



[Home](#) / [Council Documents](#)

# 191616

Emergency Ordinance

## **\*Authorize a revised interim interest rate for assessment installment payment contracts and delegate authority to the Director of the Bureau of Revenue and Financial Services to adjust future interim interest rates in response to changing market conditions**

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. Pursuant to the Bancroft Bonding Act, ORS 223.205 through 223.295 and in accordance with the City Code, the City offers financing to property owners that are assessed for the costs of public infrastructure that primarily benefit their properties or who are assessed system development charges.
2. As set out in City Code 17.12.140 (f), the City provides an interim financing for installment payment contracts prior to the time long-term bonds are sold. The City Code provides that the City Council shall set an interim rate (the "Interim Rate") by ordinance, which shall be applied to the unpaid balance until improvement bonds are sold to finance the bonded assessments. The Interim Rate is paid by property owners until bonds are sold and the final interest rate is determined.
3. City Ordinance No. 167762, adopted on June 8, 1994, established an Interim Rate for such installment payment contracts of 7.25 percent and further authorized the City Auditor to adjust the Interim Rate periodically to match bond market conditions, provided that such Interim Rate does not exceed 8.00 percent.
4. In April 2004, in response to a decline in market interest rates, the City Auditor adjusted the Interim Rate to 6.75 percent as recommended by the City's Debt Manager. Rates were further reduced to 5.50% and 5.20% in December 2011 and August 2014, respectively.
5. Market interest rates are now increasing, and it is appropriate to revise the Interim Rate to better reflect current market conditions.

**Introduced by**

[Mayor Ted Wheeler](#)

**Bureau**

[Management and Finance;](#)  
[Revenue and Financial Services](#)

**Contact**

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Debt Manager

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**Requested Agenda Type**

Consent

**Date and Time Information**

**Requested Council Date**

February 7, 2024

6. In 2019, the Assessment, Finance, and Foreclosure Division was moved from the Office of the City Auditor to the Bureau of Revenue and Financial Services Lien Section, and it is appropriate to delegate authority to the Director of the Bureau of Revenue and Financial Services (“BRFS Director”), or the successor to that position, to adjust the Interim Rate as warranted.

NOW, THEREFORE, the Council directs:

- A. The BRFS Director, or the successor to that position, is delegated authority to set the Interim Rate for assessment installment payment contracts in consultation with the Debt Manager.
- B. The BRFS Director is hereby directed to change the current Interim Rate for installment payment contracts subject to future bond sales from 5.20% to 6.20%. The Interim Rate shall take effect on the first day of the month that begins 60 days following passage of this ordinance.
- C. The Interim Rate paid by a property owner shall reflect the Interim Rate in effect at the time the project was assessed.
- D. In the event of future changes in the market interest rates, the BRFS Director may adjust the Interim Rate periodically to match bond market conditions. Such revised Interim Rate shall take effect at the beginning of the month following notification of the change.
- E. The Interim Rate may not exceed 8.00% without prior Council approval.

Section 2. The Council declares that an emergency exists because a delay in enacting this ordinance could cause a discrepancy between the Interest rates being paid by the City and the Interest rates being charged to property owners; therefore, this Ordinance shall be in force and effect from and after its passage by the Council.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council  
February 7, 2024

Auditor of the City of Portland  
Simone Rede

## Impact Statement

### Purpose of Proposed Legislation and Background Information

The proposed legislation directs the Director of the Bureau of Financial Services (“BRFS Director”) to set the interim interest rate applied to unpaid balances of installment payment contracts of property owners benefiting from local improvement districts, sidewalk repair, or system development charge assessments (“Interim Rate”) to 6.20 percent. The current Interim Rate is 5.20 percent. The increase reflects changes in interest rates paid by the City on

lines of credit established to finance projects in local improvement districts. The legislation also delegates authority to the BRFs Director to adjust the Interim Rate as warranted to match bond market conditions, provided that such Interim Rate does not exceed 8.0 percent. If a higher Interim Rate is recommended, the City Council would need to approve such Interim Rate by ordinance.

Pursuant to the Bancroft Bond Act and City Code, the City offers financing to property owners that are assessed for the costs of public infrastructure that primarily benefit their properties or who are assessed system development charges. The City provides interim financing for installment payment contracts prior to the issuance of long-term bonds. The City Code provides that the City Council shall set an Interim Rate by ordinance, which is paid by property owners until bonds are sold and the final interest rate is determined.

In 1994, the City Council established an Interim Rate and delegated authority to the City Auditor to adjust the Interim Rate. Since that time, the City Auditor has adjusted the Interim Rate twice in response to changing market conditions. In 2019, the Assessment, Finance, and Foreclosure Division was moved from the Auditor's Office to the Bureau of Revenue and Financial Services Liens Section. Consistent with this change, the legislation delegates authority to the BRFs Director, or the successor to that position, to adjust the Interim Rate.

### **Financial and Budgetary Impacts**

If approved, the new Interim Rate will take effect on the first day of the month that begins 60 days following passage of this ordinance. Property owners opting to finance their assessment contracts after the effective date of this ordinance would pay this adjusted Interim Rate until long-term bonds are sold and the interest rate is revised to reflect the interest rates paid on the bonds.

### **Community Impacts and Community Involvement**

This is an administrative action taken to adjust the Interim Rate and delegate authority to the BRFs Director to make future changes to that rate. There is no community impact or involvement anticipated.

### **100% Renewable Goal**

Not applicable.

### **Budget Office Financial Impact Analysis**

This action authorizes OMF-Bureau of Revenue and Financial Services to increase the interim interest rate offered for installment payment contracts paid by property owners receiving LID financing from 5.20% to 6.20%. This change is being made to reflect current market conditions. Property owners opting to finance their assessment contracts will pay this adjusted Interim Rate until long-term bonds are sold and the rate is revised to reflect the

interest rates paid on the bonds. No additional City resources are required as a result of this action.

## Agenda Items

116 Consent Agenda in [February 7, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/2/7)  
(<https://www.portland.gov/council/agenda/2024/2/7>)

Passed

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Mayor Ted Wheeler Yea