



This document constitutes the official meeting record of the January 14, 2009, Portland Development Commission Board of Commissioner's meeting held at 222 NW Fifth Ave., Portland, OR 97209.

I. CALL TO ORDER AND ROLL CALL

Chair Wilhoite called the meeting to order at approximately 3:00 p.m.

Ms. Renee Castilla, acting as recording secretary for the Board, called the Commission roll:

Chair Charles Wilhoite	PRESENT
Commissioner Scott Andrews	PRESENT
Commissioner Bertha Ferran	PRESENT
Commissioner John Mohlis	PRESENT

Chair Wilhoite welcomed everyone to the PDC Board meeting and wished everyone a Happy New Year. He stated in the New Year, the country, region and the City of Portland would be facing economic challenges. He stated recently Mayor Adams announced his Economic Stimulus Package. He stated PDC would be playing a key role, however, he wanted to emphasize that PDC would be only spending dollars already allocated in its budget. PDC would do what it could to speed up projects in the pipeline in order to focus on creating jobs.

II. MEETING MINUTES

Chair Wilhoite called for a motion to approve the meeting minutes of December 10, 2008 as submitted.

Commissioner Ferran moved and Commissioner Mohlis seconded the motion to approve the minutes December 10, 2008.

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

III. EXECUTIVE DIRECTOR'S REPORT

Communications and Business Equity Director John Jackley filling in for Executive Director Bruce Warner stated in early December, the City Auditor released its annual Service Efforts and Accomplishments Report for fiscal year 2007-08. This is the third year that PDC has had a chapter in that report.

The report contains over twenty measures that span PDC's activities and, Portland residents' satisfaction with the conditions that PDC impacts. For example, this year sixty-nine percent of Portland residents rated the vibrancy of downtown Portland —where seventy-five percent of our TIF spending occurred last fiscal year — “good” or “very good.” These ratings are up seven percent from 2006.

Overall, the auditor selected the following positive trends:

Our investments in Urban Renewal Areas result in increased assessed property values — the basis for tax revenue. Since 2001, the assessed value of real property per acre in all the URAs combined increased 40 percent, while the rest of Portland increased only 29 percent. Compared to previous fiscal years, PDC has more than doubled its spending to assist low-

Charles A. Wilhoite
Commission Chair

Bertha Ferrán
Commissioner

John C. Mohlis
Commissioner

J. Scott Andrews
Commissioner

Position 5 (vacant)
Commissioner

Tom Potter
Mayor

Bruce A. Warner
Executive Director



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income homeowners. \$8.1 million in FY 2007-08 compared to an average of \$2.7 million over the past six fiscal years.

Businesses ratings of Portland as a good place to do business continue to increase. Sixty-three percent said “good” or “very good” compared to 46 percent four years ago.

The Auditor also presented these challenges:

The number of jobs created or retained through PDC Business Finance programs dropped again last fiscal year. This is due to the fact that PDC funded fewer, and smaller, businesses than in previous years. Restrictions on tax increment spending within specified URA boundaries prevent PDC from addressing citywide objectives across the entire city. Mr. Jackley expressed his thanks to the following staff for their assistance and hard work: Tony Barnes, Faye Brown, Lois Cortell, Todd Kelley, Jan MacWilliams, Sharon Meross, Robert Smith, and Kate Staples.

Mr. Jackley the Executive Director’s Report No. 09-01. He highlighted the following:

- **Vanport Phase I Receives LEED Gold Certification—Oregon Convention Center URA**—In December 2008, we received official notice that Vanport Square Phase I has achieved Leadership in Energy and Environmental Design (LEED) gold certification. The project, which opened in January 2008, was developed by Vanport Partners, LLC and funded by PDC and the Portland Family of Funds. It is located on NE Martin Luther King Jr., Boulevard between NE Sumner and NE Emerson Streets, in the Oregon Convention Center Urban Renewal Area. The Vanport Square project features sixteen flexible retail and commercial spaces for sale targeting local and small businesses. As of December, fourteen of the sixteen units were sold with two units still available. The project includes a new public square and an environment designed to support existing business and foster community.
- **Cascade Station Update—Airport Way URA**—the Cascade Station Project actually kicked off in 1998 with great fanfare and plans for a large retail shopping center and major new office development. With tax increment funds from PDC, and other funds from the Developer and TriMet, the Max Red Line to the Airport Terminal was completed and opened in 1999 (which has been a huge success ever since). However, due to zoning regulations that prohibited large format retailers to anchor the retail shopping, along with the economic slowdown after 9/11, development failed to happen, and the entire 120-acre site sat vacant for many years.
- **Sustainability Center RFP to be Issued Soon - Oregon Convention Center URA and South Park Blocks URA**—PDC is working with the Portland + Oregon Sustainability Institute (or “POSI”), Oregon University System (OUS), and Living Building Initiative to site a permanent City of Portland and State of Oregon Sustainability Center of Excellence in the central city. The Leftbank Building (near the Rose Quarter and Arena) in the Oregon Convention Center URA has been selected to house POSI and the PDX Lounge on an interim basis. The permanent center is envisioned as a broader collaborative effort. The center will grow Portland and Oregon’s sustainable economy by bringing together academic, business, and government expertise in a hub of sustainable research, public policy, economic development, networking, outreach and training. The center will also be the first building in Oregon aiming to meet the Cascadia Green Building Council’s Living Building Challenge within a high density, downtown setting. This is a priority initiative for Mayor-elect Adams, who co-initiated POSI with Commissioner Saltzman, and Governor Kulongoski (who has included the project in his recommended 2009-2011 budget for higher education.)
- **South Waterfront Neighborhood Park Project is Out to Bid—North Macadam URA**—On December 10, the South Waterfront Neighborhood Park, a 2.1-acre open space in the heart of the Central District designed by Hargreaves Associates, went out for bid for construction. Bids are due January 8, 2009. Final park improvements, which were developed with significant public input, incorporate a variety of elements, including a major lawn area, urban gardens, a naturalized area as

well as a water feature. The budget is \$4 million of tax increment funds, including construction and soft costs.

- **Meier & Frank Building Renovation Project: The Nines Hotel Exceeds Goals –River District URA**—As has been reported, The Nines Hotel above Macy's has opened with good media attention. Two milestones are worth noting. First, the results of a workforce and hiring agreement are in. The requirement was first triggered back when the Nines were seeking a federal HUD 108 loan; but even when that loan request was dropped, the developer, Sage, continued to honor the agreement voluntarily. Staff at the Bureau of Housing and Community Development (BHCD) reports that Sage's data shows they have "met the letter and the spirit of the agreement." Sage met 99 percent of the goals of the agreement between themselves and the City of Portland for low income hires, and 73 percent of the hires were Portland residents. The percentage of minorities hired was 33 percent. BHCD writes that positions at the Nines are well compensated and reports are that employees are "very happy." The results of this collaboration produced 263 non-management hires. The reported total number of full time employees is 272.
- **NHP Program Update**—In addition to the lead program activity, the Neighborhood Housing Program (NHP) in general is having a busy year. Overall, including the lead grants, NHP has closed 107 loans and grants compared to a total of 164 during the 07-08 fiscal year. In particular, NHP has already closed 27 first mortgage loans and is well on its way to surpassing last year's total of 41 loans. Activity within the Lents Town Center and Interstate Corridor Urban Renewal Areas has also been brisk. In the Lents Town Center, PDC has closed 16 homebuyer assistance loans for a total of \$738,187 and five home repair loans for a total of \$113,528. In the Interstate Corridor, NHP has closed nine homebuyer assistance loans for a total of \$487,675 and 11 home repair loans for a total of \$191,064.
- **Holiday Families**—NHP staff comes in contact with needy families in the work we do at PDC. During the holiday season (for the past several years) NHP staff has identified families needing food, gifts and clothing during the holiday season. NHP has led a drive that asks staff for donations of cash, food, and gifts for our holiday families. This year PDCers dug deep into their pockets and contributed a total of \$2,087 in cash. Staff also donated additional toys, blankets, a robe and other items for a total contribution estimated at \$2,300. In all, we helped five families this year; three families that included seven children who ranged in age from just under two to 17; a senior citizen and her daughter who is expecting a baby; and a single senior citizen.

IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

As there was no public comment, Chair Wilhoite moved to the consent agenda.

V. CONSENT AGENDA

Commissioner Wilhoite called for a motion to adopt the Consent Agenda:

Resolution 6659, titled, "Re-Authorize Short-Term Interfund Operating Loans not to Exceed \$4,200,000 from Specified Funds to Housing and Community Development Fund, Lead Hazard Abatement Fund, and/or the Home Fund."

Resolution 6660, titled, "Creating a New Position on the Lents Town Center Urban Renewal Advisory Committee to Represent the Mt. Scott-Arleta Neighborhood Association, and Appoint Mr. Bryan Agee to fill this New Position."

Resolution 6661, titled, "Authorizing the Executive Director to Execute Amendment #7 to the Amended and Restated Disposition and Development Agreement with Fremont Partners, LLC for the Fremont Residential Project in the Oregon Convention Center Urban Renewal Area, to revise the Schedule of Performance and Certificate of Completion Date."

Commissioner Ferran moved and Commissioner Andrews seconded the motion to pass Resolution Nos. 6659, 6660, and 6661.

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

VI. CONVENE AS AUDIT COMMITTEE: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2007/08; AND AUDITORS LETTER TO THE AUDIT COMMITTEE AND MANagements RESPONSE

Ms. Julie Cody presented Report No. 09-05, titled, "Comprehensive Annual Financial Report for Fiscal Year 2007/08; and Auditors Letter to The Audit Committee and Managements Response."

Mr. Drummond Kahn representing the City of Portland stated the City of Portland was recently named the official Auditor of the PDC by a recent change to the City's Charter. PDC's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008, satisfies ORS 297 Municipal Audit Law, which requires municipal corporations to undergo an annual audit and subsequently publish financial statements that include the auditor's opinion on the financial condition and results of operation for the period under audit. Additionally, PDC's charter requires the Commission to undergo an annual independent audit by a licensed Municipal Auditor.

Mr. James Lanzarotta stated to assist the Audit Committee and the City Auditor in overseeing the financial reporting and disclosure process for which management is responsible, auditing standards generally accepted in the United States of America require auditors to ensure that certain matters are communicated to the Audit Committee. 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 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 they did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by them. They believe that the audit provides a reasonable basis for their opinion.

Ms. Nancy young stated they 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 they 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. They believe that the audit provides a reasonable basis for our opinion. As part of the audit, they 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, they 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. Their

assessment was an ongoing process throughout the audit. Based on the procedures they performed, nothing came to their attention that might indicate that material fraudulent activities had occurred at the Commission.

Mr. Lanzarotta representing Moss Adams stated the Commission's accounting policies 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. They believe management has the primary responsibility to inform the Board about such matters. They 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. 45 requiring the Commission to begin to recognize a liability for post-employment health benefits as the right to these benefits are earned by current employees. In addition, Mr. Lanzarotta explained a new accounting standard which requires all public agencies to recognize the liability of all environmental remediation work on all property owned and/or purchased.

Ms. Young stated they found three issues they thought needed the attention of the PDC Board. The first was the Conflict-of-Interest Policy. They noted during the prior year audit engagement that PDC does not have a conflict-of-interest policy outside of evaluation teams, and current procedures may be inadequate to identify conflict of interest relationships. Additionally, they did not find evidence that the Commission provides training to staff on how to identify potential related party transactions and the action to be taken in such instances. This is a repeat observation from the prior year. They recommended that the Commission develop and implement a conflict-of-interest policy and related training.

In addition, Ms. Young noted during confirmation testing of loans receivable that properties securing three 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. They recommended the Commission improve 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.

Further, Ms. Young noted during testing of expenses that there were duplicate vendors set up in the accounting system. While the Commission provided a reasonable explanation for many of the duplicate vendors identified, there were several vendors identified that should not be duplicates. They recommended 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.

Ms. Jane Kingston responding to the issues identified stated Management understands and agrees with the need to improve controls related to identification of and reaction to actual and potential conflicts of interest. A corrective action plan to address this concern has been developed and is underway, with an anticipated completion by June 2009. The intent is to revise existing and/or develop new policies that establish protocol for commissioners, employees, and contractors/vendors in regard to actual and potential conflicts of interest.

She further stated 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 begin in fiscal year 2009. Those 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.

Ms. Kingston also said Management concurs with the Auditor's comment. The vendors identified as duplicates have been corrected in the 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.

Ms. Julie Cody expressed her thanks and stated the comments and suggestions provided by the external auditor each year are highly appreciated by management. PDC continues to find value in this feedback and will endeavor to implement appropriate policies and procedures in response. Finally, they welcome additional feedback and guidance from the Audit Committee on these and other issues.

Commissioner Mohlis moved and Commissioner Andrews seconded the motion to Accept and Approve Comprehensive Annual Financial Report for Fiscal Year 2007-2008 as required by Portland City Charter Chapter 15-104 and PDC Resolution No. 6662.

AYES: Wilhoite, Andrews, Ferran, Mohlis

NAYS: None

AJDOURN PDC AUDIT COMMITTEE AND RECONVENE PDC BOARD OF COMMISSIONERS MEETING

VII. MODIFYING SIGNAGE AND LIGHTING GRANT IMPROVEMENT PRODUCT GUIDELINES

Ms. Claudia Plaza presented Report No. 09-06, titled, "Modifying Signage and Lighting Grant Improvement Product Guidelines."

Ms. Plaza stated the action would modify the financial assistance guidelines for the Signage and Lighting Improvement Product (SLIP), to make the SLIP Grant Product permanent and to expand the geographic program area from certain focus areas downtown to include all areas, both within Urban Renewal Areas (URAs) and outside URAs, where funds are available. Because urban renewal funds are limited and general funds which would be required outside URAs are limited, the Portland Development Commission (PDC) will, from time to time, focus the use of the SLIP Grant Product in certain areas within specific designated boundaries to ensure maximum public benefit. This is the same process PDC uses for the Storefront Improvement Program.

She said the PDC Board of Commissioners (Board) authorized the SLIP Grant Product in February 2007 (Resolution No. 6442), and certain areas downtown were selected for a three (3) year pilot program. The community has responded enthusiastically to the program which has resulted in upgraded improvements to storefronts that encourage more intense pedestrian activity at the street level. Many of these upgrades would not otherwise have been made without the additional SLIP Grant Product funds. The Transit Mall, where \$250,000 in SLIP funds has been committed to date, is an example of a strategically targeted area where collectively the Storefront Program and SLIP have made a major difference.

Ms. Plaza said the modification to the Signage and Lighting Grant Improvement Product would enable PDC to provide financial assistance for the SLIP Grant Product within all urban renewal areas subject to funding availability; and to specific targeted areas outside the urban renewal areas where general funds have been made available. Projects must be located within a designated SLIP Grant Product

boundary. Projects funded through this Program serve to enhance the pedestrian experience and improve the perception of safety.

Commissioner Mohlis moved and Commissioner Ferran seconded the motion to adopt Resolution 6663, titled, "Updating Financial Assistance Guidelines for the Signage and Lighting Improvements Grant Product Program to Expand the Service Area to All Urban Areas."

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

VIII. CONVENE EXECUTIVE SESSION CONFERENCE WITH COMMISSION'S LABOR NEGOTIATORS IN ACCORDANCE WITH ORS 192.660(2)(H).

Chair Wilhoite stated the Portland Development Commission would meet in executive session for the purpose of consulting with the Commission's labor negotiators. The executive session was held pursuant to ORS 192.660(2)(d), which allows the Commission to meet in executive session to conduct deliberations with persons designated by the Commission to carry on labor negotiations.

He said only designated staff would be allowed to attend the executive session on labor negotiations. Representatives of the news media were not permitted to attend the executive session and were asked to leave the room.

Chair Wilhoite said no decision would be made in executive session. At the end of the executive session, he returned to open session and welcomed the audience back into the room.

IX. CONVENE EXECUTIVE SESSION CONFERENCE WITH COUNSEL REGARDING LITIGATION IN ACCORDANCE WITH ORS 192.660(2)(H)

Chair Wilhoite announced that the Portland Development Commission would meet in Executive Session for the purpose of consulting with PDC's legal team regarding current or pending litigation.

The Executive Session is held pursuant to ORS 192.660(2)(h), which allows the Commission to meet in Executive Session to consult with PDC's legal counsel regarding PDC's legal rights and duties with regard to current litigation or litigation likely to be filed.

Representatives of the news media and designated staff shall be allowed to attend the executive session. All other members of the audience may not attend and are asked to leave the room. Chair Wilhoite reminded the media that they may not disclose any information discussed during the executive session.

He further stated no decision may be made in executive session. At the end of the executive session, PDC will return to open session and welcome the audience back into the room.

X. ASSIGNMENT OF EXISTING LEASE/DEED OF TRUST – UPSHUR PROPERTY

Mr. Komi Kalevor and Mr. David Elott presented Report No. 09-07, titled, "Assignment of Existing Lease/Deed of Trust – Upshur Property."

Mr. Kalevor stated the resolution authorizes the Executive Director to consent to assignment of a lease and execute a trust deed as a grantor on PDC-owned property located at 2650 NW Upshur. The Trust Deed will secure Northwest Housing Alternatives ("NHA") repayment of a loan in the amount of \$2,075,000 provided by Network for Oregon Affordable Housing ("NOAH") to provide Interim Acquisition Financing. The trust deed will secure the entire NOAH loan.

Mr. David Elott cautioned the Board and stated the action would put PDC's interest in the property at risk but PDC will not be directly liable on the loan to NHA. Further, If NHA defaults on its loan from NOAH, NOAH will be entitled to foreclose on PDC's interest in the property if PDC fails to cure the default. PDC is unlikely to be able to cure a default because the Property is not within an urban renewal area and PDC's resources available for expenditure outside urban renewal areas are extremely limited.

Commissioner Andrews stated the risk to PDC was \$2,500/year for 31 years. He said if those numbers are correct, then for example, that has a present value of less than \$35,000 at 6% interest.

Mr. Kalevor said the action will ensure the long term financial viability of an important affordable housing project in an underserved area of Northwest Portland.

Mr. Wash stated City Council directed PDC through Resolution 32137 (adopted 7/5/78) to work with him to develop housing on PDC owned land in the Thurman/Vaughn Corridor. He said the action enabled the preservation of affordable housing in an underserved part of the city. He said PDC was at risk then and it is the same risk now. However, he has agreed to sign an option to repurchase the property in the case of a default by NHA.

Commissioner Mohlis moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6664, titled, "Resolution Authorizing the Executive Director to Consent to Assignment of an Existing Lease on PDC-Owned Property Located at 2650 NW Upshur Street (The "Property") and to Execute a Trust Deed as Grantor on the Property to Enable the Preservation of an Affordable Housing Project."

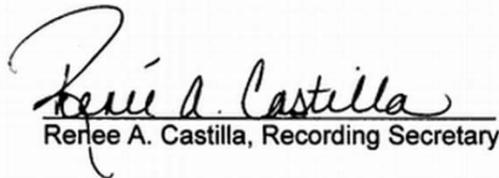
AYES: Wilhoite, Andrews, Ferran, Mohlis
NAYS: None

XI. ADJOURN

There being no further business, Chair Wilhoite adjourned the meeting at 5:37 p.m.

Respectfully submitted,

Approved by the Portland Development Commission on February 11, 2009.



Renee A. Castilla, Recording Secretary