

**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)  May 20, 2010	4b. Calendar (Check One) Regular Consent 4/5ths  [X]      [ ]      [ ]	5. Date Submitted to FPD Budget Analyst:  May 12, 2010

**1) Legislation Title:**

Authorize additional revenue bonds for Central Eastside Urban Renewal Area (Ordinance)

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

The proposed legislation authorizes additional Bonds for the Central Eastside urban renewal area in the amount of \$2 million. PDC's FY 2009-10 Budget is expected to be amended to add the Hooper Detox Center/Mental Health Crisis Center project (the "Project"). PDC originally planned to provide resources for the Project to Multnomah County in FY 2012-13. However, by committing resources this fiscal year, an opportunity exists where the two mental health facilities can be bundled as part of a New Markets Tax Credit financing package, producing overall savings of nearly \$1 million. PDC will provide \$1.925 million of tax increment revenues to the Project, which will be funded with proceeds from the Central Eastside line of credit.

The additional Bonds authorized by this ordinance will be secured by the City's available general funds; however, the debt is expected to be repaid from the proceeds of long-term urban renewal and redevelopment bonds secured by tax increment revenues. Bonds for the Central Eastside urban renewal area are planned to be issued in FY 2010-11.

**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)**

Annual debt service on urban renewal lines of credit will depend on amounts drawn by PDC and on interest rates for these variable rate lines of credit. Typically, interest is paid on outstanding balances with tax increment revenues until the lines are refinanced with long term urban renewal and urban renewal area for which lines of credit are established. The City expects to refinance the outstanding balance on the Central Eastside line of credit with long-term bonds in FY 2010-11.

**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**  
**Kenneth L. Rust, Chief Administrative Officer**  
**Richard F. Goward, Jr., Chief Financial Officer**

183850  
**Eric H. Johansen, Debt Manager**  
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Portland, Oregon 97204  
(503) 823-4220  
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**DATE:** May 12, 2010

**TO:** Mayor Sam Adams

**FROM:** Eric Johansen, Debt Manager *eg (Rofor)*

**RE:** Authorize additional revenue bonds for Central Eastside Urban Renewal Area (Ordinance)

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

- 1. **INTENDED THURSDAY FILING DATE:** May 20, 2010
- 2. **REQUESTED COUNCIL AGENDA DATE:** May 26, 2010
- 3. **CONTACT NAME & NUMBER:** Eric Johansen, Debt Manager, x3-6851
- 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** – Attached is an ordinance for Council on May 26, 2010. The ordinance authorizes additional Bonds for the Central Eastside urban renewal area in the amount of \$2 million.

In 2007, the Council adopted Ordinance No. 181286, which authorized lines of credit for nine urban renewal areas. This ordinance established maximum amounts that could be borrowed for each of the urban renewal areas. The Council subsequently adopted Ordinance No. 183480 (and collectively with Ordinance No. 181286, the “Ordinances”) which authorized additional borrowing on the lines of credit for the Central Eastside, Interstate Corridor and Gateway Regional Center urban renewal areas. The amount authorized by the increases was intended to provide funding for expenditures through the expiration date of the lines of credit in December 2010.

Since adoption of Ordinance 183480, PDC’s FY 2009-10 Budget is expected to be amended to add the Hooper Detox Center/Mental Health Crisis Center project (the “Project”). PDC originally planned to provide resources for the Project to Multnomah County in FY 2012-13. However, by committing resources this fiscal year, an opportunity exists where the two mental health facilities can be bundled as part of a New Markets Tax Credit financing package, producing overall savings of nearly \$1 million. PDC would provide \$1.925 million to the Project funded with proceeds from the Central Eastside line of credit.

Approval of this ordinance authorizing the increase in the Central Eastside line of credit allows sufficient time to provide for the 30-day referral period (described below) and to execute related bank documents before PDC funds are needed at the end of the fiscal year. However, a draw on the line of credit and expenditure of funds for the Project will not take place unless the FY 2009-10 Revised 3 Budget is approved by the Portland Development Commission. The FY 2009-10 Revised 3 Budget is expected to be scheduled for Commission approval on June 23, 2010.

Depending on tax increment revenue growth, PDC estimates that there would likely be two years where the City is borrowing slightly ahead of the financial capacity permitted by the City's debt planning standards if the project is moved up to this fiscal year without displacing other projects. When planning for short-term borrowings in urban

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renewal areas, the City's practice is to permit issuance up to an amount that, when converted to long-term debt using reasonable borrowing assumptions, is fully self-supporting based on tax increment revenues collected in the year the debt is issued. However, the borrowing will fit within the City's debt policy, which permits incurring short-term indebtedness in amounts which are projected to be fully self-supporting by the projected available tax increment revenues in the fifth year of the forecast period, or FY 2014-15.

The additional Bonds authorized by this ordinance will be secured by the City's available general funds; however, the debt is expected to be repaid from the proceeds of long-term urban renewal and redevelopment bonds secured by tax increment revenues of the Central Eastside urban renewal area. The Central Eastside line of credit is provided by Bank of America.

The Ordinance delegates to the Debt Manager certain tasks including issuing one or more Bonds or amending bonds issued under the Ordinances to increase their maximum principal amounts, issuing refunding bonds to refund the Bonds and any bonds issued pursuant to the Ordinances, extending existing lines of credit or entering into refunding lines of credit if the Debt Manager determines that the City may obtain more advantageous terms, entering into covenants to secure the Bonds, and executing related financing documents.

**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 Bond increases above the currently authorized amounts for the three urban renewal areas could not be issued unless approved by the voters.

Additionally, no additional Bonds authorized by this ordinance will be issued until the PDC Board of Commissioners approves a resolution requesting the City to increase the maximum principal amount of the Bonds for the Central Eastside urban renewal area. A resolution is expected to be considered by the Commission on May 26, 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 PDC to complete this financing.

## 8. FINANCIAL IMPACT

Annual debt service on urban renewal lines of credit will depend on amounts drawn by PDC and on interest rates for these variable rate lines of credit. Typically, interest is paid on outstanding balances with tax increment revenues until the lines are refinanced with long term urban renewal and urban renewal area for which lines of credit are established. The City expects to refinance the outstanding balance on the Central Eastside line of credit with long-term bonds in FY 2010-11.

## 9. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve this Ordinance in order to provide the necessary funding for the Project in the FY 2009-10 budget.