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## 191908

Ordinance

### Authorize interim financing of up to \$14,450,000 for the NW Johnson-Kearney Streets Local Improvement District project

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. The City is authorized pursuant to the Constitution and laws of the State of Oregon, including Oregon Revised Statutes Chapter 287A and Sections 223.205 to 223.295 and the City Charter, to construct publicly owned and operated local improvements, including removal of existing dirt, gravel and/or hard surfaces; grade the streets to their proper subgrade; construct streets with aggregate base and a combination of asphaltic concrete and plain concrete pavement; remove contaminated media; construct sanitary sewers, stormwater sewers and stormwater management facilities, excluding offsite facilities; construct water mains; construct temporary asphalt sidewalks on both sides of the street; install street lighting; plant street trees; construct two-way cycle tracks; install right turn lanes; and install underground utilities (the improvements) which specially benefit properties within the NW Johnson-Kearney Local Improvement District.
2. The City is ready to begin construction of various Improvements, and requires funds to pay for the costs of the improvements.
3. Oregon Revised Statutes Section 287A.180 authorizes the City to obtain interim financing for capital assets such as the improvements.

NOW, THEREFORE, the Council directs:

- A. The City is hereby authorized to obtain interim financing for the improvements pursuant to ORS 287A.180, including costs related to obtaining the interim financing. The principal amount of the interim financing shall not at any time exceed \$14,450,000, shall not exceed five years in term, and may provide for renewal, extension, or conversion to permanent financing on terms approved by the City Administrator, the Deputy City Administrator of Budget and Finance, Treasurer, Debt Manager or the person designated by the City Administrator to act as an Authorized Officer under this ordinance (any of whom is referred to in this ordinance as an "Authorized Officer").

Introduced by

[Mayor Ted Wheeler](#)

City department

[Debt Management and Investor Relations](#)

Contact

**Matthew Gierach**

Debt Manager

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

October 9, 2024

- B. The interim financing shall be a full faith and credit obligation of the City and payable primarily from the assessments to be levied for the Improvements, funds received from Prosper Portland under intergovernmental agreements applicable to the NW Johnson-Kearney Local Improvement District, and the proceeds of any subsequent short or long term financing for the improvements. The City covenants to use its best efforts to refinance the interim financing or secure permanent financing which will be available to permit timely payment of the interim financing, but the City shall not be obligated to pledge its general fund to any permanent financing.
- C. No Additional Taxes Authorized. No interim financing shall be a general obligation of the City and neither the authorization nor the issuance of any interim financing shall authorize the City to levy any additional taxes.
- D. No interim financing may be sold and agreement for any interim financing may be executed until the period of referral of this nonemergency ordinance has expired and this ordinance takes effect. If this Ordinance is referred, the City may not sell the interim financing unless the voters approve this Ordinance.
- E. The interim financing shall be in a form approved by an Authorized Officer and shall be executed on behalf of the City by an Authorized Officer.
- F. An Authorized Officer may, on behalf of the City and without further action by the Council:
1. Obtain one or more lines of credit, credit facilities, or other forms of interim financings, and obtain interim financings to refinance interim financings authorized by this Ordinance;
  2. Select a commercial bank or other lender to provide each interim financing;
  3. Establish the final principal amount, maturity schedule, interest rate or rates, fees, redemption terms, payment terms and other terms of each interim financing;
  4. Provide that each interim financing will bear interest that is excludable from, or includable in, gross income of the lenders under the federal Internal Revenue Code;
  5. Covenant to comply with the requirements of federal law that are necessary for interest on tax-exempt borrowings to be excludable from gross income under the federal Internal Revenue Code and for taxable borrowings to qualify for federal interest subsidies;
  6. Pledge all or any portion of the amounts the City receives from the assessments for the financed Improvements, funds received from Prosper Portland under intergovernmental agreements applicable to the NW Johnson-Kearney Local Improvement District, and the proceeds of any subsequent short or long term financing for the

improvements to secure the interim financings that are authorized by this ordinance;

7. Enter into additional covenants to secure the interim financings that are authorized by this ordinance, including covenants to refinance each interim financing;
8. Negotiate the terms of and execute and deliver the documents for the interim financings authorized by this Ordinance; and
9. Take any other action in connection with the Improvements or the interim financings authorized by this ordinance which the Authorized Officer finds is desirable to carry out this ordinance.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council  
October 9, 2024

Auditor of the City of Portland  
Simone Rede

## Impact Statement

### Purpose of Proposed Legislation and Background Information

The Ordinance authorizes the City to obtain interim financing in an amount not to exceed \$14,450,000 for the costs of improvements that benefit property owners within the NW Johnson-Kearney Streets Local Improvement District. City Council approved formation of the NW Park Avenue and Johnson-Kearney Streets Local Improvement District with the passage of Ordinance No. 190180 on October 28, 2020.

Concurrently with this Ordinance, the Council will consider an amendment to bifurcate the project into two local improvement districts. If that legislation is approved by the Council, this Ordinance will provide for the financing of the NW Johnson-Kearney Streets LID ("NW JK Streets LID") only.

The estimated amount of the future assessment for the NW JK Streets LID is \$14,327,706.29. The additional \$122,293.71 of the authorized borrowing will provide for legal and professional costs associated with the financing. As provided by an intergovernmental agreement between the City and Prosper Portland (the "IGA"), interim financing interest will be paid by Prosper Portland with all available resources until substantial completion of all projects in the NW JK Streets LID. Additionally, the NW JK Streets LID amendment ordinance being read concurrently with this Ordinance includes a provision to amend a previous intergovernmental agreement between the City and Prosper Portland and allocates roughly \$1.7 million of PBOT transportation system development charges (TSDCs) of the City to be used for payment of interest of

the NW JK Streets LID interim financing and \$1.7 million of HUD Section 108 Program Income to eligible construction costs.

Once authorized by City Council, Budget & Finance will solicit bids from lenders, negotiate terms and execute the legal documents related to the interim financing. The NW JK Streets LID interim financing will be a full faith and credit obligation of the City and will mature no later than five years from the issuance date. The interim financing will be periodically renewed or refinanced by the City's Debt Management Division to meet the January 2033 period of final assessment of the NW JK Streets LID. In 2033, it is expected that the interim financing will be refinanced with limited tax improvement bonds authorized by a future City Council action. The limited tax improvement bonds will be repaid by payments received from benefitting property owners under assessment financing contracts of the NW JK Streets LID. In this case, the majority property owner is Prosper Portland until property sales have occurred under the Broadway Corridor Funding and Finance Plan approved by City Council. Prosper Portland has projected to have sufficient resources, primarily derived from property sales within the Broadway Corridor and other program income, to make payments required under the interim financing and related long-term bonds.

### **Financial and Budgetary Impacts**

Assuming an interest rate of five percent annually, \$722,500 of interim financing interest will be paid annually until long-term bonds are issued in 2033. Interim financing interest payments and the funds received from Prosper Portland will be recorded in the Special Projects Debt Service Fund. However, as mentioned above and in the related legislation, the City will provide for up to \$1.7 million of PBOT's \$3.68 million previously allocated TSDC Funds as a funding source for interim financing interest at the option of Prosper Portland. The allocation of TSDCs does not require the commitment of PBOT resources beyond what has already been budgeted for the project due to the use of \$1.7 million of HUD Funds being made available for the project construction costs.

### **Economic and Real Estate Development Impacts**

This is an administrative action taken to support the construction funding of the NW JK Streets LID. A description of the Economic and Real Estate Development Impacts is provided in separate actions planning and approving of the NW JK Streets LID.

### **Community Impacts and Community Involvement**

This is an administrative action taken to support the construction funding of the NW JK Streets LID. Community impact and involvement has occurred in separate actions planning and approving of the NW JK Streets LID.

## 100% Renewable Goal

n/a

## Financial and Budget Analysis

This action authorizes interim financing up to \$14,450,000 for the NW Johnson-Kearney LID project. City Debt Management assumes a five percent annual interest rate, with \$722,500 of interest to be paid by Prosper Portland. As noted by Debt Management, the City will provide for up to \$1.7 million of PBOT's \$3.68 million previously allocated TSDC Funds as a funding source for interim financing interest at the option of Prosper Portland. The allocation of TSDCs does not require the commitment of PBOT resources beyond what has already been budgeted for the project due to the use of \$1.7 million of HUD Funds being made available for the project construction costs

## Document History

**Item 834 Regular Agenda in [October 2, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/10/2) (<https://www.portland.gov/council/agenda/2024/10/2>)**

City Council

Passed to second reading

Passed to second reading October 9, 2024 at 9:30 a.m.

**Item 853 Regular Agenda in [October 9-10, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/10/9) (<https://www.portland.gov/council/agenda/2024/10/9>)**

City Council

Passed

Aye (4): Mingus Mapps, Dan Ryan, Rene Gonzalez, Ted Wheeler

Absent (1): Carmen Rubio