

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Jonas Biery ^{SB}		2. Telephone No. X34222	3. Bureau/Office/Dept. OMF – Public Finance/Treasury
4a. To be filed (hearing date): 3/27/2014 (April 2, 2014)	4b. Calendar (Check One) Regular Consent 4/5ths <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		5. Date Submitted to Commissioner's office and CBO Budget Analyst: 3/27/2014
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

1) Legislation Title:

* Authorize contingent loan agreement with Home Forward for Kafoury Commons (Ordinance)

2) Purpose of the Proposed Legislation:

The legislation authorizes the City to enter into a Contingent Loan Agreement (the "Agreement") with Home Forward in connection with the proposed issuance of Home Forward's Multifamily Housing Revenue Refunding Bonds, 2014 (Gretchen Kafoury Commons) (the "Kafoury Commons Bonds").

The proposed Agreement provides that the City will lend to Home Forward, upon request, amounts to maintain the Reserve Account in the amount of approximately \$250,000 for the Kafoury Commons Bonds. Home Forward may only request a loan from the City if revenues from the Kafoury Commons project plus other general revenues of Home Forward are insufficient to maintain the Reserve Account. The obligation of the City to loan money to Home Forward under the Agreement is subject to future annual appropriation by the City Council. If the City provides a loan to Home Forward under the Agreement, Home Forward will be obligated to repay the City under a repayment plan to be determined at the time the loan is made.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|------------------------------------|------------------------------------|--------------------------------|
| <input type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input checked="" type="checkbox"/> Central City | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

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

5) 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 year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the level of confidence.)

If the Reserve Account for the Kafoury Commons Bonds falls below the required amount in the Reserve Account, the City will lend to Home Forward, upon request, amounts to replenish the Reserve Account, subject to Council appropriation. The maximum loan amount is approximately \$250,000 annually (the full amount of the Reserve Account). No loan requests are currently anticipated. Any such loans to Home Forward will be made from legally available revenues of the City (including the City's General Fund) with repayment terms to be negotiated at the time the loans are made.

6) Staffing Requirements:

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

No positions will be created, eliminated or re-classified in the current year or in future years as a result of this legislation.

(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 Fund Center column if new center needs to be created. Use additional space if needed.)

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- YES: Please proceed to Question #9.
 NO: Please, explain why below; and proceed to Question #10.

This is an administrative item being taken to enhance the security and improve the marketability of the Kafoury Commons Bonds.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

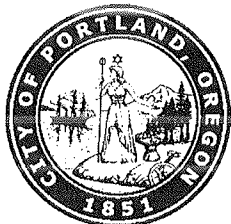
e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

No future public involvement is anticipated or necessary. If Council approves the Ordinance, Home Forward will proceed with the issuance of the Kafoury Commons Bonds secured, in part, by the Agreement.



FRED MILLER, INTERIM CHIEF ADMINISTRATIVE OFFICER



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

Charlie Hales, Mayor
Fred Miller, Interim Chief Administrative Officer

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DATE: March 19, 2014

TO: Mayor Charlie Hales

FROM: Jonas Biery, Debt Manager

RE: * Authorize contingent loan agreement with Home Forward for Kafoury Commons (Ordinance)

FOR MAYOR'S OFFICE USE ONLY
Reviewed by Bureau Liaison _____

- 1. INTENDED THURSDAY FILING DATE: March 27, 2014
- 2. REQUESTED COUNCIL AGENDA DATE: April 2, 2014
- 3. CONTACT NAME & NUMBER: Jonas Biery, x 3-4222
- 4. PLACE ON: X CONSENT ___ 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 X N/A

7. BACKGROUND/ANALYSIS

Introduction and History – The proposed Ordinance authorizes the City to enter into a Contingent Loan Agreement (the “Agreement”) with Home Forward (“HF”) (formerly, the Housing Authority of Portland) in connection with the proposed issuance of HF’s Multifamily Housing Revenue Refunding Bonds, 2014 (Gretchen Kafoury Commons) (the “Kafoury Commons Bonds”).

Proceeds of the Kafoury Commons Bonds will be used by HF to refinance currently outstanding bonds that were issued to finance a part of the costs of developing the Kafoury Commons building, in order to take advantage of lower interest rates and reduce annual debt service payments. Gretchen Kafoury Commons is a nine-story, 65,000 square foot, apartment community at 1240 SW Columbia Street with 129 studio, one and two-bedroom units. Built in 2000 by Home Forward, all units are occupied by low income households with 29 studios targeted to households at 40% of the area’s median family income (MFI), 63 units at 60% MFI, and 37 units at 80% MFI.

The City currently has four contingent loan agreements with HF that provide credit enhancement for HF bonds. The total outstanding principal amount of HF bonds carrying a contingent loan agreement with the City is \$25.1 million. To date, the City has never been requested to appropriate funds under any of the contingent loan agreements.

Similar to other contingent loan agreements between the City and HF, the proposed Agreement provides that the City will lend to HF, upon request, amounts to maintain the Reserve Account in the amount of approximately \$250,000 for the Kafoury Commons Bonds. HF may only request a loan from the City if revenues from the Kafoury Commons project plus other general revenues of HF are insufficient to maintain the Reserve Account. The obligation of the City to loan money to HF under the Agreement is subject to future annual appropriation by the City Council. As such, the City Council has no legal obligation to appropriate funds; however, once funds have been appropriated, the City is obligated to

transfer required amounts to the Bond trustee to replenish the Reserve Account. If the City provides a loan to HF under the Agreement, HF will be obligated to repay the City under a repayment plan to be determined at the time the loan is made.

The City and HF previously entered into a contingent loan agreement for the Kafoury Commons project. The Agreement authorized by this ordinance will replace the prior contingent loan agreement upon the successful sale of the Kafoury Commons Bonds. The terms of the new Agreement are materially similar to prior and existing contingent loan agreements with the following exceptions:

- Extension of the maturity date by two years (from May 1, 2032 to May 1, 2034)
- Amortization of the debt over a 30-year period, including a balloon payment of approximately \$2.2 million in FY2033-34.
- A requirement that HF begin an effort to refinance the FY 2033-34 balloon payment no later than May 1, 2029.
- Removal of an expiration provision if certain project debt service coverage targets are met; however, if coverage is not maintained at 1.10X or higher, HF is required to notify the City of a plan to achieve targeted debt service coverage.

Because the refunding of bonds by HF will reduce annual debt service payments and the amount required to be maintained in the Reserve Account, the City's annual exposure is reduced relative to the prior contingent loan agreement. Additionally, the Kafoury Commons project carries a cash flow dependent loan provided by the Portland Housing Bureau ("PHB"). Reducing annual debt service requirements on the Kafoury Commons Bonds increases the likelihood that the Kafoury Commons project will produce cash flow available to PHB under the terms of the existing cash flow loan.

PHB staff, in coordination with the City's Debt Manager, have reviewed the Kafoury Commons project and financial pro formas, and believe that the benefits of refunding the Kafoury Commons Bonds support the limited risk of the Agreement.

Attached to the Ordinance is the form of Agreement which has been approved by the City Attorney's Office. The Ordinance provides that the Debt Manager, in concurrence with the City Attorney, may negotiate modifications to the Agreement as reasonable or necessary to carry out the purposes of the Agreement.

Legal Issues – The Office of Management and Finance and HF have worked with the City Attorney's Office and with outside bond counsel to prepare legal documents, including the Agreement.

Link to Current City Policies – The Agreement is in conformance with the City's Debt Management Policies (FIN 2.12).

Controversial Issues – None

Citizen Participation – Not applicable

Other Government Participation – Not applicable.

8. FINANCIAL IMPACT

The City may be asked by HF to provide a loan if annual project cash flow is insufficient to pay the Kafoury Commons Bonds, the Reserve Account dips below its required level and HF has insufficient general funds to replenish the Reserve Account. The maximum loan amount to replenish the Reserve Account is approximately \$250,000 annually, however no loan requests are currently anticipated. The obligation of the City to loan money to HF is subject to annual appropriation by the Council. However, once appropriated, funds must be transferred to the Bond trustee to replenish the Reserve Account.

The refunding will improve annual cash flow to the Kafoury Commons project by approximately \$100,000, which increases the likelihood of loan repayment to PHB; however, repayment of the PHB loan is cash flow dependent and expected repayment amounts cannot be estimated at this time.

9. **RECOMMENDATION/ACTION REQUESTED**

It is recommended that the City Council approve the Ordinance to authorize the Agreement, which will allow the issuance of the Kafoury Commons Bonds by HF to take advantage of favorable interest rates and reduce debt service costs for the Kafoury Commons project.