund (Ordinance; add Code Section 5.04.540) 20 minutes requested for items 1452 and 1453
1453	Authorize a temporary operating loan of \$51,000,000 between the Development Services Fund and the Housing Property Fund (Resolution)

RESOLUTION No.

Authorize a temporary operating loan of \$51,000,000 between the Development Services Fund and the Housing Property Fund (Resolution)

WHEREAS, on November 8, 2016, the voters of the City of Portland approved the issuance of \$258,400,000 in general obligation bonds to finance capital costs of affordable housing for low income households; and

WHEREAS, the City has an opportunity to purchase an affordable housing project, known as the Ellington Apartments, an approximately 10.7 acre, 263-unit housing project located between NE Halsey and Tillamook Streets and 65th and 67th Avenues, for use as an affordable housing project (the "Project"). Capital costs of purchasing the Project are not expected to exceed \$51 million; and

WHEREAS, the Portland Housing Bureau intends to fund the purchase through a combination of to-be-acquired bond sale proceeds and federal ~~or state grant~~ funds; and

WHEREAS, the latest closing date for the purchase agreement is February 6, 2017. It is unlikely that bond sale proceeds or ~~grant~~ federal loan funds will be available before this deadline; thus, an interim financing method is likely to be necessary to complete the purchase agreement; and

WHEREAS, the use of a temporary interfund loan is deemed to be the most expedient and favorable interim financing option available to the City to complete this purchase; and

WHEREAS, by separate Ordinance to be heard on December 21st, 2016, Council will authorize the establishment of the Housing Property Fund in order to record the transactions of resources and requirements resulting from the acquisition, development, and operation of property by the Portland Housing Bureau; and

WHEREAS, the Development Services Fund contains \$64,150,478 in total available resources budgeted in Unappropriated Fund Balance and Contingency, and continued strong revenue projections make it unlikely that the bureau will need these funds over the short term.

NOW, THEREFORE, BE IT RESOLVED, that a temporary operating loan is hereby authorized immediately from the Development Services Fund to the Housing Property Fund in the not-to-exceed amount of \$51,000,000 with a repayment of principal due by June 30, 2018; and

BE IT FURTHER RESOLVED, that the repayment of the loan will include accrued interest at the rate of return on moneys invested in City of Portland's investment pool; and