

J. Scott Andrews
Commission Chair

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

Patrick Quinton
Executive Director

This document represents the official meeting records of the November 29, 2012, Portland Development Commission (PDC) Board of Commissioners' Meeting held at Leach Botanical Garden, 6704 SE 122nd Avenue, Portland, OR 97236. The video recording of the regular agenda portion of the meeting can be found at:

<http://www.youtube.com/watch?v=68QDt4B42d4&feature=g-crec-u>

Chair Andrews began at approximately 8:03 a.m. with an informal discussion. He began with a general overview of the agenda and stated that he will need to leave at 3:00 p.m. for City Council, but if the conversation has not finished, he will turn the meeting over to Commissioner Mohlis. Chair Andrews thanked David Porter, Executive Director of the Leach Botanical Garden, for the use of the garden for the meeting, and gave a brief overview of the garden and PDC's involvement. A two-page fact sheet is attached at the end of these minutes as Attachment 1.

Chair Andrews brought up the newspaper article that came out on November 28 regarding the Western Hockey League's sanctions against the Portland Winterhawks (Winterhawks). All major agreements related to the Veterans Memorial Coliseum were to be signed off today at City Council, but due to the sanctions, the Winterhawks' owner feels he needs more time to work with the League to work on the sanctions and cannot sign the funding agreement at this time. City Council session today will now be informational only with another meeting to take place in a few weeks and voting to take place a few weeks after that. Chair Andrews added that the Board can continue as planned today on hearing and voting on the three Veterans Memorial Coliseum items, or, since Commissioner Dickson cannot vote, the Board could choose to defer for two weeks. Voting today with Commissioner Dickson abstaining would make items effective in 30 days; note that the vote is merely to authorize the Executive Director to move forward on these deals.

Commissioner Wilhoite assumes that the Winterhawks have known that they needed to put up \$10 million, and asked that if they do not have an incentive to move forward right away, is PDC still spending its money now? Chair Andrews responded that PDC will not spend money until there is a contract signed; the Winterhawks are hoping that some of the sanctions may be reduced over a period of time.

Commissioner Wilhoite asked if this is a provisional approval. Chair Andrews responded that the resolution just gives the Executive Director approval to move forward. Mr. Iverson, Legal Counsel, added that the resolutions authorizes the PDC resources be available as long as we get a guarantee of support from the Winterhawks.

Commissioner Wilhoite asked if PDC knew about the sanction issue as soon as it happened. Chair Andrews responded that the Winterhawks heard about it at 9:00 a.m. yesterday, and added that PDC staff and others worked on these documents over Thanksgiving to make sure to file this past Monday.

Commissioner Wilhoite asked if the other Board members still wanted to go through with these items. Chair Andrews responded that he had no reservations and Commissioner Mohlis agreed to move forward.

1. Call to Order and Roll Call

Chair Andrews called the meeting to order at approximately 8:14 a.m. Ms. Gina Wiedrick, Board recording secretary, called the Commission roll:

Chair Scott Andrews	PRESENT
Commissioner Aneshka Dickson	PRESENT
Commissioner John Mohlis	PRESENT
Commissioner Steven Straus	ABSENT
Commissioner Charles Wilhoite	PRESENT

2. Public Comment for Items Not on Agenda

Mark White, President, Powellhurst-Gilbert Neighborhood Association. Gentrification of other neighborhoods has increased population within this neighborhood. A tremendous amount of improvements are needed to stabilize and revitalize this neighborhood. They had asked for the purchase of a property on 122nd near Harold, their request was rejected, and today he is asking the Board to reconsider their decision. Their project would mitigate the effects of gentrification, housing dollars would be used for seniors and veterans and help them reintegrate with the community, and it has an economic development piece by way of an international marketplace that will provide microenterprise opportunities. Mr. White made two points, (1) in the 15 years of the neighborhood being in the Lents Urban Renewal Area, they never asked for acquisition of a specific property, and (2) the 125 feet in front of the property will have sidewalks and bioswales put in which will likely increase the value of the property.

Silas Koetke, PSU student, has lived in the Powell-Foster area all his life. He is specializing in asset based community development hoping to work in the area around his home. He said that the project Mr. White mentioned is an example of asset based community development: it focuses on developing a community through means already there and people that are there to bring themselves up rather than depending on other sources. To start off you first have to ask for some assistance from the City, like acquiring the land, and this would be great for the community if they could build the project for themselves, generate revenue in the area, and employ people from the area.

Chair Andrews thanked Messrs. White and Koetke for their timely presentation as the Board will review the budget process for the next fiscal year during today's session.

Note that Doug Zenn, of Zenn Associates, was present at the Board meeting but did not make a statement but was attending as a member of the public.

3. REGULAR AGENDA

Chair Andrews stated that he got involved with the Veterans Memorial Coliseum project in October 2009 when Mayor Adams asked him and Commissioner Wilhoite to review the citizens advisory recommendations. At the time there were three finalists: a group of architects working on turning it into a school, Doug Oblatz' concept for an athletic facility, and the concept to renovate the coliseum. The Mayor asked for either (a) to find a way to integrate elements of all concepts, or (b) to recommend the most viable option. They met with the three parties but there was no interest from the parties to combine their projects. There was very little to recommend the school; the Oblatz design was well

planned and laid out, however, it relied heavily on \$50 million of fundraising and a huge bond and the City of Portland (City) would be taking a big risk with the facility; so that left the recommendation to renovate.

Chair Andrews explained each action item as follows:

- Item 3A: the citizens advisory committee agreed with the final recommendation to renovate and thus the negotiations began to reach an agreement on how to renovate.
- Item 3B: the term sheet provided several months ago was regarding transfer of development rights for certain parcels in the Rose Quarter; that later changed to transferring fee title for City-owned lots so that (1) PDC could potentially back up Winterhawks funds if they were not paid on time, and (2) it was seeing as a potential non-Tax Increment Financing (TIF) funding source in 2023 if there were operating losses. He stated that it would be right for PDC to keep title of the property because it can ensure that the property will be developed; the City's Office of Management & Finance (OMF) is not in the business of doing developments. It is now presented as an option. PDC has not been able to do proper due diligence on the land, but if City Council agrees to the project, PDC would be in charge and can do the proper due diligence before proceeding further.
- Item 3C: if PDC proceeded with the project and the Winterhawks stopped funding, their last payment is still due on July 1. This is the \$2,000,000 set aside for District Energy, which would go into the Coliseum mechanical upgrades if District Energy did not happen. This money would be paid back out of the guarantee; it is unlikely that PDC would not get paid.

Commissioner Dickson made the following statement: "Before discussions begin on the next items, I wish to declare a potential conflict of interest on the two of the three matters to be discussed. As you know, I am an officer of Colas Construction. If the Veterans Memorial Coliseum project proceeds, there is a possibility that Colas Construction may be awarded some part of the work involved in the renovation. Although I have been informed that at this time there is no actual conflict of interest, I have decided nonetheless to recuse myself from participating in the first and third matters before the Board, both of which involve directly or indirectly the funding of the Coliseum project. On advice of counsel, I have been informed that I do not have either an actual or potential conflict of interest with regard to the second matter before the Board, and will thus participate in this matter."

Mr. Lew Bowers, Central City Division Manager, added that there had been an earlier option, and that was to put the Coliseum on the historical register. That option was not viable and it was agreed to move forward with the review of the three recommendations from the citizens advisory.

A. Action Item: Authorizing a Veterans Memorial Coliseum Operating Agreement with the City of Portland; Authorizing a Veterans Memorial Coliseum License Agreement with the Portland Winterhawks

Portland Development Commission staff and others presenting this item:

Mr. Peter Englander, Central City Manager

Mr. Eric Iverson, General Counsel

Mr. Mike Ryan, Partner, Miller Nash, LLP

With this action the Board will authorize the Executive Director to enter into i) a Veterans Memorial Coliseum Operating Agreement with OMF (PDC Operating Agreement), and ii) a License Agreement (PDC License Agreement) with the Portland Winterhawks (PWH). PDC would be obligated to perform under

the PDC Operating Agreement and the PDC License Agreement if the current operator, Rip City Management LLC, d/b/a Portland Arena Management, ceases to operate the Veterans Memorial Coliseum in 2023 or 2028, and if the PWH exercises its option to play hockey games at the Veterans Memorial Coliseum in 2023 or 2028.

Commissioner Wilhoite asked the following questions:

- If it is a new concept that PDC is qualified to operate the Coliseum; he thought that it was our intention that PDC would contract that out. Mr. Englander responded that it has always been assumed that PDC would hire a management company, but they did want a legal option with regards to PDC's ability to provide oversight and take on the Operating Agreement itself. Executive Director Quinton added that this was not a statement of our qualifications, but rather a review of PDC's charter and what it is allowed to do.
- How did PDC arrive at \$375,000 for the capital improvements? Chair Andrews responded that it was a negotiated agreement; \$250,000 is in the current agreement but PDC knew that it would need more at the 10-year point.
- What kind of depreciation is expected? Chair Andrews responded that it is difficult; this facility is 50 years old and it has not been maintained properly. The upgrades will improve the efficiency of the operations and maintenance, but this amount would at least cover the maintenance costs and any money not used in any given year would roll over to the next.
- Does that note with regard to community events expose the facility to demand from the community for its use without paying for it (since they are already paying for it through taxes)? How will that be handled? Mr. Englander responded that when PDC runs the facility it can charge modest fees to cover operational costs and make a small profit; with community events it can charge to cover its costs. Mr. Ryan responded that in this agreement PDC is agreeing to up to 10 community events per year, and with special events there is no obligation to do a specified number.
- The reason for previous question is that the use of the building touches on the performance of ownership. If the Winterhawks are being reimbursed up to \$375,000 for operational losses but some of those losses may have nothing to do with the Winterhawks but rather the other events. Chair Andrews responded that both OMF and City Council believed that it is important that this facility remain available to the community and it does not change the current operating agreement. The more community events held there the better for the Winterhawks.
- Is that clear to the Winterhawks? Chair Andrews responded yes. The Winterhawks do schedule their needs a year in advance and the building management works around that schedule to ensure that community events do not conflict with the money-making events.
- Assuming worst case with regards to the Winterhawks' sanctions, do they have concerns about their economic viability if those sanctions hold? He also assumed that this was not factored into PDC's analysis being as this just happened. Mr. Englander responded that it was not factored into the analysis, the sanctions last for a period of five years most severely and trail off, but PDC does not know its impact on the long term. This is something that will need to be considered. Chair Andrews added that this is the reason why the Winterhawks said that they cannot sign the funding agreement today until they themselves work through the impact to their organization.
- As commissioners, how much of the Winterhawks' private operative financial information do we have access to, and does PDC have the right to ask the Winterhawks to provide a financial model based on worst case scenario of sanctions? Chair Andrews responded that PDC does have a baseline projection the Winterhawks provided from which PDC extrapolated information but PDC could ask the Winterhawks to make a guess on the impact; there is the potential for greater impact within the first five years.

- Stated that these sanctions are a key consideration for him. He has not seen the Winterhawks financial information, and the model shows that PDC will not cop out at the \$375,000 cap of operating losses. Chair Andrews responded that the worst case scenario in the study was that the arena was run only for the Winterhawks, which would not happen.
- Asked for confirmation regarding the Winterhawks' being financially sound. Chair Andrews responded that no one has that answer.
- If PDC commits to this and in three years the Winterhawks are no longer in Portland, PDC has committed to a lot that it does not have a use for. Executive Director Quinton responded that PDC does not have the obligation to run the facility if the Winterhawks are not there.
- He expressed concerned about the money being put into the rehabilitation of the building. Chair Andrews responded that in conversations with the League, they asserted that there must be a hockey team in Portland; this is the biggest and most prominent city and the most profitable franchise in the system.

B. Action Item: Authorizing an Option Agreement Granting PDC the Right to Accept Transfer of Certain Real Properties Interests within the Rose Quarter from the City of Portland

With this action the Board will authorize the Executive Director to enter into an Option Agreement granting PDC the right to accept transfer of certain real property interests within the Rose Quarter (Option Agreement). The Option Agreement would require OMF to transfer certain defined property interests to PDC should PDC elect to exercise the Option. PDC may elect to exercise the option rights to all, some or none of the property rights at PDC's sole discretion, at no cost other than normal and customary transaction costs. This action thus authorizes the Executive Director to exercise the Option Agreement and to complete the transfer of all, some, or none of the properties.

Commissioner Wilhoite asked the following questions:

- Asked for confirmation that Mr. Englander was referring to the east-west garages. Mr. Englander confirmed.
- With the Option, would that transfer the garages themselves or does PDC have the land? Mr. Iverson responded that if PDC takes the title to that land then it has the ground lease and would sub-lease the parking garage back to the City.
- Asked for confirmation that right now the revenue from the garage is committed elsewhere. Mr. Iverson confirmed. Mr. Englander added that it is committed to paying off debt from the spectator facilities.
- Will that run indefinitely or until there is a change, and then it will have to payout liability before that revenue stream is available? Chair Andrews responded that in the Rose Quarter there is a lot of revenue opportunity around the garage, these are things that can happen in a short period of time. Mr. Iverson added that the good thing about the Option is that PDC does not need to take it until it has a succinct idea of what can be done in the area. Mr. Englander added that PDC has the advantage in that it also owns several adjacent parcels.

Mr. Bowers added that the reason PDC got involved in this was for the potential of mixed-use development in this district. The renovation of the Coliseum is not the goal, but rather the possibilities of the development of the nearby properties.

C. Action Item: Authorizing a Project Funding Agreement to Provide up to \$2 Million in Contingent Funding for the Veterans Memorial Coliseum Renovation

With this action the Board will authorize the Executive Director to enter into a Project Funding Agreement for the financing of the Veterans Memorial Coliseum. This Agreement provides that PDC shall provide up to \$2 million of funds in the event that the Winterhawks do not provide project financing when needed to meet obligations. The Action will not increase the total amount that PDC has dedicated to the Project, but will re-prioritize funds currently budgeted for District Energy or a Contingent Grant. Any funds advanced by PDC are to be replaced by the Winterhawks, whose obligation will be secured by a personal guarantee of William Gallacher, the owner of the Winterhawks, and a pledge of stock in the team. PDC's obligation to advance funds under the Project Funding Agreement is contingent upon PDC approving the form of the Gallacher Guarantee and the stock pledge. If funds are advanced by PDC and repaid as agreed by the Winterhawks, the budget for District Energy and or the Contingent Grant will be replenished. Finally, the action authorizes the Executive Director to establish, in conjunction with other entities, a non-profit organization capable of taking control of the stock pledge if deemed desirable to perfect the pledge.

Commissioner Wilhoite asked the following questions:

- How much has PDC put in out-of-pocket between the ice floor, legal, and other consultants? Mr. Englander responded that PDC has put in a little over \$1,000,000; \$550,000 was spent on design, \$600,000 on legal, as well as our own legal costs. The ice floor was a little over \$2,000,000. Chair Andrews added that the ice floor was from the spectator fund obligation and will be fully repaid over time. Mr. Bowers confirmed that it is \$1.2 million in soft costs. Mr. Iverson added that if this deal does not go through the money that we will advance today will be paid back.
- Have the Winterhawks put in any money yet? Chair Andrews responded that they have about \$500,000 in their own legal fees and analysis. Mr. Iverson added that PDC will not sign this agreement until the Winterhawks make the first \$2.5 million contribution.
- How much will PDC anticipate putting in between now and February 2013 in additional soft costs? Mr. Englander responded that all hard costs will come out of the spectator fund, and in the event that the development agreement is not signed the current intergovernmental agreement obligates the spectator fund to pay us back on terms to be determined. The debt obligation of the parking garage is expected to be paid off in 2017-18. Chair Andrews added that PDC would be obligated to cover its own soft costs, but of all of the parties involved, PDC is the closest to signing final agreements so there will not be much more in legal soft costs, and there are no plans for any additional improvements in this timeframe.

Executive Director Quinton added that he has discussed with each Commissioner that there might be a need for PDC to have a separate entity for purposes such as taking possession of the stock options.

Commissioner Wilhoite felt unconvinced with PDC's possible risk; if the Winterhawks' sanctions are so extreme that they are not financially viable and PDC puts in this money into the facility it will take a loss if they cannot perform. He wanted affirmation as to the Winterhawks' strength. Mr. Iverson responded that this action is subject to PDC's approving the guarantee of the owner who is purported to have substantial assets.

Commissioner Wilhoite asked how long the current owner has been the owner. Staff responded four years. Chair Andrews added that this was a sub franchise that they paid \$7 million for; it was owned by the owner's father before him.

Executive Director Quinton asked Commissioner Wilhoite to clarify his reservations. Commissioner Wilhoite responded that he understands the funding side of the agreement(s) but is concerned that the current owner has not owned the Winterhawks for very long, and that PDC is asking for them to put in \$10 million which is more than they paid for originally, and just how viable are they as a team/franchise. He added that if PDC is putting in money just in case the Winterhawks have issues, then he feels that is not a good sign. Executive Director Quinton asked Mr. Englander to review the timing of the Winterhawks funding of their \$10 million. Executive Director Quinton opined that PDC's investment in the building is part of its traditional redevelopment role; the other commitments are PDC's assurance to the Winterhawks that they will always have a place to play, but PDC's commitments are nullified if the Winterhawks go away. He added that what PDC is asking of the Board is to allow PDC to make upgrades to a building that the City feels is important for the community.

Commissioner Wilhoite asked for clarification as to how much PDC is committing regardless of the status of the Winterhawks. Is PDC committing to \$17 million plus an additional \$2 million in contingency? Executive Director Quinton responded that the Winterhawks' \$10 million investment is the tipping point for the decision that needs to be made today. Chair Andrews expressed his opinion on why this project needs to move forward: (1) this is a key location with much potential for redevelopment; (2) it is a key City asset that has over 400,000 annual attendees in addition to the Winterhawks' activities; and (3) as the building deteriorates there would be less and less people coming to it, the biggest end season basketball tournament in NCAA history is scheduled here in four years in which 16 teams will play half of the games in the Coliseum, and they cannot hold their tournament without that second building. This building does have the potential for a return on its investment even without the Winterhawks with the proper maintenance and upgrades.

Executive Director Quinton confirmed that the City and Portland Arena Management bear the risk for the operations of the facility for the next ten years and that is when all of the issues discussed today will be played out.

Chair Andrews thanked staff for the work put into this project.

Chair Andrews called for a motion to approve Resolution 6981; Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

Commissioner Mohlis thanked Commissioner Wilhoite for voicing his concerns and helping to make the issues clear, and Chair Andrews and staff for their work on this project.

Commissioner Wilhoite stated that he recognizes that this is an asset but one must still ask these questions. He added that he is definitely a part of the team and is hopeful and optimistic that the Winterhawks will be fine. He appreciated the vision of how many different ways this facility is being used but merely wanted to be comfortable with this decision. He knows how critical it is for the Winterhawks to put in that investment and PDC cannot leverage with anyone else.

Executive Director Quinton stated that he will continue to provide updates within the 30 days before these items become effective.

AYES: Andrews, Mohlis, Wilhoite
ABSTAIN: Dickson
NAYS: None

Chair Andrews called for a motion to approve Resolution 6982; Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

Commissioner Dickson thanked the other commissioners for their efforts, especially Chair Andrews for his constant communication and updates regarding this project, and a final thanks to staff involved in the project.

AYES: Andrews, Dickson, Mohlis, Wilhoite
NAYS: None

Chair Andrews called for a motion to approve Resolution 6983; Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

AYES: Andrews, Mohlis, Wilhoite
ABSTAIN: Dickson
NAYS: None

Chair Andrews ended the regular agenda at approximately 9:36 a.m. and called for a break. This is the end of the video recording.

RETREAT AGENDA

4. Retreat Agenda Review and Expectations

At approximately 9:48 a.m. Chair Andrews began again with a retreat agenda review and expectations, and turned it over to Executive Director Quinton. Executive Director Quinton clarified that Chair Andrews is the retreat facilitator, mentioned that we would keep a parking lot list going to address later at the meeting as time allows or at a later date, and finished by asking Mr. John Jackley, Neighborhood Division Manager, to address the issue that Mr. Mark White brought up earlier. Mr. Jackley summarized efforts and initiatives in the Lents Urban Renewal Area.

5. Revised 2010-2014 Strategic Plan

Executive Director Quinton stated the agency has reached a point of strategic clarity such that there is no need to update the Strategic Plan this year; this will happen in one year and a new five-year plan will need to be discussed. With this clarity, staff are able to focus on implementation through their work plans until the next Plan update. He added that by then Mayor-elect Hales will have been in office for one year and will be great timing for a strategic plan discussion.

Executive Director Quinton gave a brief overview of the five strategic goals that guide staff work plans: Healthy Neighborhoods, Strong Economic Growth and Competitiveness, A Vibrant Central City, Social Equity, and Effective Stewardship over our Resources and Operations and Employee Investment. Commissioner Wilhoite asked if the four clusters are still the right clusters for PDC. Executive Director Quinton responded that PDC has not made any changes but the work itself has evolved some. Mr.

Harder will discuss the clusters during his presentation. He added that staff will look at the Economic Development Strategy to assess if work is still headed the right way or whether any changes need to be made.

6. FY 2013-14 Budget Development and Five-Year Forecast

Mr. Barnes gave an overview of the timeline for the budget development process and provided an update on the five-year forecast.

Chair Andrews asked if the forecast was good. Mr. Barnes responded yes.

Mr. Barnes stated that at the December 12, 2012, PDC Board Meeting, the commissioners will be provided with letters received from the Urban Renewal Advisory Committees (URACs) regarding the next fiscal year budget.

Commissioner Wilhoite asked if the timeline is consistent with the historical. Mr. Barnes responded yes, but on the public outreach side it is a little different. Executive Director Quinton added that the URACs can weigh in on general things but they do not provide input until January, after PDC presents the draft packet, based on input received from the Board at this meeting. Chair Andrews added that the input from this Board has to be done prior to the proposed budget to City Council; there is some flexibility to make changes later, but it is better to do so sooner.

Mr. Barnes clarified that the FY 2012-13 revised budget numbers does not include the approval from the Board that was received at the November 14, 2012, Board meeting. Executive Director Quinton added that, with regards to general fund, staff will need to have a conversation with Mayor-elect Hales to know what his thoughts are; at 10 percent PDC could make programmatic changes, but at 20 – 30 percent this would affect the work plans. Chair Andrews clarified that general funds is what funds the economic development activities that are not covered by TIF dollars.

7. FY 2011-12 Annual and FY 2012-13 Interim Financial Statements

Ms. Brown began with an overview of the balance sheet. Commissioner Wilhoite asked if those were being developed as per the audit. Ms. Brown responded yes. Chair Andrews added that it was necessary to sell bonds in the OCC district because it was experiencing a decline and commitments have already been made for projects that require funding.

Commissioner Wilhoite asked if it was perhaps necessary to provide a contingency reporting, and asked about the non-spendable lines on the balance sheet. Executive Director Quinton responded that the unreserved lines are very restrictive. Commissioner Wilhoite stated that anyone looking at the balance sheet would see that there is a lot of money still unspent and would question why PDC cannot fund a given project.

Mr. Barnes gave an overview of the operating budget sheet. Chair Andrews commented that these numbers were produced at the end of the year but that it is good to see this in the interim and compare budget versus actual.

Commissioner Wilhoite asked regarding the line item on the URA project redevelopment where there is a lot of money going unused, how does PDC address this when it has spent money on a project that

does not move forward. Executive Director Quinton responded that PDC would have to address that on a project-by-project basis. He added that from a resource perspective, PDC will be more attuned to decide whether it can put in money and people resources to projects that may not be viable; PDC will have to think carefully before moving forward as it cannot afford projects with a lot of legal fees and staff hours.

Commissioner Wilhoite asked whether it is possible and/or practical to put time or resource limits on projects. Chair Andrews responded that PDC sometimes carries projects forward, but it is a decision it has to make every year and be strategic about what it wants to set aside for. Executive Director Quinton added that this is the Board's chance to voice their opinion about the budget.

Ms. Brown gave an overview of the loan transaction summary, and real estate portfolio summary.

Mr. Barnes gave an overview of the maximum indebtedness sheet.

Commissioner Dickson asked why the Education District URA was not included in the reports. Ms. Brown responded that this report was at the end of the last fiscal year and that URA was not in the plan. Executive Director Quinton added that there are not any resources set aside yet, but it will be reflected next year.

Chair Andrews commented that the investment PDC made on the financial software a few years ago is paying off and is reflected on the usefulness of these new reports.

8. FY 2012-13 Work Plan and FY 2013-14 Draft Work Plan Review

Ms. Branam gave a brief introduction and stated that the work plans drive the priorities of the agency and of each individual employee. She impressed upon the Board the goal of leaving the meeting with concurrence from the Board on work plans. Executive Director Quinton reminded the commissioners that they need not wait till the end to ask questions.

A. Goal 1 – Strong Economic Growth and Competitiveness

Mr. Harder gave an overview of PDC's cluster strategy emphasizing that it continues to serve as the organizing principle of the agency's business development, recruitment, entrepreneurship, and trade efforts. He added that staff's ability to develop deep relationships with the industry informs the programs, identifies new trends, and enables the agency to target its limited resources to assist businesses on a more impactful level. Mr. Harder gave examples of activities being pursued in the next FY which highlighted the breadth and depth of the agency's industry action plans.

Commissioner Wilhoite asked the following questions:

- How is the City doing on its 10,000 goal? Mr. Harder responded that it has surpassed that number, but looking at the city's unemployment rate it can certainly improve on those numbers.
- Is PDC concerned about clean tech based on everything going on? Executive Director Quinton responded no. Mr. Harder added that with clean tech PDC first started to work on solar and wind and while these may be winding down or experiencing problems, there is significant movement in wave technology. Executive Director Quinton added that everyone needs to keep in mind that PDC's approach to these clusters gives us a large scale view of the market.

- The health care sector did not take a huge drop during the economic downturn; is there something that PDC can do in that particular area? Mr. Harder responded that while this is not one of our target clusters it does not mean that we do not engage in traded sector components of health care. He gave three examples (1) one area of strength is medical device manufacturing which is captured by PDC's advanced manufacturing strategy, (2) healthcare software is vertical within PDC's software cluster, and (3) staff are working on an entrepreneurial program with OHSU which will capture the life sciences.

Mr. Harder gave an overview of innovation and entrepreneurship. Executive Director Quinton clarified that staff will bring to the Board at a later date requesting additional investment to fund the second fund of the Portland Seed Fund.

Commissioner Wilhoite asked where PDC stands with America 21. Mr. Harder responded that America 21 has a local affiliate but PDC needs to develop new relationships and this is a priority. Mr. Jackley added that PDC has given assistance to the local affiliate to open an office and get started here in Portland.

Mr. Harder gave an overview of exports, strategic site development and recruitment, and business finance/Enterprise Zone efforts. Chair Andrews brought up that PDC also have the new Neighborhood Prosperity Initiative (NPI) districts which has the support from Multnomah County due to its benefits.

Commissioner Mohlis asked if supply chain efforts are still ongoing. Mr. Harder responded that the federal grant that PDC is going after will help to realign and diversify their products in clean tech.

At approximately 11:13 a.m. Executive Director Quinton stated that due to the lack of time, for the remainder of the presentations he asked that staff focus on where PDC is going, as the Board is already familiar with our programs.

B. Goal 2 – Healthy Neighborhoods

Mr. Jackley gave an overview of community capacity building, business development, and commercial corridor and site development efforts.

Commissioner Wilhoite asked whether there is awareness as to what PDC is doing and is it being inclusive when communicating that there are opportunities to work with PDC; and is PDC getting the right response, as in the people who live in the community are the ones that need to be involved in the development of their community. Mr. Jackley responded that PDC is definitely working on this; it has an advisory committee within the communities so that it gets their input and that of the contractors, and also added that the Neighborhood Division is working with the staff in Public Affairs to get the message out and make people more aware.

Commissioner Wilhoite asked if with regards to the capacity building PDC has the minority community involved, do the communities of color have a chance. Mr. Jackley responded that PDC needs to increase usage and this will provide more opportunities and added that he will cover this topic in section 8D.

Chair Andrews responded that there is a lot of support for PDC's neighborhood and equity initiatives and the new City Council will definitely want to continue on that front.

C. Goal 3 – A Vibrant Central City

Mr. Bowers gave an overview of job-focused redevelopment (strategic sites), next generation built environment (urban innovation), urban core vitality (regional asset), and great urban universities efforts.

Commissioner Wilhoite asked if there are any funds that were committed to the OSC project that are still tied up. Mr. Bowers responded that the money has already been removed from that budget line item and moved to other projects, and added that PDC does still own the site. Ms. Branam added that the funds are in a “general fund” not committed to a specific project. Executive Director Quinton added that about \$4 million is available.

With regards to the district energy, Commissioner Wilhoite asked if there is anyone counting on this project. Mr. Bowers responded that there is \$2,000,000 that is in an alternative use fund for anyone that needs it; staff will evaluate on a project-by-project basis to understand the needs.

At approximately 11:48 a.m. Chair Andrews welcomed Jeff Fish, PDC’s new HR Director, and called for a quick break for lunch.

At approximately 12:03 p.m. the meeting continued.

D. Goal 4 – Social Equity

Mr. Jackley gave an overview of the equity strategy and the disparity study.

Commissioner Mohlis expressed his support of the outreach efforts PDC is making. Executive Director Quinton added that when he became the Executive Director they talked about putting together a comprehensive equity plan; it has taken longer than he would have wanted, but it is near completion. He reiterated something Mr. Jackley said earlier, that PDC is still operating as if social equity is a program, but staff needs to infuse it into everything that they do.

E. Goal 5 – Effective Stewardship Over Our Resources and Employee Investment

Mr. Iverson gave an overview of his top three priorities: (1) a collaborate approach to negotiating the next Collective Bargaining Agreement, (2) adopting an internal equity plan, and (3) beginning to plan for an equitable reduction of force.

With regards to the union contract negotiations, Commissioner Wilhoite asked why PDC management changed to outside counsel. Mr. Iverson responded that there has been a challenging relationship between management, outside counsel, and the union, and it is something that everyone is to fix.

Mr. Witcosky gave an overview of these top priorities:

- Resource Development – they expect to implement a number of different actions beginning this coming year; they will demonstrate an even greater focus on the long-term business planning in the work when the Board reconvenes for a retreat next year.
- Public Involvement – they will continue aligning with the Strategic Plan with staff and URACs and increase diversity, skill sets, and expertise; they will also reevaluate the current structure in the context of all of the vehicles used to get public input and involvement.

- External Communication – they will increase coordination and use of website, social media, and other tools to demonstrate how PDC is advancing the goals being discussed today in alignment with City Council; and heighten knowledge and support from decision makers and key stakeholders regarding the community's long-term need for PDC and its economic development role.

Executive Director Quinton stated that he recently provided all of the commissioners with a draft Information Technology (IT) Plan. PDC needs to transition from custom-built software to more shelf-ready and remote (cloud) products that will reduce the amount of staff needed. He added that PDC will have a smaller workforce and will need a smaller IT department.

Ms. Brown gave an overview of the effective stewardship efforts:

- Integrated strategic planning and budget cycle – the Strategic Plan guided the development of the FY 13-14 agency-wide work plans being reviewed today, and, with the Board's concurrence, these plans will form the foundation for the development of the FY 2013-14 budget.
- Internal control and financial reporting – staff has finalized the format of the quarterly financial statements, and have been working to resolve all audit corrective action items in a timely manner and will continue those efforts into next fiscal year.
- Policy and role clarity – the Operations Steering Committee (OSC) is leading the effort to update policies and procedures and eliminate policies that are no longer necessary.
- Real estate and loan portfolio evaluation – staff is working to maximize the value of PDC's portfolio; part of that effort is to transfer remnant properties to City bureaus as appropriate. Staff has also begun working on disposing other real estate parcels that are not strategic-based on cost savings and/or resource opportunities.
- Portland Harbor – the work this year and next is focused on engaging with the City to meet required deadlines and minimize PDC risk. In FY 13-14 staff will be exploring the merits of hiring outside counsel to assist PDC in determining its specific liabilities.

Executive Director Quinton commended the valuable contributions that Ms. Cortell made on streamlining policies during her work on the OSC. He noted that after 13 years, Ms. Cortell was leaving PDC and will be sorely missed.

9. Remarks from Mayor-elect Charlie Hales

At approximately 12:31 p.m. Chair Andrews thanked Executive Director Quinton and staff for their efforts this year, and gave Mayor-elect Hales an overview of what was accomplished in the morning. Executive Director Quinton asked staff to introduce themselves and state what they do at PDC.

Mayor-elect Hales has been involved in the development of Portland for about 25 years, 30 if you count the hotel/motel association work the previous five years (when he first moved to Portland in 1971). He expressed his early concern with how Portland would grow and wanted to engage in those decisions/plans and therefore ran for office. He worked with PDC on The Pearl plan and other projects while a city commissioner, and added that PDC is unique in how it makes deals and gets projects done. He learned early on that things get done with partnerships.

During his first six months in office, Mayor-elect Hales wants to focus his time and money on three efforts:

- (1) The City budget. He wants to radically change the budget to provide for basic services. He will have 11 – 14 staff, which means he will rely more on his bureaus to inform and staff agendas. He added that the overhead costs of the City have grown bigger (disproportionately) than the growth of the city and its acreage and population. He wants to meet with other government jurisdictions in the city to understand what their budgets and plans are so that it will help with the City's plans and budget process.
- (2) Prodding the legislature for more education funds. The State needs to step up to the education issue and provide adequate education for all cities, including Portland.
- (3) The police bureau. Community policing, work with the community, and build a better relationship.

He added that he wants to work with PDC during the second six months of his tenure. Chair Andrews responded that he is looking forward to working with Mayor-elect Hales and getting him up to speed with PDC's efforts.

Chair Andrews asked if by taking over all of the agencies, does that give him a better opportunity to shape the budgets. Mayor-elect Hales responded that it is an ugly problem and creates a big issue, where each council member only cares about defending their own turfs. Without bureau assignments it is all even and everyone will work together for all of the bureaus; this effort will take the first 90 days.

Commissioner Wilhoite asked for an opinion on the form of government of a strong mayor versus not. Mayor-elect Hales responded that he likes the commission form of government, but if the council is a team and works as a team then it works great, but it can turn to a bad thing when you develop your turf (which happens the longer you have a bureau assignment). This approach is not about power but rather teamwork: everyone working together for some time and then he will assign bureaus in the best interest of the city.

Commissioner Wilhoite asked if there is any place in which he has initial concerns. Mayor-elect Hales responded that he is concerned about the amount of city locked up in urban renewal and would like to have a conversation about that later on. He added that he likes the whole NPI program and wants to support that; he is interested in things that work and not just that look good and is interested in putting more money in what is needed the most.

Chair Andrews stated that he is very proud in the direction that PDC is going, especially with regards to social equity. He added that at this meeting they talked about expanding that work further, that Mr. Jackley gave an overview of the equity policy that PDC's working on. Executive Director Quinton added that it is how PDC does business so anyone that approaches PDC already knows to focus heavily on social equity.

Commissioner Mohlis thanked Mayor-elect Hales for taking the time to come. He added that he is interested in his thoughts with regards to the next topic on the agenda, resource development, and what he has learned/experienced throughout the country. Mayor-elect Hales responded that he too is interested in that discussion; most of the cities he has worked with rely heavily on sales tax. His job is to show resolve in how we are working smarter with less, but also be clear about what we can do and just cannot do.

10. Resource Development Presentation and Discussion

Executive Director Quinton began with an overview of the current projection of PDC resources. Mayor-elect Hales asked if that assumes that all of the districts are expiring and new ones are not being created. Executive Director Quinton responded yes.

Commissioner Wilhoite commented that we may need to look at legislation to change TIF to give PDC more leverage. Executive Director Quinton responded that staff is looking at a model where PDC is not dependent on TIF but regardless, this does not mean that PDC cannot continue to have TIF, but rather it would make the use of TIF more objective.

Mayor-elect Hales wondered if PDC had given any thought to bringing a panel from other economic development agencies throughout the U.S. and have them to a peer review of PDC's work and future goals and models. On a separate note, he added that he is inclined to assign to himself those bureaus that deal with building and development. He is particularly interested in a paperless system as it relates to streamlining permits.

Mayor-elect Hales stated that he likes the clusters that the City is focusing on and asked if there are any others that PDC is considering. Ms. Branam responded that when PDC looks at a potential cluster, it looks at: (1) does Portland have a competitive advantage, (2) do they have a high employment rate, and (3) what is the level of salaries that the industry provides. She added that when looking at the food industry, travel, and healthcare, they are indeed high employers but at least the first two do not pay very well, but PDC is definitely looking into other clusters and taking a fresh look.

Executive Director Quinton discussed the next steps:

- Incorporate feedback from Board (Dec. 2012)
- Brief Mayor-elect and City Council; incorporate feedback (Feb. 2013)
- Meet with key stakeholders; incorporate feedback (June 2013)
- Develop implementation plan (Sept. 2013)
- Pursue initial opportunities (ongoing)

At approximately 2:32 p.m. Chair Andrews called for a break.

11. Final Discussion and Next Steps

At approximately 2:45 p.m. the meeting continued.

Chair Andrews thanked everyone for coming and asked the commissioners if they had anything to add or something they would like more information on.

Commissioner Mohlis felt that the meeting was a good overview of the work and it was gratifying to see how diverse the clusters really are, he had not realized how far along PDC staff were on resource development, and finally thanked Chair Andrews for all of his work on VMC.

Commissioner Dickson felt that the meeting was very informative, she is comfortable with our budgets, and that they look promising. With regards to resource development, she stated that the work being done is a good first move. She expressed support of the internal projects, especially the focus on social equity in all aspects and felt PDC is moving in a very smart and positive direction.

Mayor-elect Hales appreciated being able to participate in this type of setting and hopes to do this again, and as PDC embarks on the development of the 2015-2019 Strategic Plan, he would like to sit with Executive Director Quinton and his staff and be a part of the planning.

Commissioner Wilhoite expressed that this was the most efficient use of his time today; it was good to look at what PDC has done and where it is headed. He added that he too is pleased with how far along staff are with the resource development discussion; he looks forward to positive outcomes.

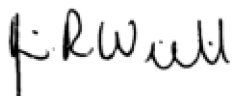
Executive Director Quinton thanked staff for putting this meeting together. He acknowledged that everyone is busy but that it is good to be there and start thinking about 13-14. It was a tight agenda and everyone was able to stay on task and make the best use of the commissioners' time. He expressed his appreciation for the Board; there are significant changes in PDC's strategic plan and the Board has been very supportive.

Chair Andrews thanked everyone again and acknowledged that this is a tough job for everyone present, especially with the economy being hard, but Portland would not be the Portland that it is today without PDC. He added that the organization has changed significantly four or five times but it was always something that was beneficial to the city. He finished by expressing his appreciation of his fellow commissioners and their time.

12. Adjourn

There being no further business, Chair Andrews adjourned the meeting at approximately 2:56 p.m.

Approved by Portland Development Commission on January 9, 2013



Gina Wiedrick, Recording Secretary



Leach Botanical Garden Project

Description: Idyllic 1.6-acre green space and botanical garden that features Oregon native plants and the historic Leach-family botanical collection.

Background: Opened to public in 1983.

Location: SE 122nd, south of Foster Road, located in the Lents Town Center URA & Foster Green Ecodistrict

Project Goals: To improve Garden infrastructure and amenities to better serve local community and visitors. To increase Leach's visibility and move it toward greater financial stability.

Project Partners: Portland Development Commission, Leach Garden Friends, Portland Parks & Recreation

Background

Leach Botanical Garden, located on SE 122nd Avenue south of Foster Road in the Lents Town Center Urban Renewal Area, is a significant community resource, which remains unknown even to many Portlanders.

The site includes the home and gardens of John and Lilla Leach, a noted botanist. In the 1930s, the Leaches built the Manor House and began the gardens. They left the beautiful grounds, buildings and more than 2,000 species of plants to the City of Portland. It was acquired and opened to the public in 1983 as a partnership between Leach Garden Friends (LGF) and Portland Parks and Recreation (PPR).

Leach attracts horticulturalists and botanists from around the country and the world who are interested in Northwest plants in their native microclimates. The garden can accommodate a variety of educational, cultural and natural resource activities that serve the city and the immediate neighborhood.

In 2010, a Master Plan was prepared with significant public input and the assistance of a diverse steering committee. The Master Plan provides direction for new facilities, botanical interpretations, and spaces for community activity.

Portland Development Commission (PDC) has been a partner in the Garden since it was added to the Lents URA in 2008.



Leach Botanical Garden Project

Completed Work:	Creation of 2010 Leach Master Plan and Schematic Design for Garden Redesign.
Current Project Scope:	Design & construct improvements to the six undeveloped acres of Leach's Upper Garden.
Total Project Cost:	Estimated \$5-6 million To be developed in multi-year phases.
PDC Investment:	To date: \$226,000 :Preliminary Survey, Site Prep, Schematic Design & CLG Grant Future: \$1,100,000 : FYs 12-14
Estimated Project Schedule:	Design & Construction Drawings: FY 12-13 Bidding & Construction Start: FY 13-14 Full Completion: FY 14-15

Current Work

In FY 2011-12, Portland-based landscape architects Mayer Reed and SERA Architects prepared a schematic design and preliminary cost estimate for the six acres of Leach's undeveloped Upper Garden to provide for expanded public use, generate additional partnership opportunities and contribute to the Garden's long-term financial stability. PDC funded the preliminary survey, site preparation and schematic design work for \$200,000 and provided a \$26,000 Community Livability Grant to add a restroom and increase capacity for special events.

The design includes a more visible Garden entry with a new Welcome Center and increased parking. Two other proposed buildings are a Woodland Pavilion for educational and event space and an Alpine House for special plant collections.

New greenhouses and botanical display areas are also included in the Plan as well as a formal link to the historical Garden and Manor House. This is a multiple year project that seeks to implement the Leach Master Plan in phases.

PPR will issue an RFQ for a landscape architect to complete design and construction drawings for the initial phase of these improvements. Leach Garden Friends completed a Business Plan and Botanical Collection Assessment in FY 2011-12. These along with the Master Plan, have played a significant role in guiding design decisions. LGF is now working on a capital campaign to help pay for development of the Upper Garden.