

IMPACT STATEMENT

Legislation title: Authorize revenue bonds for the reconstruction of the Portland Building (Ordinance)
Contact name: Eric Johansen, Debt Manager
Contact phone: x3-4222
Presenter name: Eric Johansen

Purpose of proposed legislation and background information:

The proposed legislation authorizes the City to issue revenue bonds in an amount up to \$195 million for the costs of the reconstruction of the Portland Building and costs related to issuing the bonds (the “Bonds”). The proposed financing is being done in conformance with debt limitations established in the City’s Debt Management Policy (FIN 2.12).

Proceeds of the Bonds will be used to fund the reconstruction of the Portland Building including exterior envelope renovation, seismic upgrades, daylight improvements, accessibility compliance improvements, and mechanical, electrical and plumbing upgrades. In addition, the project includes architectural and design services, project management, temporary relocation of City staff and related public costs (collectively, the “Portland Building Project”).

The Portland Building Project financing plan includes both interim financing and long-term takeout financing. The proposed Bonds are expected initially to be issued in the form of a line of credit that will extend through the construction of the Portland Building Project. Upon completion of the Portland Building Project (or sooner), the financing plan anticipates the issuance of long-term bonds to repay the line of credit.

The long-term bonds may be issued in three different series at different times. One series is expected to be in the form of limited tax revenue bonds and will be issued in an amount sufficient to repay the portion of the line of credit attributable to bureaus other than the Water Bureau and Bureau of Environmental Services (“BES”). Because the Water Bureau and BES have expressed an interest in owning their space in the reconstructed Portland Building, it is anticipated that these two bureaus will fund their purchase price from the proceeds of water or sewer revenue bonds issued either upon completion of the Portland Building Project, or sooner if feasible, to combine with their scheduled borrowings for other capital improvement projects. The Water Bureau and BES will work with the Office of Management and Finance to determine the optimal timing for funding their shares of the costs of the Portland Building Project.

The proposed ordinance authorizes both the interim financing and all long-term take out financings necessary to fund the Portland Building Project. The ordinance delegates to the Debt Manager certain tasks including issuing Bonds as short-term interim financing or long-term takeout financing; negotiating the terms of and executing one or more Bond declarations; selecting banks or underwriters; establishing the final principal amounts, lien status, maturity schedules, payment terms and dates, and other terms related to the sale of the Bonds; purchasing

municipal bond insurance or other forms of credit enhancement, refunding any bonds issued to provide interim financing; and executing documents.

If the Ordinance is approved by Council after the second reading, a 30-day referral period begins. No Bonds may be sold and no purchase agreement for any Bonds may be executed until the referral period has expired and the Ordinance takes effect. If the Ordinance is referred, no Bonds may be sold unless voters approved the Ordinance.

Financial and budgetary impacts:

While the repayment structure will not be finalized until long-term takeout bonds are issued, the combined annual debt service for all three completed takeout series is estimated to be approximately \$15.2 million per year based on current financial planning assumptions for the Portland Building Project, including an interest rate of five percent, a 20-year amortization schedule, and assumed City cash contributions. Actual annual debt service requirements will be depend on market conditions at the time Bonds are issued.

Debt service on the Bonds, which is projected to begin in FY 2020-21, will be included in a blended rate office space lease structure for all City-owned and leased office space in downtown Portland (with the exception of public safety bureaus). A total of \$2.575 million of ongoing General Fund resources, which has been previously approved by Council, will be utilized to fund expected cost increases for General Fund bureaus. Other non-General Fund bureaus are building the forecasted blended rate office space lease costs into their financial forecasts.

Community impacts and community involvement:

This is an administrative action taken to authorize the issuance of the Bonds, the proceeds of which will be used to finance the Portland Building Project. There is no community impact or involvement anticipated.

Budgetary Impact Worksheet

Does this action change appropriations?

- ☐ YES: Please complete the information below.
☒ NO: Skip this section

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