

**AUDIT COMMITTEE OF THE  
PORTLAND DEVELOPMENT COMMISSION**  
Portland, Oregon

**RESOLUTION NO. 6760**

**ACCEPT AND APPROVE COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FOR FISCAL YEAR 2008-2009 AS  
REQUIRED BY PORTLAND CITY CHARTER CHAPTER 15-104  
AND PDC RESOLUTION NO. 6112.**

**WHEREAS**, the Portland City Charter Chapter 15-104 requires that “the Commission shall provide for an annual comprehensive independent audit of all funds and accounts of the Commission by a qualified Certified Public Accountant or firm of such accountants selected with the approval of the City Auditor”;

**WHEREAS**, authority has been delegated by the Portland Development Commission Board of Commissioners (“Board”) to the Audit Committee of the Portland Development Commission (“Audit Committee”) to, among other things, “review and comment on management’s response to audit findings and recommendations, and provide the Board with recommendations on addressing issues identified by the auditor and/or management”;

**WHEREAS**, Moss Adams, LLP (“Moss Adams”) has been contracted with by the City of Portland to conduct an annual comprehensive independent audit of all funds and accounts of the Commission for the fiscal year 2008-09;

**WHEREAS**, based upon the independent audit, Moss Adams has audited a Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009 (“2008-09 CAFR”), and prepared a letter discussing significant matters of interest noted during the course of the annual fiscal year end audit for fiscal year 2008-09 (“Management Letter”); and

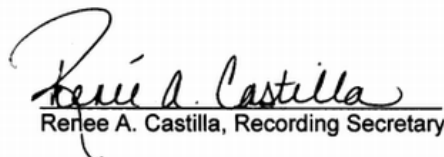
**WHEREAS**, management has prepared responses to the Management Letter (“PDC Management Responses”).

**NOW, THEREFORE, BE IT RESOLVED** that the PDC Board of Commissioners, acting as the PDC Audit Committee, hereby accepts and approves the 2008-09 CAFR in substantially the form attached hereto as Exhibit A on behalf of the Commission;

**BE IT FURTHER RESOLVED** that the Audit Committee hereby accepts the Moss Adams Management Letter and endorses the PDC Management Responses attached hereto as Exhibit B and C, respectively; and

**BE IT FURTHER RESOLVED** that this resolution shall become effective immediately upon its adoption.

**Adopted by the Portland Development Commission on January 13, 2010.**

  
Renee A. Castilla, Recording Secretary

# PDC

PORTLAND DEVELOPMENT COMMISSION

## Resolution Number 6760

Title:

ACCEPT AND APPROVE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2008-2009 AS REQUIRED BY PORTLAND CITY CHARTER CHAPTER 15-104 AND PDC RESOLUTION NO. 6112.

Adopted by the Portland Development Commission Audit Committee on  
January 13, 2010.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Scott Andrews	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Bertha Ferrán	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Steven Straus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Charles Wilhoite	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

### Certification

The undersigned hereby certifies that:

*The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and duly recorded in the official minutes of the meeting.*

  
Renee A. Castilla, Recording Secretary

Date: January 22, 2010



# PORTLAND DEVELOPMENT COMMISSION

Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2009

A Component Unit of the  
City of Portland, Oregon



The Portland Development Commission (PDC) was created by a vote of Portland citizens in 1958, with the mission to achieve healthy neighborhoods, a vibrant central city, a strong regional economy and quality jobs and housing for all. Today, PDC is internationally recognized as a model for urban renewal success and sustainable practices.

PDC celebrated its 50-year anniversary during the 2008/09 fiscal year. One component of our anniversary year was an information campaign that highlighted business owners and homeowners who have benefited from PDC loan and grant programs. The campaign, sponsored by Portland companies, are featured on each tabbed page.

We are now in our 51st year and looking forward to continuing our role to make Portland one of the world's most livable cities for our citizens.

Cover Photo:

PDC's anniversary year kicked-off with the rededication celebration of the **Dawson Park Gazebo** on July 18, 2008. The evening highlight was a community concert featuring Patrick Lamb.

This beautiful dome was salvaged from the Hill Block Building on the northwest corner of Russell Street and Williams Avenue in the heart of the city of Albina's commercial district. Built by Charles H. Hill, the first mayor of the city of Albina (1887-1892), it originally housed a drug store, two other stores and a bowling alley. The Hill Block Building and other near-by commercial structures were razed in the early 1970s. In 1978, the 120-year-old dome was moved to Dawson Park to become the gazebo's new roof. The dome honors a long history of immigrant and minority communities that have thrived in North Portland and serves as a reminder of what was once the heart of old Albina.

**Dawson Park**, where the gazebo dome is located, is in the Eliot Neighborhood between North Vancouver and Williams avenues and North Stanton and Morris streets. The property was acquired as a park by the city of Portland in 1921. The restoration project was undertaken in cooperation with Portland Parks and Recreation, and was supported by the Interstate Corridor Urban Renewal Area Advisory Committee and the Eliot Neighborhood Association.



# **PORTLAND DEVELOPMENT COMMISSION**

A Component Unit of the City of Portland, Oregon

# **Comprehensive Annual Financial Report**

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**Prepared by the Portland Development Commission  
Central Services Department**

Bruce A. Warner, Executive Director  
Julie V. Cody, Chief Financial Officer

For the fiscal year ended June 30, 2009



# About PDC

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## ***Where We've Been...***

## ***Where We're Headed...***

Created by Portland voters in 1958, the Portland Development Commission (the "Commission" or "PDC") has played a major role in keeping Portland one of America's most livable cities. During the past 50 years, PDC has taken forward 20 urban renewal plans that have helped change the face of the city—making it a better place to live for all Portlanders. Specifically, the Commission is the City agency that helps provide sustained livability for our City and region.

### ***PDC's Mission***

*Our Mission is to bring together resources to achieve Portland's vision of a diverse, sustainable community with healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all.*

### ***PDC's Vision***

*The Portland Development Commission's vision is to be a catalyst for positive change in the creation of a world-class 21<sup>st</sup> Century city; a city in which economic prosperity, quality housing, and employment opportunities are available to all.*

The Commission is responsible for maintaining an accounting system and providing for a comprehensive independent financial audit. The following pages are the Commission's Comprehensive Annual Financial Report with accompanying report of independent auditor.

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PORTLAND DEVELOPMENT COMMISSION

*Investing in  
Portland's Future*

November 19, 2009

J. Scott Andrews  
*Commission Chair*

To the Commissioners of the Portland Development Commission,  
Mayor and Members of the City Council, and the  
Citizens of the City of Portland, Oregon:

Bertha Ferrán  
*Commissioner*

John C. Mohlis  
*Commissioner*

The Central Services Department and I are pleased to submit the Portland Development Commission's (PDC or Commission) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. State law requires that all local governments publish a complete set of financial statements within six months of the close of each fiscal year. This report is published to provide the Commissioners of PDC, the citizens of the City of Portland (City), city staff, and other readers with detailed information concerning the financial position and activities of the PDC.

Steven Straus  
*Commissioner*

Charles A. Wilhoite  
*Commissioner*

Sam Adams  
*Mayor*

Management assumes full responsibility for the completeness and reliability of all information presented in this report, including all disclosures, based upon a comprehensive internal control framework that it has established for this purpose. The management of PDC is responsible for establishing and maintaining an effective internal control structure to safeguard its assets, assure the reliability of its accounting records, and promote operational efficiency. Because the cost of such controls should not outweigh their benefits, PDC's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free of any material misstatements.

Bruce A. Warner  
*Executive Director*



PDC's charter requires the Commission to undergo an annual independent audit by a licensed municipal auditor. The accounting firm of Moss Adams, LLP, conducted the audit of the PDC's FY 2008-09 financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that PDC's financial statements for the fiscal year ended June 30, 2009, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is presented at the front of the financial section of this report.

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Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.



### **PDC Profile**

PDC was created as a city agency in 1958 under Article I, Section 15 of the Charter of the City of Portland, Oregon. PDC conducts its business under the name "Portland Development Commission," though it is officially titled the Department of Development and Civic Promotion in the City of Portland's charter. PDC's principal activities are business retention, employment creation, affordable housing and home ownership, financial assistance for rehabilitation and restoration of properties, and the acquisition of real property for the purpose of removing or preventing blight. The governing body is a five-member Commission, appointed by the Mayor and approved by the City Council. PDC is a component unit of the City of Portland and is discretely reported in their CAFR.

PDC's mission is to bring together community resources to achieve Portland's vision of a diverse, sustainable community with healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all. It is the linkages among these efforts and the integration of services that set PDC apart and assures true efficiencies are achieved. In carrying out city policy for the past 50 years, PDC has developed and managed projects and programs which have played a major role in keeping Portland one of America's most livable cities. PDC currently manages 11 urban renewal areas ("URA"s) scattered geographically throughout the City of Portland, and works extensively in Portland's neighborhoods to deliver a broad range of housing and neighborhood improvement programs and to carry out a comprehensive range of economic development programs which create jobs for residents citywide.

PDC's business is conducted at semi-monthly public meetings and all activities are guided by the annual budget. Developed in conjunction with public and private community partners, the budget concentrates PDC resources in URAs and throughout Portland's business districts and neighborhoods. Development of the budget for project and program activities at the program area level is critical to PDC's plans for the future. In accordance with Oregon Local Budget Law, the proposed annual budget is presented to the Portland City Council, acting as the PDC Budget Committee, for review and approval. Following budget committee approval, PDC submits the approved budget to the Tax Supervising and Conservation Commission (TSCC) for review and to the PDC Board of Commissioners for review, adoption, and subsequent amendment as necessary. The appropriated budget is prepared by fund and program, a change from prior years where appropriations were made by department.

### **Relevant Financial Policies**

PDC's charter prescribes that it maintains budgeting and accounting systems and prepares an annual budget in accordance with Oregon Local Budget Law. Funds are used to segregate activities in accordance with special restrictions on the use of revenue. Expenditures are recorded by fund and purpose on the modified accrual basis of accounting and are further classified by program, project, and organizational unit for internal management information. Cash and other assets, related liabilities, and residual equity are segregated into independent self-balancing funds. All capital asset and long-term debt balances are reflected in the government-wide financial



statements. PDC's charter requires its cash to be deposited in the City of Portland's investment pool and invested by the City Treasurer in accordance with Oregon Revised Statutes 294.035 and 294.046. In addition, special accounts may be maintained if required, for example, by debt covenants. Interest is paid by the City of Portland to PDC and is allocated based on each fund's periodic cash balance.

### **Local Economic Conditions**

Portland is the financial, trade, transportation, manufacturing, and business service center for Oregon, southwest Washington, and the Columbia River Basin. The area's five largest private-sector employers are Intel Corporation, Providence Health Systems, Oregon Health Science University, Fred Meyer, and the Kaiser Foundation. Trade, transportation, and utilities continue to comprise the largest industry segment of the regional economy and account for approximately 20 percent of local jobs.

The Portland metropolitan area population growth trend at 1.5 percent is running slightly ahead of the State of Oregon's rate of 1.2 percent for the year ending July 1, 2008, which includes the most recently published data. Although Oregon's annual growth rate has continually increased from 2001 to 2008, rates have not been as high as seen in the early and mid 1990's. The area is expected to continue to absorb a proportionate percentage of state job growth. The Portland metropolitan area ended June 2009 with 11.7 percent unemployment which is higher than the national level of 9.5 percent, yet it is slightly lower than the state of Oregon's rate of 12.2 percent and more than double the rate of a year ago. Of the 49 large metropolitan areas in the nation, Portland ranks second in the jobless rate increase over this past year. At the same time, we have experienced one of the fastest growing labor forces in the nation, 3.1 percent over the past year. The combination of job losses and an expanding labor force undoubtedly plays a role in the steep rise of the unemployment rate. It is expected that while the rate is slowing, job losses will continue through the end of the calendar year with job growth beginning to kick in during the spring 2010 and gaining momentum as the year progresses, achieving the same growth rate experienced in 2005 and 2006 by 2011.

Oregon statute limits the amount of property that can be included in a municipality's URAs to a maximum of 15 percent of assessed value and 15 percent of acreage. The aggregate amount of certified assessed value in the 11 URAs is approximately 9.5 percent of the City of Portland's total overall assessed value and 14.1 percent of the city's overall acreage. Each of the 11 URA's are currently projected to have adequate funding capability to pursue established plans.

### **Long-Term Financial Planning**

There are currently no known legal or legislative challenges to the funding of urban renewal activities using tax-increment financing. It is anticipated that tax-increment resources will provide ongoing funding as detailed in the five-year forecast.

PDC annually forecasts projected revenues and expenditures for each of the URAs. This effort results in a five-year forecast of project and program budget requirements for the funds associated with them. To a large extent, non-URA revenues and expenditure requirements are dependent on the annual allocation of resources from external funding providers.

### **Future Urban Renewal Initiatives**

PDC's work is made possible for the most part by tax-increment financing (TIF). Tax-increment financing is borrowing against future tax revenues. In May 2007, with many of our URAs approaching critical junctures (i.e., plan expirations or reaching the maximum indebtedness), PDC began a study to re-evaluate and update existing urban renewal plans.

The first two projects undertaken by this initiative are the Westside Study and the Lents Town Center (LTC) Plan Amendment Study. The Westside Study considered the future of Portland's downtown URA's, Downtown Waterfront (DTWF), South Park Blocks (SPB), and the River District (RD). The resulting recommendations and plan amendments were approved by the PDC Board of Commissioners in May 2008 and the Portland City Council in June 2008, to be effective in fiscal year 2009. Of the five amendments, two relating to the RD were appealed to the Land Use Board of Appeals (LUBA). LUBA remanded the amendments to the City of Portland to correct two technical errors; a finding of blight in the original RD and a description of buildings which would meet the definition of blight. This revision was completed in June 2009 and the revised amendment approved by the Portland City Council. This amendment was also appealed but subsequently resolved by reducing the maximum indebtedness (MI) in RD by \$60 million for a total of \$264,719,650 additional MI capacity. The revised plan amendments will be implemented in FY 2010.

The LTC Plan Amendment Study was a more neighborhood-based review involving an aggressive outreach and public involvement strategy to collect local input from residents and local business owners on PDC's efforts in the district. The study's recommendations resulted in the first amendment to the LTC URA which took effect fiscal year 2009.

In 2008, the Westside Study Urban Renewal Advisory Group recommended that PDC study the potential for a new district which would include Con-way, Goose Hollow, the retail core and Cultural District, and the broader university area, in addition to decreasing the size of the SPB and DTWF URAs. Over this past year, PDC began the Central City Study to analyze the feasibility for this new urban renewal district downtown to assist those areas still requiring assistance but exist in URAs with diminishing funds. Also underway is the North/Northeast (N/NE) Economic Development Initiative which includes an analysis of past and planned investments, possible boundary adjustments, and priorities for new investments in the Interstate

Corridor and Oregon Convention Center URAs. PDC is conducting the N/NE Economic Development Initiative in partnership with the community to ensure PDC investments enhance livability and economic opportunity within the two URAs and the city at large.

### **Major Initiatives**

Major initiatives cited in this section are highlights based on budgeted project dollars for the fiscal year ending in June 2010. The largest dollar projects are proposed to occur in the RD URA: \$12 million for the Pearl Family Housing project to fund the predevelopment and construction of new affordable family housing on Block 247; \$16 million to the Housing Authority of Portland (HAP) for the Resource Access Center; \$10.4 million to the City of Portland Bureau of Transportation for the RD's portion of the Eastside Streetcar construction; \$2.45 million to the City of Portland Parks Department for the design and construction of Neighborhood Park at NW 9<sup>th</sup> Avenue and Naito Parkway; \$1.2 million funds renovation and acquisition by New Avenues for Youth, a homeless youth facility, and \$1.5 million has been budgeted in loan funds for predevelopment, construction, and financing targeted at vacant and historic properties.

In the North Macadam URA, the highest profile projects will be: \$16.8 million for the negotiation of a disposition, development, and financing agreement for the development of approximately 200 units of new rental housing affordable to households at 0-60 percent MFI; \$1.4 million will fund the City of Portland Parks Department design and construction of a Central District Neighborhood Park. In the Central Eastside URA, \$3.9 million will be expended in the construction of the Eastside Burnside/Couch Couplet along with \$2.9 million in the rehabilitation of the existing Clifford Hotel providing 88 units of housing for 0-50 percent median family income.

The SPB's URA will expend \$2.9 million in the site preparation and future remediation of the Jasmine Tree Property and the construction of the Oregon Sustainability Center through agreements with the Oregon University System and other building owners; \$3.2 million will fund predevelopment and rehabilitation loans for the Martha Washington Apartments serving low and extremely low-income housing; and \$3.7 million will fund the redevelopment of the University Place Apartments by the HAP.

Public improvements totaling \$2.5 million are planned in the Downtown Waterfront URA to Waterfront Park at Ankeny, Ankeny Plaza, and under the Burnside Bridge to reinforce private development and address safety concerns. \$3.4 million will fund the redevelopment of the Globe Hotel and the development of the remainder of the block owned by PDC.

PDC has budgeted approximately \$27.7 million across URAs and city-wide for financial assistance through loans or grants (e.g., Quality Jobs Program, Economic Opportunity Funds) to stimulate investment and job growth, leveraging PDC dollars with private and public funds. This includes all business finance programs with a job creation or retention requirement.

The Commission has budgeted approximately \$88 million for Housing programs. This consists of all homeownership, home repair, and affordable rental housing projects and programs including the preservation of existing housing. In December 2008, Mayor Sam Adams and City Commissioner Nick Fish announced the creation of the new Portland Housing Bureau (PHB) to be formed by joining existing City of Portland Bureau of Housing and Community Development and the PDC Housing Department. The new Bureau's mission is to meet the housing needs of the current and future residents of Portland. Consolidating housing programs, staff, and resources eliminates overlapping and conflicting priorities, conserves resources, and enhances Portland's ability to deliver on its comprehensive housing agenda. The PHB was formalized in July 2009; however, the transfer of PDC staff and resources has been delayed to allow sufficient time to resolve all related technical issues. The transfer of staff and resources is not expected to occur until on or after July 1, 2010.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PDC for its CAFR for the fiscal year ended June 30, 2008. PDC has received a Certificate of Achievement for the last 21 consecutive fiscal years. The GFOA's Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government comprehensive annual financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. PDC's management believes our current report continues to meet Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

In addition, PDC also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2008. In order to qualify for the Distinguished Budget Presentation Award, PDC's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of PDC's CAFR for the fiscal year ended June 30, 2009, would not have been possible without the efficient and dedicated service of the entire staff of the Commission and the Central Services Department. A special thanks to Amy Aragon, Steve Baron, Bethany Bilyeu, Sam Brugato, Yana Eysmont, Michael Gum, Catherine Kaminski, Jane Kingston, Jim Miller, and Michele Whaley for their efforts in producing



this CAFR, and to Chris Powers for yet another spectacular cover. We also wish to express our gratitude and appreciation to the Board of Commissioners for their unfailing support and for maintaining the highest standards of professionalism in the management of PDC's finances.

Respectfully submitted,



Bruce A. Warner, Executive Director



Julie V. Cody, Chief Financial Officer

# Portland Development Commission

A Component Unit of the City of Portland, Oregon



(from left to right John Mohlis, Steven Straus, Bertha Ferran, Charles Wilhoite, Scott Andrews)

## Governing Board (As of June 30, 2009)

Charles A. Wilhoite, Chairman  
*Managing Director*  
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**Term Expires**  
June 30, 2009

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July 10, 2010

John Mohlis  
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June 30, 2009

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*President, Glumac*  
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April 21, 2011

Scott Andrews  
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August 12, 2011

**Registered Agent**  
None

# Portland Development Commission

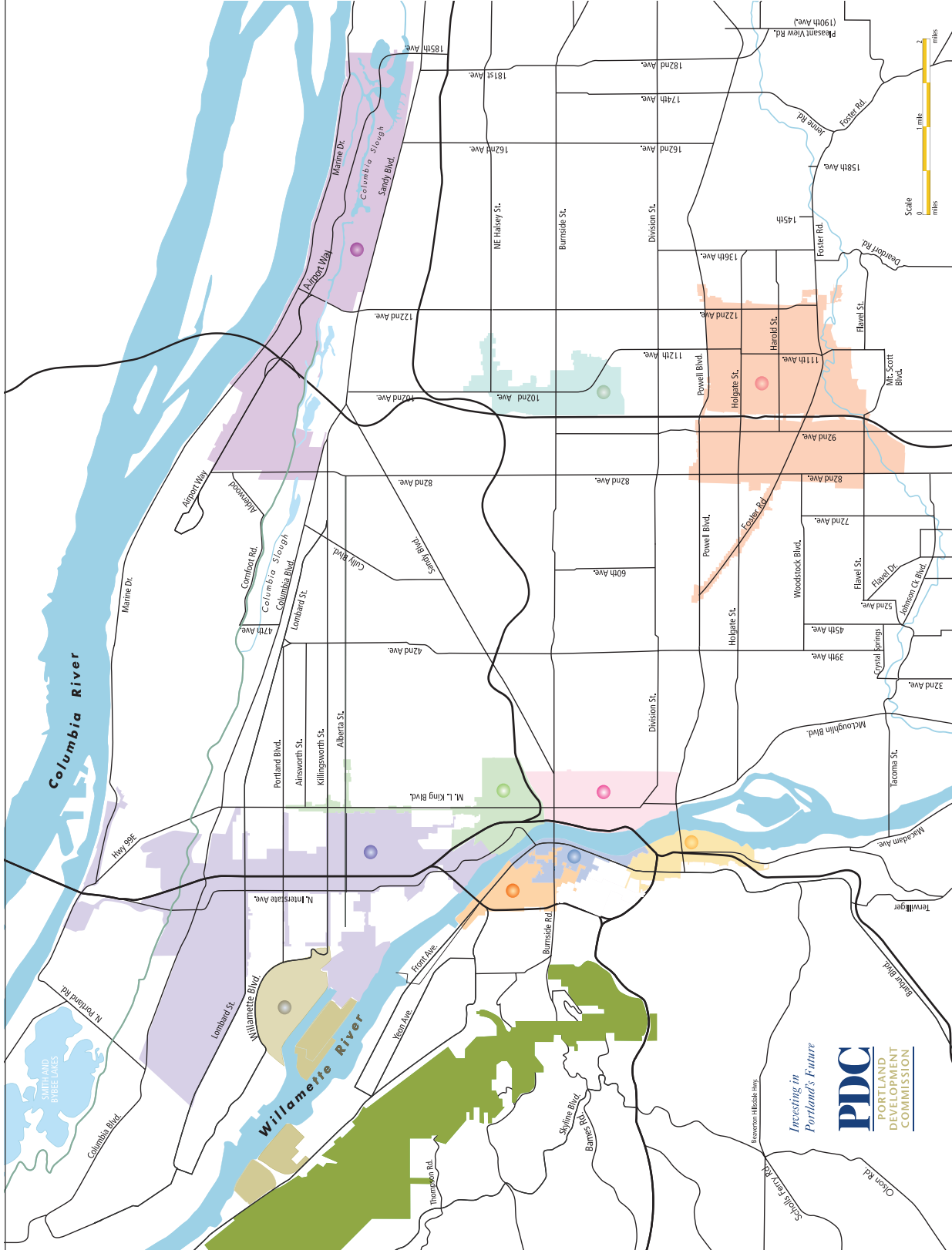
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## Organizational Chart



**URBAN  
 RENEWAL  
 AREAS**

- Airport Way
- Central Eastside
- Downtown Waterfront
- Gateway Regional Center
- Interstate Corridor
- Lents Town Center
- North Macadam
- Oregon Convention Center/ Inner Northeast
- River District
- South Park Blocks
- Willamette Industrial



PORTLAND, OR  
 URA MAP 2009





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Portland Development  
Commission, Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Portland Development Commission (a Component Unit of the City of Portland, Oregon) (the Commission), as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

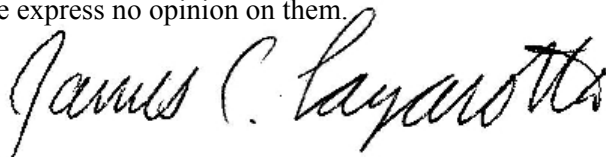
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the respective budgetary comparison statements for the general fund, the Housing and Community Development Contract Fund, and the HOME Grant Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2009, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**INDEPENDENT AUDITOR'S REPORT – (continued)**

The management's discussion and analysis on pages 3 through 18, and the post-employment healthcare benefits schedule on page 67, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, supplementary data and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary data section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



For Moss Adams, LLP  
Portland, Oregon  
November 18, 2009



## Management's Discussion and Analysis

As management of Portland Development Commission (PDC), we offer readers of PDC's financial statements this narrative overview and analysis of the financial activities of PDC for the fiscal year ended June 30, 2009. Management's Discussion and Analysis is intended to explain the significant changes in financial position, as well as differences between the current and prior years. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

### Financial Highlights

- The assets of PDC exceeded the liabilities for the current year ended June 30, 2009 by \$296,394,136 (net assets). Of this amount, \$21,968,413 (unrestricted net assets) may be used to meet PDC's ongoing obligations to citizens and creditors.
- PDC's total net assets increased by \$26,862,928 (10.0%) when compared to the financial statements at June 30, 2008. The net asset increase is primarily attributable to bond proceeds received in the South Park Blocks URA and increased General Fund revenue received from the City General Fund for Economic Development activities city-wide.
- As of June 30, 2009, PDC's governmental activities reported combined ending net assets of \$279,369,273, an increase of \$26,247,441 from the prior year. Approximately 1.8% of the net assets, \$4,943,550, is available for spending at PDC's discretion (unrestricted net assets).
- PDC's total long-term debt increased by \$1,127,104 (12.3%) during the fiscal year ended June 30, 2009. Key factors in this increase include: in the governmental funds, an increase of \$192,822 was recorded for net other post-employment benefit obligation along with an increase of \$1,141,582 for pollution remediation and in the business-type activities for private lender program, a financing payment of \$207,300 required by the debt indentures to Bank of America.
- Gross loans receivable increased from \$310,920,323 to \$337,998,812 commission-wide, or 8.7%. The loan loss allowance increased from \$233,051,415 to \$251,720,433, an increase of 8.0% from the prior year's allowance, resulting in net loans receivable of \$86,278,379.

Broader detail on these highlights and other topics will be presented throughout the remainder of this report.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to PDC's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of PDC's finances, in a manner similar to private-sector business statements.

The *Statement of Net Assets* presents information on all of PDC's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets

may serve as a useful indicator of whether the financial position of PDC is improving or deteriorating. The *Statement of Activities* presents information showing how PDC's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

Both of the government-wide financial statements distinguish functions of PDC that are principally supported by tax-increment debt proceeds (in lieu of tax-increment revenue) and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, Housing and Community Development Contract administration, urban renewal and redevelopment. The business-type activities include jobs, housing, and commercial financial assistance programs together with historic preservation. These activities are mainly manifested as some form of financial assistance.

The government-wide financial statements can be found on pages 19-21 of this report.

**Fund Financial Statements.** A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with budgetary requirements. All of the funds of PDC can be divided into three categories: governmental funds, proprietary funds, and fiduciary (agency) funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating our near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

PDC maintains 17 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for each of the major funds. The major governmental funds are: General Fund (adopted as the Urban Redevelopment Fund); Housing and Community Development (HCD) Contract Fund; HOME Grant Fund; Downtown Waterfront Urban Renewal Fund; North Macadam Urban Renewal Fund; River District Urban Renewal Fund; South Park Blocks Urban Renewal Fund; Convention Center Urban Renewal Fund; and the Interstate Corridor Urban Renewal Fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22-30 of this report.

**Proprietary funds.** PDC maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. PDC uses two enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among PDC's various functions. PDC uses an internal service fund to account for risk management. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund data are combined into a single, aggregated presentation, including such major programs as: the Private Lender Program, Bank of America Fund; the Neighborhood Housing Loans Fund; and the Housing Investment Fund. Additionally, the internal service fund is presented in the proprietary fund financial statements. Individual fund data for the internal service fund is provided elsewhere in this report.

*Enterprise Loans Fund.* The Enterprise Loans Fund is used to account for revolving loan programs. PDC intends to prevent expenses from exceeding annual income in order to preserve the original principal of each program. Original resources for these programs were derived primarily from federal grants from the Economic Development Administration and the U.S. Department of Housing and Urban Development. In addition, resources from the City of Portland are accounted for in the Housing Investment Fund (HIF).

*Enterprise Management Fund.* The Enterprise Management Fund is used to account for the activity related to the operation and maintenance of PDC properties or City of Portland properties PDC has contracted to manage outside of Urban Renewal Areas.

*Internal Service Fund.* A Risk Management Fund is used to set aside resources to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. In certain risk areas, the deductible amount increased substantially, requiring PDC to formally establish the program. Additional contributions may be made in future years.

The basic proprietary fund financial statements can be found on pages 31-33 of this report.

**Fiduciary (agency) funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside PDC. Fiduciary (agency) funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support PDC's own programs. The accounting used for fiduciary (agency) funds is much like that used for proprietary funds.

The basic fiduciary (agency) fund financial statement can be found on page 34 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35-63 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning PDC's progress in funding its

obligation to provide post-employment benefits to its employees. Required supplementary information can be found on page 65 of this report.

**Supplementary Data.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary data following the basic financial statements. Combining statements and individual fund budgetary comparison schedules can be found on pages 66-97 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. PDC's total assets exceeded liabilities by \$296,394,136 for all governmental and business-type funds at the close of the most recent fiscal year.

By far the largest portion of PDC's net assets, \$262,020,868 or 88.4%, represents resources that are subject to external restrictions on how they may be used in governmental activities. Restricted net assets are mainly comprised of urban renewal funds which are limited to use in the specific urban renewal area from whence the funds originated in the form of tax-increment debt proceeds in lieu of tax-increment revenues. The percentage of restricted net assets remained fairly constant over the fiscal year, increasing only .3% from the proportion of restricted net assets from fiscal year ended June 30, 2008.

**Portland Development Commission's Net Assets  
 At June 30**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008 (As Restated)	2009	2008	2009	2008 (As Restated)
<b>Assets</b>						
<b>Current and</b>						
Other Assets	\$ 311,602,257	\$ 278,819,976	\$ 18,535,866	\$ 18,551,901	\$ 330,138,123	\$ 297,371,877
Capital Assets	12,404,855	12,358,875	-	-	12,404,855	12,358,875
<b>Total Assets</b>	<b>324,007,112</b>	<b>291,178,851</b>	<b>18,535,866</b>	<b>18,551,901</b>	<b>342,542,978</b>	<b>309,730,752</b>
<b>Liabilities</b>						
Other Liabilities	35,335,836	30,089,420	479,582	903,804	35,815,418	30,993,224
Long-term Liabilities	9,302,003	7,967,599	1,031,421	1,238,721	10,333,424	9,206,320
<b>Total Liabilities</b>	<b>44,637,839</b>	<b>38,057,019</b>	<b>1,511,003</b>	<b>2,142,525</b>	<b>46,148,842</b>	<b>40,199,544</b>
<b>Net Assets</b>						
<b>Invested in Capital</b>						
Assets	12,404,855	12,358,875	-	-	12,404,855	12,358,875
Restricted	262,020,868	237,479,876	-	-	262,020,868	237,479,876
Unrestricted	4,943,550	3,283,081	17,024,863	16,409,376	21,968,413	19,692,457
<b>Total Net Asset</b>	<b>\$ 279,369,273</b>	<b>\$ 253,121,832</b>	<b>\$ 17,024,863</b>	<b>\$ 16,409,376</b>	<b>\$ 296,394,136</b>	<b>\$ 269,531,208</b>

A small portion of PDC's total net assets (4.2%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). These capital assets are used to provide services to citizens; consequently, these assets are *not* available for future spending.

The remaining balance of *unrestricted net assets* (\$21,968,413) may be used to meet PDC's ongoing obligations to citizens and creditors. Most of the unrestricted net assets, 77.5%, are contained in the business-type activities. Note that unrestricted net assets have increased 11.6% during fiscal year 2009. The business-type unrestricted net assets increased by 3.8%, or \$615,487, while the governmental segment increased \$1,660,469, or 50.6%.

At June 30, 2009, PDC is able to report positive balances in all three categories of net assets, both for the Commission as a whole, as well as for its separate governmental and business-type activities. This is consistent with the reporting for prior fiscal years.

One major component of PDC's assets is loans receivable from its customers. During this last year, PDC's gross portfolio increased \$27,078,489 or 8.7%, likewise the loan loss allowance also increased by 8.0% or \$18,669,018 from the prior year. The smaller, current portion of the net portfolio decreased 5.5% while the non-current portion increased by 12.1%, reflecting a continuing trend in higher-risk and longer-term lending.

**Portland Development Commission  
 Loans Receivable  
 At June 30**

	2009	2008	Change	%
				Change
Gross Loans Receivable	\$ 337,998,812	\$ 310,920,323	\$ 27,078,489	8.7%
Allow ance & Discount	(251,720,433)	(233,051,415)	(18,669,018)	8.0%
Total Net	<u>\$ 86,278,379</u>	<u>\$ 77,868,908</u>	<u>\$ 8,409,471</u>	10.8%
Current Portion	\$ 5,306,219	\$ 5,615,662	\$ (309,443)	-5.5%
Non-Current Portion	80,972,160	72,253,246	8,718,914	12.1%
Total Net	<u>\$ 86,278,379</u>	<u>\$ 77,868,908</u>	<u>\$ 8,409,471</u>	10.8%



PDC's ending net assets increased by \$26,862,928, or approximately 10.0%, during the current fiscal year. In general, PDC's overall financial position has improved over the year, due to a \$2,699,502 (2.0%) increase in revenues over the prior year, offset by a slight increase in expenses by \$403,113 (0.4%).

**Portland Development Commission's Changes in Net Assets  
 For the Fiscal Years Ended June 30**

	Governmental Activities		Business-type Activities		Total	
	2009	2008 (As Restated)	2009	2008	2009	2008 (As Restated)
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,609,577	\$ 5,322,051	\$ 3,643,684	\$ 3,211,791	\$ 8,253,261	\$ 8,533,842
Operating Grants and Contributions	9,537,786	12,007,140	6,840,790	6,365,519	16,378,576	18,372,659
General Revenues:						
Tax-increment Debt Proceeds (in lieu of tax-increment revenue)	105,254,573	105,929,455	-	-	105,254,573	105,929,455
Unrestricted Investment Income	2,872,087	2,489,776	74,339	130,594	2,946,426	2,620,370
Miscellaneous	7,920,829	2,627,864	30,027	-	7,950,856	2,627,864
Total Revenues	<u>130,194,852</u>	<u>128,376,286</u>	<u>10,588,840</u>	<u>9,707,904</u>	<u>140,783,692</u>	<u>138,084,190</u>
Expenses:						
Community Development	103,984,411	105,412,401	-	-	103,984,411	105,412,401
Enterprise Funds	-	-	9,936,353	8,105,250	9,936,353	8,105,250
Total Expenses	<u>103,984,411</u>	<u>105,412,401</u>	<u>9,936,353</u>	<u>8,105,250</u>	<u>113,920,764</u>	<u>113,517,651</u>
Increase (Decrease) in Net Assets Before Special Item and Transfers	26,210,441	22,963,885	652,487	1,602,654	26,862,928	24,566,539
Transfers	37,000	(137,742)	(37,000)	137,742	-	-
Increase (Decrease) in Net Assets	26,247,441	22,826,143	615,487	1,740,396	26,862,928	24,566,539
Beginning Net Assets	253,121,832	230,295,689	16,409,376	14,668,980	269,531,208	244,964,669
Ending Net Assets	<u>\$ 279,369,273</u>	<u>\$ 253,121,832</u>	<u>\$ 17,024,863</u>	<u>\$ 16,409,376</u>	<u>\$ 296,394,136</u>	<u>\$ 269,531,208</u>

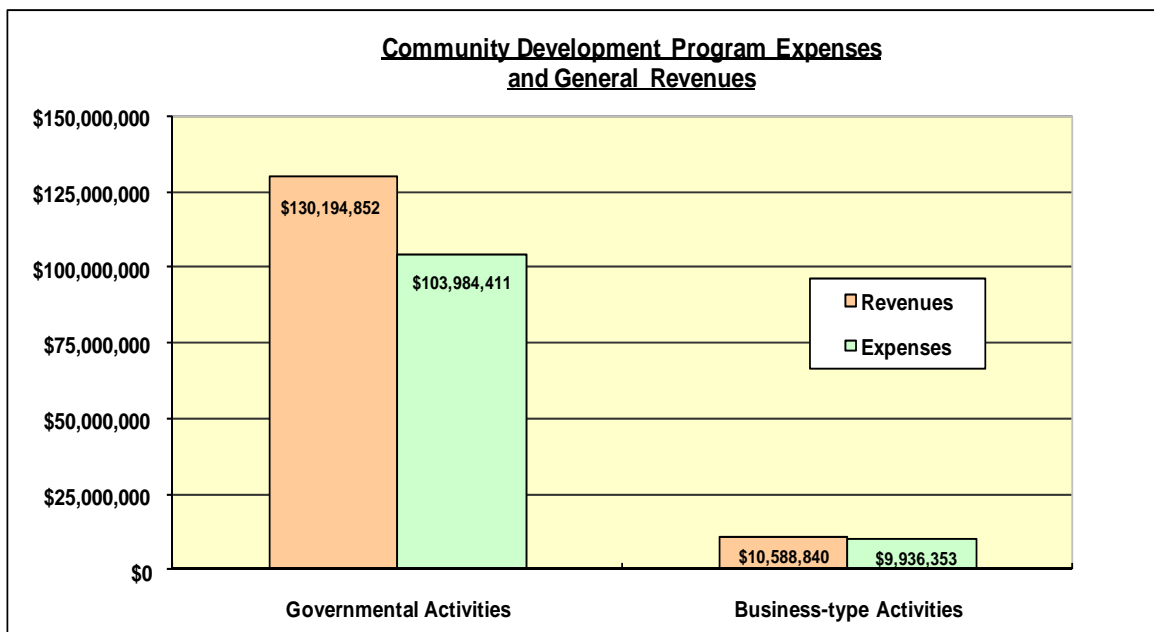
In fiscal year 2009, PDC implemented Governmental Accounting Standards Board Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations. A requirement of the implementation is the restatement of Beginning Net Assets to include accrued pollution remediation liability. Additional information can be found in note 1 - D - 11 on page 40 and in note IV - F on page 61.

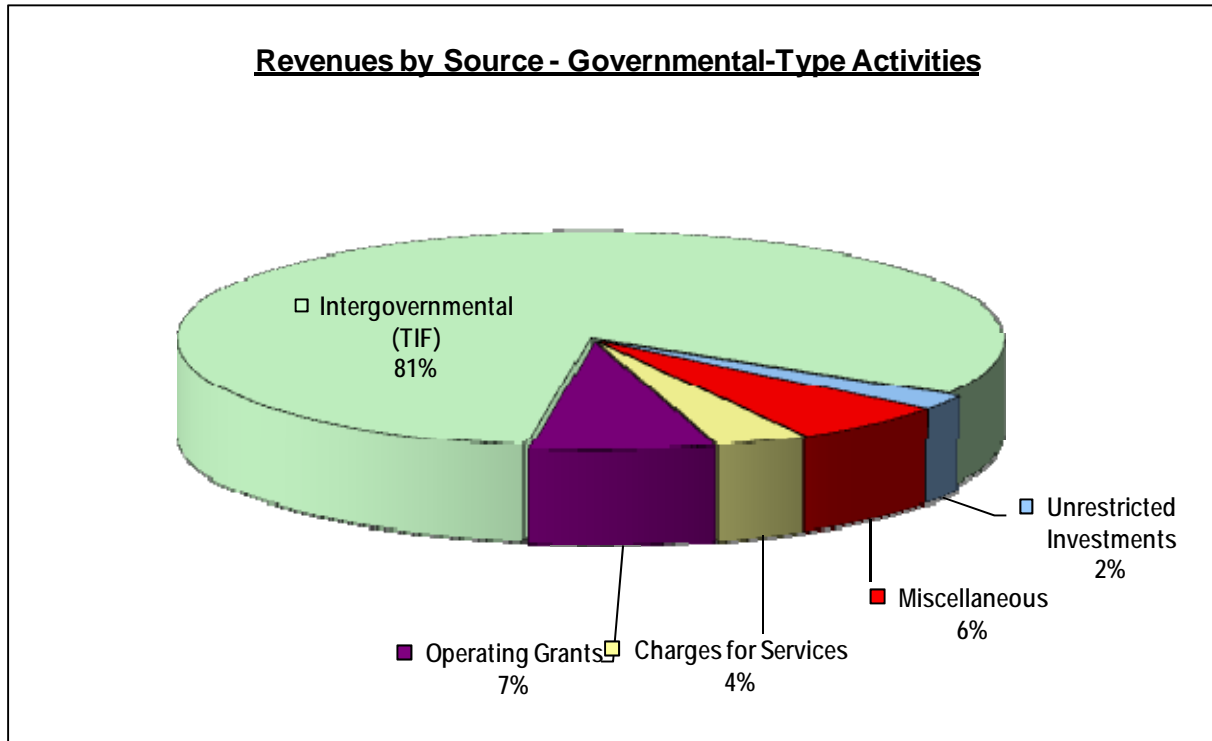
**Governmental activities.** PDC's ending net assets for governmental activities increased by \$26,247,441, which is roughly proportionate to the 10.0% increase in total net assets on a government-wide basis. This increase is due primarily by an increase in governmental revenues of \$1,818,566 or 1.4%, while expenditures decreased by 1.4% overall, or \$1,427,990.

**Portland Development Commission's  
 Summary of Changes in Net Assets  
 For the Fiscal Year Ended June 30, 2009  
 Compared to the Fiscal Year Ended June 30, 2008**

	Governmental Activities <u>(As Restated)</u>	Business-type Activities	Total Change
Revenue Changes			
(Decrease) - Tax-Increment Proceeds (in lieu of tax-increment revenue)	\$ (674,882)	\$ -	\$ (674,882)
(Decrease)/ Increase - Charges for Services	(712,474)	431,893	(280,581)
Increase - Operating Grants and Contributions	(2,469,354)	475,271	(1,994,083)
Increase(Decrease) - Unrestricted Investment Income	382,311	(56,255)	326,056
Increase - Miscellaneous	5,292,965	30,027	5,322,992
<b>Total Revenue Changes</b>	<b>1,818,566</b>	<b>880,936</b>	<b>2,699,502</b>
Prior Year Net Asset Increase	22,826,143	1,740,396	24,566,539
Decrease/(Increase) in Expenses	1,427,990	(1,831,103)	(403,113)
Transfers In/(Out) Change	174,742	(174,742)	-
<b>Change in Net Assets Current Year</b>	<b>\$ 26,247,441</b>	<b>\$ 615,487</b>	<b>\$ 26,862,928</b>

A significant increase in miscellaneous revenues accounted for the increased governmental revenue. This increase of \$5.3 million was primarily composed of \$2.8 million in reimbursements on the Ankeny Burnside project and \$1.5 million in real property sales.





Tax-increment funding (TIF) proceeds are typically PDC's largest annual income source, and that was certainly the case for this fiscal year. The following schedule illustrates the TIF proceeds received by PDC from the City of Portland over the last five years. Note that the annual allotment of TIF proceeds received in fiscal year 2009 is substantially higher than the five year average and any of the first three years and that the five-year average increased, by \$13,669,563 from \$72,272,149 in fiscal year 2008.

**Summary History of TIF Proceeds  
 Received by Portland Development Commission  
 For the Fiscal Years Ended June 30**

Year	Amount	Change	%	
2005	\$ 43,671,683	\$		
2006	82,974,088	39,302,405	90%	5-Year Average = \$85,941,712
2007	91,878,763	8,904,675	11%	
2008	105,929,455	14,050,692	15%	
2009	105,254,573	-674,882	-1%	
	<u>\$ 429,708,562</u>			

The City of Portland receives property taxes in each of the designated urban renewal areas and forwards a portion to be allocated as TIF to the Portland Development Commission for projects. The amount of TIF allocated to PDC varies annually depending on each of the urban renewal area's projected tax revenues, debt capacity, and existing levels of outstanding debt held by the City. Each urban renewal areas has a planned expiration date after which it cannot issue additional tax-increment debt. A typical life-cycle is between ten and twenty years, however, the expiration date may be extended by the Board of Commissioners. An urban renewal area that has reached its maximum indebtedness or expiration date will no longer issue new tax-increment debt, but may continue spending until its resources are exhausted and will receive tax-increment resources until all outstanding debt is retired. The Downtown Waterfront Urban Renewal Area and South Park Blocks Urban Renewal Area have both reached their plan expiration dates.

**Business-type activities.** PDC's net assets for business-type activities increased by \$615,487 or 3.8%, for the fiscal year ended June 30, 2009. The key elements of this increase are the volume of activity seen through the Housing Line of Credit and Net Revenues received by the Enterprise Management Fund.

**Portland Development Commission  
 Changes In Business-type Activities Expenses  
 For the Fiscal Years Ended June 30**

<u>Expenses</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Personal services	\$ 259,106	\$ 310,555	\$ (51,449)
Professional services	195,826	368,992	(173,166)
Loan document costs	38,892	280,931	(242,039)
Financial assistance	7,781,913	4,646,711	3,135,202
Loan loss provision	71,340	1,269,841	(1,198,501)
Miscellaneous Expenses	255,095	-	255,095
Interest Expense	835,519	915,675	(80,156)
Gain on sale of property held for sale	(30,027)	(32,909)	2,882
Internal service reimbursements	498,662	345,454	153,208
<b>Totals</b>	<b>\$ <u>9,906,326</u></b>	<b>\$ <u>8,105,250</u></b>	<b>\$ <u>1,801,076</u></b>

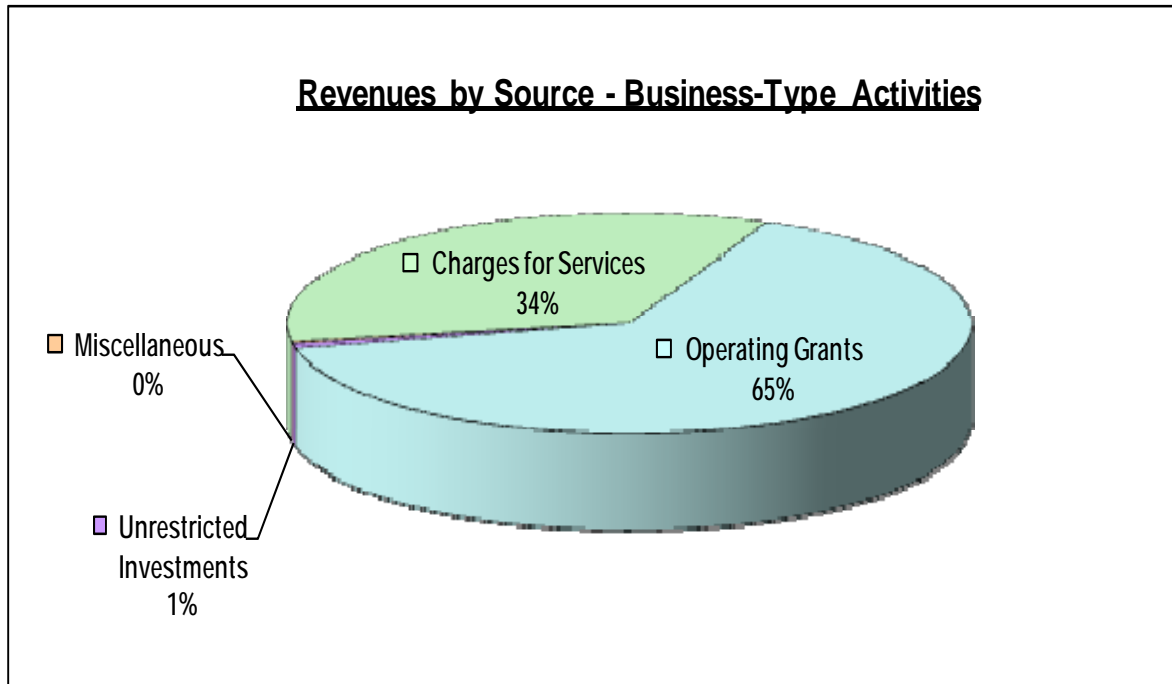
In fiscal year 2009, increased expenses were incurred for: \$3,135,202 in the repayment of an increased number of Housing Line of Credit advances; less a \$1,198,501 decrease in the change in the loan loss provision, a result of a quieter housing market over previous years.

The summary history below illustrates the fluctuating nature of the loan loss allowance. In 2009, the \$1,198,501 decrease (4.0%) in the allowance expense is consistent with the \$2,019,767 (4.3%) decrease in the gross portfolio for the Enterprise Loans Fund. However, there continues to be a shift in the portfolio composition from performing amortizing loans to deferred payment (First Home Buyer Assistance) and cash flow dependent loans.

**Portland Development Commission  
 Loan Loss Allowance History  
 Enterprise Loans Fund  
 For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Allowance Expense (Recovery)</u>	<u>Change from Prior year</u>
2004	\$ (1,439,452)	
2005	2,235,185	\$ 3,674,637
2006	75,899	(2,159,286)
2007	406,467	330,568
2008	1,269,841	863,374
2009	71,340	(1,198,501)

Business-type revenues overall increased (9.1%) over the prior year, or \$880,936. Charges for services experienced a \$431,893, (13.5%) increase, while operating grants increased 7.5% or \$475,271, it remains the largest source of revenue in Business-Type Activities. Only unrestricted investment income experienced a decrease of \$56,255.



### **Financial Analysis of PDC's Funds**

As noted earlier, PDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of PDC's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing PDC's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2009, PDC's governmental funds reported combined ending fund balances of \$275,912,551, an increase of \$27,596,063, or 11.1% from the prior year. Approximately 22.8% of the total amount, \$62,879,632, constitutes *unreserved fund balance*, which is available for spending at the Commission's discretion. Another \$30,699,657 is unreserved but is designated for subsequent year's expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for discretionary spending because it has already been committed for urban renewal programs, \$181,759,114 or for other restricted purposes, \$574,148 in the general fund and other governmental funds.

The General Fund, adopted as the Urban Redevelopment Fund, is the primary operating fund of PDC. During the current fiscal year ended June 30, 2009, the fund balance of the General Fund increased from \$3,255,679 to \$4,961,329. Key factors in the \$1,705,650 increase include:

- Revenues increased by \$2,395,310 primarily due to increase allocations received from the City General Fund for economic development efforts city-wide coupled with an increase in reimbursements received for staff costs.
- Net expenditures increased \$2,188,727 as a result of increased Capital Outlay expenditures this year of \$415,463 for such projects as server upgrades and the Lawson financial system upgrade and an increase in Financial Assistance for technical assistance and economic development of \$1,896,000.
- Transfers Out decreased \$391,067 and consisted of \$1,643,986 transferred to the Downtown Waterfront Urban Renewal Fund as final repayment of the 2004 PDC office move to Chinatown, and a \$50,000 transfer to the Enterprise Zone Fund. Transfers In reflect planned reimbursements of \$80,000 from the Downtown Waterfront Urban Renewal Fund and \$37,000 from the Enterprise Management Fund for property-specific insurance premiums.

The eight other major governmental funds include: the Housing and Community Development Contract Fund, HOME Grant Fund, Downtown Waterfront Urban Renewal Fund, North Macadam Urban Renewal Fund, River District Urban Renewal Fund, South Park Blocks Urban Renewal Fund, Convention Center Urban Renewal Fund, and the Interstate Corridor Urban Renewal Area Fund. The following table shows the change in their fund balances.

**Portland Development Commission  
 Schedule of Other Major Governmental Fund Balances  
 At June 30**

<u>Fund</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Housing and Community Development Contract Fund	\$ 3,304	\$ (17,074)	\$ 20,378
HOME Grant Fund	24,286	-	24,286
Downtown Waterfront Urban Renewal Fund	39,606,422	53,114,019	(13,507,597)
North Macadam Urban Renewal Fund	17,764,803	23,256,270	(5,491,467)
River District Urban Renewal Fund	63,791,687	53,253,995	10,537,692
South Park Block Urban Renewal Fund	42,652,193	17,698,205	24,953,988
Convention Center Urban Renewal Fund	32,843,401	35,103,646	(2,260,245)
Interstate Corridor Urban Renewal Fund	8,470,582	5,455,023	3,015,559
<b>Total Fund Balances</b>	<b>\$ 205,156,678</b>	<b>\$ 187,864,084</b>	<b>\$ 17,292,594</b>

As expected, the Housing and Community Development Contract Fund did not experience a significant change in its fund balance. The small change that did occur can be attributed entirely to an increase in personal services for the year. The HOME Grant Fund was formerly reported as part of the Other Federal Grants Fund and also reported a slight change in fund balance this past year due to increased personal services.

In the Downtown Waterfront Urban Renewal Fund, fund balance decreased \$13,507,597 or 25.4% due to a lack of revenue from tax-increment debt proceeds (in lieu of tax-increment revenue) which amounted to \$50,698,182 in 2008. Miscellaneous revenues increased by \$2,700,098 due to the reimbursement from the City for expenditures on the Ankeny/Burnside Public Improvement project. Overall expenditures decreased 31.3% or \$9,077,228. Financial Assistance and Community Development decreased by \$6,817,403 or 64.9% and \$4,437,246 or 51.5% respectively. Capital Outlay increased this year by \$2,177,151 or 21.9% due to the work on the Ankeny/Burnside Public improvement project including Ankeny Plaza and the relocation of Saturday Market to Waterfront Park.



The North Macadam Urban Renewal Fund ended the year with a slight decrease in ending fund balance of \$5,491,467 or 23.6%. This year saw no Intergovernmental Revenue which constitutes a decrease of \$1,704,820. In addition, tax-increment debt proceeds (in lieu of tax-increment revenue) decreased by \$651,027 or 7.8% for an overall decrease in revenue of \$2,323,057 or 21.0%. Overall expenditures increased from \$8,000,004 in the prior year to \$14,214,797 in the current year, an increase of \$6,214,793 or 77.7%. Capital Outlay increased \$5,863,216 or 175.1%, primarily due to the transfer of the Neighborhood Park to the City.

In the River District Urban Renewal Fund, the \$10,537,692 or 19.8% net increase in fund balance can be attributed to an increase in tax-increment debt proceeds (in lieu of tax-increment revenue) of 35.3% or \$4,942,938. Financial Assistance experienced a decrease of \$2,283,931 or 83.4% while marked increase was recorded in Community Development, 98% or \$2,897,031. Capital Outlay also saw a significant increase of \$4,018,298 for the Portland Streetcar Loop and preliminary work on the Access Center.

The South Park Blocks Urban Renewal Fund reflects a dramatic increase in revenues, \$32,803,275, from an increase in tax-increment debt proceeds (in lieu of tax-increment revenue). This resulted in an increase in ending fund balance of \$24,953,988, or 141%. A 13.2% or \$1,827,343 decrease was recorded in expenditures due to similar decreases in Community Development and Financial Assistance of \$2,074,685 (32.5%) and \$2,037,844 (33.0%), respectively, and an increase of 180.7% or \$2,285,176 in Capital Outlay.

In fiscal year 2009, the Convention Center Urban Renewal Fund experienced a 6.4% decrease in fund balance, or \$2,260,245. Most significant was an increase of \$1,053,540 in miscellaneous revenue denoting the gain on the sale of property. An overall increase in expenditures of \$1,814,624 or 32.7% was attributable to a \$806,883 or 94.1% increase in Financial Assistance and a \$901,790 or 74.4% increase in Capital Outlay.

The Interstate Corridor Urban Renewal Fund ended 2009 with an increase in fund balance of \$3,015,559 or 55.3% attributable to an increase in tax-increment debt proceeds (in lieu of tax-increment revenue) of \$8,367,302 or 96.3%. Expenditures also increased by \$5,818,166 or 67.3% primarily in the area of Financial Assistance and Community Development.

**Portland Development Commission  
 Tax-Increment Funds (Debt Proceeds) Allocation  
 For the Years Ended June 30**

<u>Capital Projects Urban Renewal Funds</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Downtown Waterfront	\$ 575,000	\$ 50,698,182	\$ (50,123,182)
North Macadam	7,751,123	8,402,150	(651,027)
River District	18,935,528	13,992,590	4,942,938
South Park Blocks	35,676,691	2,873,416	32,803,275
Convention Center	3,498,250	3,233,128	265,122
Interstate Corridor	17,057,268	8,689,966	8,367,302
Other Governmental Funds	21,760,713	18,040,023	3,720,690
<b>Total TIF Allocation</b>	<b>\$ 105,254,573</b>	<b>\$ 105,929,455</b>	<b>\$ (674,882)</b>

**Proprietary funds.** PDC's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. PDC's Enterprise Loans Fund encompasses numerous loan programs. Net assets for the Enterprise Loans Fund increased by \$488,828 during the fiscal year ended June 30, 2009. Factors concerning the increase in net assets of the Enterprise Loans Fund have already been addressed in the discussion of PDC's business-type activities. The Enterprise Management Fund accounts for activity related to non-URA property operation and maintenance and reflects an increase in Net assets of \$126,659 or 59.1%. At present this fund is comprised primarily of revenues: charges for services of \$897,717 and \$9,928 of investment interest. Expenditures stem from the line of credit interest expense paid to the City of Portland.

**General Fund Budgetary Highlights**

Differences between the original budget and final amended budget amounted to a \$2,297,692 increase in appropriations. The major differences are summarized as follows:

- Budgeted revenue increased a net \$2.0 million primarily due to higher than expected beginning fund balances in three of the five sub-funds that make up the General Fund.
- Expenditures in the General Fund for the reorganization and merger of PDC's operating departments to include related staff/organizational development costs as well as physical moving costs.
- Legal expenditures budgeted were increased for potential outside legal services for PDC's involvement in the Portland harbor superfund cleanup negotiations.
- Communications/Public Affairs Division expenditures increased for a technical agreement/partnership with Portland Community College (PCC) for the Evening Trades Apprenticeship Preparation (ETAP) program and for a technical assistance agreement with the Oregon Native American Chamber (ONAC), which will be similar to the agreements with each of the other minority chambers from prior years.

**Capital Assets, Property Held for Sale, and Long-Term Debt**

PDC records all of its capital outlay expenditures as either capital assets to be used in the course of business or project-related property held for sale.

**Capital assets.** As of June 30, 2009 capital assets amount to \$12,404,855 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, furniture, vehicles, and equipment. The total increase in PDC's investment in capital assets for the fiscal year ended June 30, 2009 was \$45,980, or .4%.

**Portland Development Commission - Capital Assets  
 (net of accumulated depreciation)  
 At June 30**

<u>Asset Type</u>	<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Land	\$ 8,439,349	\$ 8,438,819	\$ 530
Buildings	1,570,318	1,624,466	(54,148)
Leasehold Improvements	1,276,596	1,911,107	(634,511)
Furniture, Vehicles, & Equipment	1,118,592	384,483	734,109
<b>Total Assets</b>	<b>\$ 12,404,855</b>	<b>\$ 12,358,875</b>	<b>\$ 45,980</b>

There were no major capital asset transactions during the year. All other types of capitalized assets decreased in value during the fiscal year except for the purchase of new equipment with a value of \$897,112. Additional information on PDC's capital assets can be found in note III - E. on page 51 of this report, and in the Supplementary Data on pages 98-103.

**Property Held for Sale.** Expenditures for acquisition and improvements of real properties intended for sale to appropriate developers or homeowners are referred to herein as property held for sale. This recording approach is also used for real property slated to be transferred to the City of Portland. Following are the changes in property held for sale for the fiscal year ended June 30, 2009.

**Portland Development Commission  
 Real Property Held for Sale  
 For the Fiscal Year Ended June 30, 2009**

Funding Source	Balance July 1, 2008	Additions	Disposal/ Adjustments	Balance June 30, 2009
General Fund	\$ 146,754	\$ -	\$ -	\$ 146,754
Housing and Community Development Contract Fund	251,456	-	-	251,456
River District Urban Renewal Fund	20,183,703	125,161	-	20,308,864
Convention Center Urban Renewal Fund	21,707,294	-	(515,922)	21,191,372
Downtown Waterfront Urban Renewal Fund	11,160,456	777,301	-	11,937,757
North Macadam Urban Renewal Fund	21,948,182	5,527	(8,586,732)	13,366,977
South Park Blocks Urban Renewal Fund	7,958,061	242,305	-	8,200,366
Interstate Corridor Urban Renewal Fund	2,369,234	1,765,230	(314,747)	3,819,717
Other Governmental Funds	38,009,427	6,034,573	(391,863)	43,652,137
Total Property Held for Sale	<u>\$ 123,734,567</u>	<u>\$ 8,950,097</u>	<u>\$ (9,809,264)</u>	<u>\$ 122,875,400</u>

In the River District Urban Renewal Fund, additional work in process was recorded in the amount of \$108,297 for the purchase of the US Post Office site.

Two sites in the Convention Center Urban Renewal Fund were sold for redevelopment. They included the Wirf and Bank properties, both located on Martin Luther King Jr. Blvd.

In the Downtown Waterfront Urban Renewal Fund the majority of the increase was for environmental improvements on Block U.

In North Macadam Urban Renewal Fund, the primary transaction responsible for the decrease in property held for sale was the transfer and conveyance of the Neighborhood Park to the City. In addition, in both North Macadam and Airport Way Urban Renewal Funds, \$716,082 was booked in amortization of the air rights on Block 33 and the lease right on 34 commercial acres at Cascade Station respectively.

In the South Park Blocks Urban Renewal Fund an increase of \$242,305 was recorded for the Jefferson West Apartments.

Nine sites in the Interstate Corridor Urban Renewal Fund were acquired from the Housing Authority of Portland. These are surplus single-family homes that will be renovated and resold. In addition, the Haynes property was sold.

Significant real property transactions in the Other Government Funds included:

- In the Lents Town Center Urban Renewal Fund, eleven single-family homes were purchased from the Housing Authority of Portland to be renovated and resold. Property at 9231 SE Foster Blvd was also acquired to continue a large block acquisition effort for redevelopment.
- In the Gateway Regional Center Urban Renewal Fund, two sites were acquired for redevelopment into a neighborhood park.

Additional information on PDC's real property held for sale can be found in note III - D. on page 51 of this report, and in the Supplementary Data on pages 102-103.

**Long-term debt.** PDC does not maintain a debt service fund. Due to the nature of the services PDC provides to the community, all debt activity is fully represented in the Governmental and Enterprise Loans Fund.

PDC has entered into a private lender program financing agreement with the Bank of America. PDC loans the borrowed funds to homeowners and investors for acquisition and rehabilitation of residential properties. Transactions relating to this agreement are recorded in the Enterprise Loans Fund.

**Portland Development Commission  
 Private Lender Program Debt:  
 Comparison of Balances  
 At June 30**

<u>Program</u>	<u>Enterprise Loans Fund Debt Balances</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Private Lender - Bank of America			
Current	\$ 207,300	\$ 192,079	\$ 15,221
Non-Current	<u>1,031,421</u>	<u>1,238,721</u>	<u>(207,300)</u>
Total Program Notes Payable	<u>\$ 1,238,721</u>	<u>\$ 1,430,800</u>	<u>\$ (192,079)</u>

Additional information regarding PDC's Private Lender Program financing debt can be found in note III - G. on page 52-53 of this report.

PDC does not issue bonds, but receives proceeds from bonds issued and carried by the City of Portland. Additionally, the City of Portland maintains lines-of-credit to provide short-term funding for PDC projects. The City's lines-of-credit are ultimately repaid with the long-term financing provided by bond sales. See the statistical section on bonds in this report and the City of Portland's financial statements for further information.

### **Economic Factors and Next Year's Budgets and Rates**

- The Portland metropolitan area unemployment rate for June 2009 was 11.7%, and July 2009 was 11.1%. This is more than double the rate of 5.4% a year ago in June. The unemployment rate for the United States as a whole for June 2009 was 9.5%. Job growth has declined over 6% over the past year and employment analysts speculate that job losses are likely to continue through the fall but at a slower rate. Portland's total non-farm wage and salary employment has fallen to 990,600 at a rate of 4.8% over the last fiscal year.
- The Portland area office market lags the economy and is still adding up the vacancies as the job losses equate to office space losses. Vacancy is 8.7% with small amounts of construction deliveries in recent months and improvement not expected in the immediate future. Net absorption continues its slow decline as well, with (24,457) square feet of office space absorption year to date. At present 682,776 square feet of new construction is underway.
- The industrial market saw vacancies increase in the Portland area over recent quarters to 8.5%. Demand is practically non-existent, minimal amounts of new construction is being delivered and nothing new on the horizon. While demand is likely to continue its present level in the coming months, little change is expected in vacancy because of an empty construction pipeline. Because speculative construction has come to a halt, the Portland industrial market should respond well once sufficient demand returns.
- Inflation rate trends for the Portland metropolitan area compare slightly more favorably to national indices, which are projected to be 3.0% and 3.8% for 2010, respectively.
- All of the above indicators are occurring in the context of similar economic decline for the State of Oregon and the United States.

All of these factors were considered in preparing PDC's budget for the next fiscal year ending June 30, 2010.

### **Requests for Information**

This financial report is designed to provide a general financial overview for those with an interest in PDC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Portland Development Commission, 222 NW Fifth Avenue, Portland, Oregon, 97209.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 249,988	\$ -	\$ 249,988
Cash with City of Portland investment pool	106,222,218	5,573,039	111,795,257
Receivables:			
Due from City of Portland	6,526,326	39,065	6,565,391
Due from other entities	478,008	231,937	709,945
Internal balances	3,633,937	(3,633,937)	-
Loans, net	3,084,226	2,221,993	5,306,219
Interest	872,018	35,432	907,450
Other	20,000	-	20,000
Prepays	313,569	-	313,569
Property held for sale	122,875,400	-	122,875,400
Total current assets	<u>244,275,690</u>	<u>4,467,529</u>	<u>248,743,219</u>
Noncurrent assets:			
Restricted cash-			
City of Portland investment pool	-	249,149	249,149
Cash with fiscal agent	-	173,595	173,595
Loans receivable, net	67,326,567	13,645,593	80,972,160
Capital assets not being depreciated:			
Land	8,439,349	-	8,439,349
Capital assets net of accumulated depreciation:			
Buildings and improvements	1,570,318	-	1,570,318
Leasehold improvements	1,276,596	-	1,276,596
Furniture, vehicles and equipment	1,118,592	-	1,118,592
Total noncurrent assets	<u>79,731,422</u>	<u>14,068,337</u>	<u>93,799,759</u>
Total assets	<u>\$ 324,007,112</u>	<u>\$ 18,535,866</u>	<u>\$ 342,542,978</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,215,608	\$ 41,582	\$ 2,257,190
Accrued liabilities	2,049,253	1,345	2,050,598
Notes payable other	-	207,300	207,300
Due to City of Portland	30,408,350	229,355	30,637,705
Deposits payable	662,625	-	662,625
Total current liabilities	<u>35,335,836</u>	<u>479,582</u>	<u>35,815,418</u>
Noncurrent liabilities:			
Notes payable due in more than one year	-	1,031,421	1,031,421
Net other post-employment benefits obligation	371,649	-	371,649
Pollution remediation	8,930,354	-	8,930,354
Total noncurrent liabilities	<u>9,302,003</u>	<u>1,031,421</u>	<u>10,333,424</u>
Total liabilities	<u>44,637,839</u>	<u>1,511,003</u>	<u>46,148,842</u>
<b>NET ASSETS</b>			
Invested in capital assets	12,404,855	-	12,404,855
Restricted for:			
Urban renewal	261,644,562	-	261,644,562
Other	376,306	-	376,306
Unrestricted	4,943,550	17,024,863	21,968,413
Total net assets	<u>279,369,273</u>	<u>17,024,863</u>	<u>296,394,136</u>
Total liabilities and net assets	<u>\$ 324,007,112</u>	<u>\$ 18,535,866</u>	<u>\$ 342,542,978</u>

The accompanying notes are an integral part of the basic financial statements.



**PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended June 30, 2009**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net Expense</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants</b>	<b>Governmental Activities</b>
Governmental activities:				
Community development	\$ 103,984,411	\$ 4,609,577	\$ 9,537,786	\$ (89,837,048)
Business-type activities:				
Enterprise fund	9,936,353	3,643,684	6,840,790	-
<b>Total</b>	<b>\$ 113,920,764</b>	<b>\$ 8,253,261</b>	<b>\$ 16,378,576</b>	<b>(89,837,048)</b>

General Revenues:

Tax-increment debt proceeds (in lieu of tax-increment revenue) - intergovernmental revenues, unrestricted	105,254,573
Unrestricted investment income	2,872,087
Miscellaneous revenues	7,920,829
Transfers	37,000
Total general revenues and transfers	116,084,489
Change in net assets	26,247,441
Net assets - June 30, 2008 as restated	253,121,832
Net assets - June 30, 2009	\$ 279,369,273

The accompanying notes are an integral part of the basic financial statements.

<b>and Changes in Net Assets</b>	
<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (89,837,048)
<u>548,121</u>	<u>548,121</u>
<u>548,121</u>	<u>(89,288,927)</u>
-	105,254,573
74,339	2,946,426
30,027	7,950,856
<u>(37,000)</u>	<u>-</u>
<u>67,366</u>	<u>116,151,855</u>
615,487	26,862,928
<u>16,409,376</u>	<u>269,531,208</u>
\$ <u>17,024,863</u>	\$ <u>296,394,136</u>

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue Funds				
	General Fund	Housing and Community Development Contract Fund	HOME Grant Fund	Downtown Waterfront Urban Renewal Fund	North Macadam Urban Renewal Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 249,988	\$ -	\$ -	\$ -	\$ -
Cash with City of Portland investment pool	4,250,360	9,147	5,829	12,796,954	6,876,893
Receivables:					
Due from City of Portland	3,500,120	461,050	708,516	1,803,707	-
Accounts	8,246	-	-	404,762	-
Internal balances	-	4,197,319	607,618	-	-
Loans, net	423,013	7,584,663	3,521,572	13,404,818	3,179,252
Interest	33,120	620	6	132,832	47,781
Other	-	-	-	-	-
Prepays	313,569	-	-	-	-
Property held for sale	146,754	251,456	-	11,937,757	13,366,977
<b>Total assets</b>	<b>\$ 8,925,170</b>	<b>\$ 12,504,255</b>	<b>\$ 4,843,541</b>	<b>\$ 40,480,830</b>	<b>\$ 23,470,903</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 893,233	\$ 2,513	\$ -	\$ 590,054	\$ 28,733
Accrued liabilities	2,049,253	-	-	-	-
Due to City of Portland	388,730	12,033,438	4,129,255	284,354	5,677,367
Deposits payable	632,625	-	-	-	-
Internal balances	-	465,000	690,000	-	-
<b>Total liabilities</b>	<b>3,963,841</b>	<b>12,500,951</b>	<b>4,819,255</b>	<b>874,408</b>	<b>5,706,100</b>
<b>Fund balances:</b>					
Reserved for:					
Loans receivable	423,013	-	-	13,404,818	3,179,252
Property held for sale	146,752	-	-	11,937,757	13,366,977
Accounts receivable-others	-	-	-	404,762	-
Unreserved, designated for subsequent year's expenditures in:					
General Fund	3,737,175	-	-	-	-
Special Revenue Funds	-	3,304	24,286	-	-
Capital Projects Funds	-	-	-	2,506,966	1,218,574
Unreserved, undesignated, reported in:					
General Fund	654,389	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	11,352,119	-
<b>Total fund balances (deficit)</b>	<b>4,961,329</b>	<b>3,304</b>	<b>24,286</b>	<b>39,606,422</b>	<b>17,764,803</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,925,170</b>	<b>\$ 12,504,255</b>	<b>\$ 4,843,541</b>	<b>\$ 40,480,830</b>	<b>\$ 23,470,903</b>

The accompanying notes are an integral part of the basic financial statements.

<b>Capital Projects Funds</b>					
<b>River District Urban Renewal Fund</b>	<b>South Park Block Urban Renewal Fund</b>	<b>Convention Center Urban Renewal Fund</b>	<b>Interstate Corridor Urban Renewal Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,988
28,082,288	29,592,857	5,286,777	3,139,251	15,830,965	105,871,321
21,807	10,955	-	-	20,171	6,526,326
25,000	40,000	-	-	-	478,008
-	-	-	-	-	4,804,937
18,550,586	5,082,294	7,962,513	3,369,031	7,333,051	70,410,793
154,783	221,169	101,036	37,939	139,759	869,045
-	-	-	-	20,000	20,000
-	-	-	-	-	313,569
<u>20,308,864</u>	<u>8,200,366</u>	<u>21,191,372</u>	<u>3,819,717</u>	<u>43,652,137</u>	<u>122,875,400</u>
<u>\$ 67,143,328</u>	<u>\$ 43,147,641</u>	<u>\$ 34,541,698</u>	<u>\$ 10,365,938</u>	<u>\$ 66,996,083</u>	<u>\$ 312,419,387</u>
\$ 34,870	427,827	\$ 19,087	\$ 51,906	\$ 167,385	\$ 2,215,608
-	-	-	-	-	2,049,253
3,316,771	67,621	1,679,210	1,843,450	988,154	30,408,350
-	-	-	-	30,000	662,625
-	-	-	-	16,000	1,171,000
<u>3,351,641</u>	<u>495,448</u>	<u>1,698,297</u>	<u>1,895,356</u>	<u>1,201,539</u>	<u>36,506,836</u>
18,550,586	5,082,294	7,962,513	3,369,031	7,333,051	59,304,558
20,308,864	8,200,366	21,191,372	3,819,717	43,652,137	122,623,942
-	-	-	-	-	404,762
-	-	-	-	-	3,737,175
-	-	-	-	25,172	52,762
2,665,924	8,432,853	3,689,516	1,281,834	7,114,053	26,909,720
-	-	-	-	-	654,389
-	-	-	-	319,161	319,161
<u>22,266,313</u>	<u>20,936,680</u>	<u>-</u>	<u>-</u>	<u>7,350,970</u>	<u>61,906,082</u>
<u>63,791,687</u>	<u>42,652,193</u>	<u>32,843,401</u>	<u>8,470,582</u>	<u>65,794,544</u>	<u>275,912,551</u>
<u>\$ 67,143,328</u>	<u>\$ 43,147,641</u>	<u>\$ 34,541,698</u>	<u>\$ 10,365,938</u>	<u>\$ 66,996,083</u>	<u>\$ 312,419,387</u>



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009**

Fund balances - total governmental funds	\$	275,912,551
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		12,404,855
Net other post-employment benefit obligation reported on the Balance Sheet		(371,649)
Pollution remediation liability		(8,930,354)
The internal service fund is used by management to charge insurance costs to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets		<u>353,870</u>
Net assets of governmental activities	\$	<u><u>279,369,273</u></u>

The accompanying notes are an integral part of the basic financial statements.



PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For The Fiscal Year Ended June 30, 2009

	Special Revenue Fund				
	General Fund	Housing and Community Development Contract Fund	HOME Grant Fund	Downtown Waterfront Urban Renewal Fund	North Macadam Urban Renewal Fund
<b>REVENUES</b>					
Intergovernmental revenues	\$ 4,444,086	\$ 2,352,067	\$ 2,721,152	\$ -	\$ -
Charges for services	17,120	3,675	25,817	374,118	404,853
Loan collections	11,668	961,650	381,260	414,000	32,713
Interest on investments	138,137	620	6	629,270	72,634
Miscellaneous	1,898,324	9,581	80	2,907,579	462,007
Tax-increment debt proceeds (in lieu of tax-increment revenue)	-	-	-	575,000	7,751,123
<b>Total revenues</b>	<b>6,509,335</b>	<b>3,327,593</b>	<b>3,128,315</b>	<b>4,899,967</b>	<b>8,723,330</b>
<b>EXPENDITURES</b>					
Current-					
Community development	-	1,733,264	522	4,172,182	5,003,046
Capital outlay	958,071	5,080	-	12,105,404	9,211,751
Financial assistance	2,268,628	1,568,871	3,103,507	3,693,964	-
<b>Total expenditures</b>	<b>3,226,699</b>	<b>3,307,215</b>	<b>3,104,029</b>	<b>19,971,550</b>	<b>14,214,797</b>
Excess (deficiency) of revenues over (under) expenditures	3,282,636	20,378	24,286	(15,071,583)	(5,491,467)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	117,000	8,639,000	9,468,000	1,643,986	-
Transfers out	(1,693,986)	(8,639,000)	(9,468,000)	(80,000)	-
<b>Total other financing sources (uses)</b>	<b>(1,576,986)</b>	<b>-</b>	<b>-</b>	<b>1,563,986</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,705,650</b>	<b>20,378</b>	<b>24,286</b>	<b>(13,507,597)</b>	<b>(5,491,467)</b>
<b>FUND BALANCES (deficit) - July 1, 2008</b>	<b>3,255,679</b>	<b>(17,074)</b>	<b>-</b>	<b>53,114,019</b>	<b>23,256,270</b>
<b>FUND BALANCES (deficit) - June 30, 2009</b>	<b>\$ 4,961,329</b>	<b>\$ 3,304</b>	<b>\$ 24,286</b>	<b>\$ 39,606,422</b>	<b>\$ 17,764,803</b>

The accompanying notes are an integral part of the basic financial statements.

<b>Capital Projects Funds</b>					
<b>River District Urban Renewal Fund</b>	<b>South Park Block Urban Renewal Fund</b>	<b>Convention Center Urban Renewal Fund</b>	<b>Interstate Corridor Urban Renewal Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 20,481	\$ 9,537,786
229,040	80,104	187,681	23,848	179,095	1,525,351
785,714	137,666	87,448	77,036	195,071	3,084,226
433,384	989,599	197,464	52,712	347,327	2,861,153
817,178	71,980	1,124,435	275,920	353,745	7,920,829
<u>18,935,528</u>	<u>35,676,691</u>	<u>3,498,250</u>	<u>17,057,268</u>	<u>21,760,713</u>	<u>105,254,573</u>
<u>21,200,844</u>	<u>36,956,040</u>	<u>5,095,278</u>	<u>17,486,784</u>	<u>22,856,432</u>	<u>130,183,918</u>
5,845,512	4,319,369	3,582,108	4,321,088	8,531,895	37,508,986
4,363,387	3,549,677	2,114,481	2,522,862	1,687,998	36,518,711
454,253	4,133,006	1,664,337	7,621,872	4,088,720	28,597,158
<u>10,663,152</u>	<u>12,002,052</u>	<u>7,360,926</u>	<u>14,465,822</u>	<u>14,308,613</u>	<u>102,624,855</u>
<u>10,537,692</u>	<u>24,953,988</u>	<u>(2,265,648)</u>	<u>3,020,962</u>	<u>8,547,819</u>	<u>27,559,063</u>
-	-	5,403	-	50,000	19,923,389
-	-	-	(5,403)	-	(19,886,389)
-	-	5,403	(5,403)	50,000	37,000
10,537,692	24,953,988	(2,260,245)	3,015,559	8,597,819	27,596,063
<u>53,253,995</u>	<u>17,698,205</u>	<u>35,103,646</u>	<u>5,455,023</u>	<u>57,196,725</u>	<u>248,316,488</u>
<u>\$ 63,791,687</u>	<u>\$ 42,652,193</u>	<u>\$ 32,843,401</u>	<u>\$ 8,470,582</u>	<u>\$ 65,794,544</u>	<u>\$ 275,912,551</u>

**PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended June 30, 2009**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	27,596,063
<p>Governmental funds report capital asset acquisitions as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital assets acquisitions.</p>		
Expenditures for capital assets	\$ 901,350	
Less current year depreciation	(845,960)	
Loss on sale/disposal of assets net of depreciation	(9,410)	45,980
Current year expense for net other post-employment benefits obligation payable in the Statement of Net Assets		(192,822)
Current year expense for pollution remediation		(1,141,582)
<p>The internal service fund is used by management to charge insurance costs to individual funds. The change in net assets is reported with governmental activities.</p>		
Expenditures for internal services	(71,132)	
Interest on investment	10,934	(60,198)
Change in net assets of governmental activities	\$	26,247,441

The accompanying notes are an integral part of the basic financial statements.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

GENERAL FUND (adopted as Urban Redevelopment Fund)  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues-				
City of Portland, General Fund	\$ 4,227,000	\$ 4,477,230	\$ 4,444,086	\$ (33,144)
City of Portland, other	3,013,212	3,013,212	-	(3,013,212)
Charges for services-				
Application fees and charges	-	-	3,005	3,005
Rental income	-	-	13,090	13,090
Loan Collections-				
Principal	-	-	6,345	6,345
Interest	-	-	11,668	11,668
Interest on investments	-	-	138,137	138,137
Miscellaneous:				
Reimbursements	-	23,800	142,685	118,885
Sale of real property	-	-	1,025	1,025
Private grants and donations	-	29,000	29,000	-
Other	-	-	361,115	361,115
Internal service reimbursements	33,942,144	33,934,749	32,987,672	(947,077)
Total revenues	41,182,356	41,477,991	38,137,828	(3,340,163)
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	3,944,052	3,944,052	3,386,428	557,624
Business & Industry	6,054,102	7,455,392	6,177,423	1,277,969
Revitalization	5,360,387	5,773,902	4,960,720	813,182
Infrastructure	-	53,027	14,998	38,029
Administration	23,396,901	24,231,394	20,631,767	3,599,627
Total community development	38,755,442	41,457,767	35,171,336	6,286,431
Debt service:				
PERS pension bond payment	500,000	-	-	-
Interest	76,000	76,000	-	76,000
Total debt service	576,000	76,000	-	76,000
Contingency	783,928	879,295	-	879,295
Total expenditures	40,115,370	42,413,062	35,171,336	7,241,726
Excess (deficiency) of revenues over expenditures	1,066,986	(935,071)	2,966,492	3,901,563
<b>OTHER FINANCING USES</b>				
Transfers in-				
Downtown Waterfront Urban Renewal Fund	80,000	80,000	80,000	-
Enterprise Management Fund	37,000	37,000	37,000	-
Total transfers in	117,000	117,000	117,000	-
Transfers out:				
Portland EZone Fund	(50,000)	(50,000)	(50,000)	-
Downtown Waterfront Urban Renewal Fund	(1,643,986)	(1,643,986)	(1,643,986)	-
Enterprise Loans Fund	(490,000)	(490,000)	-	490,000
Total transfers out	(2,183,986)	(2,183,986)	(1,693,986)	490,000
Total other financing uses	(2,066,986)	(2,066,986)	(1,576,986)	490,000
Net change in fund balance	(1,000,000)	(3,002,057)	1,389,506	4,391,563
<b>FUND BALANCE - July 1, 2008</b>	1,000,000	3,002,057	3,002,058	1
<b>FUND BALANCE - June 30, 2009</b>	\$ -	\$ -	4,391,564	\$ 4,391,564
<b>Adjustments to generally accepted accounting principles basis-</b>				
Loans receivable, net			423,013	
Property held for sale			146,752	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			\$ 4,961,329	

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**  
**HOUSING AND COMMUNITY DEVELOPMENT CONTRACT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For The Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenues-				
Housing and Community				
Development contract	\$ 2,233,351	\$ 4,688,829	\$ 2,352,067	\$ (2,336,762)
Charges for services-				
Application fees and charges	-	-	3,675	3,675
Loan Collections-				
Principal	1,100,000	1,100,000	864,002	(235,998)
Interest	100,000	100,000	97,648	(2,352)
Interest on investments	-	-	620	620
Miscellaneous:				
Reimbursements	-	-	4,966	4,966
Other	-	-	4,615	4,615
<b>Total revenues</b>	<u>3,433,351</u>	<u>5,888,829</u>	<u>3,327,593</u>	<u>(2,561,236)</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	2,871,504	5,332,742	2,777,771	2,554,971
Revitalization	-	-	1,284	(1,284)
Administration	561,847	556,087	528,160	27,927
<b>Total community development</b>	<u>3,433,351</u>	<u>5,888,829</u>	<u>3,307,215</u>	<u>2,581,614</u>
<b>Total expenditures</b>	<u>3,433,351</u>	<u>5,888,829</u>	<u>3,307,215</u>	<u>2,581,614</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>20,378</u>	<u>20,378</u>
<b>OTHER FINANCING USES</b>				
Transfers in-				
Enterprise Loans Fund	-	-	9,104,000	9,104,000
<b>Total transfers in</b>	<u>-</u>	<u>-</u>	<u>9,104,000</u>	<u>9,104,000</u>
Transfers out:				
Enterprise Loans Fund	(300,000)	(656,531)	(9,669,000)	(9,012,469)
<b>Total transfers out</b>	<u>(300,000)</u>	<u>(656,531)</u>	<u>(9,669,000)</u>	<u>(9,012,469)</u>
<b>Total other financing uses</b>	<u>(300,000)</u>	<u>(656,531)</u>	<u>(565,000)</u>	<u>91,531</u>
<b>Net change in fund balance</b>	<u>(300,000)</u>	<u>(656,531)</u>	<u>(544,622)</u>	<u>111,909</u>
<b>FUND BALANCE - July 1, 2008</b>	<u>300,000</u>	<u>656,531</u>	<u>1,012,926</u>	<u>356,395</u>
<b>FUND BALANCE - June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>468,304</u>	<u>\$ 468,304</u>
<b>Adjustments to generally accepted accounting principles basis-</b>				
Interfund advances			(465,000)	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<u>\$ 3,304</u>	

The accompanying notes are an integral part of the basic financial statements.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

HOME GRANT FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues-				
Federal grants	\$ 2,700,000	\$ 6,439,037	\$ 2,721,152	\$ (3,717,885)
Charges for services-				
Application fees and charges	-	-	25,817	25,817
Loan Collections-				
Principal	150,000	150,000	250,599	100,599
Interest	150,000	150,000	130,661	(19,339)
Interest on investments	-	-	6	6
Miscellaneous:				
Reimbursements	-	-	80	80
Total revenues	<u>3,000,000</u>	<u>6,739,037</u>	<u>3,128,315</u>	<u>(3,610,722)</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	<u>3,000,000</u>	<u>6,739,037</u>	<u>3,104,029</u>	<u>3,635,008</u>
Total community development	<u>3,000,000</u>	<u>6,739,037</u>	<u>3,104,029</u>	<u>3,635,008</u>
Total expenditures	<u>3,000,000</u>	<u>6,739,037</u>	<u>3,104,029</u>	<u>3,635,008</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>24,286</u>	<u>24,286</u>
<b>OTHER FINANCING USES</b>				
Transfers in-				
Housing and Community Development Contract Fund	<u>-</u>	<u>-</u>	<u>10,158,000</u>	<u>10,158,000</u>
Total transfers in	<u>-</u>	<u>-</u>	<u>10,158,000</u>	<u>10,158,000</u>
Transfers out:				
Enterprise Loans Fund	<u>(300,000)</u>	<u>(802,000)</u>	<u>(10,270,000)</u>	<u>(9,468,000)</u>
Total transfers out	<u>(300,000)</u>	<u>(802,000)</u>	<u>(10,270,000)</u>	<u>(9,468,000)</u>
Total other financing uses	<u>(300,000)</u>	<u>(802,000)</u>	<u>(112,000)</u>	<u>690,000</u>
Net change in fund balance	<u>(300,000)</u>	<u>(802,000)</u>	<u>(87,714)</u>	<u>714,286</u>
<b>FUND BALANCE - July 1, 2008</b>	<u>300,000</u>	<u>802,000</u>	<u>802,000</u>	<u>-</u>
<b>FUND BALANCE - June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>714,286</u>	<u>\$ 714,286</u>
<b>Adjustments to generally accepted accounting principles basis-</b>				
Interfund advances			<u>(690,000)</u>	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<u>\$ 24,286</u>	

The accompanying notes are an integral part of the basic financial statements.





PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals	
<b>ASSETS</b>				
Current assets:				
Cash with City of Portland investment pool	\$ 5,234,553	\$ 338,486	\$ 5,573,039	\$ 350,897
Receivables:				
Due from City of Portland	39,065	-	39,065	-
Accounts	231,937	-	231,937	-
Internal balances	1,171,000	-	1,171,000	-
Loans, net	2,221,993	-	2,221,993	-
Interest	33,106	2,326	35,432	2,973
Total current assets	8,931,654	340,812	9,272,466	353,870
Noncurrent assets:				
Restricted cash-				
City of Portland investment pool	249,149	-	249,149	-
Cash with fiscal agent	173,595	-	173,595	-
Loans receivable, net	13,645,593	-	13,645,593	-
Total noncurrent assets	14,068,337	-	14,068,337	-
Total assets	22,999,991	340,812	23,340,803	353,870
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	41,582	-	41,582	-
Accrued interest payable	1,345	-	1,345	-
Private Lender Program notes payable	207,300	-	207,300	-
Due to City of Portland	229,355	-	229,355	-
Internal balances	4,804,937	-	4,804,937	-
Total current liabilities	5,284,519	-	5,284,519	-
Noncurrent liabilities:				
Private Lender Program notes payable	1,031,421	-	1,031,421	-
Total noncurrent liabilities	1,031,421	-	1,031,421	-
Total liabilities	6,315,940	-	6,315,940	-
<b>NET ASSETS</b>				
Unrestricted	\$ 16,684,051	\$ 340,812	\$ 17,024,863	\$ 353,870
Total net assets (deficit)	\$ 16,684,051	\$ 340,812	\$ 17,024,863	\$ 353,870
Total liabilities and net assets	\$ 22,999,991	\$ 340,812	\$ 23,340,803	\$ 353,870

The accompanying notes are an integral part of the basic financial statements.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 273,420	\$ 897,717	\$ 1,171,137	\$ -
Interest on loans	1,047,460	-	1,047,460	-
Miscellaneous revenues	1,425,087	-	1,425,087	-
Intergovernmental revenues	39,065	-	39,065	-
Investor loan draws	6,801,725	-	6,801,725	-
Total operating revenues	<u>9,586,757</u>	<u>897,717</u>	<u>10,484,474</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Personal services	259,106	-	259,106	-
Professional services	195,826	-	195,826	71,132
Loan document costs	38,892	-	38,892	-
Financial assistance	7,781,913	-	7,781,913	-
Loan loss provision	71,340	-	71,340	-
Internal service reimbursements	498,662	-	498,662	-
Miscellaneous expenses	255,037	58	255,095	-
Total operating expenses	<u>9,100,776</u>	<u>58</u>	<u>9,100,834</u>	<u>71,132</u>
Operating income (loss)	<u>485,981</u>	<u>897,659</u>	<u>1,383,640</u>	<u>(71,132)</u>
<b>NON-OPERATING REVENUES (EXPENSE):</b>				
Interest on investments	64,411	9,928	74,339	10,934
Gain on sale of property held for sale	30,027	-	30,027	-
Interest expense	(91,591)	(743,928)	(835,519)	-
Total non-operating revenues (expense)	<u>2,847</u>	<u>(734,000)</u>	<u>(731,153)</u>	<u>10,934</u>
Income before transfers	<u>488,828</u>	<u>163,659</u>	<u>652,487</u>	<u>(60,198)</u>
Transfers in	18,107,000	-	18,107,000	-
Transfers out	(18,107,000)	(37,000)	(18,144,000)	-
Change in net assets	<u>488,828</u>	<u>126,659</u>	<u>615,487</u>	<u>(60,198)</u>
<b>NET ASSETS (DEFICIT) - July 1, 2008</b>	<u>16,195,223</u>	<u>214,153</u>	<u>16,409,376</u>	<u>414,068</u>
<b>NET ASSETS (DEFICIT) - June 30, 2009</b>	<u>\$ 16,684,051</u>	<u>\$ 340,812</u>	<u>\$ 17,024,863</u>	<u>\$ 353,870</u>

The accompanying notes are an integral part of the basic financial statements.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Fiscal Year Ended June 30, 2009

	Business-type Activities			Governmental Activities- Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals	
<b>Cash flows from operating activities:</b>				
Loan collections from borrowers	\$ 11,233,635	\$ -	\$ 11,233,635	\$ -
Intergovernmental Revenue	39,065	-	39,065	-
Interest on loans from borrowers	1,047,462	-	1,047,462	-
Loan fees from customers	273,421	-	273,421	-
Investor loan draws	6,801,725	-	6,801,725	-
Rent income	-	897,717	897,717	-
Payments to others	754	-	754	-
Payments to employees	(265,248)	-	(265,248)	-
Payments to vendors	(7,854,629)	(58)	(7,854,687)	(71,132)
Payments for interfund services used	(492,519)	-	(492,519)	-
Loans to borrowers	(9,521,877)	-	(9,521,877)	-
Miscellaneous reimbursements	1,760,160	-	1,760,160	-
<b>Net cash provided (used) by operating activities</b>	<u>3,021,949</u>	<u>897,659</u>	<u>3,919,608</u>	<u>(71,132)</u>
<b>Cash flows from noncapital financing activities:</b>				
Principal paid on notes payable	(192,079)	-	(192,079)	-
Interest paid on notes payable	(96,716)	(743,928)	(840,644)	-
Transfers from other funds	19,939,000	-	19,939,000	-
Transfers to other funds	(19,278,000)	(37,000)	(19,315,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>372,205</u>	<u>(780,928)</u>	<u>(408,723)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest received from investing	83,076	8,876	91,952	10,197
<b>Net increase in cash and cash equivalents</b>	<u>3,477,230</u>	<u>125,607</u>	<u>3,602,837</u>	<u>(60,935)</u>
<b>Cash and cash equivalents-July 1, 2008</b>	<u>2,180,067</u>	<u>212,879</u>	<u>2,392,946</u>	<u>411,832</u>
<b>Cash and cash equivalents-June 30, 2009</b>	<u>\$ 5,657,297</u>	<u>\$ 338,486</u>	<u>\$ 5,995,783</u>	<u>\$ 350,897</u>
<b>Cash with City of Portland investment pool</b>	\$ 5,234,553	\$ 338,486	\$ 5,573,039	\$ 350,897
<b>Restricted cash-City of Portland investment pool</b>	249,149	-	249,149	-
<b>Cash with fiscal agent</b>	173,595	-	173,595	-
<b>Total</b>	<u>\$ 5,657,297</u>	<u>\$ 338,486</u>	<u>\$ 5,995,783</u>	<u>\$ 350,897</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Net operating income (loss)	\$ 485,981	\$ 897,659	\$ 1,383,640	\$ (71,132)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Decrease in due from City of Portland	1,202,247	-	1,202,247	-
Decrease in loans receivable	746,013	-	746,013	-
Decrease in due from other entities	415,628	-	415,628	-
Decrease in accounts payable	(16,859)	-	(16,859)	-
Decrease in internal balance payable	188,939	-	188,939	-
Total adjustments	<u>2,535,968</u>	<u>-</u>	<u>2,535,968</u>	<u>-</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 3,021,949</u>	<u>\$ 897,659</u>	<u>\$ 3,919,608</u>	<u>\$ (71,132)</u>

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Balance</u> <u>July 1, 2008</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2009</u>
<b>Assets:</b>							
Cash with City of Portland investment pool	\$ 72,140	\$	1,137,883	\$	1,139,376	\$	70,647
Interest receivable	<u>370</u>		<u>9,895</u>		<u>9,644</u>		<u>621</u>
Total assets	<u>\$ 72,510</u>	\$	<u>1,147,778</u>	\$	<u>1,149,020</u>	\$	<u>71,268</u>
<b>Liabilities -</b>							
Accounts payable	<u>\$ 72,510</u>	\$	<u>1,113,713</u>	\$	<u>1,114,955</u>	\$	<u>71,268</u>

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

***I. Summary of Significant Accounting Policies***

**A. Reporting Entity**

The Portland Development Commission (PDC) is the City of Portland's (the City) urban renewal and redevelopment agency. The Commission was created in 1958 under Article I, Section 15 of the Charter of the City of Portland, Oregon to deliver projects and programs to achieve the City's housing, economic development and redevelopment priorities and to link citizens to jobs. PDC is governed by a five-member Commission, appointed by the Mayor and approved by the City Council to serve a three-year term.

PDC is a component unit of the City and its financial activities are discretely presented in a separate column in the City's basic financial statements.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of PDC. Governmental activities, which normally are supported by tax-increment revenues and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who use or directly benefit from services or privileges provided by the given function, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Tax-increment debt proceeds (in lieu of tax-increment revenue) and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary (agency) funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the proprietary funds are reported as separate columns in the fund financial statements. Non-major governmental funds are consolidated into a single column in the basic financial statements. Combining schedules of the components of the Enterprise Loans Fund and the non-major governmental funds are presented in the supplementary data section of the report.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, PDC considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under

**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Significant revenues which were measurable and available under the modified accrual basis are comprised of certain intergovernmental revenues consisting primarily of grant proceeds and tax-increment debt proceeds (in lieu of tax-increment revenue).

Loans Receivable and Property Held for Sale are treated as financial resources, an activity that does not result from revenue transactions. No expenditure is recognized when property is purchased or a loan is issued, and income is only recognized for the interest portion of loan collections and any proceeds for property sales in excess of the property's cost basis. Expenditures are recognized if a loan is discounted, or an allowance is recorded. Since loans receivable and properties held for sale are not resources available to liquidate current liabilities, they are offset by a reservation of fund balance.

PDC reports the following major governmental funds:

*General Fund (adopted as Urban Redevelopment Fund)* – this is PDC's primary operating fund. It accounts for the financial operations not accounted for in any other fund and for indirect administrative costs. Principal resources are reimbursement for services to other funds, contract fees for services provided to other agencies, miscellaneous grants, donations and interest earnings. Primary expenditures are for personal services, operational supplies, and capital outlay.

*Housing and Community Development Contract Fund* – accounts for the contract with the City of Portland Bureau of Housing and Community Development to administer a portion of the City's Community Development Block Grant programs and a related revolving loan fund.

*HOME Grant Fund* – accounts for the contract with the City of Portland Bureau of Housing and Community Development to administer a portion of the City's HOME Grant programs. Formerly presented as part of the "Other Federal Grants Fund".

*Downtown Waterfront Urban Renewal Fund* – accounts for resources used in redeveloping property around Union Station for a variety of public and private uses, including: multifamily housing, redevelopment, and continued rail passenger service; improving the 73-acre south Waterfront Project area, including public streets, riverfront, and park improvements.

*North Macadam Urban Renewal Fund* – accounts for resources used in the redevelopment of the district into a major mixed-use Central City neighborhood, with a spectacular greenway and parks system, with improved transportation infrastructure and accessibility, enhanced public amenities and uses.

*River District Urban Renewal Fund* – accounts for resources used in the development and construction of a wide range of housing units, new commercial opportunities and open space, all oriented to the Willamette River.

*South Park Block urban Renewal Fund* – accounts for the resources used to increase the supply of affordable rental housing and the southwest quadrant of downtown Portland and to provide new landscaping, lighting, and other public improvements in the culture-rich Portland State University campus area.

*Convention Center Urban Renewal Fund* - accounts for resources used to develop a plan for the area surrounding the Oregon Convention Center that will best support Convention Center business, enhance area recreational and entertainment facilities, strengthen ties to downtown Portland, and ensure the area's compatibility with nearby neighborhoods and to develop the Eastbank Riverfront park.

*Interstate Corridor Urban Renewal Fund* – accounts for resources used in the construction and preservation of a wide array of housing options, new family-wage jobs, and the infrastructure investment to support these efforts.

**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

PDC reports the following proprietary funds:

*Enterprise Loans Fund* - this enterprise fund accounts for the activities of PDC's various loan programs.

*Enterprise Management Fund* - this enterprise fund provides for the activity related to the operation and maintenance of PDC properties or City of Portland properties PDC has contracted to manage outside Urban Renewal Areas. Currently, this fund includes operating revenues and expenses of the Headwaters Apartments.

*Risk Management Fund* - the Internal Service Fund sets aside resources to meet the insurance policy deductibles, if necessary.

Additionally, PDC reports the following fund type:

Fiduciary (Agency) Funds – accounts for loans serviced for outside agencies and held by PDC in a fiduciary capacity. Agency funds do not have a measurement focus, but do use the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. PDC has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are overhead charges allocated by the General Fund to the Enterprise Loans Fund in the amount of \$498,662. Eliminations of these charges would distort the direct costs reported for the various programs concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided, 2) operating grants and contributions. All other revenues are considered general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the Enterprise Loans Fund are interest on loans and charges for loan fees. Operating expenses include the administrative and interest expense on borrowings. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available to use for the same purpose, it is PDC's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Investments**

The Portland Development Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City Charter requires PDC to participate in the City's cash and investment pool. Each fund's portion of this pool is displayed on the Balance Sheet and the Statement of Net Assets as "Cash with City of Portland Investment Pool".

Investment pool cash balances are part of the City's cash management activity and are considered cash and cash equivalents. Activities undertaken by the investment pool on behalf of the proprietary funds are

**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

not considered as part of the investing and financing activities of the funds, and details of these investments are not reported in the Statement of Cash Flows. In general, interest earned from pooled investments is allocated to each City fund, including PDC which appears as a single cash account, based on average earnings rate and daily cash balance of each fund. PDC allocates and credits interest received from the City to each individual fund based on the monthly ending cash balance.

The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Idaho and Washington that have a rating of AA or better, A-1 rated commercial paper and banker's acceptances, Aa rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Local Government Investment Pool.

PDC recorded its investment in the City of Portland Investment Pool at fair value.

**2. Receivables and Payables**

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as internal balances. Reimbursements due from other governmental entities for the CDBG and HOME programs are reported as accounts receivable.

Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. For loans funded by Community Development Block Grant proceeds, or other arrangements requiring the proceeds from loan repayments to be maintained or reloaned in accordance with the specific requirements of the program under which the original loan was made, the loans receivable are offset by a Due to the City of Portland, the original provider of the funds.

PDC maintains a valuation allowance for loans receivable comprised of an allowance for risk and an allowance for present value discount. The allowance for risk is determined based on the historical performance of each loan type and upon continuing consideration of changes in the character of the portfolio. The allowance for the present value discount gives recognition to the economic cost of providing loans at interest rates below market, and represents an estimate of the difference between the present value of discounted net cash flows using the weighted average interest rate for the program within which a given loan belongs.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items both in the government-wide and fund financial statements.

**4. Capital Assets**

Capital assets include property, plant, and equipment. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for furniture and equipment and real property acquisitions and improvements are stated as capital outlay expenditures in the governmental funds. Capital assets, which are acquired and held for internal use, are stated at historical cost, and include the costs of appraisals and demolition. Donated capital assets are recorded at their fair market value at the date of donation.

Costs incurred for the acquisition and improvements of properties, as an agent for the owner, are not capitalized. Maintenance and repairs of a routine nature are charged to expenditures/expenses as incurred and are not capitalized.



**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

Depreciation on capital assets is recorded in the Statement of Activities and is calculated using a modified half-year convention method on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Years</u>
Buildings and improvements	50
Leasehold improvements	6
Vehicles	8
Office furniture and equipment	5-15
Computer software	5
Computer equipment	3

Generally, when construction projects are completed on behalf of the City of Portland, the project's capital assets are transferred to the City at cost. Proceeds from sale of capital assets originally purchased with grant resources are reported as due to City of Portland until recycled through the grant program. All other proceeds from the sale of capital assets are recognized as revenue.

**5. Property Held for Sale**

Land and related buildings and improvements acquired for the purpose of redevelopment and sale are recognized as assets and stated at the lower of cost (including costs of appraisal, demolition, and relocation) or net realizable value and are offset by a reservation of fund balance, except for those acquired with grant proceeds. Property held for sale acquired with grant resources are offset by an amount Due to the City of Portland until cycled through the grant program. Upon final disposition or a decline in the value of the property, gain or loss is charged or credited to operations.

**6. Compensated Absences**

It is PDC's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since PDC does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**7. Long-term Obligations**

Long-term bonded debt issued to finance urban development activities is not reported in the financial statements, but is reported in the City of Portland's financial statements since the debt is the obligation of the City. Debt, which financed loans made by PDC, has been reported as Private Lender Participation Agreement notes payable in the Enterprise Loans Fund in the financial statements.

**8. Net Other Post-employment Benefits Obligation**

PDC implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for fiscal year ending June 30, 2008. PDC used Projected Unit Credit Cost Method to compute its net OPEB obligation. The net OPEB obligation is recognized as a long-term liability in the government-wide financial statements. The liability reflects the present value of expected future payments. The net other post employment benefits liability and expenditure in the governmental fund financial statements are limited to amounts that become due and payable as of the end of the fiscal year.

**9. Fund Equity and Net Assets**

PDC's equity is classified as follows in the government wide and proprietary fund financial statements:

*Capital assets, net of related debt.* This represents PDC's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

*Restricted.* This represents net assets that are limited in their use by external third parties, laws or regulations of other governments, or imposed by legislation.

*Unrestricted.* This represents net assets not included in other categories.

PDC's fund balance is classified as follows in the governmental fund financial statements.

*Reserved.* This includes the portion of fund balance related to assets that are not available to liquidate current liabilities such as long term loans receivable, properties held for sale, prepaid expenses, and other long term assets.

*Unreserved, designated.* This includes tentative plans for utilization of fund balances in future periods for uncompleted construction contracts, commitments related to unperformed contracts for goods and services, and loan commitments not yet disbursed.

*Unreserved.* This represents fund balances not included in the other categories.

**10. Management Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of June 30, 2009, and the reported amounts of revenues, expenditures, and expenses for the year then ended. Actual results could differ from those estimates.

**11. Adoption of New Accounting Pronouncements and Restatements**

During the fiscal year ended June 30, 2009, PDC adopted GASB Statement 49 (GASBS 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial report standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

The provisions of GASBS 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, PDC's beginning net assets have been restated. The following is a reconciliation of the total net assets as previously reported as of June 30, 2008 to the beginning net assets balance:

Net assets at June 30, 2008	\$	260,910,604
Adoption of GASBS 49		(7,788,772)
Total net assets at July 1, 2008	\$	<u>253,121,832</u>

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

PDC is required by Oregon Local Budget Law to budget all funds except the Agency Funds. All funds, except the Agency Funds, are budgeted on the modified accrual basis of accounting. The resolution authorizing appropriations sets the maximum level of expenditures for each fund. The original budget is adopted by the Commission by resolution prior to the beginning of the fiscal year (July 1 through June 30).

Appropriations are made by organizational unit; appropriating the expenditure budget by program. This is a change from prior years where appropriations were made by organizational units. The change was made in conjunction with a substantial change to PDC's chart of accounts and financial system in fiscal year 2009. Expenditure detail is also provided by the following categories: Personal Services, Materials and Services, Capital Outlay, Financial Assistance, Debt Service, and other levels of control established by the resolution. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget may require hearings before the public and publications in

**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

newspapers, but always requires approval by the Commission. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Commission. The Commission approved three supplemental budgets during the fiscal year. Appropriations lapse at each fiscal year-end.

The budget is prepared differently from accounting principles generally accepted in the United States of America. A reconciliation between the budgetary and GAAP basis for the General Fund is as follows:

Revenues – budgetary basis	\$	38,137,828
Accounts receivable revenues		(6,345)
Elimination of internal service reimbursements		<u>(31,622,148)</u>
Revenues - GAAP basis	\$	<u>6,509,335</u>
Expenditures – budgetary basis	\$	35,171,336
Elimination of internal service reimbursements		(31,622,148)
Book new Loans Receivable		(435,000)
Reverse undisbursed portion of loan		8,988
Allowance for Loans Receivable		<u>103,523</u>
Expenditures - GAAP basis	\$	<u>3,226,699</u>

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2009, the following funds and programs had expenditures in excess of appropriations:

<b>Fund</b>	<b>Program</b>	<b>Excess</b>
Housing and Community Development Contract	Revitalization	\$ 1,284
Downtown Waterfront Urban Renewal	Infrastructure	929,715
River District Urban Renewal	Revitalization	623,232

**III. Detailed Notes on All Funds**

**A. Cash and Cash Equivalents and Cash with City of Portland Investment Pool**

The City maintains a cash and investment pool that is available for use by all funds including its component units. Cash and investments are presented on the balance sheet in the basic financial statements at fair value in accordance with GASB Statement No. 31.

All investment pool cash purchases and sales are part of the City’s cash management activity and considered cash and cash equivalents. Activities undertaken by the pool on behalf of the proprietary funds are not part of operating, capital, investing, or financing activities of the proprietary funds, and details of these transactions are not reported in the Statement of Cash Flows. In general, interest earned from pooled investments is allocated to each fund based on the average earnings rate and daily cash balance of each fund.

Oregon Revised Statutes (ORS) 294, authorizes the City and component units to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon

**PORTLAND DEVELOPMENT COMMISSION**  
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**June 30, 2009**

municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP).

PDC's cash balance as of June 30 is comprised of the following:

Cash on hand	\$	500
Deposits with financial institutions		423,083
Cash with City of Portland Investment Pool		111,865,904
Restricted Cash		<u>249,149</u>
	\$	<u><b>112,538,636</b></u>

The balance is reflected in the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities as follows:

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Fiduciary Activities</u>		<u>Total</u>
Cash and cash equivalents	\$ 249,988	\$	-	\$	-	\$	249,988
Cash with City of Portland Investment Pool	106,222,218		5,573,039		70,647		111,865,904
Restricted Cash	-		249,149		-		249,149
Cash with fiscal agent			<u>173,595</u>				<u>173,595</u>
	<u>\$ 106,472,206</u>	\$	<u>5,995,783</u>	\$	<u>70,647</u>	\$	<u><b>112,538,636</b></u>

Per the agreement with the City, \$200,000 has been restricted for the establishment of the Homeownership Line of Credit. Additionally, \$49,149 is reserved for the Private Lender Participation Agreement (see note III. G.)

The cash with fiscal agent is a deposit in HomeStreet Bank created to comply with the Economic Development Administration's (EDA) requirement to sequester excess program cash.

***Custodial credit risk—deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer (OST). The City's deposit policy requires that all deposits are covered by the Federal Deposit Insurance Corporation (FDIC), and/or are collateralized as required by and in compliance with ORS 295.

The FDIC's standard insurance amount currently is \$250,000 per depositor. The \$250,000 limit is permanent for certain retirement accounts (includes IRAs) and is temporary for all other deposit accounts through December 31, 2013. On January 1, 2014, the standard insurance amount will return to \$100,000 per depositor for all deposit accounts except certain retirement accounts, which will remain at \$250,000 per depositor.

The OST's custodian, Federal Home Loan Bank of Seattle, is the agent of the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the Depository Bank, Custodian Bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors.

PDC bank deposits of \$242,175 at Albina Community Bank and \$173,595 at HomeStreet Bank are 100% insured by the FDIC.

**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of June 30, 2009, the weighted average maturity of the City's investment portfolio was 279 days. To minimize interest rate risk, the City's investment policy limits the portfolio to a maximum weighted average maturity of eighteen months. In addition, no more than 50% of the projected lowest cash balance may be invested in securities with a maturity range beyond two years. All other funds must be invested in less than two-year maturities and must meet the City's cash flow requirements. Investments with maturities greater than two years may be purchased only with the approval of the IAC.

***Credit Risk***

Credit risk is the financial risk of not receiving principal and interest when due from an issuer. The types of investments permitted by the Investment Policy seeks to minimize this risk by the conservative nature of the permissible investments and by establishing safe limits on the level of investments with Oregon financial institutions and issuers of commercial paper and monitoring their credit quality on an ongoing basis. A portfolio policy stressing a relatively short maturity serves to additionally minimize credit risk.

The City's investments in United States Treasury and Agency Obligations have short-term credit ratings of A-1+ / P-1 / F1+, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in United States Treasury and Agency Obligations have long-term credit ratings of Aaa / AAA / AAA, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively.

As of June 30, 2009, the LGIP was not rated.

***Concentration of Credit Risk***

Of the City's total investments as of June 30, 2009, 87.2% percent were United States Agency Debt Obligations or short-term investments (see the table above for the individual distribution). All other investments not explicitly guaranteed by the United States Government were less than one percent of the City's total investments. The City's investment policy addresses credit risk concentration by limiting both the types and amounts of securities that may be held in the portfolio. These portfolio restrictions vary based upon the investment type and issuer. These restrictions as well as other information contained in the City's investment policy are located at:

<http://www.portlandonline.com/shared/cfm/image.cfm?id=197428>.

***Custodial credit risk—investments***

For an investment, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy complies with ORS 294.035 and ORS 294.810 that lists acceptable investments that are identified below. As of June 30, 2009, the City had no investments that were held by either counterparty or the counterparty's trust department agent. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

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**B. Internal Balances and Transfers**

The composition of internal balances is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>			<u>Total</u>
	<u>Housing and Community Development Contract Fund</u>	<u>HOME Grant Fund</u>	<u>Enterprise Loans Fund</u>	
Enterprise Loans Fund	\$ 4,197,319	\$ 607,618	\$ -	\$ 4,804,937
Governmental Fund Receivables				\$ 4,804,937
Housing and Community Development Contract Fund	-	-	465,000	\$ 465,000
HOME Grant Fund	-	-	690,000	690,000
Other Governmental Funds	-	-	16,000	16,000
Governmental Fund Liabilities				\$ 1,171,000

As of June 30, 2009, the Enterprise Loans Fund owes the Housing and Community Development Contract Fund and the Other Federal Grants Fund the total amount of \$4,804,937 for loan collateral provided for the Private Lender Participation Agreement loans scheduled for repayment when the PLPA note is paid (Note III. F.). The Housing and Community Development Fund, HOME Grant Fund, and the Other Federal Grants Fund owe the Enterprise Loans Fund \$465,000, \$690,000 and \$16,000 respectively, for short-term Interfund loans for grant expenditures not yet reimbursed by the City of Portland and are repaid in the next accounting period.

Interfund transfers made during the year are outlined below.

<u>Transfer Out Fund</u>	<u>Transfer In Funds</u>							<u>Total</u>
	<u>General Fund</u>	<u>Housing and Community Development Contract Fund</u>	<u>HOME Grant Fund</u>	<u>Downtown Waterfront Urban Renewal Fund</u>	<u>Convention Center Urban Renewal fund</u>	<u>Other Govern- mental Funds</u>	<u>Enterprise Loans Fund</u>	
General Fund	\$ -	\$ -	\$ -	\$ 1,643,986	\$ -	\$ 50,000	\$ -	\$ 1,693,986
Interstate Corridor Urban Renewal Fund	-	-	-	-	5,403	-	-	5,403
Housing and Community Development Contract HOME Grant Fund	-	-	-	-	-	-	8,639,000	8,639,000
Downtown Waterfront Urban Renewal Fund	80,000	-	-	-	-	-	-	80,000
Enterprise Loans Fund	-	8,639,000	9,468,000	-	-	-	-	18,107,000
Other Business Funds	37,000	-	-	-	-	-	-	37,000
	<u>\$ 117,000</u>	<u>\$ 8,639,000</u>	<u>\$ 9,468,000</u>	<u>\$ 1,643,986</u>	<u>\$ 5,403</u>	<u>\$ 50,000</u>	<u>\$ 18,107,000</u>	<u>\$ 38,030,389</u>

Interfund transfers between the Enterprise Loans Fund, Housing and Community Development Contract Fund, HOME Grant Fund and Other Federal Grants Fund are for short-term Interfund loans for grant expenditures not yet reimbursed by the City of Portland and are repaid in the next account period. The General Fund partially reimbursed Downtown Waterfront Urban Renewal Fund for the cost of office relocation and building improvements incurred during fiscal year 2004-2005. Costs were charged to the Downtown Waterfront Urban Renewal Fund and were reimbursed by an indirect allocation every year through FY 2008-2009 when costs were fully repaid. The Interstate Corridor Urban Renewal Fund transferred \$604,002 to the Oregon Convention Center Urban Renewal Fund in the final repayment of an interfund loan in the amount of \$598,599 the remaining \$5,403 is the interest portion of the note reflected in the table above. The interfund loan is being repaid as real property sales proceeds are received on the Vanport redevelopment project.

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**C. Loans Receivable**

Loans receivable are comprised of loans to qualified borrowers for the rehabilitation and restoration of single and multi-family residences, collateralized by real property, and commercial loans to small business to promote economic development, which are collateralized by personal property. Net loans receivable are as follows:

<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
<b>Major Funds:</b>				
General Fund:				
Urban Development:				
Amortized loans	5 yrs	4%	\$ 518,605	\$ 113,883
Deferred payment loans	5 yrs	4%	50,000	31,709
Total Gross General Fund			568,605	145,592
Total Net General Fund				423,013
Housing and Community Development Contract Fund:				
Urban Development:				
Cash flow loans	42 yrs	3% to 5%	70,000	40,301
Multi-family housing:				
Cash flow loans	30 yrs	0% to 3%	4,532,527	4,144,656
Equity gap loans	Indefinite	0%	16,944,150	16,944,150
Deferred payment loans	60 yrs	3% to 5%	1,779,431	1,344,626
Amortized loans	30 yrs	0% to 8.02%	2,780,018	720,673
Neighborhood housing:				
Deferred payment loans	Indefinite	0%	6,217,825	2,074,510
Shared appreciation mortgages	Indefinite	0%	384,500	96,125
Amortized loans	30 yrs	0% to 6%	290,794	49,541
Total Gross Housing and Community Development Contract Fund			32,999,245	25,414,582
Total Net Housing and Community Development Contract Fund				7,584,663
HOME Grant Fund:				
Multi-family housing:				
Cash flow loans	30 yrs	0% to 3%	21,811,401	20,519,852
Equity gap loans	Indefinite	0%	12,517,774	12,517,774
Deferred payment loans	36 yrs	0%	1,192,984	720,735
Amortized loans	30 yrs	0% to 3%	3,640,813	2,285,059
Neighborhood housing:				
Deferred payment loans	Indefinite	0%	62,751	16,304
Shared appreciation mortgages	Indefinite	0%	474,097	118,524
Total Gross HOME Grant Fund			39,699,820	36,178,248
Total Net HOME Grant fund				3,521,572

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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Downtown Waterfront Urban Renewal Fund:				
Urban Development:				
Equity gap loans	Indefinite	0%	717,199	717,199
Amortized loans	20 yrs	0% to 3%	4,574,628	1,157,791
Deferred payment loans	5 yrs	3% to 8%	2,869,854	1,634,572
Multi-family housing :				
Cash flow loans	32 yrs	0%	33,805,160	31,547,879
Deferred payment loans	46 yrs	0% to 3%	5,823,602	3,929,262
Amortized loans	21 yrs	0% to 3%	7,060,023	4,371,009
Equity gap loans	Indefinite	0%	9,601,395	9,601,395
Neighborhood housing-				
Amortized loans	20 yrs	3%	1,221,082	147,187
Shared appreciation mortgages	Indefinite	0%	1,117,559	279,390
Total Gross Downtown Waterfront Urban Renewal Fund			<u>66,790,502</u>	<u>53,385,684</u>
Total Net Downtown Waterfront Urban Renewal Fund				<u>13,404,818</u>
North Macadam Urban Renewal Fund:				
Urban Development:				
Amortized loans	31 yrs	1%	3,219,130	1,023,161
Cash flow loans	31 yrs	0%	3,189,251	3,117,857
Deferred payment loans	30 yrs	0%	17,235	8,618
Multi-family housing:				
Deferred payment loans	1 yr	0%	1,813,350	910,078
Total Gross North Macadam Urban Renewal Fund			<u>8,238,966</u>	<u>5,059,714</u>
Total Net North Macadam Urban Renewal Fund				<u>3,179,252</u>
River District Urban Renewal Fund:				
Urban Development:				
Amortized loans	10 yrs	3% to 8%	14,207,967	4,203,578
Deferred payment loans	15 yrs	0% to 8%	7,143,176	4,315,471
Multi-family housing:				
Amortized loans	30 yrs	3%	1,492,946	870,594
Cash flow loans	30 yrs	3%	25,480,613	22,972,088
Deferred payment loans	2 yrs	0%	969,258	617,005
Shared appreciation mortgages	Indefinite	0%	81,434	20,359
Neighborhood housing-				
Deferred payment loans	30 yrs	0%	4,599,622	2,515,335
Shared appreciation mortgages	Indefinite	0%	120,000	30,000
Total Gross River District Urban Renewal Fund			<u>54,095,016</u>	<u>35,544,430</u>
Total Net River District Urban Renewal Fund				<u>18,550,586</u>



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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
South Park Blocks Urban Renewal Fund				
Urban Development:				
Amortized loans	8 yrs	1% to 3%	1,610,732	296,299
Deferred payment loans	2 yrs	3% to 8%	84,000	42,000
Multi-family housing:				
Equity gap loans	Indefinite	0%	8,199,597	8,199,597
Deferred payment loans	41 yrs	3%	3,074,661	2,541,481
Cash flow loans	32 yrs	0% to 3%	22,248,063	19,959,505
Amortized loans	35 yrs	3%	2,431,936	1,702,938
Shared appreciation mortgages	Indefinite	0%	233,500	58,375
Total Gross South Park Blocks Urban Renewal Fund			<u>37,882,489</u>	<u>32,800,195</u>
Total Net South Park Blocks Urban Renewal Fund				<u>5,082,294</u>
Convention Center Urban Renewal Fund:				
Urban Development:				
Deferred payment loans	Indefinite	0%	7,246,747	5,678,242
Amortized loans	30 yrs	0% to 7%	8,359,983	2,736,940
Cash flow loans	42 yrs	0.5% to 3%	3,373,095	3,082,061
Multi-family housing:				
Cash flow loans	10 yrs	3%	2,145,086	2,059,007
Equity gap loans	Indefinite	0%	601,835	601,835
Deferred payment loans	Indefinite	0%	337,156	175,428
Amortized loans	30 yrs	3%	592,039	359,915
Total Gross Convention Center Urban Renewal Fund			<u>22,655,941</u>	<u>14,693,428</u>
Total Net Convention Center Urban Renewal Fund				<u>7,962,513</u>
Interstate Corridor Urban Renewal Fund:				
Urban Development:				
Amortized loans	5 yrs	6%	2,481,371	744,017
Deferred payment loans	30 yrs	0% to 8%	324,088	193,277
Multi-family housing:				
Amortized loans	20 yrs	0%	526,600	261,466
Cash flow	60 yrs	0%	6,270,977	6,208,370
Deferred payment loans	Indefinite	0%	704,526	403,158
Equity gap loans	Indefinite	0%	397,753	397,753
Neighborhood housing:				
Deferred payment loans	30 yrs	3%	1,986,057	1,345,867
Shared appreciation mortgages	Indefinite	0%	150,725	37,681
Amortized loans	20 yrs	4%	147,229	28,706
Total Gross Interstate Corridor Urban Renewal Fund			<u>12,989,326</u>	<u>9,620,295</u>
Total Net Interstate Corridor Urban Renewal Fund				<u>3,369,031</u>
Total Gross Major Funds			<u>275,919,910</u>	
Total Net Major Funds				<u>63,077,742</u>

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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
<b>Other Governmental Funds:</b>				
Enterprise Zone Fund				
Urban Development:				
Amortized Loans	5 yrs	0%	5,000	617
			<u>5,000</u>	<u>617</u>
Total Gross Enterprise Zone Fund				617
Total Net Enterprise Zone Fund				<u>4,383</u>
Airport Way Urban Renewal Fund:				
Urban Development:				
Amortized loans	10 yrs	3%	851,419	156,311
Deferred payment loans	2 yrs	3% to 8%	140,000	98,495
			<u>991,419</u>	<u>254,806</u>
Total Gross Airport Way Urban Renewal Fund				254,806
Total Net Airport Way Urban Renewal Fund				<u>736,613</u>
Central Eastside Urban Renewal Fund:				
Urban Development:				
Cash flow	Indefinite	4%	1,180,754	1,149,465
Amortized loans	10 yrs	3% to 6%	3,045,829	972,345
Deferred payment loans	2 yrs	3% to 8%	389,000	237,922
Multi-family housing:				
Amortized loans	29 yrs	1%	74,624	37,651
Deferred payment loans	10 yrs	0%	85,843	44,506
			<u>4,776,050</u>	<u>2,441,889</u>
Total Gross Central Eastside Urban Renewal Fund				2,441,889
Total Net Central Eastside Urban Renewal Fund				<u>2,334,161</u>
Lents Town Center Urban Renewal Fund:				
Urban Development:				
Cash flow loans	35 yrs	3%	315,850	203,023
Deferred payment loans	30 yrs	6%	1,169,190	935,297
Amortized loans	30 yrs	3%	2,993,916	952,755
Multi-family housing:				
Amortized loans	30 yrs	3%	329,092	228,390
Deferred payment loans	30 yrs	0% to 3%	1,029,147	622,167
Cash flow loans	Indefinite	0%	889,420	850,628
Equity gap loans	Indefinite	0%	1,375,243	1,375,243
Neighborhood housing:				
Deferred payment loans	30 yrs	0% to 3%	2,067,899	1,625,671
Amortized loans	20 yrs	3%	298,926	171,358
Shared appreciation mortgages	Indefinite	0%	700,795	175,199
			<u>11,169,478</u>	<u>7,139,731</u>
Total Gross Lents Town Center Urban Renewal Fund				7,139,731
Total Net Lents Town Center Urban Renewal Fund				<u>4,029,747</u>

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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Gateway Urban Renewal Fund:				
Urban Development:				
Amortized loans	20 yrs	1% to 8%	278,262	94,170
Multi-family housing:				
Deferred payment loans	10 yrs	0%	90,801	46,746
Total Gross Gateway Urban Renewal Fund			<u>369,063</u>	<u>140,916</u>
Total Net Gateway Urban Renewal Fund				<u>228,147</u>
Total Gross Other Governmental Funds			<u>17,311,010</u>	
Total Net Other Governmental Funds				<u>7,333,051</u>
<b>Total Gross Governmental Funds</b>			<b><u>293,230,920</u></b>	
<b>Total Net Governmental Funds</b>				<b><u>70,410,793</u></b>
<b>Enterprise Loans Fund</b>				
Urban Development:				
Amortized loans	5 yrs	1% to 8%	3,989,443	499,746
Cash flow loans	10 yrs	5%	200,000	190,111
In default loans	N/A	0%	602,674	602,674
Multi-family housing:				
Equity gap loans	Indefinite	0%	13,197,937	13,197,937
Deferred payment loans	30 yrs	0% to 7.91%	2,176,678	1,292,168
Amortized loans	30 yrs	0% to 9%	3,939,737	1,285,503
Cash flow loans	32 yrs	0% to 3%	12,439,012	9,047,648
Neighborhood housing:				
Equity gap loans	Indefinite	0%	939,635	939,635
Amortized loans	30 yrs	0% to 6%	4,134,175	612,819
Deferred payment loans	30 yrs	0% to 3%	1,195,841	812,184
Cash flow loans	30 yrs	3%	1,952,760	419,881
In default loans	N/A	0%	-	-
Total Gross Enterprise Loans Fund			<u>44,767,892</u>	<u>28,900,306</u>
Total Net Enterprise Loans Fund				<u>15,867,586</u>
Total Gross All Funds			<b><u>\$ 337,998,812</u></b>	
Total Net All Funds				<b><u>\$ 86,278,379</u></b>

Of the \$15,867,586 net receivable in the Enterprise Loans Fund, \$5,969,162 is assigned as collateral on notes payable under the Private Lender Participation Agreement (Note III.G.).

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The combined loan portfolio is composed of the following:

<u>Organizational Unit and Program</u>	<u>Current Year Gross Loan Percentages</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Urban Development:			
Amortized loans	13.65%	\$ 46,136,285	\$ 12,951,613
Cash flow loans	2.46%	8,328,950	7,782,818
Deferred payment loans	5.75%	19,433,290	13,175,603
Equity gap loans	0.21%	717,199	717,199
In default loans	0.18%	602,674	602,674
Urban development totals	<u>22.25%</u>	<u>75,218,398</u>	<u>35,229,907</u>
Multi-family housing:			
Amortized loans	6.77%	22,867,828	12,123,198
Cash flow loans	38.35%	129,622,259	117,309,633
Deferred payment loans	5.64%	19,077,437	12,647,360
Equity gap loans	18.59%	62,835,684	62,835,684
Shared appreciation mortgages	0.09%	314,934	78,734
Multi-family housing totals	<u>69.44%</u>	<u>234,718,142</u>	<u>204,994,609</u>
Neighborhood housing:			
Amortized loans	1.80%	6,092,206	1,009,611
Deferred payment loans	4.78%	16,129,995	8,389,871
Shared appreciation mortgages	0.87%	2,947,676	736,919
Equity gap loans	0.28%	939,635	939,635
Cash flow loans	0.58%	1,952,760	419,881
Neighborhood housing totals	<u>8.31%</u>	<u>28,062,272</u>	<u>11,495,917</u>
<b>Total Gross Loans</b>	100%	<b>\$ <u>337,998,812</u></b>	<b><u>251,720,433</u></b>
<b>Total Net Loans</b>			<b>\$ <u>86,278,379</u></b>
<b>Summary Loans Receivable Aging:</b>			
Current loans receivable, net		\$ 5,306,219	
Noncurrent loans receivable, net		<u>80,972,160</u>	
<b>Total Net Loans</b>		<b>\$ <u>86,278,379</u></b>	

The Loan Loss Allowance is comprised of both an interest discount factor and a loan loss risk factor. The total allowance at June 30, 2009 is broken down as follows:

Interest Discount Factor	\$ 31,615,845
Loan Loss Risk Factor	<u>220,104,588</u>
Total Allowance and Discount	<b>\$ <u>251,720,433</u></b>

In fiscal year 2009, PDC elected a new methodology to calculate the loan loss allowance. The primary PDC management focus is upon the collectability of assets employed in its lending programs. The new method first calculates the uncollectible portion of the portfolio, then discounts the collectable loan balances to present value. The old methodology first calculated the present value and then the uncollectible portion of the loans. This change in ordering the components of the calculation had no effect to the total net loans.

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**D. Property Held for Sale**

Property held for sale consists of real property PDC intends to sell to appropriate developers or homeowners. The carrying amount of the property is stated at the lower of cost or net realizable value. The carrying value of the property is as follows:

Governmental Activities:	
General Fund	\$ 146,754
Housing and Community Development Contract Fund	251,456
River District Urban Renewal Fund	20,308,864
Convention Center Urban Renewal Fund	21,191,372
Downtown Waterfront Urban Renewal Fund	11,937,757
North Macadam Urban Renewal Fund	13,366,977
South Park Blocks Urban Renewal Fund	8,200,366
Interstate Corridor Urban Renewal Fund	3,819,717
Other Governmental Funds	<u>43,652,137</u>
Total Governmental Funds	<u>\$ 122,875,400</u>

**E. Capital Assets**

Capital assets are composed of the following:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 8,438,819	\$ 530	\$ -	\$ 8,439,349
Capital assets, being depreciated:				
Buildings and improvements	2,707,441	-	-	2,707,441
Leasehold improvements	3,712,694	3,708	-	3,716,402
Furniture, vehicles and equipment	2,016,835	897,112	(76,920)	2,837,027
Total capital assets being depreciated	<u>8,436,970</u>	<u>900,820</u>	<u>(76,920)</u>	<u>9,260,870</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,082,975)	(54,147)	-	(1,137,122)
Leasehold improvements	(1,801,587)	(638,218)	-	(2,439,805)
Furniture, vehicles and equipment	(1,632,352)	(153,595)	67,510	(1,718,437)
Total accumulated depreciation	<u>(4,516,914)</u>	<u>(845,960)</u>	<u>67,510</u>	<u>(5,295,364)</u>
Total capital assets, being depreciated, net	<u>3,920,056</u>	<u>54,860</u>	<u>(9,410)</u>	<u>3,965,506</u>
Governmental activities capital assets, net	<u>\$ 12,358,875</u>	<u>\$ 55,390</u>	<u>\$ (9,410)</u>	<u>\$ 12,404,855</u>

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**F. Operating Leases**

**As Lessee**

PDC leases office space and land under operating leases. Rental expenditures amounted to approximately \$1,631,000. Future minimum lease payments under PDC's operating leases are as follows:

<u>Fiscal Year Ending</u>	<u>Minimum Lease Payments</u>
2010	\$ 1,667,350
2011	1,668,120
2012	139,010
	<u>\$ 3,474,480</u>

The amounts above do not include lessee maintenance charges in excess of the stipulated minimum rental fees. The total of such charges for the fiscal year amounted to approximately \$6,205.

**As Lessor**

PDC functions as a lessor for office space, parking lot space, and land leases on certain property which it has acquired as part of its urban renewal activities. The carrying value of the property being leased is approximately \$43,711,148, accumulated depreciation is \$1,137,122. Rental revenue amounted to approximately \$1,912,875 for the fiscal year. The minimum future operating non-cancelable lease revenues are as follows:

<u>Fiscal Year Ending</u>	<u>Minimum Revenue Total</u>
2010	\$ 1,596,412
2011	87,657
2012	32,541
2013	2,496
2014	2,496
2015-2019	12,480
2020-2024	12,480
2025-2029	12,480
2030-2034	12,480
2035-2039	12,480
2040	1,664
	<u>\$ 1,785,666</u>

**G. Private Lender Participation Agreement and Note Payable**

PDC incurred limited recourse debt with Bank of America, N.A., in the form of a Private Lender Participation Agreement (PLPA). This program combined borrowed funds with grant funds, to lend at a lower blended rate to homeowners and rental investors. These funds were used to acquire and to rehabilitate residential properties. This debt is in liquidation because the borrowing period has expired.

Bank of America N.A. loaned PDC approximately \$9,500,000 under this program, starting in 1989. This debt had multiple interest rates and maturities. On June 28, 2001, PDC converted the \$4,645,400 balance of the PLPA debt to a 13-year term loan, with a 7.65% interest rate and a final maturity date of July 15, 2014.

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A modification of the debt agreement was executed on June 26, 2008. As a part of the loan modification agreement, Bank of America agreed to lower the monthly debt service from \$47,088 to \$24,574. The lower debt payment will amortize the debt to its original maturity of July 15, 2014. Bank of America required that PDC maintain a cash reserve of two months of debt service (\$49,149), and agreed PDC may use all other cash for any lawful purpose.

PDC may use loan collateral prepayments to prepay the PLPA debt. To date, PDC has made \$1,250,000 in debt prepayments, including \$500,000 in 2007, and \$750,000 in 2008. PDC may repay the debt in whole or in part at any time given a sufficient cash balance.

Bank of America also has a \$500,000 limited recourse claim against any legally available PDC funds, if loan collateral pledged produces insufficient cash flow to make debt service payments.

As of June 30, 2009, the note payable and the pledged loans receivable (net of allowance) under the PLPA Agreement, is as follows:

<b>Lender Institution</b>	<b>Note Payable</b>	<b>Pledged Loans Receivable</b>
Bank of America	\$ 1,238,721	\$ 4,930,292

The gross amount of pledged loans receivable, before deducting the related allowance, is \$5,969,162.

Scheduled principal and interest payable under the PLPA Agreement, assuming that there will not be any additional prepayments, is as follows:

<b>Fiscal Year Ending</b>	<b>Bank of America</b>	
	<b>Principal</b>	<b>Interest</b>
2010	\$ 207,300	\$ 87,594
2011	223,726	71,167
2012	241,454	53,439
2013	260,587	34,306
2014	281,236	13,657
2015	24,418	156
	<b>\$ 1,238,721</b>	<b>\$ 230,319</b>

Total interest paid during fiscal year ended June 30, 2009 was \$107,496, and is reported as a direct program expense in the Statement of Activities.

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**H. Changes in Long-term Liabilities:**

	Long-term Beginning Balance	Short-term Beginning Balance	Additions	Payments/ Reductions	Long-term Ending Balances	Due Within One year
Governmental activities (as restated)						
Post employment benefits	\$ 178,827	\$ -	\$ 192,822	\$ -	\$ 371,649	\$ -
Pollution remediation	7,788,772	-	1,141,582	-	8,930,354	-
Total governmental activities	<u>\$ 7,967,599</u>	<u>\$ -</u>	<u>\$ 1,334,404</u>	<u>\$ -</u>	<u>\$ 9,302,003</u>	<u>\$ -</u>
Business-type activities						
PLPA-Bank of America	<u>\$ 1,238,721</u>	<u>\$ 192,079</u>	<u>\$ -</u>	<u>\$ 192,079</u>	<u>\$ 1,031,421</u>	<u>\$ 207,300</u>

For governmental activities, post employment benefits will generally be liquidated by the general fund and pollution remediation will be liquidated by the capital project fund in which the property is located.

**I. Amounts Due To and From the City of Portland**

Due To the City of Portland consists principally of loan principal and interest receivable on contracts for services under the Community Development Block Grants and HOME programs administered by PDC for the City of Portland. Under this program, such principal and interest repayments are recycled through the Block Grant process. Other due to amounts are related to property held for sale which was acquired via grant funds and amounts drawn from the City. Balances of Due to the City of Portland by fund as of June 30, 2009 follow. Loans are stated net of valuation allowance.

	Loan Principal	Property Held for Sale	Internal Balances	Streetcar Project Advance	Accounts Payable	Ending Balance
Housing and Community						
Development Contract Fund	\$ 7,584,663	\$ 251,456	\$ 4,197,319	\$ -	\$ -	\$ 12,033,438
HOME Grant Fund	3,521,573	-	607,617	-	65	4,129,255
Enterprise Loans Fund	168,937	-	-	-	-	168,937
North Macadam Urban						
Renewal Fund	-	2,484,777	-	1,765,223	1,427,367	5,677,367
All Governmental Funds	-	-	-	-	8,628,708	8,628,708
Total	<u>\$ 11,275,173</u>	<u>\$ 2,736,233</u>	<u>\$ 4,804,936</u>	<u>\$ 1,765,223</u>	<u>\$ 10,056,140</u>	<u>\$ 30,637,705</u>

In August 2007, PDC entered into an agreement with the City of Portland to secure a line of credit with Key Bank for the purpose of advance funding of homeowner loans being sold to Fannie Mae and Oregon Housing and Community Services. Draws are made through the City when the homeowner closes on the property and then repaid when funds are received from the investor agency. At June 30, 2009, there is one loan outstanding in the amount of \$168,937.

PDC has pledged the land known as South Waterfront Development Lots 3 and 8 in the North Macadam Urban Renewal Area. The property, recorded at cost of \$2,484,777, is security for \$4,250,000 in funds due to the City of Portland related to the Portland Streetcar from Portland State to the River Place Project. Both parcels must be sold before June 30, 2011 to repay the City. It is expected that the sale will be sufficient to cover the funds advanced by the City.

Grant revenues under various grant programs and other inter-governmental agreements due from the City of Portland totaled \$6,565,391 at June 30, 2009.



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**IV. Other Information**

**A. Retirement and Deferred Compensation Plans**

***State of Oregon Public Employees Retirement System***

**Plan Description**

The State of Oregon Public Employees Retirement System (PERS), a cost-sharing multi-employer defined benefit plan, administers a retirement plan for the City and its component units. PDC, as a component unit, has a cost-sharing arrangement with the City. All PDC full-time employees are participants under one or more plans currently available through PERS.

There are currently two programs with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members.

OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

Beginning January 1, 2004, all employees who are active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but any future member contributions will be deposited in the members IAP, not into the member's PERS account.

Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, or on the internet at URL: [http://oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://oregon.gov/PERS/section/financial_reports/financials.shtml), or by calling 1-503-598-7377.

Benefits vest after five years of continuous service or when employee has reached 50 years of age. Retirement is allowed at age 58 (age 60 for Tier Two members) or with 30 years of service with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits, based on final average salary and length of service, are calculated using either a money match, full formula, or a formula plus annuity computation, if a greater benefit results, and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

***Funding Policy***

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. It is PDC's policy to recognize pension costs as currently funded.

***Risk Pooling and Revised PERS Contribution Rates***

Effective January 1, 2000, the City elected to participate in the Local Government Rate Pool (LGRP). The LGRP was created by legislative act of the State of Oregon and provided governments the option to pool their PERS related assets and liabilities with others that elected to participate in the pool, whereby contribution rates are determined based on the overall experience of the pool versus the potentially more volatile experience of individual employers. The LGRP was expanded and replaced by the State and

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Local Government Rate Pool (the SLGRP). The City made the election to join the SLGRP as of January 1, 2002.

The most recent actuarial valuation was prepared for the period ending December 31, 2007. In September 2008, the City was notified by the PERS actuarial firm that based on the most recent actuarial valuation the City's contribution rate would be decreasing for fiscal year 2010.

**Annual Pension Cost**

PERS sets the rate for the SLGRP, based on the independent actuarial study that is performed every two years. This rate establishes the annual required contribution for the City and PDC.

The required contribution was determined as part of the independent actuarial valuation using the entry age actuarial cost method. PDC, as a component unit of the City, does not maintain a separate PERS account. Accordingly, separate actuarial values for PDC are not available. The amortization method used is a 24-year closed group, fixed term. Significant economic assumptions used in the actuarial valuation include: (a) rate of return on the investment of present and future assets of 8 percent per annum compounded annually, (b) projected salary increases at 4 percent per year compounded annually, (c) increases due to promotions and longevity that vary by age and service, (d) pre- and post-mortality life expectancies of employees, based upon several mortality tables, (e) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience, (f) consumer price inflation at 3 percent per year, and (g) a factor for unused sick leave that is used to calculate retirement benefits under the Full Formula and Formula Plus Annuity benefit calculations.

**Other Supplementary Information**

Schedule of Rates expressed as a percentage of covered payroll

	FY 2007		FY 2008		FY 2009	
	PERS	OPSRP	PERS	OPSRP	PERS	OPSRP
PERS Defined Benefit Plan	8.07%	4.66%	6.66%	9.21%	6.66%	9.21%
Employee IAP*	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>14.07%</u>	<u>10.66%</u>	<u>12.66%</u>	<u>15.21%</u>	<u>12.66%</u>	<u>15.21%</u>

\* PDC has chosen to pay the employee contributions to the IAP as an additional employee benefit.

The amounts contributed to PERS during the years ended June 30, 2007, 2008, and 2009 were equal to the required contributions for each year. The approximate covered payroll and actual amounts contributed by PDC were as follows:

**Schedule of Employer Contributions**

	FY 2007	FY 2008	FY 2009
Covered Payroll	\$ 11,679,500	\$ 13,272,207	\$ 14,305,934
PERS Contributions*	1,512,262	1,806,791	1,970,957

\*As provided by OR PERS

In 1997, as a result of changing legislation and a court decision mandating taxation of state PERS benefits for retirees, the actuaries determined that the PERS unfunded liability for the City's plan was \$257 million. This unfunded liability would have created extremely high contributions percentages each employer, including PDC, would need to come up with each year. In order to help the City, and the organizations meet the financial demands of the liability, the City issued a 30 year bond for \$300 million.

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\$257 million was put directly into PERS to offset the unfunded liability, and make the annual contributions a more manageable amount. PDC's contributions to the City's Annual Pension Cost for its share of their PERS liability over the last three fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2007	\$ 533,382
2008	465,400
2009	359,159

**B. Other Post-employment Benefits**

*Plan Description.* PDC does not have a formal post-employment benefits plan for any employee groups; however the PDC is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 45 is applicable to the PDC due only to the implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

*Funding Policy.* In addition to the pension benefits described in Note IV.A., PDC provides post-retirement health care benefits in accordance with PDC Personnel Policy XIII. Employee Benefits. This PDC policy, in line with Oregon law, provides that retired employees and their dependents are eligible to participate in group insurance coverage at their own cost until age 65, or when they are otherwise eligible for Medicare. Dependents of a retired PDC Employee may participate in group coverage at the time of retirement; only so long as the retiree is covered by a PDC plan. As of June 30, 2009, PDC has seven eligible post-retirement participants enrolled and paying the full cost of their premiums.

*Annual Other Post-employment Benefits Cost and Net Other Post-employment Benefits Obligation.* The PDC's annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 15 years. The following table shows the components of the PDC's annual other post-employment benefit cost for the year, the amount actually contributed to the plan, and changes in the PDC's other post-employment benefit obligation to the plan.

Net OPEB Obligation at FYE 2008		\$ 178,827
Annual OPEB Cost/Annual Required Contribution (b)		\$ 249,420
Premium paid for retirees	\$ ( 2,495)	
Dollars contributed this FY (implicit benefit payments)	<u>(54,103)</u>	
Total dollars contributed fiscal year 2009 (a)		(56,598)
Increase/Decrease in the Net OPEB Obligation during FY (b+a)		192,822
Percentage of Annual OPEB Cost contributed during the year (a/b)		22.69%
Net OPEB Obligation at FYE 2009		<u>\$ 371,649</u>

*Funding Status and Funding Progress.* As of August 1, 2008, the actuarial accrued liability for benefits was \$1,176,724, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,176,724. The covered payroll (annual payroll of active employees covered by the plan) was \$14,305,934 for fiscal year 2009 and the ratio of the UAAL to the covered payroll was 8.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual

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revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Paid</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 249,420	22.69%	\$ 371,649
June 30, 2008	234,396	23.71%	178,827

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2008 actuarial valuation performed by Milliman, the projected unit credit cost method was used. The economic actuarial assumptions included a 4.5% investment rate of return, and annual healthcare cost trend rate of 10.0% for the first year that is graded down 0.5% per year to 5.0% per year in the eleventh year and beyond, and an annual payroll increase of 3.75%. Demographic assumptions were based on assumptions used by Oregon PERS.

In addition, PDC contributes to Oregon Public Employees Retirement System's (OPERS) Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

The RHIA plan was created by enabling legislation (ORS 238.420) and therefore the contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating local governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.37% for Tier 1 and 2 accounts and 0.26% for OPSRP accounts of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

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**C. Commitments**

Contractual and other commitments amounting to \$31,096,820 have been recorded as unreserved, designated fund balances for subsequent years' expenditures to indicate tentative plans for utilization in future periods. In addition, PDC has contractual and other commitments relating to future expenditures for grant projects, grant funded loan commitments, and Enterprise Loans Fund loan commitments aggregating \$6,727,761.

**D. PDC's Use of the City of Portland's Conduit Debt**

The City has issued Economic Development Revenue Bonds (bonds). The proceeds of these bond sales are used by private developers to finance capital expansion.

The City's and PDC's participation in the financing of these projects enables the developer to utilize applicable provisions of the United States Internal Revenue Code (IRC Section 103) of 1954, as amended. IRC Section 103 encourages the construction of certain facilities and the public financing thereof through revenue bonds by providing that the interest on such bonds, as contrasted with any bonds issued by the developer itself, will be exempt from federal income tax. This tax exemption enables the purchasers of the bonds to accept a lower rate of interest and, since the developer in effect pays the interest on the bonds, reduces the interest cost of the project financing to the developer.

The bond indentures provide that the bonds shall never constitute a general obligation of, an indebtedness of, or a charge against the general credit of the City or PDC. Nor are the bonds payable in any manner from revenue raised by taxation. Rather, the bonds will be special obligations of the City payable solely from the revenues, receipts, and resources pledged under the indentures and not from other revenues, funds, or assets of the City.

The bonds are collateralized solely by the specific project and payments are made by the developers. The bonds shall not be payable from or a charge against any other funds or assets, nor shall the City or PDC be subject to any liability thereon. No holder or holders of the bonds shall ever have the right to compel any exercise of the taxing power of the City to pay the bonds or the interest thereon, nor to enforce payment thereof against any property of the City or PDC except the specific project. Upon completion of the repayment of the debt by the developer, the assets constructed become the property of the developer. At June 30, 2009, the total of the City's conduit debt outstanding is \$128,875,000.

**E. Contingencies**

In the normal course of business PDC is subject to litigation. The opinion of PDC's General Counsel is that the outcome of any litigation will not have a significant effect on the financial statements. PDC may be obligated in the future under the following contingency.

***Portland Community Reinvestments Initiatives, Inc.***

On August 1, 1998, the City and PDC, acting as agent for the City, executed an Amended and Restated Agreement (Agreement) to guarantee any deficiencies in debt service under a \$10,000,000 term loan between Portland Community Reinvestment Initiatives, Inc. (PCRI) and U.S. Bank National Association (U.S. Bank). The Agreement replaces a series of prior agreements, which started in 1992.

Under the Agreement, the City specifically pledged all of its Community Development Block Grant funds and income administered by the federal Department of Housing and Urban Development to the extent they are needed to cure an event of default by PCRI under the term loan. The City, acting through PDC, also pledged loans held by PDC for the City as additional collateral.

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PDC and the City are required to jointly certify to U.S. Bank on a quarterly basis that cash receipts from pledged loans are at least 1.20 times quarterly debt service on this loan. In addition, the loan collateral must at the end of each quarter have a principal balance at least 1.25 times the debt principal balance. Certified amounts jointly reported by the PDC and the City are as follows:

<u>Quarter Ending</u>	<u>Total PCRI Debt Service</u>	<u>Total PDC Cash Receipts</u>	<u>Debt Service Coverage Ratio</u>
September 30, 2008	\$ 156,288	\$ 289,404	1.85
December 31, 2008	156,288	216,876	1.39
March 31, 2009	156,288	199,715	1.28
June 30, 2009	156,288	297,467	1.90

<u>Quarter Ending</u>	<u>Outstanding Loan Principal</u>	<u>Loan Principal Amount Pledged</u>	<u>Debt Principal Coverage Ratio</u>
September 30, 2008	\$ 6,668,487	\$ 13,435,717	2.01
December 31, 2008	6,576,504	13,252,548	2.02
March 31, 2009	6,483,627	13,013,052	2.01
June 30, 2009	6,336,496	12,735,146	2.01

The quarterly certifications are in full compliance with terms of the agreement. The guarantee by the City is limited to the specific assets and income pledged. It is not a full faith and credit guarantee by either PDC or the City. PDC has confirmed with U.S. Bank that PCRI has made full and timely debt service payments under its term loan during the fiscal year ended June 30, 2009.

***Verizon Wireless Cell Tower Relocation***

In September 2005, PDC acquired the Public Storage property in the North Macadam Urban Renewal Area for redevelopment as a neighborhood park. Per PDC's relocation policy, Verizon Wireless, a former tenant, was eligible for reimbursement of certain moving costs to relocate its cell tower from the Public Storage site to a replacement site. In September 2006, Verizon submitted a claim for reimbursement in excess of \$1.8 million for construction of three replacement sites. Based on documentation submitted by Verizon, PDC approved \$118,839 in reimbursable relocation moving costs. Subsequently, Verizon requested review of the amount of the reimbursement through PDC's grievance procedure outlined in PDC's relocation policy. In April 2008, PDC's Executive Director affirmed staff's determination and decision. In January 2009, a contested case hearing was held at Verizon's request. In February 2009, a hearing officer, designated by the Commission Board, affirmed staff's reimbursement decision in a Recommended Order. In August 2009, the Commission affirmed the hearing officer's determination and issued a Final Order. Verizon has until November 16, 2009 to petition for reconsideration or rehearing.

**F. Risk Management**

PDC is not part of the City of Portland's self-insurance program and purchases a variety of commercial insurance policies to protect itself against loss. Like most other large public agencies, PDC is exposed to various risk of loss related to torts, errors and omissions, general liability, property damage, worker's compensation, and unemployment claims.

PDC is insured by the State Accident Insurance Fund (SAIF) against losses from employee workers' compensation claims up to a limit of \$500,000 for each incident and each employee. PDC is covered by a commercial general liability policy through St. Paul Fire & Marine Insurance in the amount of \$4,000,000 per occurrence and an additional \$5,000,000 excess liability policy subject to \$10,000

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deductible and a blanket property policy through Lloyd's of London for \$100,000,000. A separate policy provides coverage for faithful performance (employee dishonesty) through Hartford Insurance in the amount of \$300,000, providing protection from losses from forgery, alteration, theft, and disappearance; employment practices liability coverage is provided through Zurich American Insurance in the amount of \$3,000,000 per claim with a \$150,000 deductible per claim; public officials errors and omission coverage is provided through St. Paul Travelers in the amount of \$2,000,000 with a \$4,000,000 aggregate and a deductible of \$25,000 per claim. Automobile coverage for PDC fleet vehicles is provided through St. Paul Travelers in the amount of \$1,000,000 for bodily injury/property damage with a \$250 deductible for comprehensive and \$500 deductible for collision.

PDC has an aggressive risk management policy of transferring liability to contractors, lessees, event sponsors, and other entities through specific indemnification and insurance requirements in all contracts and agreements. PDC has been successful in resolving claims and has not suffered any significant losses over the past year. In addition, there have been no reductions in insurance coverage and no insurance settlements have exceeded insurance coverage limits in any of the past five fiscal years.

The Internal Service Fund has equity of \$353,870 to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. Of this amount, \$207,839 is an insurance deductible reserve as required by the Rivers East LLC Rent Abatement Agreement.

Changes in the balances of claims liabilities including incurred but not reported (IBNR) liabilities during the past two fiscal years are as follows:

	<b>2009</b>	<b>2008</b>
Unpaid claims , beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	175,745	540,910
Claim payments	175,745	540,910
Unpaid claims, end of fiscal year	\$ -	\$ -

***Environmental Risk***

GASBS 49 provides guidance for state and local governments in estimated and reporting the potential costs of pollution remediation. While GASBS 49 does not require the PDC to search for pollution, it does require PDC to reasonable estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and PDC is compelled to take action;
- PDC is in violation of a pollution related permit or license;
- PDC is named or has evidence that it will be named as responsible party by a regulator;
- PDC is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- PDC commence or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the many PDC properties. PDC has programs, rules, and regulations that routinely deal with remediation related issues. Much of PDCs mission is to deal with blighted properties which sometimes include pollution conditions. PDC has the knowledge and expertise to estimate the remediation but also employs consultants when expedient. The obligations presented herein are based on estimates by both PDC staff and consultants and are based up prior experience in identifying and funding similar remediation activities. The standard require PDC to calculate pollution remediation liabilities using the expected cash flow technique. Where PDC cannot reasonably estimate a pollution remediation obligation, it does not report a liability.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuation, changes in technology, changes in potential responsible parties, results of

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environmental studies, changes to statutes or regulation and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce PDC's obligation.

During the fiscal year, PDC recognized estimated additional expense which increased the liability by \$1,141,582. At June 30, 2009, PDC had an outstanding pollution remediation liability of \$8,930,354.

*Portland Harbor Superfund*

In January 2008, the City of Portland, and subsequently PDC, was notified of a CERCLA 104 (e) records request and therefore potential liability with respect to the Portland Harbor Superfund that may include 46 current and previously-owned PDC parcels on or adjacent to the lower reach of the Willamette River. The Portland Harbor Superfund matter is still in the early discovery stage, and it is likely to be several years before any potential liability is known.

**G. Related Party Transactions**

***Portland Family of Funds Holdings, Inc.***

Portland Development Commission has a working relationship with Portland New Markets Fund I, LLC (PNMF), a subsidiary owned by the Portland Family of Funds Holdings, Inc., an Oregon mutual-benefit corporation (PFF), for purposes of obtaining New Market Tax Credit (NMTC) Allocations from the U.S. Treasury.

PNMF was certified as a Community Development Entity in August 2002, by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury in order to become eligible for tax credits through the NMTC program. PNMF was awarded \$100 million in NMTC allocation authority as part of the NMTC program established by Congress. All of the tax credits awarded have been committed to City of Portland projects.

It is intended that through the NMTC program and PNMF, PDC will be able to advance beneficial development projects in the City of Portland. The "NMTC Collaboration Agreement" between PDC, PFF, and PNMF dated May 11th, 2005, outlines the respective roles and responsibilities of the working relationship between the entities. This agreement will continue in force for any future awards of NMTC allocation authority given to PFF or any of its subsidiaries.

PDC's role consists of project identification and sourcing, as well as veto and joint approval rights of proposed projects. The functions of PNMF include ongoing day-to-day management control and fundraising activities, and all tax-credit related financial transactions will be recorded by PNMF. PNMF is charged with activities for raising private equity capital, lending their own credit, and owning private equity. Such activities are constitutionally prohibited to PDC by Article XI, Section 9 of the Oregon Constitution.

Portland Small Business Investment Fund, LLC (PSB) is a subsidiary of PFF. PDC has an unsecured non-recourse loan with PSB, in a maximum amount of \$4,000,000. The purpose of this program is to finance subordinated loans to qualified small businesses to enable them to use New Market Tax Credits. PDC underwrites these borrowers. At present six fund-level loans between PDC and PSB have a total balance of \$4,000,000 at June 30, 2009, with 20-year final maturities. Each advance to PSB is exactly matched by a corresponding note and deed of trust from a small business borrower in favor of PSB. PSB passes on payments received to PDC.

All such loans are interest-only and are unsecured during the seven-year holding period required to obtain the maximum benefit from New Market Tax Credits. Borrowers may not prepay loans during this period, Interest rates during the first seven years range from 1% to 3%. The loans then convert to fully



**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2009**

amortizing loans at interest rates ranging from 3% to 6% for the next 13 years, at that time PDC receives a security interest in the loans. Interstate Corridor URA, Lents URA, and Oregon Convention Center URA all reserve these loans at a 10% rate.

Unrelated to the tax credit program are two deferred payment loans for the historic Armory restoration project totaling \$4,600,000 to the Portland New Markets Investment Fund, a PFF subsidiary. One loan for \$2,600,000 carries an interest rate of 3%, and the other loan for \$2,000,000 has no stated interest rate. Both loans mature in January 2013. They are reserved at 50% in the River District Urban Renewal Fund.

A former PDC Commissioner now serves as Portland Family of Funds chairman and chief executive officer. A former PDC Executive serves on the PFF Board of Directors.

***Other***

In the course of carrying out the City of Portland's development policies, PDC engaged in numerous transactions with the City, including but not limited to the provision of materials and services, real property acquisition, development, transfers, and sales. PDC also participates in the City of Portland's cash investment pool.

**H. Reviews by Grantor Agencies**

Costs of each grant project are subject to review by the grantor agency to assure that such costs are in accordance with or further the purpose of the grant program. Any costs disallowed as the result of the review would become a liability and could require the return of such amounts to the grantor agency.

**I. Subsequent Events**

***Land Use Board of Appeals (LUBA)***

On September 9, 2009, the Friends of Urban Renewal (FOUR) and the City of Portland reached a settlement regarding the appeal that FOUR had made with LUBA. The original claim was filed in July 2008. The settlement reduces the maximum indebtedness for the River District Urban Renewal Area (RDURA) from \$549.5 million to \$489.5 million. In turn, FOUR agreed to dismiss their appeal to LUBA over the proposed amendments to the RDURA. Now that a settlement has been reached PDC can begin to implement delayed plans in the RDURA.

***Debtor Bankruptcy Filing***

PDC holds a promissory note from General Growth Properties, Inc. (GGP) for the sale of Pioneer Square. The terms of that note require annual minimum payments. During fiscal year 2009, GGP filed Chapter 11 bankruptcy. GGP made their annual payment under the note on a timely basis in fiscal year 2009. There is one remaining annual payment due in April 2010.

***Citywide Housing Reorganization***

In December 2008, the City of Portland (City) Mayor announced a major reorganization that would merge the PDC Housing Department with the City's Bureau of Housing and Community Development (BHCD) into a new bureau to be called the Portland Housing Bureau (PHB). A small segment of BHCD performing community development work was scheduled to be transitioned to PDC and this occurred in July 2009. Due to the complexity of issues related to the potential merging of PDC's Housing assets and liabilities, as well as system conversion complications, preparations have taken longer than expected and the transition did not occur during fiscal year 2009. Housing Department staff are scheduled to co-locate in the PHB offices in November 2009, but will continue as PDC employees until remaining transition issues are resolved.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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PORTLAND DEVELOPMENT COMMISSION  
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Required Supplementary Information  
June 30, 2009

**Other Postemployment Healthcare Benefits  
Schedule of Fund Progress**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
8/1/06	\$ -	\$ 994,779	\$ 994,779	0.0%	\$13,272,207	7.5%
8/1/08	-	1,176,724	1,176,724	0.0%	14,305,934	8.2%

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

*Other Federal Grants* - accounts for revenues and expenditures under the US Department of Housing and Urban Development's HOME Investment Partnership Program administered through the City of Portland's Bureau of Housing & Community Development.

*Ambassador Program Fund* - accounts for monies donated by private businesses for outreach activities.

*Enterprise Zone Fund* - accounts for monies received from participating Enterprise Zone companies to provide the North/Northeast Portland community with workforce and business development opportunities.

### **CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

*Airport Way Urban Renewal Fund* - accounts for resources used for: acquisitions and construction related to the Riverside Parkway projects; projects to increase job density by attracting and retaining businesses; supporting transit and other infrastructure investments; increasing Portland's inventory of developable land for industry and creation of quality jobs; and protecting the natural resources of the greater Portland area.

*Central Eastside Urban Renewal Fund* - accounts for resources used in the development and improvement of the central eastside while maintaining a good environment for existing businesses by making improvements and developing the Eastbank Riverfront park.

*Lents Town Center Urban Renewal Fund* – accounts for resources used in the revitalization of commercial and residential areas in and near the existing Lents neighborhood.

*Gateway Regional Center Urban Renewal Fund* - accounts for resources used to transform the area into a Regional Center with enhanced housing, employment, recreational and cultural opportunities.

*Willamette Industrial Urban Renewal Fund* - accounts for resources used to attract new industrial, high-technology, manufacturing, and distributing businesses to the currently vacant or unused parcels of land.



PORTLAND DEVELOPMENT COMMISSION  
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COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash with City of Portland investment pool	\$ 337,294	\$ 15,493,671	\$ 15,830,965
Receivables:			
Due from City of Portland	20,171	-	20,171
Loans, net	4,383	7,328,668	7,333,051
Interest	2,868	136,891	139,759
Other	-	20,000	20,000
Property held for sale	-	43,652,137	43,652,137
	<u>-</u>	<u>43,652,137</u>	<u>43,652,137</u>
<b>Total assets</b>	<b>\$ <u>364,716</u></b>	<b>\$ <u>66,631,367</u></b>	<b>\$ <u>66,996,083</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 167,385	\$ 167,385
Due to City of Portland	-	988,154	988,154
Due to other entities	-	30,000	30,000
Due to other funds	16,000	-	16,000
	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Total liabilities	<u>16,000</u>	<u>1,185,539</u>	<u>1,201,539</u>
 <b>Fund balances:</b>			
Reserved for:			
Loans receivable	4,383	7,328,668	7,333,051
Property held for sale	-	43,652,137	43,652,137
Unreserved, designated for			
Subsequent year's expenditures	25,172	7,114,053	7,139,225
Unreserved, undesignated reported in:			
Special Revenue Funds	319,161	-	319,161
Capital Projects Funds	-	7,350,970	7,350,970
	<u>319,161</u>	<u>7,350,970</u>	<u>7,350,970</u>
Total fund balances	<u>348,716</u>	<u>65,445,828</u>	<u>65,794,544</u>
<b>Total liabilities and fund balances</b>	<b>\$ <u>364,716</u></b>	<b>\$ <u>66,631,367</u></b>	<b>\$ <u>66,996,083</u></b>





PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2009

	Other Federal Grants Fund	Ambassador Program Fund	Enterprise Zone Fund	Total
<b>ASSETS</b>				
Cash with City of Portland investment pool	\$ 1,742	\$ 33,105	\$ 302,447	\$ 337,294
Receivables:				
Due from City of Portland	20,171	-	-	20,171
Loans receivable, net	-	-	4,383	4,383
Interest	22	270	2,576	2,868
<b>Total assets</b>	<b>\$ 21,935</b>	<b>\$ 33,375</b>	<b>\$ 309,406</b>	<b>\$ 364,716</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities-</b>				
Due to other funds	16,000	-	-	16,000
Total liabilities	16,000	-	-	16,000
<b>Fund balances:</b>				
Loans receivable	-	-	4,383	4,383
Subsequent year's expenditures	-	171	25,001	25,172
Unreserved, undesignated	5,935	33,204	280,022	319,161
Total fund balances	5,935	33,375	309,406	348,716
<b>Total liabilities and fund balances</b>	<b>\$ 21,935</b>	<b>\$ 33,375</b>	<b>\$ 309,406</b>	<b>\$ 364,716</b>

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 June 30, 2009

	<u>Airport Way Urban Renewal Fund</u>	<u>Central Eastside Urban Renewal Fund</u>	<u>Lents Town Center Urban Renewal fund</u>
<b>ASSETS</b>			
Cash with City of Portland investment pool	\$ 4,008,020	\$ 4,068,762	\$ 3,950,527
Loans, net	736,613	2,334,161	4,029,747
Interest	32,883	36,207	41,842
Other	-	-	20,000
Property held for sale	<u>18,582,629</u>	<u>13,937,213</u>	<u>7,325,203</u>
<b>Total assets</b>	<u>\$ 23,360,145</u>	<u>\$ 20,376,343</u>	<u>\$ 15,367,319</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 421	\$ 23,463	\$ 76,705
Due to City of Portland	-	38,189	941,230
Due to other entities	<u>30,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>30,421</u>	<u>61,652</u>	<u>1,017,935</u>
<b>Fund balances:</b>			
Reserved for:			
Loans receivable	736,613	2,334,161	4,029,747
Property held for sale	18,582,629	13,937,213	7,325,203
Subsequent year's expenditures	130,729	4,043,315	1,770,176
Unreserved, undesignated	<u>3,879,753</u>	<u>2</u>	<u>1,224,258</u>
Total fund balances	<u>23,329,724</u>	<u>20,314,691</u>	<u>14,349,384</u>
<b>Total liabilities and fund balances</b>	<u>\$ 23,360,145</u>	<u>\$ 20,376,343</u>	<u>\$ 15,367,319</u>

<b>Gateway Regional Center Urban Renewal Fund</b>	<b>Willamette Industrial Urban Renewal Fund</b>	<b>Total</b>
\$ 2,719,974	\$ 746,388	\$ 15,493,671
228,147	-	7,328,668
21,441	4,518	136,891
-	-	20,000
<u>3,807,092</u>	<u>-</u>	<u>43,652,137</u>
<u>\$ 6,776,654</u>	<u>\$ 750,906</u>	<u>\$ 66,631,367</u>
\$ 65,136	\$ 1,660	\$ 167,385
8,735	-	988,154
-	-	30,000
<u>73,871</u>	<u>1,660</u>	<u>1,185,539</u>
228,147	-	7,328,668
3,807,092	-	43,652,137
1,049,335	120,498	7,114,053
<u>1,618,209</u>	<u>628,748</u>	<u>7,350,970</u>
<u>6,702,783</u>	<u>749,246</u>	<u>65,445,828</u>
<u>\$ 6,776,654</u>	<u>\$ 750,906</u>	<u>\$ 66,631,367</u>



PORTLAND DEVELOPMENT COMMISSION  
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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Fiscal Year Ended June 30, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 20,481	\$ -	\$ 20,481
Charges for services	-	179,095	179,095
Loan interest collections	-	195,071	195,071
Interest on investments	14,448	332,879	347,327
Miscellaneous	32,497	321,248	353,745
Tax-increment debt proceeds (in lieu of tax-increment revenue)	-	<u>21,760,713</u>	<u>21,760,713</u>
Total revenues	<u>67,426</u>	<u>22,789,006</u>	<u>22,856,432</u>
<b>EXPENDITURES</b>			
Current-			
Community development	537,431	7,994,464	8,531,895
Capital outlay	-	1,687,998	1,687,998
Financial assistance	<u>19</u>	<u>4,088,701</u>	<u>4,088,720</u>
Total expenditures	<u>537,450</u>	<u>13,771,163</u>	<u>14,308,613</u>
Excess (deficiency) of revenues over expenditures	<u>(470,024)</u>	<u>9,017,843</u>	<u>8,547,819</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	50,000	-	50,000
Net change in fund balances	(420,024)	9,017,843	8,597,819
<b>FUND BALANCES (deficit) - July 1, 2008</b>	<u>768,740</u>	<u>56,427,985</u>	<u>57,196,725</u>
<b>FUND BALANCES (deficit) - June 30, 2009</b>	<u>\$ 348,716</u>	<u>\$ 65,445,828</u>	<u>\$ 65,794,544</u>

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For The Fiscal Year Ended June 30, 2009

	Other Federal Grants Fund	Ambassador Program Fund	Enterprise Zone Fund	Total
<b>REVENUES</b>				
Intergovernmental revenues	\$ 20,481	\$ -	\$ -	\$ 20,481
Interest on investments	22	4,985	9,441	14,448
Miscellaneous	-	21,617	10,880	32,497
Total revenues	<u>20,503</u>	<u>26,602</u>	<u>20,321</u>	<u>67,426</u>
<b>EXPENDITURES</b>				
Current-				
Community development	20,172	380,540	136,719	537,431
Financial assistance	-	-	19	19
Total expenditures	<u>20,172</u>	<u>380,540</u>	<u>136,738</u>	<u>537,450</u>
Excess (deficiency) of revenues over expenditures	<u>331</u>	<u>(353,938)</u>	<u>(116,417)</u>	<u>(470,024)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	50,000	50,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net change in fund balances	331	(353,938)	(66,417)	(420,024)
<b>FUND BALANCES - July 1, 2008</b>	<u>5,604</u>	<u>387,313</u>	<u>375,823</u>	<u>768,740</u>
<b>FUND BALANCES - June 30, 2009</b>	<u>\$ 5,935</u>	<u>\$ 33,375</u>	<u>\$ 309,406</u>	<u>\$ 348,716</u>

PORTLAND DEVELOPMENT COMMISSION  
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OTHER FEDERAL GRANTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues-				
Federal grants	\$ 100,000	\$ 94,397	\$ 20,481	\$ (73,916)
Interest on investments	-	-	22	22
Total revenues	100,000	94,397	20,503	(73,894)
<b>EXPENDITURES</b>				
Current:				
Community development:				
Infrastructure	100,000	100,000	20,172	79,828
Total community development	100,000	100,000	20,172	79,828
Total expenditures	100,000	100,000	20,172	79,828
Excess (deficiency) of revenues over expenditures	-	(5,603)	331	5,934
<b>OTHER FINANCING USES</b>				
Transfers in-				
Enterprise Loans Fund	-	-	16,000	16,000
Total transfers in	-	-	16,000	16,000
Transfers out:				
Total other financing uses	-	-	16,000	16,000
Net change in fund balance	-	(5,603)	16,331	21,934
<b>FUND BALANCE - July 1, 2008</b>	-	5,603	5,604	1
<b>FUND BALANCE - June 30, 2009</b>	\$ -	\$ -	21,935	\$ 21,935
<b>Adjustments to generally accepted accounting principles basis-</b>				
Interfund advances			(16,000)	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			\$ 5,935	

PORTLAND DEVELOPMENT COMMISSION  
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AMBASSADOR PROGRAM FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ 651	\$ 4,985	\$ 4,334
Miscellaneous:				
Reimbursements	-	28,000	18,000	(10,000)
Private grants and donations	-	1,092	1,092	-
Other	-	25	2,525	2,500
Total revenues	-	29,768	26,602	(3,166)
<b>EXPENDITURES</b>				
Current:				
Community development:				
Business and industry	-	417,082	380,540	36,542
Total community development	-	417,082	380,540	36,542
Total expenditures	-	417,082	380,540	36,542
Excess (deficiency) of revenues over expenditures	-	(387,314)	(353,938)	33,376
Net change in fund balance	-	(387,314)	(353,938)	33,376
<b>FUND BALANCE - July 1, 2008</b>	-	387,314	387,313	(1)
<b>FUND BALANCE - June 30, 2009</b>	\$ -	\$ -	\$ 33,375	\$ 33,375



PORTLAND DEVELOPMENT COMMISSION  
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ENTERPRISE ZONE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 9,441	\$ 9,441
Miscellaneous:				
Other	42,000	42,000	10,880	(31,120)
Total revenues	42,000	42,000	20,321	(21,679)
<b>EXPENDITURES</b>				
Current:				
Community development:				
Business and industry	160,846	463,418	136,719	326,699
Total community development	160,846	463,418	136,719	326,699
Contingency	455,505	-	-	-
Total expenditures	616,351	463,418	136,719	326,699
Excess (deficiency) of revenues over expenditures	(574,351)	(421,418)	(116,398)	305,020
<b>OTHER FINANCING USES</b>				
Transfers in:				
Housing and Community Development Contract Fund	50,000	50,000	50,000	-
Total transfers in	50,000	50,000	50,000	-
Transfers out:				
Total other financing uses	50,000	50,000	50,000	-
Net change in fund balance	(524,351)	(371,418)	(66,398)	305,020
<b>FUND BALANCE - July 1, 2008</b>	524,351	371,418	371,421	3
<b>FUND BALANCE - June 30, 2009</b>	\$ -	\$ -	305,023	\$ 305,023
<b>Adjustments to generally accepted accounting principles basis-</b>				
Loans receivable, net			4,383	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			\$ 309,406	

PORTLAND DEVELOPMENT COMMISSION  
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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 For The Fiscal Year Ended June 30, 2009

	<b>Airport Way Urban Renewal Fund</b>	<b>Central Eastside Urban Renewal Fund</b>	<b>Lents Town Center Urban Renewal fund</b>
<b>REVENUES</b>			
Charges for services	\$ 2,464	\$ 79,400	\$ 95,399
Loan interest collections	39,558	70,731	78,736
Interest on investments	123,019	78,826	75,836
Miscellaneous	5,953	45,141	270,154
Tax-increment debt proceeds (in lieu of tax increment revenue)	-	3,997,625	12,534,663
Total revenues	<u>170,994</u>	<u>4,271,723</u>	<u>13,054,788</u>
<b>EXPENDITURES</b>			
Current-			
Community development	796,211	2,112,880	3,765,022
Capital outlay	212,036	120,635	1,316,277
Financial assistance	57,185	377,467	3,389,372
Total expenditures	<u>1,065,432</u>	<u>2,610,982</u>	<u>8,470,671</u>
Excess (deficiency) of revenues over expenditures	<u>(894,438)</u>	<u>1,660,741</u>	<u>4,584,117</u>
Net change in fund balances	(894,438)	1,660,741	4,584,117
<b>FUND BALANCES - July 1, 2008</b>	<u>24,224,162</u>	<u>18,653,950</u>	<u>9,765,267</u>
<b>FUND BALANCES - June 30, 2009</b>	<u>\$ 23,329,724</u>	<u>\$ 20,314,691</u>	<u>\$ 14,349,384</u>

<b>Gateway Regional Center Urban Renewal Fund</b>	<b>Willamette Industrial Urban Renewal Fund</b>	<b>Total</b>
\$ 1,832	\$ -	\$ 179,095
6,046	-	195,071
46,013	9,185	332,879
-	-	321,248
<u>4,554,425</u>	<u>674,000</u>	<u>21,760,713</u>
<u>4,608,316</u>	<u>683,185</u>	<u>22,789,006</u>
1,107,968	212,383	7,994,464
12,117	26,933	1,687,998
<u>264,677</u>	<u>-</u>	<u>4,088,701</u>
<u>1,384,762</u>	<u>239,316</u>	<u>13,771,163</u>
<u>3,223,554</u>	<u>443,869</u>	<u>9,017,843</u>
3,223,554	443,869	9,017,843
<u>3,479,229</u>	<u>305,377</u>	<u>56,427,985</u>
<u>\$ 6,702,783</u>	<u>\$ 749,246</u>	<u>\$ 65,445,828</u>

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

DOWNTOWN WATREFRONT URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 3,792	\$ 3,792
Rental income	-	425,000	370,326	(54,674)
Loan Collections:				
Principal	2,900,000	350,000	474,480	124,480
Interest	350,000	350,000	414,000	64,000
Interest on investments	279,607	479,607	629,270	149,663
Miscellaneous:				
Reimbursements	-	3,280,258	2,875,119	(405,139)
Sale of real property	425,000	-	425,000	425,000
Other	-	-	32,460	32,460
Tax-increment debt proceeds (in lieu of tax-increment revenue)	-	570,000	575,000	5,000
<b>Total revenues</b>	<b>3,954,607</b>	<b>5,454,865</b>	<b>5,799,447</b>	<b>344,582</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	4,308,670	4,682,990	4,378,962	304,028
Business and industry	1,104,091	1,343,066	631,253	711,813
Revitalization	4,382,318	3,756,119	3,497,566	258,553
Infrastructure	11,141,955	13,632,066	14,561,781	(929,715)
Administration	50,000	50,000	34,726	15,274
Total community development	<u>20,987,034</u>	<u>23,464,241</u>	<u>23,104,288</u>	<u>359,953</u>
Contingency	6,315,531	13,154,549	-	13,154,549
<b>Total expenditures</b>	<b>27,302,565</b>	<b>36,618,790</b>	<b>23,104,288</b>	<b>13,514,502</b>
Excess (deficiency) of revenues over expenditures	<u>(23,347,958)</u>	<u>(31,163,925)</u>	<u>(17,304,841)</u>	<u>13,859,084</u>
<b>OTHER FINANCING USES</b>				
Transfers in:				
General Fund	1,643,986	1,643,986	1,643,986	-
<b>Total transfers in</b>	<u>1,643,986</u>	<u>1,643,986</u>	<u>1,643,986</u>	<u>-</u>
Transfers out-				
General Fund	(80,000)	(80,000)	(80,000)	-
<b>Total transfers out</b>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
<b>Total other financing uses</b>	<u>1,563,986</u>	<u>1,563,986</u>	<u>1,563,986</u>	<u>-</u>
Net change in fund balance	(21,783,972)	(29,599,939)	(15,740,855)	13,859,084
<b>FUND BALANCE - July 1, 2008</b>	<u>21,783,972</u>	<u>29,599,939</u>	<u>29,599,940</u>	<u>1</u>
<b>FUND EQUITY - June 30, 2009</b>	\$ <u>-</u>	\$ <u>-</u>	13,859,085	\$ <u>13,859,085</u>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			13,404,818	
Other receivable			404,762	
Property held for sale			<u>11,937,757</u>	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<u>\$ 39,606,422</u>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

NORTH MACADAM URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal grants	1,538,820	-	-	-
Charges for services:				
Rental income	-	-	114,451	114,451
Contractual service charges	290,402	290,402	290,402	-
Loan Collections:				
Principal	1,959,928	-	96,169	96,169
Interest	-	-	32,713	32,713
Interest on investments	50,000	50,000	72,634	22,634
Miscellaneous:				
Reimbursements	-	449,650	449,650	-
Sale of real property	5,000,000	-	-	-
Tax-increment debt proceeds (in lieu of tax-increment revenue)	18,085,835	11,341,882	7,751,123	(3,590,759)
<b>Total revenues</b>	<b>26,924,985</b>	<b>12,131,934</b>	<b>8,807,142</b>	<b>(3,324,792)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	10,627,017	4,720,487	878,658	3,841,829
Business and industry	1,753,406	1,961,057	870,599	1,090,458
Revitalization	666,391	626,426	512,905	113,521
Infrastructure	9,516,538	6,651,851	3,512,755	3,139,096
Administration	15,834	15,834	12,284	3,550
Total community development	22,579,186	13,975,655	5,787,201	8,188,454
Debt service:				
Principal	5,000,000	-	-	-
Total debt service	5,000,000	-	-	-
Contingency	574,360	604,912	-	604,912
<b>Total expenditures</b>	<b>28,153,546</b>	<b>14,580,567</b>	<b>5,787,201</b>	<b>8,793,366</b>
Excess (deficiency) of revenues over expenditures	(1,228,561)	(2,448,633)	3,019,941	5,468,574
Net change in fund balance	(1,228,561)	(2,448,633)	3,019,941	5,468,574
<b>FUND BALANCE - July 1, 2008</b>	<b>1,228,561</b>	<b>2,448,633</b>	<b>2,448,633</b>	<b>-</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,468,574</b>	<b>\$ 5,468,574</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			3,179,252	
Property held for sale			13,366,977	
Due to City of Portland			(4,250,000)	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<b>\$ 17,764,803</b>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

RIVER DISTRICT URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 4,146	\$ 4,146
Rental income	200,000	200,000	224,894	24,894
Loan Collections:				
Principal	2,290,000	290,000	3,295,559	3,005,559
Interest	335,000	335,000	785,714	450,714
Interest on investments	50,000	320,000	433,384	113,384
Miscellaneous:				
Reimbursements	1,025,000	1,452,500	650,061	(802,439)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	41,205,465	18,944,960	18,935,528	(9,432)
<b>Total revenues</b>	<b>45,105,465</b>	<b>21,542,460</b>	<b>24,329,286</b>	<b>2,786,826</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	18,663,062	5,534,505	4,661,734	872,771
Business and industry	1,700,409	1,695,956	992,320	703,636
Revitalization	14,278,782	5,855,613	6,478,845	(623,232)
Infrastructure	10,686,147	5,413,645	4,093,821	1,319,824
Administration	50,000	50,000	49,622	378
Total community development	45,378,400	18,549,719	16,276,342	2,273,377
Contingency	10,277,571	19,872,035	-	19,872,035
<b>Total expenditures</b>	<b>55,655,971</b>	<b>38,421,754</b>	<b>16,276,342</b>	<b>22,145,412</b>
Excess (deficiency) of revenues over expenditures	(10,550,506)	(16,879,294)	8,052,944	24,932,238
Net change in fund balance	(10,550,506)	(16,879,294)	8,052,944	24,932,238
<b>FUND BALANCE - July 1, 2008</b>	<b>10,550,506</b>	<b>16,879,294</b>	<b>16,879,293</b>	<b>(1)</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>24,932,237</b>	<b>\$ 24,932,237</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			18,550,586	
Property held for sale			20,308,864	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<b>\$ 63,791,687</b>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

SOUTH PARK BLOCKS URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 1,309	\$ 1,309
Rental income	-	-	78,795	78,795
Loan Collections:				
Principal	350,000	50,000	222,652	172,652
Interest	350,000	350,000	137,666	(212,334)
Interest on investments	500,000	850,000	989,599	139,599
Miscellaneous:				
Reimbursements	-	-	71,980	71,980
Sale of real property	2,000,000	2,000,000	-	(2,000,000)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	34,320,000	35,676,691	35,676,691	-
<b>Total revenues</b>	<b>37,520,000</b>	<b>38,926,691</b>	<b>37,178,692</b>	<b>(1,747,999)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	11,599,831	10,263,669	6,213,459	4,050,210
Business and industry	1,429,821	1,165,472	657,207	508,265
Revitalization	5,674,528	4,377,468	3,890,593	486,875
Infrastructure	3,238,602	2,164,029	1,766,930	397,099
Administration	100,000	100,000	34,696	65,304
Total community development	22,042,782	18,070,638	12,562,885	5,507,753
Contingency	15,477,218	25,609,779	-	25,609,779
<b>Total expenditures</b>	<b>37,520,000</b>	<b>43,680,417</b>	<b>12,562,885</b>	<b>31,117,532</b>
Excess (deficiency) of revenues over expenditures	-	(4,753,726)	24,615,807	29,369,533
Net change in fund balance	-	(4,753,726)	24,615,807	29,369,533
<b>FUND BALANCE - July 1, 2008</b>	<b>-</b>	<b>4,753,726</b>	<b>4,753,726</b>	<b>-</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>29,369,533</b>	<b>\$ 29,369,533</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			5,082,294	
Property held for sale			8,200,366	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<b>\$ 42,652,193</b>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CONVENTION CENTER URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ 2,500	\$ 4,613	\$ 2,113
Rental income	130,000	150,000	183,068	33,068
Loan Collections:				
Principal	97,616	97,616	75,253	(22,363)
Interest	97,616	153,616	87,448	(66,168)
Interest on investments	25,000	125,000	197,464	72,464
Miscellaneous:				
Reimbursements	70,000	70,000	15,370	(54,630)
Sale of real property	2,900,000	900,000	897,177	(2,823)
Other	-	-	211,886	211,886
Tax-increment debt proceeds (in lieu of tax-increment revenue)	13,857,619	7,392,600	3,498,250	(3,894,350)
<b>Total revenues</b>	<b>17,177,851</b>	<b>8,891,332</b>	<b>5,170,529</b>	<b>(3,720,803)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	4,562,559	3,717,453	1,490,544	2,226,909
Business and industry	2,389,594	2,057,747	1,064,446	993,301
Revitalization	8,307,787	7,861,665	4,856,917	3,004,748
Infrastructure	2,362,600	2,485,880	2,030,202	455,678
Administration	24,717	24,717	21,931	2,786
Total community development	17,647,257	16,147,462	9,464,040	6,683,422
Contingency	829,457	765,155	-	765,155
<b>Total expenditures</b>	<b>18,476,714</b>	<b>16,912,617</b>	<b>9,464,040</b>	<b>7,448,577</b>
Excess (deficiency) of revenues over expenditures	(1,298,863)	(8,021,285)	(4,293,511)	3,727,774
<b>OTHER FINANCING USES</b>				
Transfers in:				
General Fund	642,259	642,259	604,002	(38,257)
<b>Total transfers in</b>	<b>642,259</b>	<b>642,259</b>	<b>604,002</b>	<b>(38,257)</b>
<b>Total other financing uses</b>	<b>642,259</b>	<b>642,259</b>	<b>604,002</b>	<b>(38,257)</b>
Net change in fund balance	(656,604)	(7,379,026)	(3,689,509)	3,689,517
<b>FUND BALANCE - July 1, 2008</b>	<b>656,604</b>	<b>7,379,026</b>	<b>7,379,025</b>	<b>(1)</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,689,516</b>	<b>\$ 3,689,516</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			7,962,513	
Property held for sale			21,191,372	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<b>\$ 32,843,401</b>	



PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

INTERSTATE CORRIDOR URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 22,967	\$ 22,967
Rental income	-	-	881	881
Loan Collections:				
Principal	710,120	710,120	263,945	(446,175)
Interest	60,120	60,120	77,036	16,916
Interest on investments	40,000	40,000	52,712	12,712
Miscellaneous:				
Reimbursements	-	45,000	348	(44,652)
Sale of real property	1,120,000	-	258,572	258,572
Other	-	-	17,000	17,000
Tax-increment debt proceeds (in lieu of tax-increment revenue)	27,841,566	19,591,368	17,057,268	(2,534,100)
<b>Total revenues</b>	<b>29,771,806</b>	<b>20,446,608</b>	<b>17,750,729</b>	<b>(2,695,879)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	17,266,486	12,065,378	11,421,295	644,083
Business and industry	2,258,697	1,434,116	1,080,070	354,046
Revitalization	2,158,324	2,202,535	1,466,413	736,122
Infrastructure	7,036,835	4,767,606	3,426,200	1,341,406
Administration	18,537	18,537	12,372	6,165
Total community development	28,738,879	20,488,172	17,406,350	3,081,822
Contingency	918,839	857,635	-	857,635
<b>Total expenditures</b>	<b>29,657,718</b>	<b>21,345,807</b>	<b>17,406,350</b>	<b>3,939,457</b>
Excess (deficiency) of revenues over expenditures	114,088	(899,199)	344,379	1,243,578
<b>OTHER FINANCING USES</b>				
Transfers out-				
Convention Center Urban Renewal Fund	(642,259)	(642,259)	(604,002)	38,257
<b>Total transfers out</b>	<b>(642,259)</b>	<b>(642,259)</b>	<b>(604,002)</b>	<b>38,257</b>
<b>Total other financing uses</b>	<b>(642,259)</b>	<b>(642,259)</b>	<b>(604,002)</b>	<b>38,257</b>
Net change in fund balance	(528,171)	(1,541,458)	(259,623)	1,281,835
<b>FUND BALANCE - July 1, 2008</b>	<b>528,171</b>	<b>1,541,458</b>	<b>1,541,457</b>	<b>(1)</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,281,834</b>	<b>\$ 1,281,834</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			3,369,031	
Property held for sale			3,819,717	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<b>\$ 8,470,582</b>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

AIRPORT WAY URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 975	\$ 975
Rental income	-	-	1,489	1,489
Loan Collections:				
Principal	16,956	16,956	38,494	21,538
Interest	16,956	16,956	39,558	22,602
Interest on investments	100,000	100,000	123,019	23,019
Miscellaneous:				
Reimbursements	5,000	5,000	5,953	953
Sale of real property	3,000,000	3,000,000	-	(3,000,000)
Total revenues	<u>3,138,912</u>	<u>3,138,912</u>	<u>209,488</u>	<u>(2,929,424)</u>
<b>EXPENDITURES</b>				
Current:				
Business and industry	2,773,031	1,654,363	775,795	878,568
Revitalization	576,903	405,300	349,820	55,480
Administration	3,000	3,000	2,996	4
Total community development	<u>3,352,934</u>	<u>2,062,663</u>	<u>1,128,611</u>	<u>934,052</u>
Contingency	<u>1,717,196</u>	<u>6,005,856</u>	<u>-</u>	<u>6,005,856</u>
Total expenditures	<u>5,070,130</u>	<u>8,068,519</u>	<u>1,128,611</u>	<u>6,939,908</u>
Excess (deficiency) of revenues over expenditures	<u>(1,931,218)</u>	<u>(4,929,607)</u>	<u>(919,123)</u>	<u>4,010,484</u>
Net change in fund balance	(1,931,218)	(4,929,607)	(919,123)	4,010,484
<b>FUND BALANCE - July 1, 2008</b>	<u>1,931,218</u>	<u>4,929,607</u>	<u>4,929,605</u>	<u>(2)</u>
<b>FUND BALANCE - June 30, 2009</b>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	4,010,482	\$ <u><u>4,010,482</u></u>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			736,613	
Property held for sale			<u>18,582,629</u>	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			\$ <u><u>23,329,724</u></u>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CENTRAL EASTSIDE URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 4,796	\$ 4,796
Rental income	-	-	74,604	74,604
Loan Collections:				
Principal	67,827	67,827	150,414	82,587
Interest	70,813	70,813	70,731	(82)
Interest on investments	-	50,000	78,826	28,826
Miscellaneous:				
Reimbursements	-	-	121	121
Sale of real property	-	-	36,600	36,600
Other	-	-	8,420	8,420
Tax-increment debt proceeds (in lieu of tax-increment revenue)	8,754,838	4,302,693	3,997,625	(305,068)
<b>Total revenues</b>	<b>8,893,478</b>	<b>4,491,333</b>	<b>4,422,137</b>	<b>(69,196)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	2,849,221	2,884,519	471,516	2,413,003
Business and industry	2,233,689	2,134,756	1,205,196	929,560
Revitalization	2,474,177	2,092,692	1,487,805	604,887
Infrastructure	951,831	345,202	183,534	161,668
Administration	9,655	9,655	6,262	3,393
Total community development	8,518,573	7,466,824	3,354,313	4,112,511
Contingency	515,749	-	-	-
<b>Total expenditures</b>	<b>9,034,322</b>	<b>7,466,824</b>	<b>3,354,313</b>	<b>4,112,511</b>
Excess (deficiency) of revenues over expenditures	(140,844)	(2,975,491)	1,067,824	4,043,315
Net change in fund balance	(140,844)	(2,975,491)	1,067,824	4,043,315
<b>FUND BALANCE - July 1, 2008</b>	<b>140,844</b>	<b>2,975,491</b>	<b>2,975,493</b>	<b>2</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,043,317</b>	<b>\$ 4,043,317</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			2,334,161	
Property held for sale			13,937,213	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<b>\$ 20,314,691</b>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

LENTS TOWN CENTER URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 23,119	\$ 23,119
Rental income	-	-	72,280	72,280
Loan Collections:				
Principal	-	105,311	241,238	135,927
Interest	16,471	16,471	78,736	62,265
Interest on investments	250,000	250,000	75,836	(174,164)
Miscellaneous:				
Reimbursements	-	-	154	154
Sale of real property	-	270,000	270,000	-
Tax-increment debt proceeds (in lieu of tax-increment revenue)	20,354,666	12,335,086	12,534,663	199,577
<b>Total revenues</b>	<b>20,621,137</b>	<b>12,976,868</b>	<b>13,296,026</b>	<b>319,158</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	13,043,292	8,682,989	7,702,785	980,204
Business and industry	1,678,097	902,846	297,949	604,897
Revitalization	3,541,571	3,462,074	2,994,285	467,789
Infrastructure	2,309,452	1,990,496	1,518,643	471,853
Administration	10,000	10,000	6,590	3,410
Total community development	20,582,412	15,048,405	12,520,252	2,528,153
Contingency	369,365	147,120	-	147,120
<b>Total expenditures</b>	<b>20,951,777</b>	<b>15,195,525</b>	<b>12,520,252</b>	<b>2,675,273</b>
Excess (deficiency) of revenues over expenditures	(330,640)	(2,218,657)	775,774	2,994,431
Net change in fund balance	(330,640)	(2,218,657)	775,774	2,994,431
<b>FUND BALANCE - July 1, 2008</b>	<b>330,640</b>	<b>2,218,657</b>	<b>2,218,659</b>	<b>2</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,994,433</b>	<b>\$ 2,994,433</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			4,029,747	
Property held for sale			7,325,204	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			<b>\$ 14,349,384</b>	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

GATEWAY REGIONAL CENTER URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 1,832	\$ 1,832
Loan Collections:				
Principal	-	-	5,113	5,113
Interest	15,000	15,000	6,046	(8,954)
Interest on investments	5,000	5,000	46,013	41,013
Tax-increment debt proceeds (in lieu of tax-increment revenue)	4,612,601	4,064,017	4,554,425	490,408
Total revenues	4,632,601	4,084,017	4,613,429	529,412
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	2,385,969	825,551	284,931	540,620
Business and industry	422,819	425,018	312,396	112,622
Revitalization	797,640	467,738	332,902	134,836
Infrastructure	1,316,747	2,846,493	2,834,063	12,430
Administration	9,655	9,655	6,262	3,393
Total community development	4,932,830	4,574,455	3,770,554	803,901
Contingency	197,628	1,334,232	-	1,334,232
Total expenditures	5,130,458	5,908,687	3,770,554	2,138,133
Excess (deficiency) of revenues over expenditures	(497,857)	(1,824,670)	842,875	2,667,545
Net change in fund balance	(497,857)	(1,824,670)	842,875	2,667,545
<b>FUND BALANCE - July 1, 2008</b>	497,857	1,824,670	1,824,669	(1)
<b>FUND EQUITY - June 30, 2009</b>	\$ -	\$ -	2,667,544	\$ 2,667,544
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			228,147	
Property held for sale			3,807,092	
<b>FUND BALANCE - June 30, 2009 (GAAP BASIS)</b>			\$ 6,702,783	

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

WILLAMETTE INDUSTRIAL URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 3,620	\$ 3,620	\$ 9,185	\$ 5,565
Tax-increment debt proceeds (in lieu of tax-increment revenue)	390,483	624,375	674,000	49,625
Total revenues	394,103	627,995	683,185	55,190
<b>EXPENDITURES</b>				
Current:				
Business and industry	168,814	63,858	52,277	11,581
Revitalization	257,237	257,288	183,988	73,300
Administration	4,705	4,705	3,051	1,654
Total community development	430,756	325,851	239,316	86,535
Contingency	115,213	607,519	-	607,519
Total expenditures	545,969	933,370	239,316	694,054
Excess (deficiency) of revenues over expenditures	(151,866)	(305,375)	443,869	749,244
Net change in fund balance	(151,866)	(305,375)	443,869	749,244
<b>FUND BALANCE - July 1, 2008</b>	151,866	305,375	305,377	2
<b>FUND EQUITY - June 30, 2009</b>	\$ -	\$ -	\$ 749,246	\$ 749,246

## PROPRIETARY FUNDS

### ENTERPRISE FUNDS

Enterprise funds are used to report an activity for which a fee is charged to external users for goods or services.

PDC has two Enterprise type funds.

*Enterprise Loans Fund* - this fund accounts for the various loan programs which are not required to be accounted for in another fund.

*Private Lender Program-Bank of America  
Housing Investment  
Program Reserve  
Housing and Urban Development Rental Rehabilitation  
Neighborhood Housing Loans  
Economic Development Administration Revolving Loans  
Economic Development Administration Industrial Sites Loans  
Business Assistance Loan Fund  
N/NE Business Assistance  
Workforce Training/Hiring*

Combining Schedules are presented by loan program. These include a Combining Schedule of Net Assets and a Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets.

*Enterprise Management Fund* - provides for the activity related to the operations and management of PDC properties or City of Portland properties PDC has contracted to manage outside of Urban Renewal Areas. Currently, this fund includes the operating revenues and expenses of the Headwaters Apartments.

### INTERNAL SERVICE FUND

Internal service funds are used to report any activity that provides services to other funds on a cost reimbursement basis.

*Risk Management Fund* – this fund was established to set aside resources that would be used to meet insurance policy deductibles, if necessary.





PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

ENTERPRISE LOANS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS)  
For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Actual GAAP to Actual Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final				
<b>REVENUES</b>						
Intergovernmental revenue:						
Housing and Community						
Development contract	\$ -	\$ -	\$ 39,065	\$ -	\$ 39,065	\$ 39,065
Housing Preservation line of credit	8,000,000	8,000,000	6,801,725	-	6,801,725	(1,198,275)
Charges for services-						
Application fees and charges	120,000	120,000	273,420	-	273,420	153,420
Loan Collections:						
Principal	8,950,000	11,025,000	-	11,233,635	11,233,635	208,635
Interest	1,240,123	1,402,810	1,047,460	-	1,047,460	(355,350)
Interest on investments	-	-	94,438	-	94,438	94,438
Miscellaneous:						
Reimbursements	1,709,000	1,759,000	80,046	-	80,046	(1,678,954)
Other	-	-	1,345,041	(1,345,041)	-	-
<b>Total revenues</b>	<b>20,019,123</b>	<b>22,306,810</b>	<b>9,681,195</b>	<b>9,888,594</b>	<b>19,569,789</b>	<b>(2,737,021)</b>
<b>EXPENDITURES</b>						
Current:						
Community development:						
Housing	19,082,852	21,586,012	8,223,168	8,568,232	16,791,400	4,794,612
Business and industry	2,900,000	1,934,718	872,237	377,398	1,249,635	685,083
Administration	-	47,571	5,371	-	5,371	42,200
Total community development	<u>21,982,852</u>	<u>23,568,301</u>	<u>9,100,776</u>	<u>8,945,630</u>	<u>18,046,406</u>	<u>5,521,895</u>
Debt service:						
Principal	400,000	900,000	-	192,079	192,079	707,921
Interest	200,000	200,000	91,591	8,008	99,599	100,401
Total debt service	<u>600,000</u>	<u>1,100,000</u>	<u>91,591</u>	<u>200,087</u>	<u>291,678</u>	<u>808,322</u>
Contingency	2,051,272	3,473,904	-	-	-	3,473,904
<b>Total expenditures</b>	<b>24,634,124</b>	<b>28,142,205</b>	<b>9,192,367</b>	<b>9,145,717</b>	<b>18,338,084</b>	<b>9,804,121</b>
Excess (deficiency) of revenues over expenditures	<u>(4,615,001)</u>	<u>(5,835,395)</u>	<u>488,828</u>	<u>742,877</u>	<u>1,231,705</u>	<u>7,067,100</u>
Transfers in:						
Housing and Community						
Development Contract Fund	1,090,000	1,948,331	8,639,000	1,030,000	9,669,000	7,720,669
Home Grant Fund	-	-	9,468,000	802,000	10,270,000	10,270,000
<b>Total transfers in</b>	<b>1,090,000</b>	<b>1,948,331</b>	<b>18,107,000</b>	<b>1,832,000</b>	<b>19,939,000</b>	<b>17,990,669</b>
Transfers out:						
Housing and Community						
Development Contract Fund	-	-	(8,639,000)	(465,000)	(9,104,000)	(9,104,000)
HOME Grant Fund	-	-	(9,468,000)	(690,000)	(10,158,000)	(10,158,000)
Other Federal Grants Fund	-	-	-	(16,000)	(16,000)	(16,000)
<b>Total transfers out</b>	<b>-</b>	<b>-</b>	<b>(18,107,000)</b>	<b>(1,171,000)</b>	<b>(19,278,000)</b>	<b>(19,278,000)</b>
<b>Total transfers</b>	<b>1,090,000</b>	<b>1,948,331</b>	<b>-</b>	<b>661,000</b>	<b>661,000</b>	<b>(1,287,331)</b>
Net change in fund balance	(3,525,001)	(3,887,064)	488,828	1,403,877	1,892,705	5,779,769
<b>FUND EQUITY - July 1, 2008</b>	<b>3,525,001</b>	<b>3,887,064</b>	<b>16,195,223</b>	<b>(12,372,047)</b>	<b>3,823,176</b>	<b>(63,888)</b>
<b>FUND EQUITY - June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,684,051</b>	<b>\$ (10,968,170)</b>	<b>\$ 5,715,881</b>	<b>\$ 5,715,881</b>

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

COMBINING SCHEDULE OF NET ASSETS  
 FOR COMPONENTS OF THE ENTERPRISE LOANS FUND  
 June 30, 2009

	<u>Private Lender Program Bank of America</u>	<u>Housing Investment</u>	<u>Program Reserve</u>	<u>Housing and Urban Development Rental Rehabilitation</u>	<u>Neighborhood Housing Loans</u>
<b>ASSETS</b>					
Current assets:					
Cash with City of Portland investment pool	\$ 989,070	\$ 1,450,388	\$ 875,204	\$ 119,006	\$ 107,500
Receivables:					
Due from City of Portland	-	39,065	-	-	-
Accounts	-	63,000	-	-	168,937
Due from other funds	-	-	1,171,000	-	-
Loans, net	-	1,399,738	-	30,456	110,384
Interest	5,903	-	10,086	852	2,314
Total current assets	994,973	2,952,191	2,056,290	150,314	389,135
Noncurrent assets:					
Restricted cash-					
City of Portland investment pool	-	-	-	-	200,000
Cash with fiscal agent	-	-	-	-	-
Loans receivable, net	4,930,292	4,826,106	294,760	737,274	-
Total noncurrent assets	4,930,292	4,826,106	294,760	737,274	200,000
Total assets	5,925,265	7,778,297	2,351,050	887,588	589,135
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	-	39,874	-	-	1,708
Accrued interest payable	1,345	-	-	-	-
Private Lender Program notes payable	207,300	-	-	-	-
Due to City of Portland	-	60,418	-	-	168,937
Due to other funds	4,804,937	-	-	-	-
Total current liabilities	5,013,582	100,292	-	-	170,645
Private Lender Program notes payable	1,031,421	-	-	-	-
Total noncurrent liabilities	1,031,421	-	-	-	-
Total liabilities	6,045,003	100,292	-	-	170,645
<b>Net Assets-</b>					
Unrestricted (deficit)	\$ (119,738)	\$ 7,678,005	\$ 2,351,050	\$ 887,588	\$ 418,490

<u>Economic Development Administration Revolving Loans</u>	<u>Economic Development Administration Industrial Sites Loans</u>	<u>Business Assistance Loan Fund</u>	<u>N/NE Business Assistance</u>	<u>Workforce Training/ Hiring</u>	<u>Total Enterprise Loans Fund</u>
\$ 323,531	\$ 151,006	\$ 530,052	\$ 687,052	\$ 50,893	\$ 5,283,702
-	-	-	-	-	39,065
-	-	-	-	-	231,937
-	-	-	-	-	1,171,000
167,459	317,760	114,623	81,573	-	2,221,993
2,304	1,862	4,177	5,203	405	33,106
<u>493,294</u>	<u>470,628</u>	<u>648,852</u>	<u>773,828</u>	<u>51,298</u>	<u>8,980,803</u>
-	-	-	-	-	200,000
-	173,595	-	-	-	173,595
<u>426,450</u>	<u>532,546</u>	<u>1,000,524</u>	<u>897,641</u>	<u>-</u>	<u>13,645,593</u>
<u>426,450</u>	<u>706,141</u>	<u>1,000,524</u>	<u>897,641</u>	<u>-</u>	<u>14,019,188</u>
<u>919,744</u>	<u>1,176,769</u>	<u>1,649,376</u>	<u>1,671,469</u>	<u>51,298</u>	<u>22,999,991</u>
-	-	-	-	-	41,582
-	-	-	-	-	1,345
-	-	-	-	-	207,300
-	-	-	-	-	229,355
-	-	-	-	-	4,804,937
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,284,519</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,031,421</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,031,421</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,315,940</u>
<u>\$ 919,744</u>	<u>\$ 1,176,769</u>	<u>\$ 1,649,376</u>	<u>\$ 1,671,469</u>	<u>\$ 51,298</u>	<u>\$ 16,684,051</u>

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR COMPONENTS OF THE ENTERPRISE LOANS FUND  
For the Fiscal Year Ended June 30, 2009

	Private Lender Program Bank of America	Housing Investment	Program Reserve	Housing and Urban Development Rental Rehabilitation	Neighborhood Housing Loans
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 1,549	\$ 131,482	\$ -	\$ -	\$ 121,712
Interest on loans	260,477	495,588	5,107	39,897	59,469
Miscellaneous revenues	81,590	763,906	13,638	28,568	26,429
Intergovernmental revenues	-	39,065	-	-	-
Notes payable draws	-	-	-	-	6,801,725
Total operating revenues	<u>343,616</u>	<u>1,430,041</u>	<u>18,745</u>	<u>68,465</u>	<u>7,009,335</u>
<b>OPERATING EXPENSES:</b>					
Personal services	-	238,223	-	-	14,638
Professional services	-	169,694	-	-	983
Loan document costs	-	11,186	-	-	24,078
Financial assistance	-	24,013	-	-	7,279,600
Loan loss provision	-	-	-	-	-
Internal service reimbursements	-	211,974	-	-	-
Miscellaneous expenses	-	225,727	2,065	-	23,051
Total operating expenses	<u>-</u>	<u>880,817</u>	<u>2,065</u>	<u>-</u>	<u>7,342,350</u>
Operating income (loss)	<u>343,616</u>	<u>549,224</u>	<u>16,680</u>	<u>68,465</u>	<u>(333,015)</u>
<b>NON-OPERATING REVENUES (EXPENSE):</b>					
Interest on investment	15,307	-	-	-	-
Gain on sale of property held for sale	-	9,912	17,894	2,221	-
Interest expense	(99,599)	-	-	-	8,008
Total non-operating revenues (expense)	<u>(84,292)</u>	<u>9,912</u>	<u>17,894</u>	<u>2,221</u>	<u>8,008</u>
Income (loss) before transfers	<u>259,324</u>	<u>559,136</u>	<u>34,574</u>	<u>70,686</u>	<u>(325,007)</u>
<b>TRANSFERS</b>					
Transfers in	830,000	1,690,000	12,450,000	70,000	-
Transfers out	(830,000)	(1,690,000)	(12,450,000)	(70,000)	-
Change in net assets	<u>259,324</u>	<u>559,136</u>	<u>34,574</u>	<u>70,686</u>	<u>(325,007)</u>
<b>NET ASSETS (DEFICIT) - July 1, 2008</b>	<u>(379,062)</u>	<u>7,118,869</u>	<u>2,316,476</u>	<u>816,902</u>	<u>743,497</u>
<b>NET ASSETS (DEFICIT) - June 30, 2009</b>	<u>\$ (119,738)</u>	<u>\$ 7,678,005</u>	<u>2,351,050</u>	<u>\$ 887,588</u>	<u>\$ 418,490</u>

<b>Economic Development Administration Revolving Loans</b>	<b>Economic Development Administration Industrial Sites Loans</b>	<b>Business Assistance Loan Fund</b>	<b>N/NE Business Assistance</b>	<b>Workforce Training/ Hiring</b>	<b>Total Enterprise Loans Fund</b>
\$ 4,369	\$ 6,722	\$ 2,304	\$ 5,282	\$ -	\$ 273,420
29,920	53,427	55,322	48,253	-	1,047,460
1,154	122	370,828	133,154	5,698	1,425,087
-	-	-	-	-	39,065
-	-	-	-	-	6,801,725
<u>35,443</u>	<u>60,271</u>	<u>428,454</u>	<u>186,689</u>	<u>5,698</u>	<u>9,586,757</u>
3,384	2,861	-	-	-	259,106
-	-	21,371	472	3,306	195,826
-	-	3,628	-	-	38,892
-	-	350,421	127,879	-	7,781,913
-	71,340	-	-	-	71,340
58,059	60,510	102,039	66,080	-	498,662
815	1,702	1,577	100	-	255,037
<u>62,258</u>	<u>136,413</u>	<u>479,036</u>	<u>194,531</u>	<u>3,306</u>	<u>9,100,776</u>
<u>(26,815)</u>	<u>(76,142)</u>	<u>(50,582)</u>	<u>(7,842)</u>	<u>2,392</u>	<u>485,981</u>
10,023	10,843	13,607	13,296	1,335	64,411
-	-	-	-	-	30,027
-	-	-	-	-	(91,591)
<u>10,023</u>	<u>10,843</u>	<u>13,607</u>	<u>13,296</u>	<u>1,335</u>	<u>2,847</u>
<u>(16,792)</u>	<u>(65,299)</u>	<u>(36,975)</u>	<u>5,454</u>	<u>3,727</u>	<u>488,828</u>
-	-	595,000	2,472,000	-	18,107,000
-	-	(595,000)	(2,472,000)	-	(18,107,000)
(16,792)	(65,299)	(36,975)	5,454	3,727	488,828
<u>936,536</u>	<u>1,242,068</u>	<u>1,686,351</u>	<u>1,666,015</u>	<u>47,571</u>	<u>16,195,223</u>
<u>\$ 919,744</u>	<u>\$ 1,176,769</u>	<u>\$ 1,649,376</u>	<u>\$ 1,671,469</u>	<u>\$ 51,298</u>	<u>\$ 16,684,051</u>

**PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**ENTERPRISE MANAGEMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 (NON-GAAP BUDGETARY BASIS)  
 For The Fiscal Year Ended June 30, 2009**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-
	Original	Final		
<b>REVENUES</b>				
Charges for services-				
Rental income	\$ 1,230,508	\$ 1,230,508	\$ 897,717	\$ (332,791)
Interest on investments	-	-	9,928	9,928
Total revenues	<u>1,230,508</u>	<u>1,230,508</u>	<u>907,645</u>	<u>(322,863)</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Housing	<u>1,063,670</u>	<u>1,177,823</u>	<u>743,986</u>	<u>433,837</u>
Total community development	<u>1,063,670</u>	<u>1,177,823</u>	<u>743,986</u>	<u>433,837</u>
Contingency	<u>229,838</u>	<u>229,838</u>	<u>-</u>	<u>229,838</u>
Total expenditures	<u>1,293,508</u>	<u>1,407,661</u>	<u>743,986</u>	<u>663,675</u>
Excess (deficiency) of revenues over expenditures	<u>(63,000)</u>	<u>(177,153)</u>	<u>163,659</u>	<u>340,812</u>
Transfers out:				
Housing and Community	<u>(37,000)</u>	<u>(37,000)</u>	<u>(37,000)</u>	<u>-</u>
Total transfers out	<u>(37,000)</u>	<u>(37,000)</u>	<u>(37,000)</u>	<u>-</u>
Total transfers	<u>(37,000)</u>	<u>(37,000)</u>	<u>(37,000)</u>	<u>-</u>
Net change in fund balance	(100,000)	(214,153)	126,659	340,812
<b>FUND EQUITY - July 1, 2008</b>	<u>100,000</u>	<u>214,153</u>	<u>214,153</u>	<u>-</u>
<b>FUND EQUITY - June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,812</u>	<u>\$ 340,812</u>

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

RISK MANAGEMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 (NON-GAAP BUDGETARY BASIS)  
 For The Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest on investments	-	-	10,934	10,934
Total revenues	-	-	10,934	10,934
<b>EXPENDITURES</b>				
Current:				
Administration	-	150,000	71,132	78,868
Total community development	-	150,000	71,132	78,868
Contingency	400,000	264,068	-	264,068
Total expenditures	400,000	414,068	71,132	342,936
Excess (deficiency) of revenues over expenditures	(400,000)	(414,068)	(60,198)	353,870
Net change in fund balance	(400,000)	(414,068)	(60,198)	353,870
<b>FUND BALANCE - July 1, 2008</b>	400,000	414,068	414,068	-
<b>FUND BALANCE - June 30, 2009</b>	\$ -	\$ -	353,870	\$ 353,870

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Assets:</b>				
Cash with City of Portland investment pool	\$ 72,140	\$ 1,137,883	\$ 1,139,376	\$ 70,647
Interest receivable	<u>370</u>	<u>9,895</u>	<u>9,644</u>	<u>621</u>
Total assets	<u>\$ 72,510</u>	<u>\$ 1,147,778</u>	<u>\$ 1,149,020</u>	<u>\$ 71,268</u>
<b>Liabilities -</b>				
Accounts payable	<u>\$ 72,510</u>	<u>\$ 1,113,713</u>	<u>\$ 1,114,955</u>	<u>\$ 71,268</u>



**CAPITAL ASSETS  
USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

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**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY SOURCE  
June 30, 2009**

Governmental funds capital assets:

Land	\$	8,439,349
Buildings and improvements		2,707,441
Leasehold improvements		3,716,402
Furniture, vehicles and equipment		2,837,027
Accumulated depreciation		<u>(5,295,364)</u>
Total governmental funds capital assets	\$	<u><u>12,404,855</u></u>

Investment in governmental funds capital assets by source:

General Fund	\$	2,843,542
Special Revenue Funds		384,233
Capital Projects Funds		14,472,444
Accumulated depreciation		<u>(5,295,364)</u>
Total governmental funds capital assets	\$	<u><u>12,404,855</u></u>

This schedule presents only the capital asset balances related to governmental funds.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
 June 30, 2009

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Leasehold Improvements</u>	<u>Furniture, Vehicles and Equipment</u>	<u>Total</u>
<b>Community development</b>					
Revitalization	\$ 8,439,349	\$ 2,707,441	\$ -	\$ -	\$ 11,146,790
Administration	-	-	3,716,402	2,837,027	6,553,429
Total Community development	8,439,349	2,707,441	3,716,402	2,837,027	17,700,219
Less: Accumulated depreciation	-	(1,137,123)	(2,439,806)	(1,718,435)	(5,295,364)
<b>Total governmental funds capital assets</b>	<b>\$ 8,439,349</b>	<b>\$ 1,570,318</b>	<b>\$ 1,276,596</b>	<b>\$ 1,118,592</b>	<b>\$ 12,404,855</b>

This schedule presents only the capital asset balances related to governmental funds.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 For the Fiscal Year Ended June 30, 2009

<u>Program</u>	<u>Governmental Funds Capital Assets July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2009</u>
<b>Community development:</b>				
Revitalization	\$ 11,146,260	\$ 530	\$ -	\$ 11,146,790
Adminstration	<u>5,729,529</u>	<u>900,820</u>	<u>(76,920)</u>	<u>6,553,429</u>
Total Community development	16,875,789	901,350	(76,920)	17,700,219
Less: Accumulated depreciation	<u>(4,516,914)</u>	<u>(845,960)</u>	<u>67,510</u>	<u>(5,295,364)</u>
<b>Total governmental funds capital assets</b>	<b>\$ <u><u>12,358,875</u></u></b>	<b>\$ <u><u>55,390</u></u></b>	<b>\$ <u><u>(9,410)</u></u></b>	<b>\$ <u><u>12,404,855</u></u></b>

This schedule presents only the capital asset balances related to governmental funds.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

SCHEDULE OF ACTIVITY OF REAL PROPERTY  
HELD BY THE COMMISSION  
For The Fiscal Year Ended June 30, 2009

Funding Source	Balance July 1, 2008	Additions	Sales/ Adjustment	Balance June 30, 2009
<b>General Fund (Urban Redevelopment Fund):</b>				
* 9330 SE Harold St-Boys & Girls Club-LTC	\$ 46,754	\$ -	\$ -	\$ 46,754
* Woodstock & Foster Rd-Dagel Site-LTC	100,000	-	-	100,000
South Auditorium Park Block C	2	-	-	2
Block J-1720 SW Front	2	-	-	2
Upshur- Willamette Heights Lot 7 & 8	6,501	-	-	6,501
Block 103-SW Montgomery Street	1	-	-	1
Block 101-1510 SW Harbor Way	1	-	-	1
Block 111-Market/Clay/Front	1	-	-	1
Tom McCall Waterfront Park Lots	7	-	-	7
<b>Total</b>	<u>153,269</u>	<u>-</u>	<u>-</u>	<u>153,269</u>
<b>Housing and Community Development Fund:</b>				
2600 N Williams Ave-Quad Site	182,833	-	-	182,833
2650 NW Upshur St-Upshur House	201,400	-	-	201,400
* 5815 SE 92nd-Lents Plaza Mcgalliard Site	251,456	-	-	251,456
<b>Total</b>	<u>635,689</u>	<u>-</u>	<u>-</u>	<u>635,689</u>
<b>Downtown Waterfront Urban Renewal Fund:</b>				
* 421-438 NW 3rd Ave-Dirty Duck Site	505,943	20,899	-	526,842
Union Station Parcels	10,749,102	530	-	10,749,632
* 820-838 SW 3rd Ave-Cossette Site	1,761,290	-	-	1,761,290
* Broadway Hoyt/Glisan/6th-Block R	72,283	-	-	72,283
* NW Naito Parkway	3,000	-	-	3,000
* 800 NW 6th Ave Parking Site-Block Y	487,039	-	-	487,039
* Broadway/Hoyt/Irving/6th-Block U	45,737	679,534	-	725,271
* 209 SW Oak St-Abandoned Jail	1,730,179	-	-	1,730,179
* 88 NW Couch St-Block 8	2,203,417	19,529	-	2,222,946
* NW Davis BLK 8	4,351,568	57,338	-	4,408,906
<b>Total</b>	<u>21,909,558</u>	<u>777,831</u>	<u>-</u>	<u>22,687,389</u>
<b>North Macadam Urban Renewal Fund:</b>				
* 3508 SW Moody-Public Storage	8,057,192	-	(8,057,192)	-
* 3516-3604 SW Macadam AirRights	1,941,736	-	(529,540)	1,412,196
** 3516-3604 SW Macadam-Parking Garage Block 33	3,000,000	-	-	3,000,000
* South Waterfront Development Sites	3,716,621	5,527	-	3,722,148
* Old Spaghetti Factory-Blk 49	5,232,633	-	-	5,232,633
<b>Total</b>	<u>21,948,182</u>	<u>5,527</u>	<u>(8,586,732)</u>	<u>13,366,977</u>
<b>River District Urban Renewal Fund:</b>				
* 1362 NW Naito Prkwy-Centennial Mill	7,689,813	-	-	7,689,813
* NW Naito Parkway	172,189	2,372	-	174,561
* Station Place Garage	9,267,881	9,845	-	9,277,726
** Postal Site	2,007,153	108,297	-	2,115,450
* NW 9th Avenue Parcel	-	1	-	1
* 9th & Lovejoy-Station Place	1,046,667	4,646	-	1,051,313
<b>Total</b>	<u>20,183,703</u>	<u>125,161</u>	<u>-</u>	<u>20,308,864</u>
<b>Airport Way Urban Renewal Fund:</b>				
* Holman St Site	5,000	-	-	5,000
* NE 185th Riverside Parkway-Spada	4,172,103	-	-	4,172,103
* Cascade Station-Lease Rights	14,177,218	-	(186,542)	13,990,676
* 12824 NE Airport Way-Danner South	192,850	-	-	192,850
* 12810 NE Airport Way-Danner North	81,500	-	-	81,500
* 13328 NE Airport Way-Damonte	140,500	-	-	140,500
<b>Total</b>	<u>18,769,171</u>	<u>-</u>	<u>(186,542)</u>	<u>18,582,629</u>
<b>South Park Blocks Urban Renewal Fund:</b>				
* 1101-1139 SW Jefferson St-Jefferson West Apts	2,676,438	242,305	-	2,918,743
* 1103-1121 SW Stark St-Fairfield Hotel	1,475,000	-	-	1,475,000
* 5th & SW Montgomery St-PSU Carpool Lot	2,700,000	-	-	2,700,000
* 401 SW Harrison St-Jasmine Tree	1,106,623	-	-	1,106,623
<b>Total</b>	<u>7,958,061</u>	<u>242,305</u>	<u>-</u>	<u>8,200,366</u>
<b>Convention Center Urban Renewal Fund:</b>				
* 5001 NE MLK Blvd-Living Color Site	815,321	-	-	815,321
* 831-834 NE MLK Blvd-Sizzler Site	2,586,941	-	-	2,586,941
* 5125-5131 NE MLK Blvd-Wirf Sites	933,183	-	-	933,183
* 3739 NE MLK Blvd & 3 Lots-Robinson Site	374,892	-	(374,892)	-
* 1st/Multnomah /2nd/Holladay Sts-Block 49	1,747,754	-	-	1,747,754
* NE Hol/MLK Blvd-Christie-Block 47	455,843	-	-	455,843
* 5029 NW MLK Blvd-Walnut Park Theater	362,582	-	-	362,582
* 3701 NE MLK Blvd-Banks Site	141,030	-	(141,030)	-
* 6431-6435 NE MLK Blvd-Eagle Summit Site	635,740	-	-	635,740
* 420 Holladay St-Inn @ Convention Center	5,493,803	-	-	5,493,803
* NE Grand Ave-Block 45 Cascadian Lots	1,424,731	-	-	1,424,731
* 84 NE Weidler St-B & K Site	876,128	-	-	876,128
* 1306 NE 2nd Ave-King Crusher Site	383,920	-	-	383,920
* 6445 NE MLK Blvd-Ashbrook Bakery Site	116,920	-	-	116,920
* 3368 NE MLK Blvd-Grant Site	345,060	-	-	345,060
* 910 NE MLK-Menashe Site	4,547,284	-	-	4,547,284
* 427 NE Cook-McCann Site	290,000	-	-	290,000
* NE Cook/MLK-Lenske Site	176,162	-	-	176,162
<b>Total</b>	<u>21,707,294</u>	<u>-</u>	<u>(515,922)</u>	<u>21,191,372</u>

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

SCHEDULE OF ACTIVITY OF REAL PROPERTY  
 HELD BY THE COMMISSION  
 For The Fiscal Year Ended June 30, 2009

Funding Source	Balance July 1, 2008	Additions	Sales/ Adjustment	Balance June 30, 2009
<b>Central Eastside Urban Renewal Fund:</b>				
* 318 NE Couch St-Fischels Site	527,403	7,122	-	534,525
* 313 E Burnside St-Recovery Inn-Block 76	561,405	5,017	-	566,422
* 1401 SE Water Ave-OMSI Crescent Site	450,000	-	-	450,000
* 240 NE MLK Blvd	152,397	-	-	152,397
* 5-13 NE 3rd Ave-Block 67	317,093	5,527	(9,892)	312,728
* 11 NE MLK Blvd-Unocal Site	565,051	9,899	-	574,950
* 111 NE MLK Blvd-Block 75	1,278,234	24,365	-	1,302,599
* 123 NE 3rd Ave-Convention Center Plaza	9,746,345	323,955	(26,708)	10,043,592
<b>Total</b>	<u>13,597,928</u>	<u>375,885</u>	<u>(36,600)</u>	<u>13,937,213</u>
<b>Lents Town Center Urban Renewal Fund:</b>				
* 5728 SE 91St & 5808 SE 91St-Rssn Ch & Hse	687,398	-	-	687,398
* 9117-9123 SE Foster Rd	116,300	-	-	116,300
* 9231 SE Foster Rd.	-	1,251,166	-	1,251,166
* 9330 SE Harold St-Boys and Girls Club	1,096,175	45,829	-	1,142,004
* 9316 SE Woodstock Blvd-Glendville	123,278	-	-	123,278
* 6116 SE 93rd-Davis Property	103,975	-	-	103,975
* 122nd & Pardee	168,721	-	(168,721)	-
* 5916 SE 91st Ave	770,267	-	-	770,267
* 6936 SE 91st Ave	-	180,874	-	180,874
* 5933 SE 92nd Ave Lot #3-#5	1,044,292	31,727	-	1,076,019
* 8730 SE Rural Street	-	185,882	-	185,882
* 8732 SE Rural Street	-	185,901	-	185,901
* 6801 SE 86th Avenue	-	205,934	-	205,934
* 6111 SE 86th Avenue	-	180,874	-	180,874
* 6719 SE 86th Avenue	-	185,896	-	185,896
* 6325 SE 86th Avenue	-	180,874	-	180,874
* 6317 SE 89th Avenue	-	180,879	-	180,879
* 6109 SE 90th Avenue	-	185,882	-	185,882
* 10105 SE Pardee	-	180,884	-	180,884
* 8037 SE Duke Street	-	200,916	-	200,916
<b>Total</b>	<u>4,110,406</u>	<u>3,383,518</u>	<u>(168,721)</u>	<u>7,325,203</u>
<b>Interstate Corridor Urban Renewal Fund:</b>				
* Marco Bldg	500,000	-	-	500,000
4500 N Albina	6,410	-	-	6,410
* 5136 NE Garfield St-Hayne Site	314,747	-	(314,747)	-
* 5116 NE Garfield St-Reiss Site	304,110	-	-	304,110
* 9020 N. Chautauqua Ave	-	257,452	-	257,452
* 8920 N. Drummond Ave	-	181,290	-	181,290
* 8606 N. Curtis Ave	-	190,809	-	190,809
* 3309 N. Halleck Street	-	181,375	-	181,375
* 3325 N. Halleck St	-	190,809	-	190,809
* 3220 N. Hunt St	-	190,809	-	190,809
* 3107 N. Houghton	-	190,895	-	190,895
* 3702 N. Arlington Place	-	200,416	-	200,416
* 3101 N. Arlinton Place	-	181,375	-	181,375
* Killingsworth Station	1,250,377	-	-	1,250,377
<b>Total</b>	<u>2,375,644</u>	<u>1,765,230</u>	<u>(314,747)</u>	<u>3,826,127</u>
<b>Gateway Regional Center Urban Renewal Fund:</b>				
* 10225 NE Burnside St-Childrens Receiving Ctr	683,828	-	-	683,828
* 9707 NE Multnomah Blvd-Gateway Transit Ctr	848,094	-	-	848,094
* 10520 NE Halsey St.	-	1,091,124	-	1,091,124
* 10506-10512 NE Halsey St.	-	1,184,046	-	1,184,046
<b>Total</b>	<u>1,531,922</u>	<u>2,275,170</u>	<u>-</u>	<u>3,807,092</u>
<b>Total all funds</b>	134,880,827	\$ 8,950,627	\$ (9,809,264)	134,022,190
<b>Add:</b> Furniture and equipment	2,016,835			2,837,027
Leasehold improvements	3,712,694			3,716,402
<b>Less:</b> Property held for sale	(123,734,567)			(122,875,400)
Accumulated depreciation-NHFS	(4,516,914)			(5,295,364)
<b>Total Capital Assets</b>	<u>\$ 12,358,875</u>			<u>\$ 12,404,855</u>

\* Represents property held for sale.  
 \*\* Represents work in process.

## STATISTICAL SECTION

This part of PDC's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required information says about the Commission's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	105
<i>These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.</i>	
Revenue Capacity	109
<i>These schedules contain information to help the reader assess the Commission's most significant local revenue source, tax increment debt proceeds (in lieu of tax increment revenue).</i>	
Debt Capacity	113
<i>These schedules present information to help the reader assess the affordability of the Commission's current levels of understanding debt and its ability to issue additional debt in the future.</i>	
Demographics and Economic Information	115
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.</i>	
Operating Information	128
<i>These schedules contain service data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. PDC implemented GASB Statement 34 in FY2001-2002; schedules presenting government-wide information included information beginning in that year.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON  
  
NET ASSETS BY COMPONENT  
Last Eight Fiscal Years  
(Unaudited)

	Fiscal Year							
	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
	(as restated)	(as restated)					(as restated)	
Governmental activities								
Invested in capital assets, net of related debt	\$ 12,379,903	\$ 12,078,534	\$ 13,181,711	\$ 13,864,073	\$ 13,188,653	\$ 12,715,642	\$ 12,358,875	\$ 12,404,855
Restricted	198,391,518	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258	237,479,876	262,020,868
Unrestricted	5,070,488	3,385,457	2,966,770	3,314,382	3,389,413	2,660,789	3,283,081	4,943,550
Total governmental activities net assets	<u>215,841,909</u>	<u>239,053,042</u>	<u>223,940,823</u>	<u>194,315,320</u>	<u>213,766,356</u>	<u>230,295,689</u>	<u>253,121,832</u>	<u>279,369,273</u>
Business-type activities								
Unrestricted	<u>22,632,982</u>	<u>13,946,370</u>	<u>14,492,189</u>	<u>12,551,778</u>	<u>14,508,369</u>	<u>14,668,980</u>	<u>16,409,376</u>	<u>17,024,863</u>
Total government								
Invested in capital assets, net of related debt	12,379,903	12,078,534	13,181,711	13,864,073	13,188,653	12,715,642	12,358,875	12,404,855
Restricted	198,391,518	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258	237,479,876	262,020,868
Unrestricted	27,703,470	17,331,827	17,458,959	15,866,160	17,897,782	17,329,769	19,692,457	21,968,413
Total government net assets	<u>\$ 238,474,891</u>	<u>\$ 252,999,412</u>	<u>\$ 238,433,012</u>	<u>\$ 206,867,098</u>	<u>\$ 228,274,725</u>	<u>\$ 244,964,669</u>	<u>\$ 269,531,208</u>	<u>\$ 296,394,136</u>



PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CHANGES IN NET ASSETS  
Last Eight Fiscal Years  
(Unaudited)

	Fiscal Year							
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08 (as restated)	2008-09
<b>Expenses</b>								
Governmental activities:								
Community development	\$ 63,742,991	\$ 58,007,849	\$ 75,311,799	\$ 99,462,500	\$ 100,446,658	\$ 116,101,082	\$ 105,412,401	\$ 103,984,411
Business-type activities:								
Enterprise loans	12,038,900	10,510,950	866,407	5,010,245	1,239,307	2,322,045	8,105,250	9,936,363
Total expenses	75,781,891	68,518,799	76,178,206	104,472,745	101,686,965	118,423,127	113,517,651	113,920,764
<b>Program Revenues</b>								
Governmental activities:								
Charges for services	7,157,130	6,312,913	5,101,044	6,957,708	9,142,846	5,692,711	5,322,051	4,609,577
Operating grants and contributions	8,208,877	4,698,443	9,935,888	14,461,639	16,366,221	8,669,663	12,007,140	9,537,766
Total governmental activities program revenues	15,366,007	11,011,356	15,036,932	21,439,347	25,529,067	14,362,374	17,329,191	14,147,363
Business-type activities:								
Charges for services	2,851,313	2,101,629	1,350,925	2,999,021	2,676,027	2,037,570	3,211,791	3,643,684
Operating grants and contributions	4,907,367	-	1,350,925	2,999,021	2,676,027	138,814	6,365,519	6,840,790
Total business-type activities program revenues	7,758,680	2,101,629	2,701,850	5,998,042	5,352,054	2,176,384	9,577,310	10,484,474
Total revenues	23,124,687	13,112,985	16,387,857	24,438,388	28,205,094	16,538,758	26,906,501	24,631,837
Net (expense)/revenue:								
Governmental activities	(48,376,984)	(46,996,493)	(60,274,867)	(78,023,153)	(74,917,591)	(101,738,708)	(88,083,210)	(89,837,048)
Business-type activities	(4,280,220)	(8,409,321)	484,518	(2,011,224)	1,436,720	(145,661)	1,472,060	548,121
Total net expenses	(62,657,204)	(55,405,814)	(59,790,349)	(80,034,377)	(73,480,871)	(101,884,369)	(86,611,150)	(89,288,927)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Tax-increment debt proceeds								
(in lieu of tax-increment revenue)	35,346,282	64,390,903 <sup>(1)</sup>	36,906,756	43,671,683	82,974,088 <sup>(2)</sup>	91,878,764 <sup>(2)</sup>	105,929,455	105,254,573
Unrestricted investment income	4,935,427	2,441,664	1,473,943	2,009,751	2,890,426	3,491,587	2,489,775	2,872,087
Miscellaneous	3,186,101	2,941,489	6,768,486	2,707,265	8,911,725	8,458,224	2,627,865	7,920,829
Special item - Cascade Station lease rights	-	-	-	-	-	14,550,302	-	-
Transfers	536,035	433,570	13,463	8,951	(407,612)	(110,836)	(137,742)	37,000
Total governmental activities	44,003,845	70,207,626	45,162,648	48,397,650	94,363,627	118,268,041	110,909,353	116,084,489
Business-type activities:								
Unrestricted investment income	395,169	156,279	74,764	79,764	112,259	195,423	130,594	74,339
Miscellaneous	(536,035)	(433,570)	-	-	-	-	-	30,027
Transfers	(140,866)	(277,291)	(13,463)	(8,951)	407,612	110,836	137,742	(37,000)
Total business-type activities	43,862,979	69,930,335	45,223,949	48,468,463	519,871	306,259	268,336	67,366
Total	(4,373,139)	23,211,133	(15,112,219)	(29,625,503)	19,451,036	16,529,333	22,826,143	26,247,441
Business-type activities	(4,421,086)	(8,686,612)	545,819	(1,940,411)	1,956,591	160,598	1,740,396	615,487
Total	(8,794,225)	14,524,521	(14,566,400)	(31,565,914)	21,407,627	16,689,931	24,566,539	26,862,928

Note 1: Increase is due to bonds issued for River District urban renewal area.

Note 2: Increase is due to City of Portland Line of Credit reimbursements received for capital outlay.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 Last Eight Fiscal Years  
 (Unaudited)

	Fiscal Year							
	2001-02 (as restated)	2001-02 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund								
Reserved	\$ 3,064,071	\$ 3,129,527	\$ 2,707,267	\$ 2,452,654	\$ 1,444,428	\$ 476,064	\$ 466,175	\$ 569,765
Unreserved	1,755,571	-	-	701,254	1,471,055	1,788,615	2,789,504	4,391,564
Total general fund	<u>\$ 4,819,642</u>	<u>\$ 3,129,527</u>	<u>\$ 2,707,267</u>	<u>\$ 3,153,908</u>	<u>\$ 2,915,483</u>	<u>\$ 2,264,679</u>	<u>\$ 3,255,679</u>	<u>\$ 4,961,329</u>
All other governmental funds								
Reserved	\$ 99,129,827	\$ 129,823,503	\$ 125,008,341	\$ 113,678,934	\$ 127,770,229	\$ 165,555,407	\$ 174,306,280	\$ 181,763,497
Unreserved, reported in:								
Special revenue funds	1,349,852	1,360,203	935,674	1,048,085	734,202	928,313	747,264	371,923
Capital project funds	97,911,839	92,405,345	82,491,391	62,649,846	68,683,859	48,435,539	70,007,265	88,815,802
Total all other government funds	<u>\$ 198,391,518</u>	<u>\$ 223,589,051</u>	<u>\$ 208,435,406</u>	<u>\$ 177,376,865</u>	<u>\$ 197,188,290</u>	<u>\$ 214,919,259</u>	<u>\$ 245,060,809</u>	<u>\$ 270,951,222</u>

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Eight Fiscal Years  
(Unaudited)

	Fiscal Year							
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Revenues</b>								
Intergovernmental revenues	\$ 8,208,877	\$ 4,688,443	\$ 9,935,888	\$ 14,481,639	\$ 16,386,221	\$ 8,669,663	\$ 12,007,140	\$ 9,537,786
Charges for services	1,236,893	1,770,616	1,517,374	3,064,571	3,304,810	2,153,263	2,206,948	1,525,351
Loan collections	4,827,194	4,542,297	4,226,734	3,893,137	5,838,036	3,539,448	3,115,103	3,084,226
Interest on investments	4,934,581	2,436,580	1,470,370	2,004,595	2,881,904	3,468,091	2,471,816	2,861,153
PLPA receivable repayment	1,093,043	-	-	-	-	-	-	-
Miscellaneous	3,186,101	2,941,489	6,768,486	2,707,265	8,911,725	8,458,224	2,627,865	7,920,829
Tax-increment debt proceeds								
(in lieu of tax-increment revenue)	35,346,282	64,390,903 <sup>(1)</sup>	36,906,756	43,671,683	82,974,088 <sup>(2)</sup>	91,878,764 <sup>(2)</sup>	105,929,455	105,254,573
Total revenues	58,832,971	80,780,328	60,825,608	69,822,890	120,296,784	118,167,453	128,358,327	130,183,918
<b>Expenditures</b>								
Community development	22,428,569	24,143,208	26,242,691	32,096,129	29,618,462	63,600,425	38,092,378	37,508,986
Capital outlay	14,503,201	15,288,758	13,492,269	30,724,590	42,727,841	17,090,870	25,019,143	36,518,711
Financial assistance	26,805,541	18,274,514	36,677,660	37,608,692	27,663,186	34,835,459	33,887,263	28,597,158
Debt service -								
Interest	211,463	-	2,356	14,330	-	-	89,250	-
Total expenditures	63,948,774	57,706,480	76,414,976	100,443,741	100,009,489	115,526,754	97,088,034	102,624,855
Excess of revenues over (under) expenditures	(5,115,803)	23,073,848	(15,589,368)	(30,620,851)	20,287,295	2,640,699	31,270,293	27,559,063
<b>Other financing sources (uses)</b>								
Transfers in	1,655,541	727,944	491,511	804,960	3,971,121	1,937,319	4,581,453	19,923,389
Transfers out	(1,369,506)	(294,374)	(478,048)	(796,009)	(4,685,416)	(2,048,155)	(4,719,195)	(19,886,389)
Total other financing sources (uses)	286,035	433,570	13,463	8,951	(714,295)	(110,836)	(137,742)	37,000
Special Item - Cascade Station lease rights	-	-	-	-	-	14,550,302	-	-
Net change in fund balances	\$ (4,829,768)	\$ 23,507,418	\$ (15,575,905)	\$ (30,611,900)	\$ 19,573,000	\$ 17,080,165	\$ 31,132,551	\$ 27,596,063

Note 1: Increase is due to bonds issued for River District urban renewal area.  
Note 2: Increase is due to City of Portland Line of Credit reimbursements received for capital outlay.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

GENERAL GOVERNMENT REVENUES  
 For The Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	Inter-Governmental Revenues	Charges for Services	Loan Collections (Note 1)	Investment Income	Miscellaneous	Service Reimbursements	Tax-increment Debt Proceeds (in lieu of tax-increment revenue) (Note 2)	Total
1999-00	\$ 18,992,769	\$ 1,771,973	\$ 12,613,004	\$ 2,481,908	\$ 8,400,151	-	\$ 69,560,659	\$ 113,820,464
2000-01	19,240,258	1,298,583	13,862,275	7,697,840	8,345,574	-	151,330,444	201,774,974 (Note 3)
2001-02	13,116,244	2,196,655	15,662,655	5,313,639	6,649,451	-	35,346,282	78,284,926 (Note 4)
2002-03	5,328,175	2,236,099	14,430,643	2,597,430	6,923,527	11,305,170	64,390,903	107,211,947 (Note 5)
2003-04	13,423,445	1,629,205	14,728,499	1,547,852	16,865,270	14,617,997	36,906,756	99,719,024 (Note 6)
2004-05	15,614,350	3,128,250	13,857,498	2,088,352	4,769,740	22,238,125	43,671,683	105,367,998 (Note 7)
2005-06	16,386,221	3,470,247	25,053,209	2,993,474	5,006,640	23,126,825	82,974,088	159,010,704 (Note 8)
2006-07	8,808,477	2,471,383	14,432,249	3,678,696	8,088,537	26,533,745	91,878,764	155,891,851
2007-08	18,372,659	3,369,928	16,939,460	2,648,707	5,748,141	29,660,046	105,929,455	182,668,396 (Note 9)
2008-09	16,378,576	1,695,463	20,243,983	2,976,453	6,881,900	32,987,672	105,254,573	186,418,620

Source: Portland Development Commission records on a budgetary basis for all funds.

Note 1: Interest earned on loans is included in Loan Collections.

Note 2: Through fiscal year 1996-97, transfers from City of Portland Debt Service Funds are included in Miscellaneous. Beginning with fiscal year 1997-98, transfers from City of Portland Debt Service Funds are included in tax-increment Debt Proceeds (in lieu of tax increment revenue).

Note 3: During fiscal year 2000-01, bonds were issued for three urban renewal funds, Convention Center, South Park Blocks and the Waterfront Urban Renewal.

Note 4: The large decrease in tax-increment revenues is due to the Shilo Inn court decision.

Note 5: Increase is due to bonds issued for River District urban renewal area and for overhead charges budgeted as service reimbursements. In prior years, Service Reimbursements were budgeted as Interfund Transfers.

Note 6: Increase in Home and CDBG grant revenues and revenues received from the sale of property held for sale has increased the intergovernmental and miscellaneous revenues. No bonds were issued during the fiscal year, thereby the reduction of the tax-increment debt proceeds.

Note 7: Increase in Service Reimbursements is due to the change in methodology of Personal Services beginning Fiscal Year 2004-05. In prior years Personal Services were expended directly to individual funds.

Note 8: Increase in tax-increment Debt Proceeds is due to City of Portland Line of Credit reimbursements for Capital Outlay.

Note 9: Increase is due to bonds issued for Downtown Waterfront Urban Renewal Area.

**PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GENERAL GOVERNMENT EXPENDITURES  
 For The Last Ten Fiscal Years  
 (Unaudited)**

<u>Fiscal Year</u>	<u>Personal Services</u>	<u>Materials and Services</u>	<u>Capital Outlay</u>	<u>Financial Assistance</u>	<u>Debt Service</u>	<u>Total</u>
1999-00	\$ 7,639,298	\$ 12,084,027	\$ 45,407,103	\$ 35,051,017	\$ 3,222,059	\$ 103,403,504
2000-01	9,481,010	12,326,023	50,703,788	26,627,024	2,920,990	102,058,835
2001-02	11,358,989	11,939,244	46,780,248	39,675,273	2,895,684	112,649,438
2002-03	12,797,482	22,306,881 <sup>(1)</sup>	26,293,552	27,808,001	2,867,083	92,072,999
2003-04	15,089,965	25,926,709	37,335,990 <sup>(2)</sup>	43,957,311 <sup>(2)</sup>	2,738,977	125,048,952
2004-05	20,501,767	31,805,745	35,920,409	50,698,697	3,299,652	142,226,270
2005-06	22,373,756	27,902,737	61,417,936 <sup>(3)</sup>	51,208,537	1,522,868	164,425,834
2006-07	24,601,713	63,212,456 <sup>(4)</sup>	26,616,600	57,005,317	1,062,549	172,498,635
2007-08	27,904,908	40,464,287	40,139,330	49,894,489	2,868,011	161,271,025
2008-09	28,520,035	42,124,266	35,660,038	52,267,819	8,315,206	166,887,364

Source: Portland Development Commission records on a budgetary basis for all funds.

Note 1: In fiscal year 2002-03, due to a change in Budget presentation, Service Reimbursements are budgeted as Materials and Services. In prior years, they were budgeted as Interfund Transfers.

Note 2: Increase due to the acquisition of \$16.6 million in property held for sale in the River District Urban Renewal Area.

Note 3: Increase due to added infrastructure and transportation in the Gateway and Lents Urban Renewal Areas and the acquisition of the Headquarters Hotel property held for sale in the Convention Center Urban Renewal Area.

Note 4: Increase is due to added infrastructure and transportation for the Light Rail Expansion, Portland Aerial Tram, and the Portland Streetcar.

**PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**URBAN RENEWAL AREA CONSOLIDATED TAX RATES  
 For The Last Ten Fiscal Years  
 (Unaudited)**

Districts Common to All Areas							
Fiscal Year	Multnomah County	City of Portland	Port of Portland	Metro Svc.Dist.	Multnomah Co. ESD	City of Portland Urban Renewal	Subtotal
1999-00	\$5.2535	\$6.6979	\$0.0754	\$0.3284	\$0.4576	\$1.1482	\$13.9610
2000-01	5.3050	6.8957	0.0737	0.3401	0.4576	0.3769	13.4490
2001-02	5.2110	6.7161	0.0707	0.3239	0.4576	0.3842	13.1635
2002-03	5.1742	6.9663	0.0701	0.2835	0.4576	0.4151	13.3668
2003-04	5.2719	8.1893	0.0701	0.2900	0.4576	0.4039	14.6828
2004-05	5.2785	7.9791	0.0701	0.2838	0.4576	0.3897	14.4588
2005-06	5.3065	7.9181	0.0701	0.2841	0.4576	0.3754	14.4118
2006-07	5.2949	7.8128	0.0701	0.2782	0.4576	0.3588	14.2724
2007-08	5.4171	7.9024	0.0701	0.4289	0.4576	0.4250	14.7011
2008-09	5.3936	7.3924	0.0701	0.3984	0.4576	0.3235	14.0356

Tax rates are expressed in terms of dollars and cents per \$1,000 of assessed value. Multnomah County collects all property taxes and distributes the taxes collected to each taxing district at least monthly. No charges are made to the taxing districts for these services. The sequestered property taxes are recorded in the debt service funds of the City of Portland and are disclosed in the City's annual financial report.

Source: Multnomah County Tax Supervising and Conservation Commission Annual Reports.

<u>Portland School District</u>			<u>Parkrose School District</u>			<u>Reynolds School District</u>		
<u>SD #1</u>	<u>Portland</u>		<u>SD #3</u>	<u>Mt. Hood</u>		<u>SD #7</u>	<u>Mt. Hood</u>	
<u>Portland</u>	<u>Community</u>	<u>Total</u>	<u>Parkrose</u>	<u>Community</u>	<u>Total</u>	<u>Reynolds</u>	<u>College</u>	<u>Total</u>
	<u>College</u>			<u>College</u>				
\$6.3535	\$0.3601	\$20.6746	\$6.3629	\$0.5207	\$20.8446	\$5.3411	\$0.5207	\$19.8228
6.9959	0.3717	20.8166	6.2787	0.5173	20.2450	5.2896	0.5173	19.2559
6.9747	0.5511	20.6893	6.5084	0.5144	20.1863	6.3151	0.5144	19.9930
7.2206	0.4944	21.0818	6.5859	0.5164	20.4691	6.0246	0.5164	19.9078
7.1160	0.5118	22.3106	6.9056	0.5137	22.1021	6.0259	0.5137	21.2224
7.1792	0.5099	22.1479	6.6952	0.4981	21.6521	6.0431	0.4981	21.0000
4.7743	0.4950	19.6811	6.3294	0.4917	21.2329	6.0151	0.4917	20.9186
5.2781	0.4889	20.0394	6.2635	0.4917	21.0276	5.9497	0.4917	20.7138
6.5281	0.5051	21.7343	5.9247	0.4917	21.1175	5.8339	0.4917	21.0267
6.5281	0.5031	21.0668	5.8887	0.4917	20.4160	5.8147	0.4917	20.3420

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

URBAN RENEWAL AND REDEVELOPMENT BONDS  
 FUTURE BOND PRINCIPAL REQUIREMENTS  
 As Of June 30, 2009  
 (Unaudited)

Fiscal Year	Airport Way Urban Renewal Bonds	Convention Center Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds
	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B	Series A	Series A
2009-10	\$ 4,300,000	\$ 2,980,000	\$ 1,955,000	\$ 2,995,000	\$ 2,570,000	\$ 1,200,000	\$ 1,655,000
2010-11	3,320,000	3,205,000	2,095,000	3,215,000	2,655,000	1,235,000	1,715,000
2011-12	3,495,000	3,445,000	2,250,000	3,445,000	2,750,000	1,280,000	1,790,000
2012-13	3,700,000	3,710,000	2,415,000	3,695,000	2,855,000	1,325,000	1,870,000
2013-14	3,920,000	3,995,000	2,550,000	3,960,000	2,970,000	1,380,000	1,960,000
2014-15	4,155,000	4,230,000	2,695,000	4,185,000	3,090,000	1,435,000	2,050,000
2015-16	4,400,000	4,470,000	2,850,000	4,415,000	3,225,000	1,490,000	2,160,000
2016-17	4,665,000	4,725,000	3,015,000	4,665,000	3,385,000	1,550,000	2,275,000
2017-18	4,930,000	4,995,000	3,190,000	4,935,000	3,550,000	1,625,000	2,390,000
2018-19	5,215,000	5,280,000	3,370,000	5,215,000	3,725,000	1,710,000	2,520,000
2019-20	5,515,000	5,570,000	3,560,000	5,515,000	3,915,000	1,800,000	2,680,000
2020-21	-	-	-	-	4,110,000	1,890,000	5,415,000
2021-22	-	-	-	-	4,315,000	1,990,000	5,760,000
2022-23	-	-	-	-	4,520,000	2,095,000	6,120,000
2023-24	-	-	-	-	-	2,190,000	7,000,000
2024-25	-	-	-	-	-	2,295,000	-
2025-26	-	-	-	-	-	2,410,000	-
Total	<u>\$ 47,615,000</u>	<u>\$ 46,605,000</u>	<u>\$ 29,945,000</u>	<u>\$ 46,240,000</u>	<u>\$ 47,635,000</u>	<u>\$ 28,900,000</u>	<u>\$ 47,360,000</u>

Source: Amortization schedule for each bond.

Note 1: Bonds are debt of the City of Portland and are disclosed in the City's Comprehensive Annual Financial Report. This information is included in this report to assist the reader in determining future financing capacity.



PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

URBAN RENEWAL AND REDEVELOPMENT BONDS  
 FUTURE BOND INTEREST REQUIREMENTS  
 As Of June 30, 2009  
 (Unaudited)

Fiscal Year	Airport Way Urban Renewal Bonds	Convention Center Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds
	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B	Series A	Series A
2009-10	\$ 2,682,305	\$ 2,896,663	\$ 1,809,729	\$ 2,823,142	\$ 2,161,745	\$ 1,332,356	\$ 2,722,022
2010-11	2,512,545	2,673,163	1,669,164	2,605,705	2,075,650	1,296,356	2,660,456
2011-12	2,336,585	2,429,583	1,517,486	2,372,296	1,980,070	1,253,131	2,588,941
2012-13	2,129,225	2,166,041	1,353,461	2,122,189	1,875,570	1,208,331	2,508,927
2013-14	1,910,175	1,880,371	1,214,310	1,857,604	1,763,654	1,155,331	2,421,599
2014-15	1,676,375	1,647,008	1,069,310	1,636,298	1,644,260	1,100,131	2,324,382
2015-16	1,430,355	1,405,718	914,348	1,404,228	1,508,693	1,042,731	2,219,628
2016-17	1,166,355	1,149,705	751,073	1,152,515	1,349,845	983,131	2,107,091
2017-18	900,450	880,555	578,835	884,465	1,180,595	905,631	1,986,289
2018-19	616,975	595,250	395,410	603,188	1,006,200	824,381	1,858,185
2019-20	317,113	306,350	204,400	303,325	819,950	734,606	1,699,425
2020-21	-	-	-	-	624,200	640,106	1,530,585
2021-22	-	-	-	-	418,700	540,881	1,189,440
2022-23	-	-	-	-	212,100	436,406	826,560
2023-24	-	-	-	-	-	344,750	441,000
2024-25	-	-	-	-	-	235,250	-
2025-26	-	-	-	-	-	120,500	-
Total	<u>\$ 17,678,458</u>	<u>\$ 18,030,407</u>	<u>\$ 11,477,526</u>	<u>\$ 17,764,955</u>	<u>\$ 18,621,232</u>	<u>\$ 14,154,013</u>	<u>\$ 29,084,530</u>

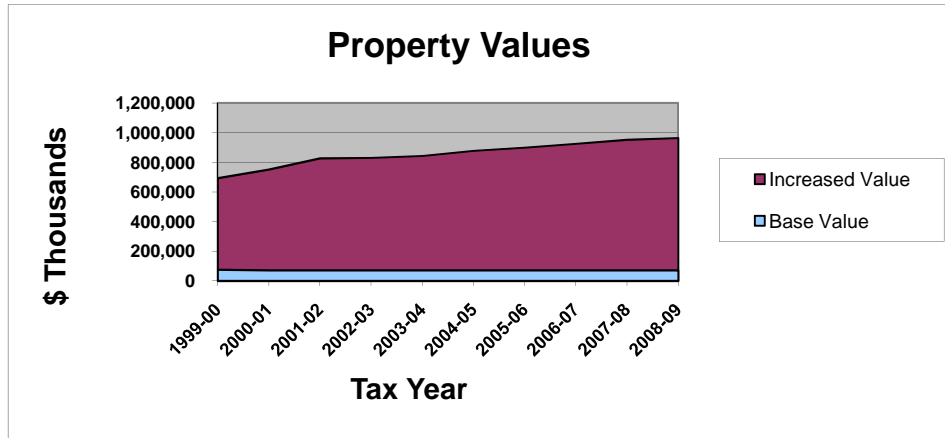
Source: Amortization schedule for each bond.

Note 1: Bonds are debt of the City of Portland and are disclosed in the City's Comprehensive Annual Financial Report. This information is included in this report to assist the reader in determining future financing capacity.



PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

DOWNTOWN WATERFRONT URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1999-00	\$ 19.76	\$ 74,836,564	\$ 618,433,581	\$ 7,401,521
2000-01	20.57	70,866,644	680,684,980	7,364,058
2001-02	20.61	70,866,644	755,937,736	7,323,468
2002-03	20.71	70,866,644	759,787,319	7,310,380
2003-04	21.92	70,866,644	772,959,655	7,128,198
2004-05	21.78	70,866,644	807,467,176	7,199,233
2005-06	19.33	70,866,644	828,313,148	7,322,396
2006-07	19.70	70,866,644	854,990,000	7,373,237
2007-08	21.30	70,866,644	881,338,267	7,315,259
2008-09	20.76	70,866,644	893,495,927	7,344,233

Source: Multnomah County Division of Assessment and Taxation

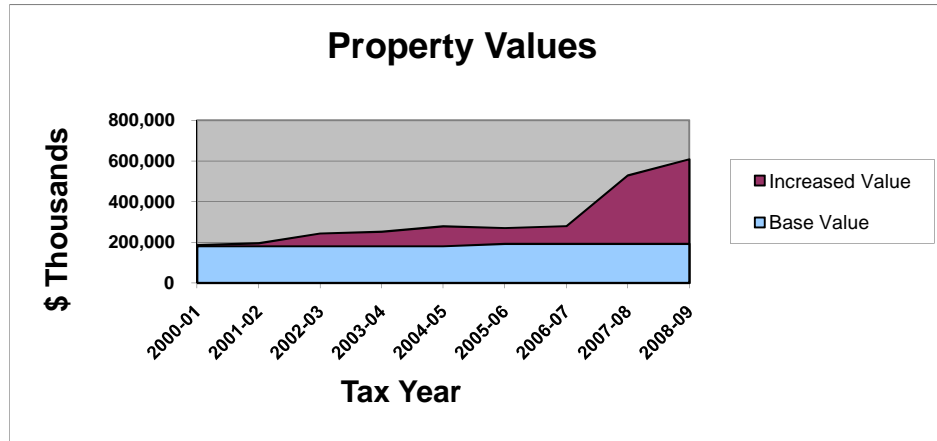
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	3,337	3,924	557,614	704,957
Per Capita Income	\$ 33,186	\$ 39,924	\$ 30,317	\$ 35,277
Total Housing Units	2,808	3,378	255,949	267,407
Owner Occupied Housing Units	594	737	137,536	139,659
Renter Occupied Housing Units	1,762	2,094	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

NORTH MACADAM URBAN RENEWAL FUND  
 PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
 For The Last Ten Fiscal Years Or Since Inception  
 (Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
2000-01	\$ 20.57	\$ 180,450,967	\$ 5,702,908	\$ 112,356
2001-02	20.75	180,450,967	15,450,023	302,150
2002-03	20.36	180,450,967	62,791,415	1,217,321
2003-04	21.53	180,450,967	71,592,763	1,432,961
2004-05	21.46	180,450,967	98,624,297	1,984,570
2005-06	18.94	192,609,397	77,592,382	1,403,366
2006-07	19.51	192,609,397	86,887,411	1,627,714
2007-08	21.35	192,609,397	336,699,090	6,862,754
2008-09	20.78	192,609,397	415,675,637	8,269,705

Source: Multnomah County Division of Assessment and Taxation

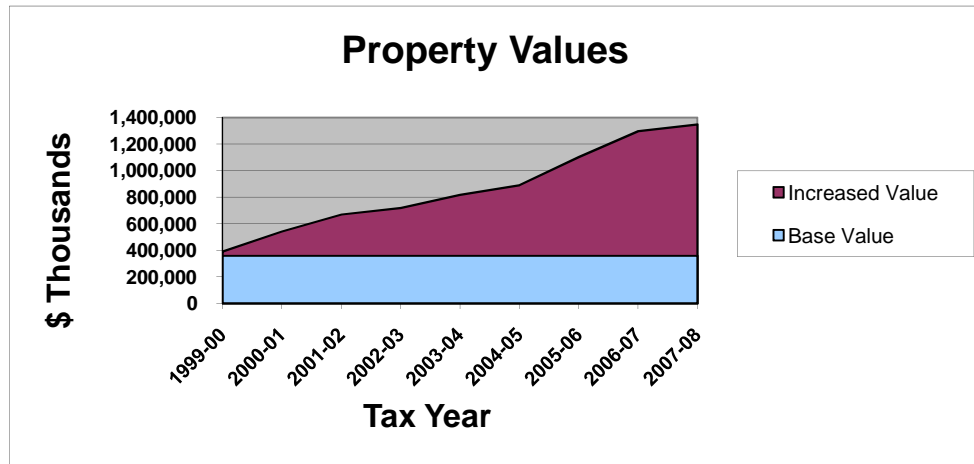
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	1,408	1,473	557,614	704,957
Per Capita Income	\$ 71,605	\$ 87,134	\$ 30,317	\$ 35,277
Total Housing Units	1,181	1,253	255,949	267,407
Owner Occupied Housing Units	330	344	137,536	139,659
Renter Occupied Housing Units	626	655	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

RIVER DISTRICT URBAN RENEWAL FUND  
 PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
 For The Last Ten Fiscal Years Or Since Inception  
 (Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1999-00	\$ 18.97	\$ 358,684,364	\$ 32,844,475	\$ 623,147
2000-01	18.95	358,684,364	183,247,735	3,471,735
2001-02	18.77	358,684,364	311,352,811	5,842,751
2002-03	19.71	358,684,364	360,419,813	7,103,606
2003-04	20.36	358,684,364	460,215,910	9,369,834
2004-05	20.45	358,684,364	532,780,808	10,893,010
2005-06	18.50	358,684,364	744,785,705	13,775,847
2006-07	18.96	358,684,364	940,187,466	17,822,132
2007-08	20.43	358,684,364	991,749,182	20,265,457
2008-09	19.94	358,684,364	1,177,770,363	23,482,535

Source: Multnomah County Division of Assessment and Taxation

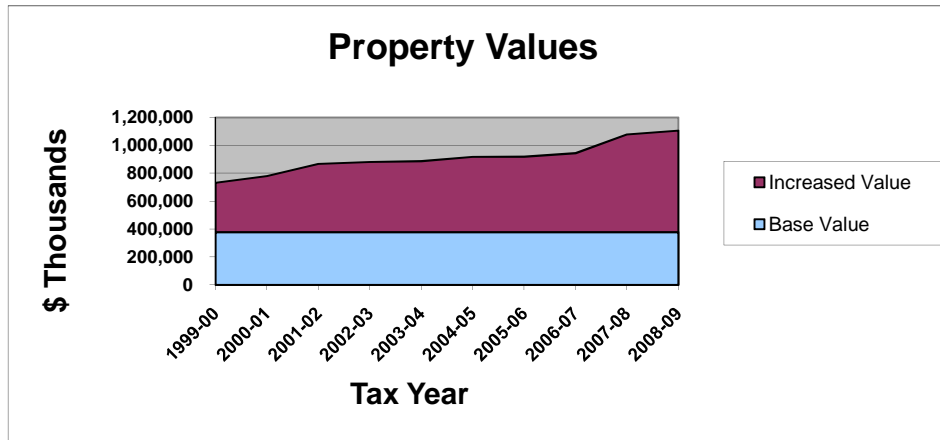
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	5,258	6,397	557,614	704,957
Per Capita Income	\$ 36,589	\$ 44,179	\$ 30,317	\$ 35,277
Total Housing Units	3,779	4,742	255,949	267,407
Owner Occupied Housing Units	1,065	1,336	137,536	139,659
Renter Occupied Housing Units	2,128	2,691	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

SOUTH PARK BLOCKS URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1999-00	\$ 19.76	\$ 378,055,680	\$ 353,392,693	\$ 5,433,542
2000-01	20.57	378,055,680	402,102,868	5,359,285
2001-02	20.55	378,055,680	489,214,478	5,361,842
2002-03	20.67	378,055,680	502,592,163	5,356,909
2003-04	21.91	378,055,680	508,799,241	5,231,174
2004-05	21.76	378,055,680	540,333,579	5,280,064
2005-06	19.31	378,055,680	540,982,035	5,370,006
2006-07	19.66	378,055,680	566,120,167	5,403,278
2007-08	21.32	378,055,680	700,363,924	5,376,221
2008-09	20.72	378,055,680	727,733,672	5,381,549

Source: Multnomah County Division of Assessment and Taxation

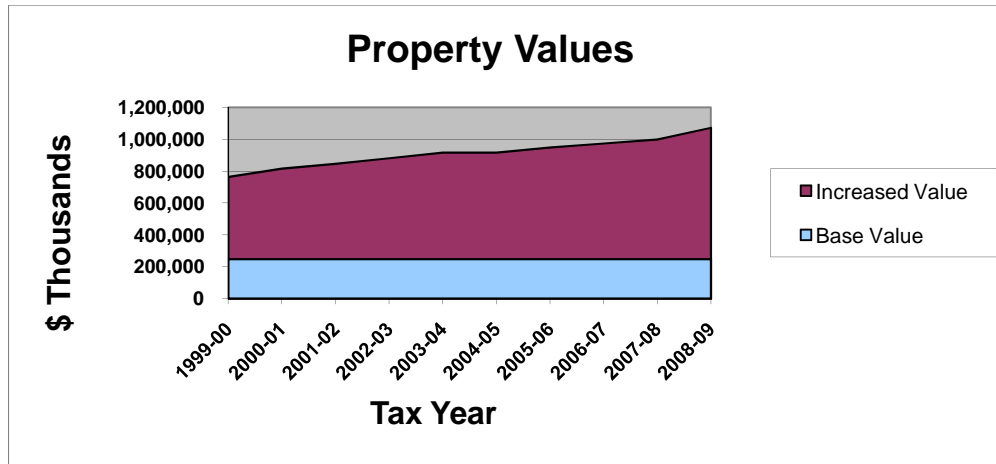
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	5,975	6,472	557,614	704,957
Per Capita Income	\$ 33,186	\$ 39,924	\$ 30,317	\$ 35,277
Total Housing Units	2,808	3,378	255,949	267,407
Owner Occupied Housing Units	594	737	137,536	139,659
Renter Occupied Housing Units	1,762	2,094	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CONVENTION CENTER URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1999-00	\$ 19.76	\$ 247,502,688	\$ 516,668,515	\$ 5,951,936
2000-01	20.57	247,502,688	568,643,371	5,329,818
2001-02	20.11	247,502,688	599,699,903	5,321,789
2002-03	20.70	247,728,838	634,324,294	5,439,991
2003-04	21.91	247,728,838	669,453,106	5,304,200
2004-05	21.73	247,728,838	668,865,098	5,348,082
2005-06	19.33	248,214,131	701,773,824	5,441,875
2006-07	19.68	248,689,281	725,955,191	5,475,275
2007-08	21.30	248,689,281	751,940,292	5,438,655
2008-09	20.76	248,689,281	824,599,717	5,454,893

Source: Multnomah County Division of Assessment and Taxation

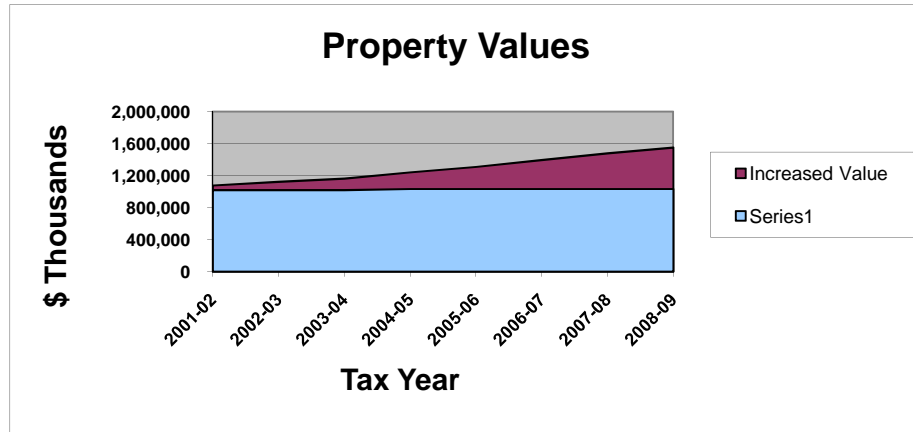
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	2,204	2,322	557,614	704,957
Per Capita Income	\$ 28,955	\$ 33,706	\$ 30,317	\$ 35,277
Total Housing Units	1,512	1,612	255,949	267,407
Owner Occupied Housing Units	334	337	137,536	139,659
Renter Occupied Housing Units	949	1,020	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

INTERSTATE CORRIDOR URBAN RENEWAL FUND  
 PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
 For The Last Ten Fiscal Years Or Since Inception  
 (Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
2001-02	\$ 20.91	\$ 1,019,794,975	\$ 58,139,955	\$ 1,145,888
2002-03	20.54	1,019,794,975	104,464,625	2,042,785
2003-04	21.74	1,019,794,975	144,893,801	2,925,355
2004-05	21.70	1,033,372,876	209,114,965	4,253,560
2005-06	19.30	1,033,372,876	276,592,476	5,096,500
2006-07	19.73	1,033,372,876	363,829,663	6,890,757
2007-08	21.38	1,033,372,876	447,042,428	9,124,210
2008-09	20.86	1,033,372,876	520,098,507	10,382,389

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	30,307	31,057	557,614	704,957
Per Capita Income	\$ 19,760	\$ 22,613	\$ 30,317	\$ 35,277
Total Housing Units	12,592	12,999	255,949	267,407
Owner Occupied Housing Units	6,408	6,440	137,536	139,659
Renter Occupied Housing Units	5,036	5,282	100,748	107,606

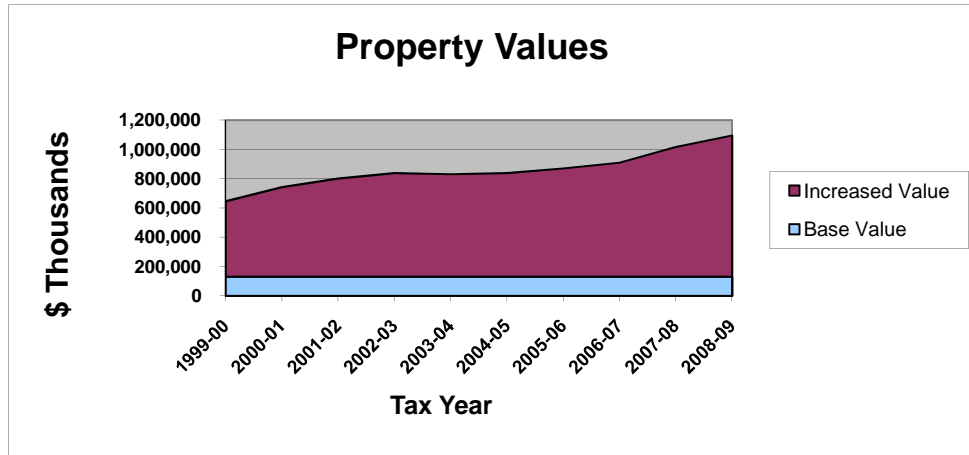
Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.



PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

AIRPORT WAY URBAN RENEWAL FUND  
 PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
 For The Last Ten Fiscal Years Or Since Inception  
 (Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1999-00	\$ 19.71	\$ 129,701,177	\$ 516,668,514	\$ 2,755,170
2000-01	19.91	129,701,177	611,974,431	2,427,515
2001-02	20.08	129,701,177	671,716,792	2,406,618
2002-03	19.94	129,701,177	708,692,948	2,392,481
2003-04	21.38	129,701,177	701,262,923	2,328,250
2004-05	21.02	129,701,177	708,712,135	2,347,588
2005-06	20.45	129,701,177	739,905,461	2,373,451
2006-07	20.33	129,701,177	779,770,869	2,389,518
2007-08	20.59	129,701,177	886,308,606	2,386,745
2008-09	19.99	129,701,177	965,779,764	2,390,141

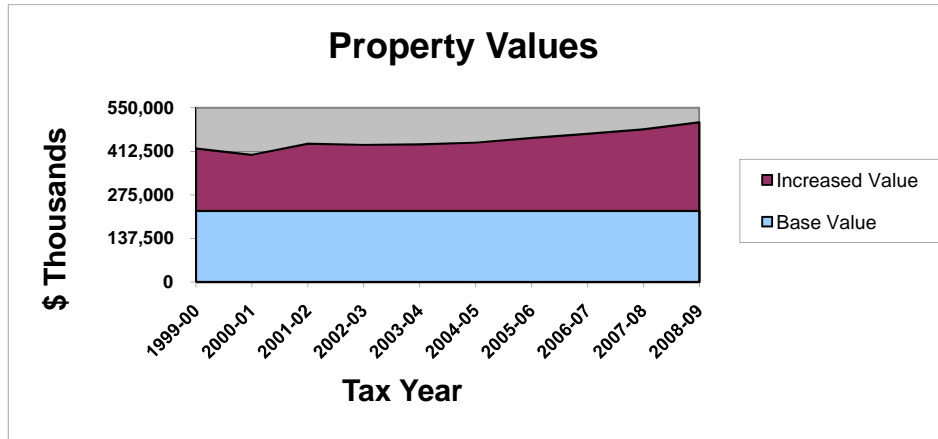
Source: Multnomah County Division of Assessment and Taxation

Population and housing data are not included for Airport Way Urban Renewal Area because it is primarily an industrial area.

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CENTRAL EASTSIDE URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1999-00	\$ 19.76	\$ 224,605,349	\$ 196,914,942	\$ 3,736,001
2000-01	20.57	224,605,349	177,129,421	3,413,379
2001-02	20.24	224,605,349	212,183,161	4,046,580
2002-03	20.64	224,605,349	208,600,216	4,098,740
2003-04	20.33	224,605,349	210,497,285	4,063,491
2004-05	20.21	224,605,349	215,708,847	4,164,087
2005-06	17.78	224,605,349	230,380,503	3,973,027
2006-07	18.14	224,605,349	243,532,862	4,296,871
2007-08	18.24	224,605,349	257,850,367	4,578,234
2008-09	18.51	224,626,739	279,998,617	5,030,994

Source: Multnomah County Division of Assessment and Taxation

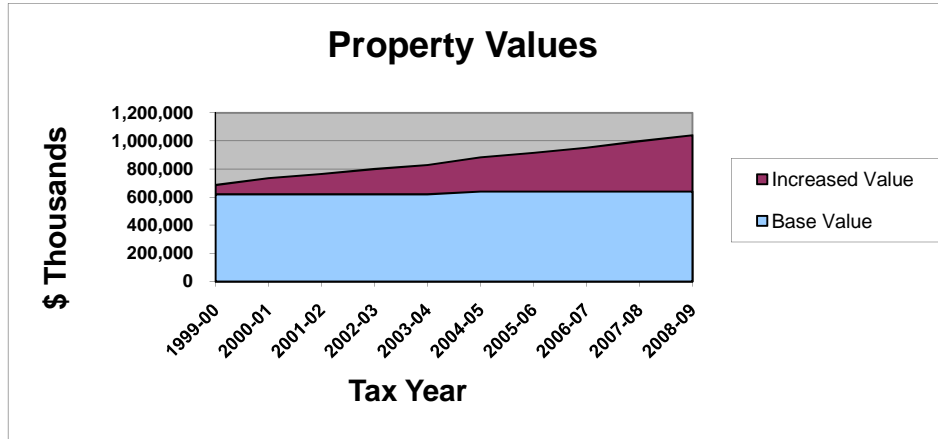
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	1,687	1,701	557,614	704,957
Per Capita Income	\$ 26,658	\$ 32,125	\$ 30,317	\$ 35,277
Total Housing Units	942	960	255,949	267,407
Owner Occupied Housing Units	334	337	137,536	139,659
Renter Occupied Housing Units	949	1,020	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

LENTS TOWN CENTER URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1999-00	\$ 19.56	\$ 620,720,135	\$ 66,310,682	\$ 1,244,845
2000-01	20.09	620,720,135	115,413,447	2,287,155
2001-02	21.47	620,720,135	144,345,122	2,919,877
2002-03	20.45	620,720,135	179,595,927	3,510,832
2003-04	21.66	620,720,135	208,029,051	4,205,914
2004-05	21.52	640,177,922	243,212,853	4,929,404
2005-06	19.91	640,177,922	275,822,211	5,249,632
2006-07	20.24	640,177,922	312,317,448	6,077,743
2007-08	21.44	640,177,922	358,801,970	7,375,650
2008-09	20.91	640,177,922	400,982,105	8,056,078

Source: Multnomah County Division of Assessment and Taxation

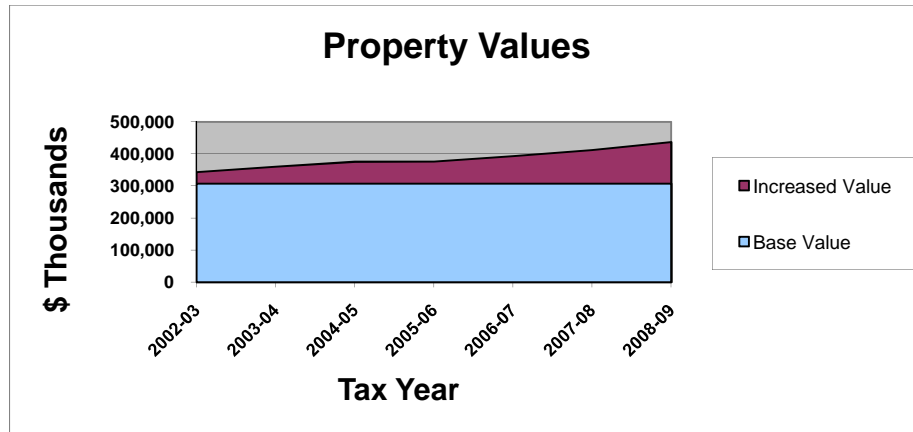
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	25,983	26,996	557,614	704,957
Per Capita Income	\$ 19,128	\$ 22,113	\$ 30,317	\$ 35,277
Total Housing Units	10,392	10,856	255,949	267,407
Owner Occupied Housing Units	5,731	5,790	137,536	139,659
Renter Occupied Housing Units	3,852	4,153	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

GATEWAY REGIONAL CENTER URBAN RENEWAL FUND  
 PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
 For The Last Ten Fiscal Years Or Since Inception  
 (Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
2002-03	\$ 19.70	\$ 307,174,681	\$ 35,847,381	\$ 681,489
2003-04	20.96	307,174,681	53,283,385	1,053,666
2004-05	20.86	307,174,681	68,476,163	1,356,824
2005-06	20.85	307,174,681	68,766,041	1,375,408
2006-07	21.07	307,174,681	86,192,591	1,751,370
2007-08	21.44	307,174,681	105,057,959	2,174,962
2008-09	20.91	307,174,681	129,631,176	2,623,998

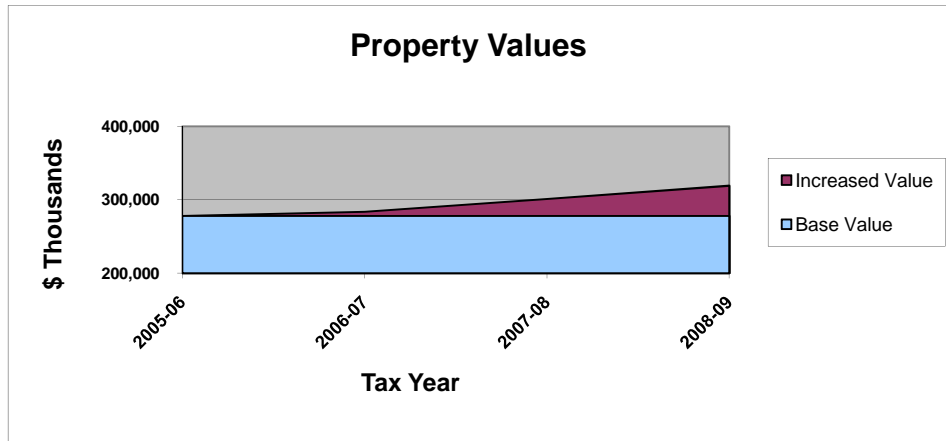
Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	6,108	6,647	557,614	704,957
Per Capita Income	\$ 22,322	\$ 25,291	\$ 30,317	\$ 35,277
Total Housing Units	2,761	3,026	255,949	267,407
Owner Occupied Housing Units	1,055	1,082	137,536	139,659
Renter Occupied Housing Units	1,440	1,635	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**  
**WILLAMETTE INDUSTRIAL URBAN RENEWAL FUND**  
**PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS**  
 For The Last Ten Fiscal Years Or Since Inception  
 (Unaudited)



Tax Year	Tax Rate (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
2005-06	\$ 0.00	\$ 278,034,345	\$ -	\$ -
2006-07	15.15	278,034,345	5,655,915	85,706
2007-08	16.84	278,034,345	23,273,744	391,905
2008-09	17.92	278,034,345	41,284,536	739,979

Willamette Industrial URA consists of Multnomah County tax districts 730 and 731. Only data for tax district 731 is shown. Tax district 730 has a frozen tax base of \$203,408,790, and assessed property values for this district decreased by \$71,720,000 in fiscal year 2006-07.

Source: Multnomah County Division of Assessment and Taxation

Population and housing data are not included for Willamette Industrial Urban Renewal Area because it is primarily an industrial area.

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**PORTLAND DEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**LENDING ACTIVITY  
 For The Last Ten Fiscal Years  
 (Unaudited)**

<u>Fiscal Year</u>	<u>Homeowner Loans</u>		<u>Rental Housing Loans</u>		<u>Business Loans</u>	
	<u>Number of Units</u>	<u>Dollar Amount</u>	<u>Number of Units</u>	<u>Dollar Amount</u>	<u>Number of loans</u>	<u>Dollar Amount</u>
1999-00	210	\$ 3,675,319	750	\$ 16,767,800	48	\$ 9,979,557
2000-01	264	3,984,322	687	23,158,276	26	2,052,703
2001-02	215	5,433,114	1,003	22,079,544	24	4,058,226
2002-03	161	2,334,155	1,766	38,402,972	25	5,767,290
2003-04	283	5,450,503	660	13,543,836	42	7,148,345
2004-05	259	3,447,477	882	17,398,098	52	10,590,559
2005-06	163	5,189,916	725	26,115,141	59	14,505,900
2006-07	100	3,715,847	1,374	42,936,188	54	12,466,365
2007-08	138	9,536,734	957	38,155,909	47	5,499,620
2008-09	189	11,977,072	24	21,707,821	258	15,391,215

Source: Commission loan system.

Notes: Homeowner loans are made to owner-occupant of single family dwellings. Financial assistance is provided for improvements ranging from security enhancements to whole house acquisition and rehabilitation. One house constitutes a unit.

Rental housing loans are made to investors and developers for multi-family dwellings. Financial assistance is provided for rehabilitation or for construction of new multi-family rental dwellings. An apartment constitutes a unit.

Business loans provide assistance for building repair, facility expansion, new equipment or working capital.

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

TOTAL PERSONAL INCOME, PER CAPITA INCOME,  
POPULATION TRENDS, AND UNEMPLOYMENT RATE  
PORTLAND/VANCOUVER/BEAVERTON MSA, OREGON, AND THE UNITED STATES  
1999 to 2008  
(Unaudited)

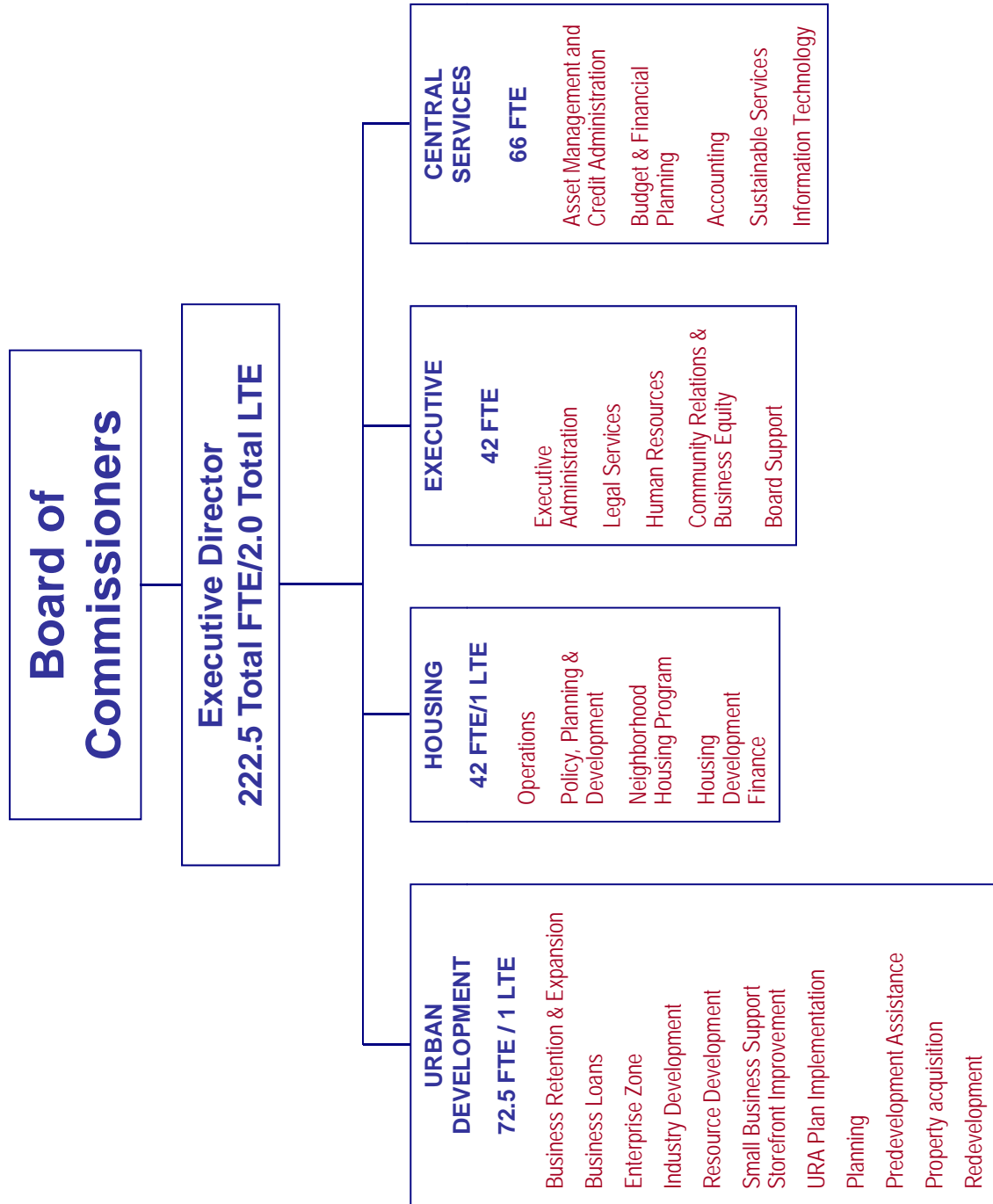
Year	Personal Income (Millions)			Per Capita Income		
	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total
1999	\$ 56,918	\$ 89,873	\$ 7,996,137	\$ 29,858	\$ 26,480	\$ 27,939
2000	62,190	96,402	8,422,074	32,122	28,097	29,845
2001	63,933	99,020	8,716,992	32,353	28,507	30,574
2002	64,909	101,882	8,872,871	32,255	28,924	30,810
2003	65,959	103,890	9,157,257	32,328	29,161	31,484
2004	69,853	109,757	9,705,504	33,875	30,561	33,050
2005	73,806	116,889	10,251,639	35,215	32,103	34,586
2006	79,399	124,589	10,870,319	37,145	33,666	36,307
2007	83,765	133,871	11,652,339	38,511	35,027	38,632
2008	87,053	136,277	12,086,534	39,436	35,956	39,751

Sources: U.S. Department of Commerce, Bureau of Economic Analysis as of 9/29/08.  
Oregon Office of Economic Analysis

Year	POPULATION TRENDS				UNEMPLOYMENT RATE	
	Portland <sup>1</sup>	Portland/ Vancouver/ Beaverton MSA <sup>1</sup>	Oregon <sup>1</sup>	U.S. Total <sup>1</sup>	Portland Unemployment % Rate <sup>2</sup>	Oregon Unemployment %Rate <sup>2</sup>
1999	438,802	NA	2,842,321	249,622,814	NA	NA
2000	529,121	1,935,960	3,421,399	281,421,906	4.5	5.1
2001	534,689	1,960,500	3,474,183	285,226,284	5.8	6.2
2002	538,095	1,989,550	3,523,529	288,125,973	7.8	7.5
2003	538,843	2,019,250	3,561,155	290,796,023	9.0	8.5
2004	532,742	2,050,650	3,589,168	293,638,158	7.2	7.4
2005	533,467	2,082,240	3,638,871	296,507,061	6.1	6.4
2006	537,081	2,137,540	3,700,758	299,398,484	5.2	5.3
2007	568,380	2,159,720	3,745,455	301,621,157	4.9	5.2
2008	557,706	2,207,462	3,790,060	304,059,724	5.8	5.4

Source: <sup>1</sup>U.S. Department of Commerce, Bureau of Economic Analysis as of 9/10/07.  
Oregon Office of Economic Analysis

<sup>2</sup> U. S. Department of Bureau of Labor Statistics



NOTE: FTE=Full Time Employee; LTE=Limited Term Employee



PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

MISCELLANEOUS STATISTICS

As Of June 30, 2009  
(Unaudited)

Date of Charter Amendment creating agency

May 16, 1958

Form of Government

Commission, Appointed by City Mayor  
Approved by City Council

Number of Employees:

Fiscal Year	2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09	
	FTE	FTE	FTE	LTE *	FTE	LTE *	FTE	LTE *	FTE	LTE *	FTE	LTE *	FTE	LTE *
Development	33.5	33.5	32.5	5.0	34.5	7.0	42.5	1.0 (4)	42.5	1.0	42.5	1.0	42.5	1.0
Economic Development	21.0	23.0	23.0	1.0	26.0	2.0	26.0	0.0 (4)	26.0	0.0	30.0	0.0	30.0	0.0
Housing	38.3	37.0	37.0	8.0	34.0	7.0	42.0	1.0 (4)	42.0	1.0	42.0	1.0	42.0	1.0
Executive	44.0 (1)	47.0	24.0	8.0 (2)	26.0	9.0	11.0	0.0 (4)	42.0	0.0 (5)	42.0	0.0	42.0	0.0
Central Services	22.0 (1)	23.0	52.0	10.0 (2)	56.0	9.0	55.0	0.0 (4)	60.0	0.0 (5)	66.0	0.0	66.0	0.0
Community Relations & Business Equity	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0 (4)	0.0	0.0 (5)	0.0	0.0	0.0	0.0
People & Technology	0.0	0.0	0.0	0.0	0.0	0.0	28.0	0.0 (4)	0.0	0.0 (5)	0.0	0.0	0.0	0.0
Resource Development	5.0	5.0	6.0	0.0	0.0	0.0 (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>163.8</b>	<b>168.5</b>	<b>174.5</b>	<b>32.0</b>	<b>176.5</b>	<b>34.0</b>	<b>212.5</b>	<b>2.0</b>	<b>212.5</b>	<b>2.0</b>	<b>222.5</b>	<b>2.0</b>	<b>222.5</b>	<b>2.0</b>

\* PDC began utilizing Limited-term FTE positions (LTE) in FY 2002-03 to help meet the agency's workload brought on by multiple new projects and initiatives.

Note 1: The fluctuation between Executive and Central Services was caused by the transfer of Information Services to the Executive Department.

Note 2: Information Services and Professional Services were transferred to Central Services from the Executive Department.

Note 3: In FY 2005-06 Resource Development has been merged with Economic Development.

Note 4: In FY 2006-07 Department reorganization resulted in staffing redistribution between Executive & Legal and Finance & Administration to the newly created departments of: Central Services, Community Relations & Business Equity, and People & Technology. Additionally 35 LTE positions were transferred to FTE.

Note 5: In FY2007-08 Department reorganization resulted in staffing redistribution between Executive and Central Services of the former People & Technology and Community Relations & Business Equity Departments.

Urban Renewal District Land Area and Base Values  
As Of June 30, 2009

District	Acres	Base Value
Airport Way	2,713	\$ 129,701,177
Central Eastside	692	224,626,739
Convention Center Area	595	248,689,281
Interstate Corridor	3,804	1,033,372,876
Lents Town Center	2,846	640,177,922
North Macadam	402	192,609,397
River District	351	358,684,364
South Park Blocks	157	378,055,680
Gateway	659	307,174,681
Downtown Waterfront	232	70,866,644
Willamette Industrial	756	278,034,345
<b>Total URA Land Data</b>	<b>13,207</b>	<b>\$ 3,861,993,106</b>
Total City Land Data	92,770	\$ 40,661,766,792
Urban Renewal Land as a Percentage of City Total	14.2%	9.5%



# Audit Comments and Disclosures\_\_\_\_\_



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.**

Board of Commissioners  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Portland Development Commission (a Component Unit of the City of Portland Oregon) (the Commission) as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* – (continued)**

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the finding 2009-01 to be a material weakness.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Commission in a separate letter dated November 18, 2009.

This report is intended solely for the information and use of the Board of Commissioners, management, state agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams, LLP*  
Portland, Oregon  
November 18, 2009

## Schedule of Findings and Responses

### **Item 2009-01: Cut-off Procedures**

*Criteria:* The basis of accounting determines the timing of recognition for non-exchange type transactions. Revenues and expenditures should be recognized in the period when all eligibility requirements have been met. When modified accrual accounting is used for revenue recognition, resources also should be 'available'. Advance receipts or payments for use in the following period should be reported as deferred revenues or advances, respectively. All transactions should be recorded in the correct period.

*Condition:* During our audit, we noted two instances of non-exchange transactions where the Commission did not record the transactions in the correct period resulting in a material error. The first transaction included a \$215,000 accrual for the Community Development Block Grant, \$938,200 related to the Eastgate Station project, and \$2,306,661 related to the Sacred Heart project, for a total of \$3,459,861. The second transaction was for \$800,000 for an early pay down on a loan.

*Cause:* The first transaction represents a pre-funding transaction from the City of Portland. The City of Portland agreed to pre-fund the expected costs of the three projects. However, when the Commission did not receive the funds, they did not reverse the entries made. In addition, if the funds had been received, the entry should have been made to deferred revenue.

The Commission intended for the second transaction to occur before the fiscal year-end and initiated and recorded the transaction. However, for various reasons, the transaction was delayed and did not occur until after year-end. The Commission did not have a mechanism in place to ensure the timely processing of the transaction, or to build in a review process necessary to reverse the recording of the transaction given it did not occur until after year-end.

*Effect:* There is no monetary effect as the Commission reversed the transactions in question upon our discovery of the error. However, without an effective control in place, the Commission is at greater risk that errors could occur and go undetected and not corrected timely, resulting in a material misstatement in their financial reporting.

*Recommendation:* We recommend the Commission management develop a control to track and monitor large and unusual transactions, especially those occurring near the fiscal year-end to ensure all transactions are posted to the correct account and to the correct period.

*Management's Response:* Management concurs with the facts and circumstances as presented. We understand and agree that all transactions must be recorded in the correct account and period, and we have already taken steps to establish more rigid controls over large and unusual transactions, particularly at the end of a fiscal year.





**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *OREGON AUDITING STANDARDS***

Board of Commissioners  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)

We have audited the basic financial statements of the Portland Development Commission (a Component Unit of the City of Portland Oregon) (the Commission), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether the Commission’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2010 and 2009.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON AUDITING STANDARDS – (continued)**

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

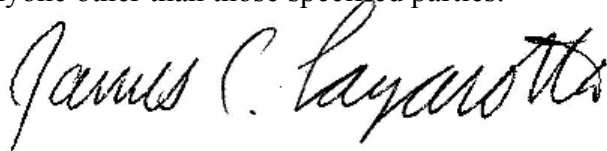
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control. We consider the finding 2009-01 identified on page 132 in the Schedule of Findings and Responses to be a material weakness.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *OREGON AUDITING STANDARDS* – (continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

However, we did identify other internal control deficiencies that we have reported to management in separate reports as required by professional standards.

This report is intended solely for the information of the Board of Commissioners, management, and the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.



For Moss Adams LLP  
Portland, Oregon  
November 18, 2009

OUR NEXT 50 YEARS START NOW



222 NW Fifth Avenue  
Portland, OR 97209  
[www.pdc.us](http://www.pdc.us)

To the Audit Committee of the  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland), and  
LaVonne Griffin-Valade, Auditor, City of Portland

We have audited the financial statements of the Portland Development Commission (a Component Unit of the City of Portland, Oregon) (the Commission), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 18, 2009. Professional standards require that we provide you with the following information related to our audit.

### **OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility, under auditing standards generally accepted in the United States of America is described in the first two paragraphs of the "Independent Auditor's Report." Paragraph one explains our responsibility is to express an opinion on the financial statements based on our audit. Paragraph two explains that we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we considered the Commission's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Because an audit is designed to provide reasonable assurance, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. We believe that our audit provides a reasonable basis for our opinion.

We also conducted an audit of compliance in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with requirements of laws, regulations, contracts, and grants that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)  
Board of Commissioners  
Page 2

As part of our audit, we addressed Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). This statement requires audit team members, as part of planning the audit, to have discussions to consider how and where the Commission's financial statements might be susceptible to material misstatements due to fraud. To properly identify, discuss, and assess the risk of material misstatements due to fraud, we made in-depth inquiries of management and obtained significant information regarding the Commission's operations and controls established to mitigate specific fraud risks that have been identified. Our assessment was an ongoing process throughout the audit. Based on the procedures we performed, nothing came to our attention that might indicate that material fraudulent activities had occurred at the Commission.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **PLANNED SCOPE AND TIMING OF THE AUDIT**

The actual performance of our audit procedures during the planning and fieldwork stages of the audit went fairly smoothly. We found management to be reasonably well prepared for our audit, and to be timely and thorough in their responses to us.

There was a several week delay in the initial fieldwork start as the Commission was primarily waiting on information from external parties. With coordination of time on our part, as well as dedication and persistence on the part of Commission Accounting staff, the financial statements were completed accurately and ultimately issued before the December 31, 2009 due date to the State of Oregon.

#### **SIGNIFICANT AUDIT FINDINGS**

##### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. The Board should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Board should be aware of methods used to account for significant, unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Board about such matters. We found the accounting policies for the current year to be consistent with the prior year, with the exception of the implementation of the new governmental accounting standard No. 49 requiring the Commission to begin to recognize a liability for pollution remediation obligations.

Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)  
Board of Commissioners  
Page 3

### **Significant Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

In preparing the Commission's financial statements, material estimates that are particularly susceptible to significant change relate to the determination of the allowance for discounts and uncollectible loans and other receivables, useful lives of property and equipment, claims liability, employee benefit plan accruals, overhead allocations, and pollution remediation costs. Based upon our audit procedures, we concur with the significant estimates and assumptions made by management in the preparation of the financial statements.

### **Financial Statement Disclosures**

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were those related to pension disclosures and the Commission's environmental liability.

### **Significant Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Two of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were no uncorrected misstatements of the financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)  
Board of Commissioners  
Page 4

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 18, 2009.

### **Management Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Commission’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Significant Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **OTHER MATTERS**

Conflict-of-Interest Policy. We noted during the prior two year audits that the Commission did not have a conflict-of-interest policy outside of evaluation teams, and current procedures may be inadequate to identify conflict of interest relationships. Additionally, we did not find evidence that the Commission had provided training to staff on how to identify potential related-party transactions and the action to be taken in such instances. Subsequent to our fieldwork, the Commission adopted a conflict-of-interest policy.

During our procedures to follow-up on the policy development, it was brought to our attention that the Commission authorizes payments for special events and memberships to those organizations the Commission partners with in the community. Review of those transactions show payments for membership dues, sponsorships to various events, anniversary dinners, and conference speaker fees. The amounts ranged from \$1,000 to approximately \$85,000. We found that the level of documentation describing the event and the business purpose varied and that the level of approval for these types of events may warrant further review.



Portland Development Commission, Portland Oregon  
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*We recommend* Commission management ensure payments for special events and memberships are adequately documented to adequately demonstrate accountability and transparency and determine what level of payment should receive further review and approval from executive management. We also recommend Commission management periodically provide, at least annually, a report to the Board of Commissioners for review and comment that identifies all membership and special event payments including the date, purpose, amount, and benefit to the Commission.

Loans Receivable. We noted during the last two audits and, again this audit during confirmation testing of loans receivable, that properties securing loans had been sold without the Commission's knowledge. While the Commission may place a lien against the property to secure its interest, the Commission was not paid at the time of sale.

We also found three loans that did not have a correct date entered into the loan system. In discussion with Commission staff, depending on the type of loan, different dates are important.

*We recommend* the Commission continue to work on improving its review and monitoring of loans to ensure its interest is secured, and it is properly repaid from property sales at time of transaction closing. Commission management should develop and implement procedures to ensure lending institutions and borrowers remain aware of their obligation to the Commission upon sale of the property.

Finally, we recommend the Commission develop and document a control procedure to ensure the correct date is entered into the system.

Duplicate Vendors. We noted during testing of expenses that there were duplicate vendors set up in the subsidiary loans receivable ledger. While the Commission provided a reasonable explanation for many of the duplicate vendors identified, there were several vendors identified that should not be duplicates. In the prior year, we made a similar comment with regard to the general accounts payable system.

*We recommend* the Commission remove the duplicate vendors identified during the audit and periodically (annually) review its vendor listing. The Commission should also review its current procedures to determine how vendors were initially added to the approved vendor list and modify its procedures to ensure vendors are not duplicated in the future.

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We would like to express our gratitude for the assistance provided to us by Jane Kingston, Catherine Kaminski, and the rest of the staff at the Commission during the course of our audit. We found them to be courteous, conscientious, and responsive to our requests.

This letter is intended solely for the use of the Audit Committee, the Board of Commissioners, management, and the City Auditor, and is not intended and should not be used by anyone other than these specified parties. On behalf of all of us at Moss Adams LLP, thank you for the opportunity to be of service to you and the Portland Development Commission of Oregon.

*Moss Adams, LLP*

Eugene, Oregon  
November 18, 2009

## **Responses to Moss Adams Management Letter for Audit Committee**

The internal operations areas identified in the Moss Adams Management Letter and the PDC staff responses are as follows below.

### **PLANNED SCOPE AND TIMING OF THE AUDIT**

The actual performance of our audit procedures during the planning and fieldwork stages of the audit went fairly smoothly. We found management to be reasonably well prepared for our audit, and to be timely and thorough in their responses to us.

There was a several week delay in the initial fieldwork start as the Commission was primarily waiting on information from external parties. With coordination of time on our part, as well as dedication and persistence on the part of Commission Accounting staff, the financial statements were completed accurately and ultimately issued before the December 31, 2009 due date to the State of Oregon.

*Management Response: Management agrees that there were delays in the completion of the financial statements, primarily due to information needed from external parties. Moss Adams staff were flexible and understanding of the constraints this lack of information imposed on our ability to complete the statements by the scheduled date. We will continue to work with those external parties and Moss Adams to shorten our completion cycle in fiscal year 2010.*

### **SIGNIFICANT AUDIT FINDINGS**

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Two of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were no uncorrected misstatements of the financial statements.

*Management Response: Management agreed with the auditors findings with regard to the two misstatements and they have been corrected. Additional internal control steps have been added to pertinent processes to prevent recurrence.*

## **OTHER MATTERS**

Conflict-of-Interest Policy. We noted during the prior two year audits that the Commission did not have a conflict-of-interest policy outside of evaluation teams, and current procedures may be inadequate to identify conflict of interest relationships. Additionally, we did not find evidence that the Commission had provided training to staff on how to identify potential related-party transactions and the action to be taken in such instances. Subsequent to our fieldwork, the Commission adopted a conflict-of-interest policy.

During our procedures to follow-up on the policy development, it was brought to our attention that the Commission authorizes payments for special events and memberships to those organizations the Commission partners with in the community. Review of those transactions show payments for membership dues, sponsorships to various events, anniversary dinners, and conference speaker fees. The amounts ranged from \$1,000 to approximately \$85,000. We found that the level of documentation describing the event and the business purpose varied and that the level of approval for these types of events may warrant further review.

*We recommend* Commission management ensure payments for special events and memberships are adequately documented to adequately demonstrate accountability and transparency and determine what level of payment should receive further review and approval from executive management. We also recommend Commission management periodically provide, at least annually, a report to the Board of Commissioners for review and comment that identifies all membership and special event payments including the date, purpose, amount, and benefit to the Commission.

*Management Response:* Management agrees that there is a need to ensure that payments for special events and memberships are adequately documented to adequately demonstrate accountability and transparency and determine what level of payment should receive further review and approval from executive management. We also agree that Commission management should periodically provide a report to the Board of Commissioners for review and comment that identifies all membership and special event payments. A corrective action plan to address this concern will be developed, with an anticipated completion by June 2010.

Loans Receivable. We noted during the last two audits and, again this audit during confirmation testing of loans receivable, that properties securing loans had been sold without the Commission's knowledge. While the Commission may place a lien against the property to secure its interest, the Commission was not paid at the time of sale.

We also found three loans that did not have a correct date entered into the loan system. In discussion with Commission staff, depending on the type of loan, different dates are important.

*We recommend* the Commission continue to work on improving its review and monitoring of loans to ensure its interest is secured, and it is properly repaid from property sales at time of transaction closing. Commission management should develop and implement procedures to ensure lending institutions and borrowers remain aware of their obligation to the Commission upon sale of the property.

Finally, we recommend the Commission develop and document a control procedure to ensure the correct date is entered into the system.

*Management Response:* Management agrees with the recommendation that the Commission improve its review and monitoring of loans to ensure that its interest is secured, and that it is properly repaid from property sales when transactions close. Improvements to the review and monitoring processes will continue in fiscal year 2010. Those continued improvements include: more frequent contact with borrowers for whom no payments are immediately due and confirmation of balances due to PDC; more thorough systematic notation of such borrower contact; and periodic confirmation of title. Additionally, note that efforts are underway to recover amounts due to the Commission related to the property sales that occurred. Additionally, a corrective action plan will be formulated to develop and document improved control procedures to ensure that correct loan dates are entered into the system.

Duplicate Vendors. We noted during testing of expenses that there were duplicate vendors set up in the subsidiary loans receivable ledger. While the Commission provided a reasonable explanation for many of the duplicate vendors identified, there were several vendors identified that should not be duplicates. In the prior year, we made a similar comment with regard to the general accounts payable system.

*We recommend* the Commission remove the duplicate vendors identified during the audit and periodically (annually) review its vendor listing. The Commission should also review its current procedures to determine how vendors were initially added to the approved vendor list and modify its procedures to ensure vendors are not duplicated in the future.

*Management Response:* Management concurs with the Auditor's comment. Those vendors identified as duplicates have been corrected in the subsidiary loans receivable system, and there was a complete review of the vendor listing to check for any additional duplicates. Vendor addition procedures have been updated to include verification of the vendor accounts to prevent duplicate set ups. Management has also instituted periodic review of the complete vendor listing by name and by taxpayer identification number for suspected duplicates.

**Conclusion**

In closing, the comments and suggestions provided by the external auditor each year are highly appreciated by management. We continue to find value in this feedback and will endeavor to implement appropriate policies and procedures in response. Finally, we welcome additional feedback and guidance from the PDC Audit Committee on these and other issues.