

J. Scott Andrews
Commissioner Chair

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Charlie Hales
Mayor

Patrick Quinton
Executive Director

This document represents the official meeting record of the June 26, 2013, Portland Development Commission (PDC) Board of Commissioners (Board) Meeting held at 222 NW Fifth Ave., Portland, OR 97209. The full video recording of this meeting can be found at: http://www.youtube.com/watch?v=b_7Ezs8Z0CU.

1. Call to Order and Roll Call

Chair Scott Andrews called the meeting to order at approximately 2:04 p.m. Ms. Gina Wiedrick, Board recording secretary, called the Board roll:

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

Chair Andrews stated that Executive Director Patrick Quinton will be joining the meeting late, but the meeting is proceeding due to a time certain item on the agenda. Ms. Kimberly Branam, Deputy Director of Strategy and Operations, is sitting in for the Executive Director.

2. Commissioner Reports

Commissioner Wilhoite

- On June 19, attended the PDC Board Audit Committee liaisons meeting, which included a discussion on preparing for the upcoming annual external audit, as well as the internal audit.

Commissioner Mohlis

- Also attended the PDC Board Audit Committee liaisons meeting.
- Still attending legislative session in Salem, which is winding down.

3. Executive Director Report

Deputy Director Branam gave the report.

- National Journal* recently chose the We Build Green Cities initiative as the export category winner in their Back to Business issue.
- On June 19, the Brookings Institute held an export initiative event in Washington, DC, and invited Business and Industry Division Manager Chris Harder to be one of the panelists.
- On June 20, the Brookings Institute released a book written by Bruce Katz called The Metropolitan Revolution, which describes how cities and metro areas are fixing fragile economies, and called out Portland's work in promoting exports as one of the paths towards a stronger economy.
- Over the past two Fridays, local digital media companies pitched ideas on how to promote the third season of NBC's hit series "Grimm." The panel has selected a winning team, which will be flown to Los Angeles to pitch their idea to NBC executives.

- On June 27, Executive Director Quinton and Mayor Charlie Hales will attend the housewarming event for the Startup PDX Challenge winners at their new space in the central eastside Produce Row.
- On July 15, Executive Director Quinton will attend the Ajinomoto Foods opening; this is a celebration to commemorate the opening of Ajinomoto's new research and development facility.
- The next round of the Community Livability Grant process is underway for Lents, Interstate, and Gateway Urban Renewal Areas (URAs); deadline for applications is 5:00 p.m. Thursday September 5, 2013. For more information and to register for one of the free workshops, go to: <http://www.pdc.us/for-residents/community-livability-grant.aspx>.

4. Meeting Minutes

Chair Andrews called for a motion to approve the May 8, 2013, Board meeting minutes as amended, and the June 12, 2013 Board meeting minutes. Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

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

5. Public Comment for Items Not on Agenda

No public testimony was presented.

CONSENT AGENDA

6. Action Item: Adopting Budget Amendment No. 3 for the Fiscal Year beginning July 1, 2012, and Ending June 30, 2013; and Making Appropriations

With this action the Board will amend the fiscal year (FY) 2012-13 PDC Revised Budget in the following ways:

- (1) Make adjustments related to the PDC and Portland Housing Bureau (PHB) Support Services Intergovernmental Agreement (IGA) to reflect how property revenue and expenditures are accounted for;
- (2) Adjust appropriations from Administration to Property Redevelopment to account for staff time spent on general property redevelopment activities;
- (3) Make final adjustments to PDC's administrative materials and services budgets for insurance costs and;
- (4) Make adjustments to Interstate URA appropriation between Business Development and Property Redevelopment to reflect estimated year-end expenses related to the Commercial Property Redevelopment Loan program.

The proposed FY 2012-13 Budget Amendment No. 3 will decrease the total PDC budget from \$258,831,852 in the FY 2012-13 Revised Budget to \$258,294,28 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures decrease from \$125,304,002 to \$123,916,408.

Chair Andrews called for a motion to approve Resolution 7009; Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

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

REGULAR AGENDA

14. Election of Acting Secretary

Commissioner Mohlis made the motion that Commissioner Wilhoite continue to serve as Board Acting Secretary; Commissioner Dickson seconded the motion.

AYES: Andrews, Dickson, Mohlis
NAYS: None

At approximately 2:15 p.m. Chair Andrews called for a recess.

At approximately 2:32 p.m. Chair Andrews called the meeting back to order, adjourned the regular meeting, and turned the meeting over to the Tax Supervising and Conservation Commission (TSCC). He noted Executive Director Quinton's presence.

7. Information Item: TSCC Public Hearing on and Certification of the FY 2013-14 Approved Budget

Javier Fernandez, TSCC Chair, opened the public hearing by stating this is a public hearing of the Multnomah County TSCC for the purpose of discussing the 2013-14 Approved Budget for PDC. He said that one of the TSCC's responsibilities, as detailed in state law, is to review the budgets of all municipal corporations under the TSCC's jurisdiction, saying TSCC staff have carefully reviewed the budget and worked with PDC staff on technical aspects of the budget. He said they have questions concerning the budget that they would like to have answered, questions a typical citizen may ask. He said that in this sense, the TSCC is here today representing all of the citizens that might not be able to ask questions of the PDC Board directly. He further stated that TSCC encourages citizens to attend these public hearings and learn more about the budgeting process and make any comments that are appropriate. He said meeting minutes of this public hearing will be prepared and retained as permanent record of the proceedings.

Chair Fernandez asked his fellow commissioners and TSCC staff to introduce themselves and state if they have any conflicts of interest: Ms. Susan Schneider, Commissioner, no conflict; Mr. Brendan Watkins, Commissioner, no conflict; Mr. Craig Gibbons, Executive Director; and Ms. Tunie Betschart, staff. Chair Fernandez asked the PDC Board to introduce themselves and make any comments, if any.

The questions posed by the TSCC team to PDC's Board and staff are listed below, along with the PDC Board's and staff's response.

General Operations / Organization

Chair Fernandez asked Question 1: PDC has established a goal of reducing personnel and overhead expenditures by 30 percent over a two year period, from 2012-13 to 2014-15. Are you on track with this budget to meet that goal and what is the dollar amount that will be reduced from the budget to meet the goal?

Commissioner Wilhoite responded: Yes, we are on track, and the approved budget and forecast includes a 30 percent reduction in on-going salaries and benefits and a 32 percent reduction in overhead materials and services between FY 2012-13 and FY 2014-15. The budget for personnel services does, however, include one-time costs for Early Retirement Incentive Program (ERIP) implementation costs that are not included in this 30 percent target.

Chair Fernandez asked Question 2: What do you expect will be the total cost of ERIP and is it sustainable for the plans PDC has for FY 2013-14?

Commissioner Wilhoite responded: Total cost estimated is about \$584,000. This includes \$405,000 for the incentive and about \$179,000 for the continuation of benefits for one year. Savings from the eight positions that are being removed from the budget will be approximately \$854,000, resulting in a net savings of approximately \$270,000 through June 30, 2014. Additional long-term savings will likely be realized for the four positions currently slated to be filled starting at an estimated \$80,000 per year.

Chair Fernandez asked Question 3: The Finance & Business Operations (FBO) Department will take the biggest hit with 7.5 fewer full-time employees, including three positions that are being considered limited-term, meaning they will most likely be eliminated in the future. At the same time, your external auditor noted a number of deficiencies in your financial reporting last year. What efforts are you taking to ensure that employees that are being asked to do “more with less” are provided with the tools and support to continue their excellent work?

Commissioner Wilhoite responded: The updated total reflects that 6.5 positions of the 12.7 positions removed from the FY 2013-14 budget were from the FBO department. These positions were all vacant, transferred, or becoming vacant through the ERIP (no filled positions were eliminated).

- Three of these positions were transferred to other departments based on reorganization. They include two Geographic Information Systems staff and the Performance Manager positions.
- Two of the 6.5 positions removed from the FBO budget were Division Manager positions; these two vacant Division Manager positions were held one year until there was confidence that this new span of control provided sufficient oversight.
- An FBO Executive Assistant (0.5 in 2013-14) applied for the ERIP and will be leaving in December 2013. That position, as well as the Accounting Tech II position, have been eliminated and the related duties absorbed by other staff.
- The deficiencies noted in the 2011-12 audit were not related to a staffing shortage but were evidence of the need for business process improvements which have now been put in place.

Chair Fernandez asked Question 4: It appears you have budgeted for the full costs of the Public Employee Retirement System (PERS) employer rate increases in next year’s budget. If Senate Bill 822 is the final word on PERS reform out of the 2013 Session, how much will that save PDC?

Commissioner Wilhoite responded: The Proposed and Approved version of the budget included the full PERS rates, but our recommended adopted budget will include anticipated savings. Currently, PDC is using the same estimated savings for PERS reform as the City of Portland (City) – this represents an estimated 80 percent savings to what the planned rate increase would be for the next biennium. This is equivalent to about a \$370,000 savings for FY 2013-14 based on a total salaries and wages of \$10,300,000.

Chair Fernandez asked Question 5: It has been nearly three years since all housing projects and staff were moved to the City. Have you worked out all of the issues with the City that came with that major transition and in retrospect, was it a good move?

Commissioner Mohlis responded: We do think it was a good move and it has been successful. All transitional issues were completed during the first year of the transition in 2010. PHB continues to contract with PDC for several services such as property management and environmental remediation activities that are more efficiently provided by one provider. We continue to believe it was the right move. PDC is now better able to focus staff attention and resources on economic development and redevelopment priorities while PHB is able to deliver on the City's housing agenda with a broader array of service and opportunities.

Urban Renewal Plan Areas

Commissioner Watkins asked Question 6: You and the City completed the "Future of Urban Renewal" review process and as a result of that process several URAs were amended and in 2012 seven new plan areas were created. Can we assume that the current configuration, maximum indebtedness, list of projects and expiration dates for the current 18 URAs will remain relatively stable for the next several years?

Commissioner Mohlis responded: During this last budget process Mayor Hales and City Council asked the Office of Management and Finance, PDC, and PHB to provide information on each URA – including project priorities, expiration dates, and maximum indebtedness. We anticipate additional discussion and clarification regarding individual URAs in the coming year.

Commissioner Watkins asked Question 7: The Oregon Department of Revenue recently clarified that property taxes divided for an urban renewal plan area that are intended to support "public education" must be categorized as education taxes bucket which is subject to the \$5 per \$1,000 of assessed value limit from Ballot Measure 5. While it does not appear that any of the expenditures in the new Education District URA in 2013-14 will be used for those purposes, the report issued prior to the plan's adoption included over \$30,500,000 in projects to be spent on direct improvements to facilities owned by Portland State University (PSU) and another \$10,000,000 is targeted to redevelop the Lincoln High School site. Going forward, is this interpretation a game changer in terms of the projects you had hoped to undertake in the Education District URA?

Commissioner Mohlis responded: PDC's investments in the new Education URA were always anticipated to be consistent with our mission "to create one of the world's most desirable and equitable cities by investing in job creation, innovation, and economic opportunity throughout Portland" and specifically to promote economic development objectives. While capital improvements in the district may benefit these public partners, care will be taken to ensure those investments do not trigger classification of property taxes as intended to support "public education." The URA plan provides details on a number of opportunities to invest in district-scale entrepreneurship, affordable housing, and the development of the region's workforce. A good example is the potential redevelopment of the Lincoln High School site, which was always discussed as an opportunity for PDC to work in partnership with Portland Public Schools (PPS) to both improve the educational environment and the intensity of development on the site. Going forward PDC will review plan projects with PSU and PPS as part of the annual budget process.

Chair Fernandez asked add-on to Question 7: Did you receive any pushback or legal challenges to this?

Commissioner Mohlis responded: There was a great deal of discussion during the formation of the district that this was something PDC needed to be cautious about, but did not think there were any legal actions initiated. Executive Director Quinton added that PDC is only looking at the FY 2013-14 budget and there are minimal expenditures proposed. There has been renewed attention and PDC will need to pay attention to the issues. With regards to the Lincoln High School site, Executive Director Quinton emphasized that PDC would not be rebuilding the high school, but it does sit on a prime redevelopment area for the city, and will look at if there is a way to achieve PDC's redevelopment and economic objectives at the same time.

Chair Fernandez asked add-on to Question 7: What is it that PDC is investing in?

Executive Director Quinton responded: It could be commercial development or office space. When PDC talks about the work at PSU, it is often about developing incubator space for new companies that are spinoffs from work being done at the university. He added that it is important to remember that a given building could be taxable and non-taxable, floors that are public or private, that would not trigger the public education limits.

Commissioner Watkins asked Question 8: The creation of the six planned Neighborhood Prosperity Initiative (NPI) URAs was certainly a departure from the large plan areas such as Interstate Corridor and River District. Was this concept of small, "micro" plan areas created by PDC or did you borrow this concept from someone else?

Commissioner Mohlis responded: Several cities in Oregon and across the country use small, project-specific urban renewal districts drawn to create increment financing to pay for a particular project. We built on this concept as well as on our experience implementing the Main Street program along three commercial corridors when developing the NPI program. Both the Main Streets and the NPIs use small levels of investment to strengthen business districts through community-planned and community-implemented actions and projects.

Commissioner Watkins asked add-on to Question 8: In looking at other places that have done this, how successful does it look from the outside, with this small micro plans? He has seen it work in small communities but wants to know if PDC looked at these micro plans in large cities and seeing them be successful.

Executive Director Quinton responded: PDC looked at Main Street models in larger cities and analyzed their successes, but PDC's investment in these small districts is much smaller and therefore needed a hybrid model. He can follow up with the TSCC later and have staff look into large cities doing small micro plans at this same scale, but in that sense, this is a unique model. The advantages is the no long-term debt, pay-as-you-go, when the districts are closed there are no indebtedness to pay off.

Chair Fernandez stated that they will revisit these in the years to come and see how successful they are.

Chair Andrews added that the early success is that they found that most of these neighborhoods that applied to the program do not have a business organization. The property owners were not meeting together to discuss common issues, or that an empty storefront affects everyone. There is support and enthusiasm from the community and businesses to organize and meet.

Commissioner Watkins asked Question 9: In this budget the six new NPI URAs have modest expenditures of an average of \$83,212, all in Business Development. What specifically will these funds be used for and will a single staff person be assigned to all six or which of the NPI URAs have a staff person assigned to assist businesses within those neighborhoods?

Commissioner Mohlis responded: The majority of the resources will fund district improvement projects such as signage, tenant improvement loans, and storefront improvements. PDC's Business Development Officers, who also work across other urban renewal areas, will be assigned to the six districts to ensure businesses within the NPI districts receive direct outreach and connections to resources.

Plan Area Projects

Commissioner Schneider asked Question 10: In the budget message PDC sent to the TSCC, please be more specific about the 25,000 new jobs you referenced as part of the goals PDC met, and what is PDC's role in the creation of those jobs from 2009 to the present.

Chair Andrews responded: Prior to becoming the Executive Director, Executive Director Quinton spent a lot of time working to develop the City's new Economic Development Strategy, which created the initial job goal. Executive Director Quinton added that when PDC put the strategy together in 2009 it included a goal to create 10,000 net new jobs in five years; the purpose was to see the economy grow. PDC does not claim to take credit for each job but it was an indicator it wanted to measure and it reflects how well the city economy has done in coming out of the recession. PDC has separately tracked the jobs it directly touched, some 4,700; those are jobs directly created or retained as a result of PDC's programs or activities.

Commissioner Schneider asked Question 11: The project to renovate Veterans Memorial Coliseum within the Oregon Convention Center URA fell apart last year when the Portland Winterhawks withdrew financial support. Have talks been restarted, does it appear like more public money will be needed to make those renovations, and is the City looking for PDC to put in more urban renewal dollars to make that happen?

Commissioner Dickson responded: The Portland Winterhawks did not withdraw financial support, but rather put it on hold pending league action. Talks are about to commence following the recent extension of an operating agreement between the City and Portland Arena Management for an additional two years with eight one-year options. The extension was required because without it, there was no operator in place come FY 2013-14. With the extension in place, talks may now re-start. While renovation construction estimates must now be updated, there is no discussion of PDC investing more than the funding approved by the Board in FY 2012-13.

Commissioner Schneider asked Question 12: The new The Fields Park in the River District URA was completed and opened in May. What was the total cost of the park and how much of that came from tax increment financing (TIF) revenues?

Commissioner Dickson responded: That was a very exciting project for PDC and she was able to attend and participate in the grand opening, and it was very well received by the community and it is money well spent and will benefit many in the city. The total cost of the park was \$19,000,000; PDC

contributed \$14,000,000 towards the project, including the acquisition, environmental remediation, and some of the design and construction costs.

Commissioner Schneider asked Question 13: Renovations to Union Station in the River District URA continue with another \$2,200,000 budgeted in FY 2013-14 and a total of \$8,300,000 over the next three years. What do you expect the total cost to be and are there others contributing such as Amtrak or other rail companies?

Commissioner Dickson responded: PDC and the City have received multiple federal grants to implement phased work at Union Station, including two prior phases of construction. Phase III, consisting of preliminary design and environmental review work (no construction), is commencing June 2013 and is anticipated to be completed late 2015. This phase is funded by a combination of a grant from the Federal Railroad Administration (approximately \$3,900,000) and a local match provided by PDC (approximately \$992,000). The purpose of Phase III is to provide PDC with an updated and comprehensive understanding of the remaining improvements needed at Union Station – including the building, tracks, and platforms. The scope will also include defining opportunities for phasing the implementation of these improvements. Amtrak will have financial responsibility for implementing many of the track-related improvements. Outdated estimates for the remaining improvements to only the building are approximately \$20,000,000.

Commissioner Schneider asked Question 14: The budget includes nearly \$27,000,000 toward the construction of a new Multnomah County Health Department Headquarters office building next to the Bud Clark Commons in the River District. This will satisfy an obligation included in House Bill 2056 [sic; 3056] (2009 Legislative Session) as part of a larger effort to “reform” the state’s urban renewal statutes. Does PDC have any role in the design or construction of the new building or will you simply be writing the check?

Commissioner Dickson responded: PDC does not have a role in design or construction of the building, but rather will be disbursing funds to Multnomah County (County) in June 2014 based on PDC’s IGA with the County. Disbursement of those funds requires that PHB has transferred the property to the County, that agreements will exist between the County, PHB, and Home Forward, which will be the project developer, and that all other project financing has been secured.

Commissioner Schneider asked Question 15: PDC entered into an agreement in 2005 to purchase property at SW Third and Oak within the Downtown Waterfront URA which had underground parking spaces controlled by a third party. An agreement was reached that required PDC to compensate that third party for the loss of those parking spaces until the property was developed. The building and the underground spaces were demolished in anticipation of the redevelopment but then those plans fell through. The agreement is now costing PDC \$5,000 per month and the original agreement had a term of 99 years. Where does that lie?

Chair Andrews responded: PDC has determined there are three ways we can deal with this at this point:

- 1) Sell the property and the obligation with it;
- 2) Reach an agreement with the current land owner in terms of a lump sum payment for that long-term obligation; or
- 3) Build the parking spaces and attach them to the garage and build a pad/structure that would hold either a housing or an office structure above it.

PDC has put \$2,850,000 for this last opportunity into the FY 2013-14 budget and is having conversations with the current land owner about pursuing this.

Commissioner Schneider asked Question 16: Is there anything else out that that you are excited about and what us to know?

Chair Andrews responded: There are three that he wanted to touch base on:

- 1) Centennial Mills project: PDC has recently entered into a Memorandum of Understanding with Harsch Development for redevelopment of the 4.75 acre site. The development team is planning on a mix of office, retail, residential, and cultural use on this site and a staged implementation, rather than an all-in-one kind of project. PDC and the development team are splitting predevelopment costs to get to the next stage, to decide whether or not the project would make economic sense. This project has the potential to both create space for new jobs as well as recapture a really important historic site on the riverfront.
- 2) Programs PDC has put in place to support entrepreneurship and innovation:
 - a) Portland Seed Fund: at today's Board meeting, the Board will be approving general fund allocation to the second round of this fund. It is an early stage venture fund, partially supported by PDC and the State of Oregon. The first round of funding has taken place and has been phenomenally successful, with the winners having generated over \$21,000,000 in private financing and created over 200 full time jobs.
 - b) Startup PDX Challenge: a national competition soliciting startups to relocate to Portland's Produce Row district by offering free rent for a year, in-kind professional services, and a working capital grant. PDC received 240 applications and the six awards were made a week ago.
 - c) A technology commercialization grant in partnership with Oregon Health & Sciences University and PSU, which funds an inclusive entrepreneurship action plan designed to connect entrepreneurs of color and women entrepreneurs to Portland's startup system, and placed-based efforts to attract entrepreneurs to Old Town China Town in the Central Eastside.
- 3) Mercado Project: PDC is partnering with Hacienda Community Development Corporation to develop a food-oriented Latino Mercado at SE 72nd and Foster in the Lents URA. This project will provide a commercial amenity for the surrounding neighborhoods, serve as a cultural anchor for the Latino community, reduce food desert in East Portland, and provide entrepreneurial opportunities for small business owners. PDC provided a Development Opportunity Services grant for the market study, support for the successful federal grant, and subsequently signed a Letter of Intent with Hacienda for either a purchase or long-term lease. The project's construction cost is approximately \$1,500,000 and Hacienda has targeted a minimum of 20 percent Minorities, Women, and Emerging Small Businesses (MWESB) participation. PDC is currently in negotiations with a pro forma expected in late summer 2013; Hacienda plans to complete the Mercado by summer 2014.

Chair Fernandez called for anyone signed up to provide public testimony; no public testimony was presented.

Chair Fernandez closed the hearing and opened the regular TSCC meeting to discuss the recommendation letter for the FY 2013-14 budget, and asked if there were any recommendations from staff. Executive Director Gibbons presented one recommendation regarding the over expenditures in

the FY 2011-12 budget; although they were relatively minor, but local budget law does not allow the expenditure of moneys beyond the legal authority. All funds need to be closely monitored throughout the year to ensure appropriations are in place prior to expending monies. Commissioner Wilhoite responded that PDC is covered in that regard.

Commissioner Schneider made a motion to approve the recommendation letter with notes added regarding the audit for the coming year and Commissioner Watkins seconded the motion. Chair Fernandez called for a vote, but abstained from voting; all others responded in favor of this action, and adjourned the TSCC regular meeting.

At approximately 3:13 p.m. Chair Andrews called for a break. At approximately 3:23 p.m. Chair Andrews reconvened the PDC meeting.

Executive Director Quinton spoke regarding two upcoming employee departures:

- Rob Durkin, Information Technology Infrastructure Manager, managing PDC's infrastructure and equipment; has been with PDC for over 13 years.
- Keith Witcosky, Deputy Director – Government Relations & Public Affairs. He is leaving PDC to become the City Manager for Redmond, Oregon. Mr. Witcosky has been with the City since 1993 and with PDC since 1998. Chair Andrews credited Mr. Witcosky with improving communications, relationships, and credibility with City Council.

8. Action Item: Adopting the Annual Budget of the Portland Development Commission for the Fiscal Year Beginning July 1, 2013, and Ending June 30, 2014; and Making Appropriations

PDC staff presenting this item:
Tony Barnes, Budget Officer

With this action the Board will formally adopt PDC's FY 2013-14 Recommended Budget and appropriate resources set forth therein, effective July 1, 2013. Adoption by the Board of PDC's FY 2013-14 Recommended Budget represents the final phase of the FY 2013-14 budget process, which began in November 2012. Upon adoption, PDC's FY 2013-14 Recommended Budget will become PDC's FY 2013-14 Adopted Budget.

With the recommended changes, the total PDC budget will increase from \$223,539,801 in PDC's FY 2013-14 Approved Budget to \$224,178,684 in PDC's FY 2013-14 Recommended Budget, including Transfers and Contingency. Budgeted expenditures decrease from \$175,611,158 to \$175,415,184.

Chair Andrews stated that City Council just passed the PDC budget and there are differences in these numbers today, and asked what flexibility PDC has to change the budget without having to go back to City Council to amend these changes. Mr. Barnes responded that the State of Oregon budget law allows a maximum of 10 percent increase in any one fund expenditure; none of the changes presented today are above that.

Chair Andrews called for a motion to approve Resolution 7010; Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

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

9. Action Item: Authorizing Intergovernmental Agreements with the Portland Housing Bureau to Provide Housing Programs and to Provide Support Services to the Portland Housing Bureau

PDC staff presenting this item:

Tony Barnes, Budget Officer

With this action the Board will authorize the Executive Director to execute an IGA with PHB for PHB's implementation of housing rehabilitation, finance, and development in URAs and implementation of other housing activities; and an IGA with PHB for the delivery of support services to PHB by PDC for FY 2013-14.

- 1) Housing Rehabilitation, Finance, and Development IGA: This IGA provides for PHB implementation of urban renewal activities involving housing rehabilitation, finance, and development funded through urban renewal resources to be paid to PHB on an expense reimbursement basis. The IGA requires, as part of the reimbursement process, certification from PHB that the costs incurred are eligible urban renewal expenditures. The IGA also makes PHB responsible for certain other housing activities not financed by PDC.
- 2) Housing Support Services IGA: This IGA provides for PDC's delivery of services to PHB to support PHB's urban renewal and non-urban renewal housing activities including certain property management services, information technology services, and construction and environmental services.

Chair Andrews asked if the support services activities have been steady for the past couple of years. Mr. Barnes responded that there are a few properties that have been disposed of over time, so there have been changes in what properties PDC is managing. He added that over the next year PHB will be finishing the implementation of their loan servicing system so this will be the last year for information technology services, and construction and environmental services will change on a case-by-case basis.

Chair Andrews stated that people ask him how does PDC make sure that money sent to PHB is spent correctly, and this is covered under Risk Assessment section of the Board report: (1) PHB's express assumption of responsibility for insuring TIF eligibility, (2) Certification by PHB and its legal counsel, with each reimbursement invoice, that all listed expenses are TIF-eligible expenses, and (3) PHB's indemnification of PDC and its Board in the event any claims are made against PDC or its Board for TIF non-compliance.

Chair Andrews called for a motion to approve Resolution 7011; Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

AYES: Andrews, Dickson, Mohlis, Wilhoite

NAYS: None

10. Action Item: Analysis of Early Defeat of Urban Renewal Areas

PDC staff and others presenting this item:

Chris Harder, Business & Industry Division Manager

Angela Jackson, Managing Director with the Portland Seed Fund, Director of PSU's Accelerator

With this action the Board will authorize an initial \$575,000 grant to the Portland Economic Investment Corporation (PEIC) to support capitalization of the Portland Seed Fund's second fund (PSF II); \$500,000 will serve as a capital grant for investment in local startups and \$75,000 will be allocated to cover administrative costs associated with the PEIC. This action will also authorize an increase in the grant to support capitalization of PSF II of up to \$250,000 in the event additional funds become available for such purposes.

Ms. Jackson provided an update on the Portland Seed Fund, stating that it takes a village to produce 36 startups that created 200 jobs and \$23,000,000 in capital, of which 75 percent came from out of state. She added that they have learned a lot from the first program and have made adjustments for PSF II and believes that the discipline of angel investing is the best economic development strategy to have. The program provides for a \$25,000 initial investment with mentoring approach. Three adjustments to the program are (1) To allow for additional funding for the most promising companies, (2) Provide additional time to allow for more mentoring, and (3) Establish an eight-year total life of fund (three-year active and five-year tail).

Commissioner Wilhoite asked the following questions:

- What is Ms. Jackson's role when the additional \$23,000,000 is received by the companies in the program? Ms. Jackson responded that something different they did with PSF II companies was to take them to Silicon Valley and Seattle to meet with investors, whose insight helped the companies to tailor their pitch accordingly.
- Was it a surprise to see the companies raise an additional \$23,000,000 in investments? Ms. Jackson responded that it was beyond what they had expected, they already had aggressive goals, but now they have to set new aggressive goals.
- It was mentioned earlier that 75 percent of the investments came from out of state, and if the companies are going on roadshows, do they expect similar success? Ms. Jackson responded that she thinks it will, but they are also trying to increase the number of active angels in this community with a new effort where founders of companies who may be unable to invest at the minimum level join together and pull their investment to meet the minimum.
- What does \$75,000 for administrative costs buy? Mr. Harder responded that both grants are to PEIC, the independent non-profit, and the \$75,000 will go towards legal expenses, trust fees, insurance, and other such administrative costs incurred by PEIC.

Chair Andrews called for a motion to approve Resolution 7012; Commissioner Dickson moved and Commissioner Wilhoite seconded the motion.

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

11. Action Item: Appointing Portland Development Commission Board Members to the Portland Economic Investment Corporation's Board of Directors

PDC staff presenting this item:
Patrick Quinton, Executive Director

With this action the Board will appoint the PDC Board Chair, Scott Andrews, to the Board of Directors for the newly incorporated PEIC. This resolution will also designate PDC Commissioner Charles Wilhoite as a

second PDC designee for the PEIC Board of Directors (PEIC Board) in the event that PEIC chooses to expand the size of its initial board.

Chair Andrews asked the even though there is no economic benefit to him being on the PEIC Board, is there a conflict of interest? Mr. Eric Iverson, Chief Legal Counsel, responded no.

Commissioner Wilhoite clarified that these dollars were general fund dollars and not TIF, and asked what the circumstances would be in which the PEIC Board would reach a five-member board. Executive Director Quinton responded that this would be a decision of the PEIC Board; the initial three-member board may choose to have two more to have more representation. Chair Andrews added that the investment will take some time initially but may need more expertise later. Executive Director Quinton clarified that the \$500,000 funding is coming from the City's general funds, but the \$75,000 is from PDC's own general fund, funds earned through various activities and are unrestricted.

Commissioner Dickson asked the following questions:

- Do the other PEIC Board entities provide funds? Chair Andrews responded that they could at a later time, and Executive Director Quinton added that they are not at this time.
- Does the makeup of the PEIC Board have the opportunity to change over time? Will there always be someone from PDC and is this important? Executive Director Quinton responded that the way the organization is set up the PEIC Board is intended to have one or two persons chosen by PDC, and persons chosen by Greater Portland, Inc. and the Portland Business Alliance.

Chair Andrews called for a motion to approve Resolution 7013; Commissioner Mohlis moved and Commissioner Dickson seconded the motion.

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

12. Action Item: Authorizing a Purchase and Sale Agreement to Convey 0.61 Acres of Real Property in the Central Eastside Urban Renewal Area to Block 75, LLC for \$2,260,000

PDC staff presenting this item:

Lew Bowers, Central City Division Manager

Katherine Krajnak, Sr. Project/Program Coordinator

With this action the Board will authorize the PDC Executive Director to execute an Agreement for Purchase and Sale of Property (PSA) between PDC and Block 75, LLC (Developer) for the conveyance of Burnside Bridgehead Block 75 (Property), a 26,570 square foot PDC-owned parcel, for the consideration of \$2,260,000. The Property comprises three quarters of the block and is located in the Central Eastside URA at the northwest corner of NE Martin Luther King, Jr. Boulevard and NE Couch Street.

The Developer intends to develop two mixed-use buildings comprised of office and ground floor retail, work/live units, and market rate apartments.

Chair Andrews called forward guests to testify.

Dr. Brad Malsin, Co-Founder, [Beam Development](#). Dr. Malsin expressed his excitement for the potential of the Property; he sees great momentum in the Central Eastside and incredible increase in activity in their work and is anxious to continue.

Jonathan Malsin, General Manager, Beam Development. Mr. Malsin provided an update on the Convention Plaza project (now known as Eastside Exchange) stating they are close to completion with construction, it is a good time to come to market, it is approximately 45 percent leased, and he feels confident that the project will be successful.

Eric Cress, Principal, [Urban Development Partners NW, LP](#). Mr. Cress expressed his excitement in investing in the Burnside Bridgehead area and spoke about the company's principles and values and its commitment to the area.

Commissioner Dickson stated that she did a tour of the Eastside Exchange with Commissioner Wilhoite, she is excited that the sale of this Property is at market rate but expressed concern that some of PDC's policies do not apply in these market rate transactions. She made a pitch to the developers: with the developers just coming off a PDC-subsidized project where PDC's policies did apply, this is a chance to see if PDC's policies do make a difference in un-subsidized projects, and for the Developer to continue to be creative and sustainable and carry those policies forward into the projects where no one is tracking sustainability or equity goals.

Commissioner Wilhoite expressed concern over the possible approval of the sale of the Property if PDC is not putting in place any conditions that would support its equity policies. He is concerned that if PDC continues to sell properties without including its equity policies, the agency is not fulfilling its responsibilities. Chair Andrews responded that staff has had many discussions at Financial Investment Committee regarding this issue and he understands the concern, however, when looking at the public benefit in these transactions, and you look at selling property at market rate, and when you attempt to apply PDC's policies, you are putting in stipulations that the marketplace does not necessarily require.

Commissioner Wilhoite felt that PDC is moving back the aspirational goal and added that PDC has had great success over the past year in meeting and surpassing its goals. However, if the market continues its trend and PDC is in a position to sell more properties at market rate and it does not have any say in how the project is completed, the public will question PDC's commitment to its equity goals. Executive Director Quinton responded that this is somewhat uncharted waters for PDC; all achievements it has made in equity policies have been in projects other than in market rate transactions, which are relatively new to PDC. He also reminded the Board that this provision was included in the recently Board-adopted Equity Policy.

Commissioner Dickson stated that the point she is trying to make is that the development community needs to make the change, they need to show the community that they do make a difference, explain why they were unable to do this or relate their successes, thus encouraging other developers to follow suit. This is how PDC's policies have to make a difference.

Commissioner Wilhoite stated that in the meantime he would like to see something put in place even in market rate transactions and asked if the implication is that it is more expensive to the developers. Executive Director Quinton asked someone from Beam Development to come up and assured them that we are not putting them on the spot, but asked if at the end of the project they could report back to PDC and have a conversation on contracting and utilization. Mr. Malsin responded that in the last two

projects they have worked on with PDC, they have met or possibly even exceeded the Minority/Women/Emerging Small Business (MWESB) goals, and added that he has not seen that they had to increase costs to meet these equity goals.

Executive Director Quinton asked if Beam Development would keep track of these numbers on their own. Mr. Malsin responded yes, and that it is very easy to ask general contractors to keep track of their numbers.

Chair Andrews stated that his understanding is that Commissioner Wilhoite would like PDC staff to look at the equity policy again; Commissioner Wilhoite recommended that this be done.

Chair Andrews called for a motion to approve Resolution 7014; Commissioner Mohlis moved and Commissioner Wilhoite seconded the motion.

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

13. Action Item: Authorizing a Purchase and Sale Agreement with Triad Machinery, Inc., for the Sale of Riverside Parkway Lots 1 and 2 in the Airport Way Urban Renewal Area at a Sale Price No Less Than \$1,633,325

PDC staff presenting this item:

Jina Bjelland, Asset Management Division Manager
Bruce Wood, Sr. Project/Program Coordinator

With this action the Board will authorize the PDC Executive Director to execute a PSA for the sale of Riverside Parkway Lots 1 and 2 in the Airport Way URA. The buyer is Triad Machinery, Inc. (Buyer), a regional company that sells and services cranes used primarily in the forestry industry. The Buyer will develop a 30,000 square foot (SF) building, which will serve as their corporate headquarters and equipment service center, and an adjacent 90,000 SF storage yard to house 55 employees on site.

The PSA provides for a purchase price of \$5.50 per SF for a total of up to \$1,673,325 subject to minor survey and usable square footage adjustments, which could reduce the purchase price by a maximum of \$40,000. Prior to closing, PDC will also remove existing surcharge soil at a cost of approximately \$130,000. The property is being sold for fair market value.

Mr. Wood called forward Doug Summers to testify.

Doug Summers, President, [Triad Machinery, Inc.](#) Mr. Summer expressed his excitement at the opportunity to remain in Portland and expand their office, which is their corporate headquarters. They have experienced great growth in the past couple of years and see that continuing for several more years.

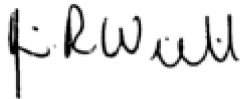
Chair Andrews called for a motion to approve Resolution 7015; Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

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

15. Adjourn

There being no further business, Chair Andrews adjourned the meeting at approximately 5:07 p.m.

Approved by Portland Development Commission on August 20, 2013



Gina Wiedrick, Recording Secretary