

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

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|---|---|---|
| 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) February 25, 2010 | 4b. Calendar (Check One) Regular Consent 4/5ths [] <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> | 5. Date Submitted to FPD Budget Analyst: February 25, 2010 |

1) Legislation Title:

*Authorize the creation of a recovery zone under the provisions of the American Recovery and Reinvestment Act of 2009 for the purpose of issuing Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds (Ordinance)

2) Purpose of the Proposed Legislation:

The proposed Ordinance authorizes the City to designate its entire geographic area as a recovery zone under provisions of the Internal Revenue Code of 1986, as amended, for the purpose of issuing Recovery Zone Bonds.

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)

If the Ordinance is approved by the Council and qualifying projects are found, the City is authorized to issue up to \$13,548,000 of Recovery Zone Economic Development Bonds and \$20,323,000 of Recovery Zone Facility Bonds. Debt service on such Recovery Zone Bonds, and the parties financially obligated for such debt service, will be determined at the time the bonds are issued.

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 |
|------|-------------|-----------------|-----------------|----------------|-------|--------|
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| Eric, Johansen, Debt Manager |
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APPROPRIATION UNIT HEAD (Typed name and signature)



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

183563

Bureau of Financial Services
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 Portland, Oregon 97204-1912
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 FAX (503) 823-5384
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DATE: March 1, 2010
TO: Mayor Sam Adams
FROM: Eric Johansen, Debt Manager
RE: *Authorize the creation of a recovery zone under the provisions of the American Recovery and Reinvestment Act of 2009 for the purpose of issuing Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds (Ordinance)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

- 1. INTENDED THURSDAY FILING DATE: February 25, 2010
- 2. REQUESTED COUNCIL AGENDA DATE: March 3, 2010
- 3. CONTACT NAME & NUMBER: Eric Johansen, Debt Manager – x36851
- 4. PLACE ON: CONSENT REGULAR
- 5. BUDGET IMPACT STATEMENT ATTACHED: 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 – The American Recovery and Reinvestment Act of 2009 (“ARRA”) authorizes certain local governments to issue Recovery Zone Economic Development Bonds (“RZEDBs”) and Recovery Zone Facility Bonds (“RZFBs”) (collectively, the “Recovery Zone Bonds”) pursuant to volume cap allocated to such local governments. The volume cap defines the maximum amount of Recovery Zone Bonds that may be issued. The City was allocated \$13,548,000 of RZEDB volume cap and \$20,323,000 of RZFB volume cap.

Recovery Zone Bonds are advantageous to the City because of the favorable tax treatment they receive. RZEDBs are issued as taxable bonds, but the issuer receives a periodic payment equal to 45 percent of the taxable coupon. RZFBs are issued as tax exempt bonds for acquisition of property that otherwise would not have qualified for tax exemption. The Internal Revenue Code of 1986, as amended (the “Code”), identifies the purposes for which Recovery Zone Bond may be issued.

Prior to issuing Recovery Zone Bonds, a local government must designate an area as a “recovery zone.” The Code defines the term “recovery zone” to mean: (1) any area designated by the issuer as having significant poverty, unemployment, rate of home foreclosures, or general distress; (2) any area designated by the issuer as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990; and (3) any area for which a designation as an empowerment zone or renewal community is in effect as of the effective date of ARRA, which effective date is February 17, 2009.

The proposed Ordinance authorizes the City to designate its entire geographic area as a recovery zone under the Code for the purpose of issuing Recovery Zone Bonds. The designation of the City as a recovery zone is supported by a history of growing unemployment in Multnomah County (of which 80% of the population resides with the City) and

high rate of foreclosures, as presented in Exhibit A. These findings are consistent with the distress indicators identified in item (1) above in the Code's definition of recovery zone.

Legal Issues – Issuance of Recovery Zone Bonds must be done in conformance with provisions of the Code, as described above.

Link to Current City Policies – None

Controversial Issues – None

Citizen Participation – Not Applicable

Other Government Participation – None.

8. FINANCIAL IMPACT

If the Ordinance is approved by the Council and qualifying projects are found, the City is authorized to issue up to \$13,548,000 of RZEDBs and \$20,323,000 of RZFBs. Debt service on such Recovery Zone Bonds, and the parties financially obligated for such debt service, will be determined at the time the bonds are issued.

9. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve the Ordinance so that the City can identify qualifying projects to be able to take advantage of the Recovery Zone bond programs prior to the January 1, 2011, expiration date.