

**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)  April 8, 2010	4b. Calendar (Check One) Regular Consent 4/5ths  [X]      [ ]      [ ]	5. Date Submitted to FPD Budget Analyst:  March 31, 2010

**1) Legislation Title:**

Authorize North Macadam Urban Renewal and Redevelopment Bonds and extension of interim financing (Ordinance)

**2) Purpose of the Proposed Legislation:**

The Ordinance authorizes the City to issue urban renewal and redevelopment bonds (the "2010 Bonds") to refinance outstanding balances on lines of credit for the North Macadam urban renewal area (the "Area"). The amount of 2010 Bonds authorized may not exceed \$70 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 2010 Bonds. The 2010 Bonds will be secured by the tax increment revenues of the Area.

The Ordinance also extends the maturity date of a line of credit established for projects in the Central District portion of the Area (the "2005 Line of Credit"). Currently, the 2005 Line of Credit is set to expire on June 15, 2010. In order to allow additional time to discuss terms of the 2010 Bonds with rating agencies and investors, the City is proposing to extend the line through October 1, 2010. Wells Fargo Bank, the line of credit provider, has agreed to the extension.

**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 2010 Bonds, annual net debt service on 2010 Bonds is expected to be in the range of \$6.6 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.

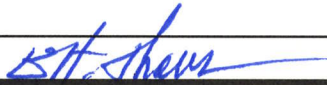
**6) Will positions be created or eliminated in future years as a result of this legislation?**

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

**Sam Adams, Mayor**  
**Ken Rust, Chief Administrative Officer**

**Bureau of Financial Services**  
**Jennifer Sims, Director & CFO**  
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**183710**

**DATE:** March 31, 2010  
**TO:** Mayor Sam Adams  
**FROM:** Eric Johansen, Debt Manager   
**RE:** Authorize North Macadam Urban Renewal and Redevelopment Bonds and extension of interim financing (Ordinance)

**FOR MAYOR'S OFFICE USE ONLY**  
Reviewed by Bureau Liaison \_\_\_\_\_

- 1. **INTENDED THURSDAY FILING DATE:** April 8, 2010
- 2. **REQUESTED COUNCIL AGENDA DATE:** April 14, 2010
- 3. **CONTACT NAME & NUMBER:** Eric Johansen, Debt Manager, 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 on April 14, 2010. The Ordinance authorizes the City to issue urban renewal and redevelopment bonds (the “2010 Bonds”) to refinance outstanding balances on lines of credit for the North Macadam urban renewal area (the “Area”). The amount of 2010 Bonds authorized may not exceed \$70 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 2010 Bonds. The 2010 Bonds will be secured by the tax increment revenues of the Area.

The Ordinance also extends the maturity date of a line of credit established for projects in the Central District portion of the Area (the “2005 Line of Credit”). Currently, the 2005 Line of Credit is set to expire on June 15, 2010. In order to allow additional time to discuss terms of the 2010 Bonds with rating agencies and investors, the City is proposing to extend the line through October 1, 2010. Wells Fargo Bank, the line of credit provider, has agreed to the extension.

The City currently has approximately \$62.9 million outstanding on three lines of credit established to finance projects in the Area, including \$44.4 million for projects in the South Waterfront Central District. 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 2010 Bonds to

refinance as much debt on lines 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 2010 Bonds may be less than the \$70 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; purchasing municipal bond insurance or other forms of credit enhancement; and executing documents. The Ordinance also delegates to the Debt Manager the authority to structure some or all of the qualifying 2010 Bonds as Build America Bonds authorized by the American Recovery and Revitalization Act.

The 2010 Bonds are expected to be sold in the summer of 2010.

**Legal Issues** – If the Ordinance is approved by the Council after its second reading, a 30-day referral period begins. If during the referral period, written petitions signed by at least six percent of the City’s electors are filed with the City Auditor, any bonding authority provided by the proposed Ordinance could not be used unless approved by the voters.

No additional 2010 Bonds authorized by this Ordinance will be issued until the Portland Development Commission Board of Commissioners approves a resolution requesting the City to issue the 2010 Bonds. A resolution is expected to be approved by the Commission on April 14, 2010.

**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 2010 Bonds, annual net debt service on 2010 Bonds is expected to be in the range of \$6.6 million annually if the full \$70 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 North Macadam urban renewal plan.