

IMPACT STATEMENT

Legislation title: Adopt the Second Amendment to the Lents Town Center Urban Renewal Plan (Resolution)

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Purpose of proposed legislation and background information:

This action would adopt the second amendment (Amendment) to the Lents Town Center Urban Renewal Plan (Lents Plan). If approved, the Lents Plan will be amended to extend the last date to issue bonds from June 30, 2020, to June 30, 2024. Extending the last date to issue debt provides flexibility and allows for a more efficient process to issue the final series of bonds to invest in the Lents Plan.

Approval of the Amendment would support the planned financial strategy for the Lents Plan, which relies on the issuance of overnight (“du jour”) debt, which is effectively “pay as you go” funding, to pay for projects over the next four years. This approach reduces issuance and interest costs, eliminates the need for bond reserves, and frees up staff time required for issuance of long-term bonds under the existing last date to issue debt. The additional resources gained by the savings will support future investments consistent with the Lents Plan. Moreover, savings on interest and timeframe required for a long-term bond will accelerate taxes being returned to the City of Portland (City) General Fund and other overlapping taxing jurisdictions.

Because the annual amount of “du jour” debt relies on excess tax increment revenue not required to pay long term debt service, there is risk that project cash flows would exceed available “du jour” debt proceeds, resulting in inadequate resources in a given year. Extending the last date to issue debt preserves the ability to issue long-term bonds in the event that project needs exceed du jour, or “pay as you go,” resources.

Financial and budgetary impacts:

Approval of the Amendment allows for the issuance of “du jour” debt based on the annual receipt of tax increment revenue that has minimal issuance fees, no bond reserve requirements, lower interest costs, and requires less staff time to implement, while preserving the ability to issue long-term bonds in the event that project needs exceed “du jour” capacity. Replacing the planned final bond sale with this more efficient “pay-as-you-go” financing provides more resources to pay off existing bonds in the district, thereby returning tax increment revenues to the City and other overlapping taxing jurisdictions one-year earlier than currently planned.

Following is a summary of the anticipated fiscal impacts on reliance du jour debt to reach maximum indebtedness:

- Outstanding bonds issued for the Lents Plan can be defeased and tax increment revenues returned to the taxing jurisdictions by fiscal year (FY) 2025-26, a year earlier than projected with the current June 2020 last date to issue debt;
- The impact of property tax revenue returning to overlapping taxing jurisdictions (based on permanent rates) is approximately \$20,000,000 in FY 2025-26 (including \$5,700,000 to the City of Portland General Fund); and
- There will be an increase in net Lents Plan proceeds due to efficiencies gained from the use of short-term debt in place of long-term debt; net additional resources are estimated to be \$1,300,000.

Community impacts and community involvement:

No specific outreach has taken place regarding this action; however, most debt proceeds anticipated to be issued during the timeframe of the extension are already included in the FY 2019-20 Revised Budget and Five-Year forecast reviewed by the Prosper Portland Community Budget Committee and stakeholders. Due to the efficiencies gained in issuing short-term rather than long-term debt, this action will provide additional resources to be incorporated in the FY 2020-21 Budget and Five-Year Forecast to be reviewed by the Community Budget Committee and other stakeholders in future budget development cycles.

100% Renewable Goal:

This action does not increase or decrease the City’s total energy use.

Budgetary Impact Worksheet

Does this action change appropriations?

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

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount