

## IMPACT STATEMENT

**Legislation title:** Authorize revenue bonds for urban renewal areas (Ordinance)  
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### **Purpose of proposed legislation and background information:**

The proposed legislation provides for the following, as more fully described herein:

- Authorizes issuance of revenue bonds (the “Interim Bonds”) to provide interim financing in support of carrying out the City’s urban renewal plans through December 2019;
- Permits bonds to be secured either solely by tax increment revenues of an urban renewal area or by both tax increment revenues and the City’s general fund; and
- Authorizes long-term tax increment bonds (the “Long-term Bonds”) to refinance the Interim Bonds.

If the legislation is approved by the Council, Interim Bonds will be issued to repay outstanding balances on expiring lines of credit and to pay for new projects in five of the City’s urban renewal areas.

In order to avoid lending of credit restrictions, the Interim Bonds authorized by this ordinance may be secured only by the tax increment revenues of the urban renewal area for which the bonds are issued; however, if they qualify, Interim Bonds may additionally be secured by the City’s legally available funds in order to reduce costs. All Interim Bonds are expected to be paid from available tax increment revenues, from proceeds of a replacement line of credit, or from the proceeds of Long-term Bonds that will be secured solely by tax increment revenues. The City expects to solicit bids from potential line of credit providers through a competitive request for proposals process.

The total principal amount of the Interim Bonds will not exceed \$112,305,000 for all urban renewal areas, including approximately \$51 million of Interim Bonds secured by the City’s legally available funds and approximately \$61.305 million secured by solely by tax increment revenues. Balances on current lines of credit totaling approximately \$37 million will be rolled onto the new lines of credit because the existing lines expire on December 30, 2016. The remaining amount of approximately \$75.3 million is expected to be sufficient to meet urban renewal interim borrowing needs through December 2019.

The amount of Interim Bonds secured by either the City’s legally available funds or solely by tax increment revenues for each urban renewal area is projected as follows:

District	Outstanding Line Balance (General Fund Secured)	Planned New General Fund- Secured Draws	Total General Fund Capacity	Planned TIF Only-Secured Draws	Total Interim Financing
CES	\$6,186,639	\$33,361	\$6,220,000	\$0	\$6,220,000
Gateway	12,552,386	2,072,614	14,625,000	3,015,000	17,640,000
Lents	-	1,210,000	1,210,000	45,225,000	46,435,000
Interstate	8,017,000	2,558,000	10,575,000	9,045,000	19,620,000
NMAC	10,277,680	8,092,320	18,370,000	4,020,000	22,390,000
<b>Total</b>	<b>\$37,033,705</b>	<b>\$13,966,295</b>	<b>\$51,000,000</b>	<b>\$61,305,000</b>	<b>\$112,305,000</b>

The amounts to be authorized for each district are based on project cash flows and projected tax increment collections for urban renewal areas as presented in the Portland Development Commission ("PDC") FY 2016-17 budget and financial plan. These amounts represent the maximum amount of Interim Bonds that may be issued through December 2019. Actual amounts may be lower if project expenditures do not materialize as planned or if tax increment revenue projections do not support the level of anticipated expenditures. Interim Bonds may not be used for project expenditures that are not included in PDC's annually adopted budget.

The Long-term Bonds authorized by this Ordinance shall be secured only by the tax increment revenues of the urban renewal area for which the Interim Bonds are being repaid and may be issued in an amount up to \$123,535,000 to repay the Interim Bonds, to fund debt service reserves, and to pay issuance costs.

The Ordinance delegates to the Debt Manager certain tasks for issuance of the Interim Bonds, including issuing Interim Bonds for each urban renewal area; entering into lines of credit and issuing Interim Bonds to secure those lines of credit; establishing the final principal amounts, maturity schedules, interest rates, and other terms related to the sale of the Interim Bonds; and finalizing terms and executing lines of credit, loan agreements, and any other documents.

The Ordinance permits issuance of Long-term Bonds that are on parity with outstanding long-term urban renewal and redevelopment bonds without further Council action. The Ordinance also delegates to the Debt Manager certain tasks for issuance of the Long-term Bonds, including issuing each series of Long-term Bonds on a parity with outstanding bonds and other commitments of tax increment revenues, or with a pledge of tax increment revenues that is subordinate to the lien of outstanding commitments of tax increment revenues; establishing the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, and other terms for each series of the Long-term Bonds; finalizing the terms of, execute and deliver a bond declaration for each series of Long-term Bonds; and executing other documents. However, prior to issuing Long-term Bonds for urban renewal areas for which either (1) no long-term urban renewal and redevelopment bonds are outstanding or (2) the Long-term Bonds are planned to be subordinate to outstanding parity indebtedness, the Ordinance requires that the Debt Manager present to the City Council for approval a substantially final form of a

master bond document for the urban renewal area that describes certain terms and administrative provisions of the Long-term Bonds.

**Financial and budgetary impacts:**

The annual debt service payments on Interim Bonds will vary depending on interest rates and actual amounts drawn by the PDC each year. Typically, interest on Interim Bonds is paid from tax increment revenues until the Interim Bonds are refinanced with the Long-term Bonds. Debt service for Long-term Bonds will be determined once the bonds are issued. Debt service costs are expected to be paid from tax increment revenues of each urban renewal area for which Interim Bonds or Long-term Bonds are issued.

**Community impacts and community involvement:**

This is an administrative action taken to authorize the issuance of Interim Bonds and Long-term Bonds in order to finance the costs of urban renewal capital improvements. No direct community impact or involvement is 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