

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, City Treasurer	2. Telephone Number 503/823-6851	3. Bureau/Office/Dept. Financial Services/Public Finance and Treasury
4a. To be filed (date) September 23, 2010	4b. Calendar (Check One) Regular Consent 4/5ths [X] [] []	5. Date Submitted to FPD Budget Analyst: September 15, 2010

1) Legislation Title:

* Grant preliminary approval for the issuance of one or more series of Recovery Zone Facility Bonds in an aggregate principal amount not to exceed \$31,000,000 for the financing of the Meier & Frank Project (Ordinance)

2) Purpose of the Proposed Legislation:

The ordinance provides City Council approval of an application submitted by 14th & Everett Investors, LLC (the "Applicant") for Recovery Zone Facility Bonds ("RZFBs") in the amount of \$31,000,000. The ordinance also provides preliminary approval for the issuance of economic development revenue bonds as RZFBs (the "Bonds") in an amount not to exceed \$31,000,000. The Bonds would be used to provide a portion of funding needed for redevelopment of the Meier & Frank Warehouse (the "Project") as a five-story office building, including four floors of office space and one floor of parking.

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)

This legislation will not generate or reduce current or future costs to the City.

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.

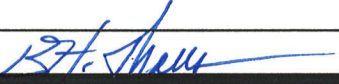
6) Will positions be created or eliminated in *future years* as a result of this legislation?

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, City Treasurer 

APPROPRIATION UNIT HEAD (Typed name and signature)



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

Sam Adams, Mayor
Ken Rust, Chief Administrative Officer

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DATE: September 15, 2010

TO: Mayor Sam Adams

FROM: Eric Johansen, City Treasurer *EJ*

RE: * Grant preliminary approval for the issuance of one or more series of Recovery Zone Facility Bonds in an aggregate principal amount not to exceed \$31,000,000 for the financing of the Meier & Frank Project (Ordinance)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

- 1. **INTENDED THURSDAY FILING DATE:** September 23, 2010
- 2. **REQUESTED COUNCIL AGENDA DATE:** September 29, 2010
- 3. **CONTACT NAME & NUMBER:** Eric Johansen, City Treasurer – 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 attached ordinance provides City Council approval of an application submitted by 14th & Everett Investors, LLC (the “Applicant”) for Recovery Zone Facility Bonds (“RZFBs”) in the amount of \$31,000,000. The ordinance also provides preliminary approval for the issuance of economic development revenue bonds as RZFBs (the “Bonds”) in an amount not to exceed \$31,000,000. The Bonds would be used to provide a portion of funding needed for redevelopment of the Meier & Frank Warehouse (the “Project”) as a five-story office building, including four floors of office space and one floor of parking.

The Portland Development Commission (“PDC”) has reviewed the application in accordance with Portland City Code (“PCC”) Chapter 5.72 and has prepared a report recommending its approval. Additionally, the State of Oregon has been allocated \$155,175,000 of RZFB volume cap and the Oregon Business Development Department has agreed to suballocate \$31 million of the State’s RZFB volume cap to the Project.

The Ordinance expresses the Council’s intent to issue one or more series of Bonds in accordance with the American Recovery and Reinvestment Act (“ARRA”) and the PCC for the purpose of providing a portion of the funds necessary to finance the Project and a deposit to the debt service reserve fund, if applicable, and to pay for any costs of issuance of the proposed Bonds. It also authorizes PDC to proceed with processing the application and to execute a Letter of Intent and Indemnification and Compensation Agreement. The ordinance authorizes the Office of Management and Finance (a) to declare the City’s official intent to use Bond proceeds to reimburse any expenditures made for the Project before the proposed Bonds are issued, as required by Treasury Regulations § 1.150-2, (b) to appoint the underwriter, placement agent or purchaser for the proposed Bonds, and (c) to execute a Letter of Intent and Indemnification and Compensation Agreement with the Applicant and/or other relevant party(s).

The Bonds will not be a debt of the City of Portland, the State of Oregon (the “State”), or any political subdivision thereof and neither the City of Portland nor the State or any subdivision thereof shall be liable thereon.

Legal Issues – Pursuant to Chapter 5.72 of the PCC, the PDC is delegated the responsibility of (a) receiving and reviewing applications to the City for financial assistance through the City’s issuance of economic development revenue bonds and (b) making recommendations to the City Council as to whether the City should issue economic development revenue bonds to finance the proposed Project on the basis of PDC’s review of the application and other considerations set forth under Chapter 5.72 of the City Code. If PDC makes final recommendation to the City Council for the issuance of economic development revenue bonds and the City Council authorizes the issuance of such bonds, the City issues such bonds on behalf of the applicant to finance or refinance the applicant’s proposed project.

On August 25, 2010, the PDC approved a resolution that recommends that the City Council give preliminary approval of the issuance of the proposed Bonds as RZFBs to finance the Project pursuant to PCC Chapter 5.72 and ARRA. The resolution also requests the City’s Office of Management and Finance to declare the City’s official intent to allow proceeds of the Bonds to be used to reimburse costs of the Project pursuant to federal income tax regulations and to determine which commercial bank or investment bank will act as underwriter or private placement agent for the bonds or which accredited investor will purchase the Bonds.

PCC Chapter 5.72 currently requires that all documents to be approved by PDC must be received in final form 14 days prior to the meeting at which PDC will grant its final approval. Due to the December 31, 2010, deadline to issue RZFBs under ARRA, it may not be feasible to meet the 14 day timeline for submitting final documents. Therefore, the ordinance waives these requirements and any other provisions of PCC Chapter 5.72 that interfere with the efficient processing and authorization of RZFBs for the Project.

The City expects to conduct a public hearing regarding the issuance of the proposed Bonds as required by Section 147(f) of the Internal Revenue Code of 1986 as amended (the “Code”). The Council will be advised of the results of that hearing in connection with an ordinance expected to be filed later this calendar year to provide final approval of the issuance of the Bonds.

Link to Current City Policies – Pursuant to the City’s Debt Management Policies, the Bonds shall either:

1. Carry a rating not lower than “A3” or “A-” by Moody’s Investors Service and/or Standard & Poor’s Corporation, respectively. Exceptions to this requirement may only be made by the Debt Manager and the Director of the Bureau of Financial Services.
2. Be sold via a private sale only to ‘accredited investors’ pursuant to City Code Section 5.72.080.

Controversial Issues – None

Citizen Participation – Not Applicable

Other Government Participation – The City is working with the staff of the PDC and State of Oregon to complete this transaction.

8. FINANCIAL IMPACT

Approval of the proposed ordinance is not expected to have a financial impact on the City.

9. RECOMMENDATION/ACTION REQUESTED

The City Council is requested to approve the Ordinance in order to permit the Project to move forward in a timely manner and to take advantage of the RZFBs prior to expiration of the program on December 31, 2010.