

**Request for Information  
Recovery Zone Bonds  
March 18, 2010**

The City of Portland, Oregon (City) is seeking statements of interest from sponsors of proposed public and/or private capital improvement projects located within the boundaries of the City of Portland and who may wish to take advantage of the City's Recovery Zone bonding allocation. The City desires to allocate its Recovery Zone bonding authority to the following types of projects in the following **order of priority**:

1. Energy efficiency retrofit projects, in accordance with the Clean Energy Works Oregon – Large Buildings program (CEWO–LB). *CEWO–LB is a City/State of Oregon Department of Energy sponsored initiative, using Recovery Zone Bonds and Energy Efficiency and Conservation Block Grant (EECBG) funding, to transform and commercialize the market for energy efficiency retrofitting of commercial and institutional buildings. Additional information on CEWO-LB is provided in the endnotes to this RFI;*<sup>1</sup>
2. Renewable energy projects; and
3. New construction green building projects.

Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), the City has received an allocation of \$33.87 million in Recovery Zone bonding authority from the U.S. Treasury Department:

- Recovery Zone Economic Development (RZED) bonds: \$13,548,000; and
- Recovery Zone Facility (RZF) bonds: \$20,323,000.

The Recovery Zone Bonds must be issued prior to **January 1, 2011**. Projects in Portland that are financed with Recovery Zone Bonds must commence (be constructed, reconstructed, renovated, or acquired) after **March 4, 2010** – the date the City designated the entire City as a Recovery Zone.

**Recovery Zone Economic Development** bonds are taxable municipal bonds that are eligible for a 45% direct interest payment subsidy from the Federal government. Qualifying projects are subject to governmental bond requirements (e.g., arbitrage and rebate rules and private use limitations). Eligible RZED bond borrowers include, but are not limited to, the City of Portland, Housing Authority of Portland, Multnomah County, Oregon University System, Port of Portland, Portland Public Schools, and other eligible school- and special-purpose districts.

**Recovery Zone Facility Bonds** are private activity bonds that are able to be issued as tax-exempt bonds. The City expects to serve as the conduit bond issuer for Recovery Zone Facility Bonds, but does not intend to provide credit enhancement or a guarantee of the payment of debt service on Recovery Zone Facility Bonds.

Additional information on Recovery Zone Bonds is provided in the endnotes to this RFI, including a link to the U.S. Treasury Department (IRS) Revenue Bulletin for the bonds.<sup>2</sup>

Each financing shall be required to meet the following requirements:

- Rapid execution meeting the federal requirement that Recovery Zone Bonds be issued prior to January 1, 2011;
- Minimum funding leverage ratio of at least 5:1 for any Energy Efficiency and Conservation Block Grant (EECBG) funding use to finance the project (*see Endnote 1 for information about EECBG funding*);
- Long-term contract for monitoring and verification of building energy performance that is transparent to all financing partners; and
- Good-faith compliance with the Portland Development Commission (PDC) Business and Workforce Equity policies.<sup>3</sup>

The City reserves the right to reject any and all proposals and allocate Recovery Zone Bond authority differently than described in this request for information.

**RFI Submission Requirements:**

Respondents shall submit the following materials:

1. Cover page (1 page), including:
  - Recovery Zone Bond RFI
  - Name of and contact information for project sponsor
2. Project overview narrative (5-page maximum), including:
  - Project use (public or private)
  - Type of project (energy efficiency retrofit, renewable energy, or new construction green building)
  - Project address/location
  - Description of project, including construction type, components, square footage, and major design elements
  - Description of financial structure for both construction and permanent financing periods
    - Identify proposed dollar amount of Recovery Zone Bond issuance (RZED and/or RZF bonds) and document how proposed project meets applicable Recovery Zone Bond criteria for eligible use.
3. Development team summary, qualifications, and experience (3-page maximum):
  - Project sponsor
  - Ownership entity and members, including its relationship to project sponsor and development team
  - Architect and engineering team
  - Construction contractor
  - Financing team
    - For RZ Facility Bond proposals, include term sheet or expression of interest from private lender
4. Site control (if project sponsor is not yet in control of site, provide a description of how project sponsor will achieve site control) (1-page maximum)
5. Preliminary financial pro forma including projected sources and uses of funding, operating income and expense statement, and 30 year cash flow projections
6. Project schedule that includes:
  - Design, entitlements/permitting, financing, construction, marketing, and lease up/sales phases
  - Financial closing prior to January 1, 2011

Project application materials (sections 1-4) shall not exceed 10 pages.

**Proposals must be submitted by 3:00 p.m. on Monday, April 12, 2010 to be considered responsive.**

Submit three (3) hard copies of completed statement of interest, with copies of all documents (NO FAXES PLEASE) to:

Sharon Johnson, Sr. Administrative Specialist  
Portland Development Commission  
421 SW 6th Ave, Suite 500  
Portland, OR 97204

Direct all questions regarding this RFI to:

John Warner, Sr. Development Manager  
Portland Development Commission  
421 SW 6th Ave, Suite 500  
Portland, OR 97204  
503.823.3240  
warnerj@pdc.us

## Endnotes

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<sup>1</sup> CEWO–LB will provide flexible, project-by-project, structured financing that leverages private equity capital, public purpose funds administered by Energy Trust of Oregon, state Business Energy Tax Credits, and commercial debt, including Oregon’s Small Scale Energy Loan Program (SELP).

The City and the Oregon Department of Energy submitted a competitive application to the U.S. Department of Energy for an award of Energy Efficiency and Conservation Block Grant (EECBG) funding for Clean Energy Works Oregon (CEWO). Notice of EECBG funding award is expected by mid-March, 2010. If awarded sufficient EECBG funding, the City intends to allocate EECBG funding to CEWO–LB to enhance the credit quality of Recovery Zone Bonds by funding loan loss reserves and/or partial debt service and principal repayment guarantees for the bonds.

<sup>2</sup> [IRS Revenue Bulletin 2009-50](http://www.irs.gov/irb/2009-26_IRB/ar06.html) provides guidance on Recovery Zone Bonds. If this hyperlink is not active, paste the following URL into your Internet browser: <[http://www.irs.gov/irb/2009-26\\_IRB/ar06.html](http://www.irs.gov/irb/2009-26_IRB/ar06.html)>

Recovery Zone Economic Development Bonds are taxable municipal bonds for which the issuer of the RZED Bonds receives periodic payments from the federal government equal to 45% of the interest paid on the RZED Bonds. Major RZED Bond program requirements include:

1. 100% of net proceeds must be used for qualified economic development purposes which promote development and other economic activity
2. The Recovery Zone must be designated before the project commences (the City designated the entire city a recovery zone on March 4, 2010)
3. Qualifying expenditures include capital expenditures for public infrastructure and public facilities, job training/educational programs. Note that, while a government entity must issue RZED bonds, the entity’s use of the bonds is limited, e.g., local governments can’t undertake projects involving generation and transmission of energy (including solar).
4. Davis-Bacon prevailing wage rules apply

Recovery Zone Facility Bonds are private activity bonds that are able to be issued as tax-exempt bonds. Major RZF Bond program requirements include:

1. 95% of net proceeds must be used for a qualified business activity for recovery zone property, defined as depreciable property which is:
  - a) Constructed, reconstructed, renovated or acquired by taxpayer by purchase after the date of the recovery zone designation
  - b) The original use of which property in the recovery zone commenced with the taxpayer and
  - c) Substantially all of the use of which is in the recovery zone and is in the active conduct of the taxpayer's qualified business
2. The Recovery Zone must be designated before the project commences (the City designated the entire city a recovery zone on March 4, 2010).
3. The bonds may not be used for:
  - a) Residential rental property or
  - b) Private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises

<sup>3</sup> [PDC Business and Workforce Equity Policy](http://pdc.us/pdf/about/commission_meeting/2010/0224/Resolution-No-6775-Amending-the-Business-and-Workforce-Equity-Policy%20.pdf). If this hyperlink is not active, paste the following URL into your Internet browser: <[http://pdc.us/pdf/about/commission\\_meeting/2010/0224/Resolution-No-6775-Amending-the-Business-and-Workforce-Equity-Policy%20.pdf](http://pdc.us/pdf/about/commission_meeting/2010/0224/Resolution-No-6775-Amending-the-Business-and-Workforce-Equity-Policy%20.pdf)>