

This document constitutes the official meeting record of the January 26, 2011, Portland Development Commission Board of Commissioner's Meeting held at 222 NW fifth Ave., Portland, OR 97209.

J. Scott Andrews
Commission Chair

I. CALL TO ORDER AND ROLL CALL

Chair Scott Andrews called the meeting to order at approximately 3:05 p.m.

Aneshka Dickson
Commissioner

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

John C. Mohlis
Commissioner

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

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

II. MEETING MINUTES

Chair Andrews called for a motion to adopt the meeting minutes of November 10, 2010 and December 8, 2010.

Sam Adams
Mayor

Commissioner Straus moved and Commissioner Mohlis seconded the

Patrick Quinton
Executive Director

III. EXECUTIVE DIRECTOR REPORT

Executive Director Bruce Warner presented the Executive Director Report. He highlighted the following:

- December saw a number of important events taking place including the groundbreaking for the FBI's new headquarters near Cascade Station in the Airport Way URA. PDC played an instrumental role in getting the project to this stage. More information about the project and the jobs expected can be found in the Business and Industry report below. Mr. Warner expressed his thanks to John Mohlis for helping represent PDC at the event;
- Mr. Warner said he had transitioned to Action Executive Director of PDC. He said on December 6, 2010, he announced his retirement to PDC staff. He stated he has agreed to stay on in an "acting" role until April 1, 2011 to allow time for selection of a new executive director and to help provide leadership through the budget process;
- Mayor Sam Adams and PDC staff joined more than 200 software business leaders and representatives of related nonprofit organizations and educational institutions gathered at City Hall on December 2 to unveil an industry-driven action plan that builds on Portland's existing competitive strengths to grow regional software employment;

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- Oregon Sustainability Center (OSC) project team, led by Gerding Edlen and including SERA Architects, GBD Architects and Skanska Construction, launched the schematic design phase for the building on December 6. The team held a week-long series of events to address three critical factors for the project design: tenant engagement, technical partnerships, and research and commercialization opportunities; and
- Mr. Warner also stated work continues on the Union Station project. He noted the general contractors have been working hard to improve the overall participation of M/W/ESB firms.

Chair Andrews stated it was important to continue to monitor and report on the Union Station project. He asked Mr. Warner to continue to push for better M/W/ESB participation. He stated he would also be watching the Oregon Sustainability Center (OSC) project for the same. Chair Andrews indicated he attended both the Software Cluster event as well as the Outdoor and Athletic Wear event. He expressed his thanks to PDC staff for their hard work. Chair Andrews also stated outreach continues regarding the placement of the new Executive Director for PDC.

Commissioner Aneshka Dickson expressed her thanks to Chair Andrews for his dedicated work with the PDC.

Commissioner Steven Straus stated he attended a groundbreaking for the new bridge to OHSU.

Commissioner Charles Wilhoite also expressed his thanks to Chair Andrews for his continued hard work with PDC. Commissioner Wilhoite also said while the improved M/W/ESB numbers are an improvement, he would like to see the trend upward to continue.

IV. PUBLIC COMMENT

As there were no public comment for items not on the regular agenda, Chair Andrews moved to the consent agenda.

V. CONSENT AGENDA

Chair Andrews called for a motion to adopt the consent agenda:

Resolution No. 6843, titled, "Reappoint David Lorati To The Central Eastside Urban Renewal Advisory Committee As A Regular Organizational Member Representing The Central Eastside Industrial Council."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt the consent agenda.

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

VI. UPDATE ON PDC DIVERSITY INITIATIVES

Mr. John Jackley stated the Board adopted Resolution No. 6561, the Business and Workforce Equity Policy on February 27, 2008, with the objective of ensuring fair and equitable

opportunities to Portland's diverse populations participating in PDC-funded projects. The Policy was amended on January 29, 2009 through Resolution No. 6667 and incorporated sections from the Construction Wage Policy and added workforce goals recommended by the Workforce Diversity Strategies Committee. A second policy amendment on February 24, 2010, Resolution No. 6775, added language to extend the Workforce Equity Program to Intergovernmental Agreements (IGAs) and added a "Prompt Payment" requirement for contractors and developers. The adopted policy amendments improved clarity and assisted with administration of the policy. On January 27, 2010, Resolution No. 6767, the Board voted to incorporate a Social Equity goal into the PDC Strategic Plan. . The social equity goal is supported by key actions, outcomes, Access and Equity that require PDC to leverage dollars and relationships. PDC staff continues to expand relationships with Portland's cultural communities through a variety of vehicles, including technical assistance agreements with the minority chambers of commerce, partnerships with capacity-building non-profits, and innovative outreach methods.

Mr. Jackley stated further demonstrating PDC's commitment to inclusive and transparent contractor and developer evaluation and selection processes, the Board voted to adopt Resolution No. 6765 on January 27, 2010 to include at least one minority evaluator on all formal solicitation proposal evaluation committees. Also on January 27, 2010, the Board authorized the Small Contractors Loan Insurance Program (Resolution 6766); a new financial product to support small contractors engaged in green development and energy efficiency projects. This particular financial product is an innovative use of unrestricted federal dollars for lending working capital in the form of a revolving loan to small, minority, and locally owned businesses. In March, staff intends to brief the Board and provide detailed reports on annual diversity in contracting and workforce results.

Mr. Jackley said since 2006:

- More than 1.6 million hours of family wage jobs for minorities have been created;
- PDC averaged 35% M/W/ESB utilization;
- Averaged 23% apprentice participation with over 1 million total apprentice hours;
- Successfully launched the N/NE study;
- Created Internal cross-departmental support for social equity;
- Efforts of private sector developers and contractors have increased;
- Finalized Technical assistance agreements with the minority chambers of commerce, MCIP & NAMCO;
- Capacity-building with local non-profits has been successful;
- Flexible services contracts for cultural liaison services have been negotiated;
- Drafted Community benefits agreement through the Rose Quarter redevelopment project;
- Workforce Diversity Strategy Committee's job strategy created;
- Free technical assistance for M/W/ESBs;
- Prompt payment requirement incorporated;
- South Waterfront Project Apprenticeship Agreement finalized and successfully launched; and
- Adopted a more aggressive Business & Workforce Equity Policy.

Commissioner Wilhoite expressed his thanks to John Jackley and PDC staff for their hard work and success. He said the work done by PDC helps generate opportunities and wealth for people of color. He said he is interested to hear the results of the disparity study which will determine if we have been successful with our policies

VII. APPROVAL OF GRANT TO PORTLAND INVESTMENT INTERMEDIARY FOR SUPPORT TO PORTLAND SEED FUND

Mr. Patrick Quinton explained the City of Portland and the Portland Development Commission (PDC) seek to create the Portland Seed Fund (Fund) to invest in early stage businesses. The Fund will make investments of between \$25,000 and \$100,000 to start-ups at the earliest stage of development. The Fund will fill the most critical gap in funding for growing companies, increasing the job creation prospects for start-up firms and the pipeline of viable companies for later stage investors. He stated the Fund will be structured as a for-profit entity and be managed by an independent fund management entity (Manager). Because of legal limitations, a separate not-for-profit intermediary named Portland Investment Intermediary (Intermediary) has been established to receive the City's funds and commit that capital, as a limited partner, to the Fund. PDC has already approved a grant of \$40,000 to the Intermediary to provide to the Manager to fund the establishment and initial operations of the Fund (Operating Grant). The Intermediary will negotiate a separate agreement with the Manager regarding the deliverables for receipt of the Operating Grant. At the initial closing of the Fund, PDC's \$500,000 grant will fund the Intermediary's investment as a limited partner in the Fund (Capital Grant). The Fund expects to raise a minimum of \$2M, inclusive of PDC's grant, prior to its first close.

Mr. Quinton stated the Manager has received commitments from the Oregon Growth Account (OGA) for \$500,000, contingent on a \$2M close, and the City of Hillsboro for \$250,000. The remaining \$750,000 is expected to come primarily from individual investors, but with potential investments from other local governments and foundations. The first close of the Fund, involving capital commitments of at least \$1M, is expected to occur by March 31, 2011.

Chair Andrews expressed his thanks to staff for their hard work. He said access to capital is critical for new businesses and he is happy PDC can assist.

Mr. Kanth Gopalpur representing Portland Investment Intermediary Board addressed the PDC board. He stated he has enjoyed the process. He acknowledged Patrick Quinton and said he has done a good job putting together a group of people knowledgeable and dedicated to advancing small business. He said he appreciated PDC's recognition of the needs of small start-up companies. Further, he expressed his appreciation and thanks to the Oregon Growth Account for their willingness to contribute as well. He further stated contributing to a seed fund with public money was the right decision when the goal is economic return. He said economic development is sure to follow. He explained the Request for Proposal's process and the ultimate decision to choose Bridge City Ventures. He said Bridge City Ventures experience, community connections, and understanding of the diverse needs of start-ups were the ultimate deciding factors.

Mr. Jim Huston representing Bridge City Ventures (BCV) expressed his thanks to the Board and PDC Staff. He explained BCV has collectively founded three companies, worked over 40 years in entrepreneurial ventures and technology corporations, and spent 30 years investing in seed and venture backed companies. He stated he served as a Managing Director of Blueprint Ventures, a technology growth capital firm with approximately \$200 million under management. Prior to Blueprint Ventures, he was Director of Strategic IP for Intel Capital and led Intel's IP Acquisition Fund acquiring patents and other IP for growing new businesses at Intel. Mr. Huston explained Ms. Jackson is an active angel investor and management advisor with more than 30 investments. She currently serves as the part-time Director of the Portland State

University Business Accelerator. In the past, she has coached and advised entrepreneurs and seed/early stage companies through her firm, AB Jackson Group LLC, where she is Managing Partner.

Mr. Huston explained BCV has been selected as Fund Manager and will perform the duties traditionally associated with the general partner in a venture capital fund: source deals, make investment decisions, manage investments, and generate returns. In addition, BCV will design and establish the Fund as well as raise capital to leverage the Capital Grant. Mr. Huston explained the responsibilities of the Fund Manager include:

- Establish the Fund– BCV will perform all tasks required to establish the Fund. In establishing the Fund, BCV will determine the following key attributes to the Fund:
 - Overall fund structure;
 - Revenue and expense model for self-sustaining operations;
 - Management and governance of the Fund;
 - Mechanism for generating consistent deal flow;
 - Processes for reviewing and approving investments, including the establishment and composition on an investment committee;
 - Processes for managing and exiting investments; and
 - Life of the Fund and mechanism for unwinding investments.
- Raise Capital– While PDC and the City will provide assistance in raising the profile of the Fund and identifying potential sources of capital; BCV is leading and staffing the capital raising effort. The Manager’s capital raising role will include responsibility for developing documentation legally required for all capital raising efforts, including but not limited to term sheet, private placement memoranda and subscription agreements.
- Report on Fund Performance - BCV will make annual reports to the PDC Board of Commissioners and Portland City Council in addition to a range of stakeholders regarding fund performance and economic impact of the companies receiving fund investments.

Ms. Angela Jackson, Bridge City Ventures expressed her thanks to the PDC Board and Staff and to the Portland Investment Intermediary Board for the selection of their firm. She said the overall process has been good and she is looking forward to securing the \$2 million in investments needed to close. She also stated they are hoping to have an immediate return to investors while stimulating the economy. She explained the Fund will invest capital in amounts ranging from \$25,000 - \$100,000 in roughly 20 companies per year. The Fund will rely on the following metrics to measure its impact:

- Job creation;
- Investment capital leveraged and venture capital attracted to the region;
- Investment returns and successful exits; and
- Experienced entrepreneurs attracted to and retained in the region.

She said as the Fund Managers, they will have discretion to establish the appropriate legal structure for the Fund, and it is anticipated that the Fund will be structured using a standard for-profit partnership structure in which the Manager serves as the general partner and investors serve as limited partners. The Fund will likely have operating characteristics similar to other venture funds, including a fixed life, carried interest, management fees, investment committee, and board of advisors. She explained while the Fund is on pace to reach \$2 million, PDC's requirement is that they will match the Capital Grant at least 1:1, with a goal of raising an additional \$1.5 million prior to the final close of the Fund.

Chair Andrews asked BCV why they were interested in managing the fund given the small nature and lack of ability to generate high level of fees. He also asked if was realistic for the fund to grow from \$2 million to \$3 million and in what time period. Finally, Chair Andrews asked what types of successes are they hoping to see.

Ms. Jackson replied the fund return is extremely high risk. She said their goal is not to keep all of the invested companies alive. She said it is important to evaluate the companies diligently and cull any losses quickly in order to remain capital efficient. She explained the companies will be required to take advice from BCV and other mentors in order to advance through the process. She acknowledged that the earlier the company is in their formation, the riskier they are. She said there is an approximate 50% failure rate where companies will not be eligible for further investment because they do not fit the criteria established.

Mr. Huston further explained the process of investing. He said initially each company chosen will be eligible for \$25,000 in initial investments. In order to be eligible for further investments they must prove themselves through a 90-day group process of learning, i.e. boot camp. He said once a company becomes eligible for further investment, BCV will assist them in raising additional capital from other sources as well. He said because of the model BCV uses, he believes the fund size is the right size and will prove successful.

Commissioner Wilhoite asked how a company starts the process for investment.

Mr. Huston replied there will be application process of about 30-days where their concept will be evaluated. He explained many applications will not have a business plan and may be more of a concept or seed stage-company. He said business throughout the Portland metro region including sixty miles into Washington will be eligible to apply. He said BCV will be hosting office hours and will be out in the community promoting the opportunity and the fund.

Commissioner Wilhoite asked what the average length of investment is.

Mr. Huston replied most investments are 5-7 years. He said investments may last longer depending on the return of the company and the status of the fund. He said there are always options for extensions.

The PDC Board expressed their thanks to PDC staff, the board members of Portland Investment Intermediary and to Bridge City Ventures.

Chair Andrews called for a motion to adopt Resolution No. 6844, titled, "Authorizing Grant Agreement to Portland Investment Intermediary in an Amount Not to exceed \$500,000 to make a Limited Partnership Investment in Portland Seed Fund."

Commissioner Wilhoite moved and Commissioner Straus seconded the motion to adopt Resolution No. 6844.

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

Mr. David Wynde representing the Portland Public School Board expressed his thanks to the PDC Board and staff for their partnership and assistance in developing their headquarters site. He stated for them to consider moving from their current site the cost associated must remain neutral. He explained the School Bond proposal for May would be used for schools capital improvements only. However, he stated Portland Public Schools is open to all discussions.

Chair Andrews expressed his appreciation to Mr. Wynde for his service to the City of Portland and its children. He said the opportunity to redevelop the site for the School District would be a win-win for all involved. He expressed his support of the project and its efforts.

The Board collectively thanked Mr. Wynde for his testimony and for his service to the citizens of Portland.

VIII. AUTHORIZE UNION STATION EMERGENCY REPAIRS

Ms. Sarah Harpole stated the resolution before the board would authorize an increase to the public improvement contract with C&W Grading for a contract total amount not to exceed \$775,000 for the completion of emergency sewer and stormwater repairs at Union Station. Ms. Harpole explained Union Station is located at 800 NW Sixth Avenue (Property) in the River District Urban Renewal Area (URA), and is owned by the Portland Development Commission (PDC). She said in late May 2010, a failure of the sanitary sewer system at Union Station resulted in a significant spill of sewage in the lobby of Union Station. Immediate interim measures were implemented to maintain operations. Meanwhile, PDC's Executive Director authorized an Emergency Exemption for Sole Source Procurement, in compliance with PDC Local Contract Review Board Administrative Rules Part 1 Section III.C.4, to execute a contract with C&W Grading for purposes of replacing the damaged sewer line (Phase A).

Ms. Harpole stated concurrently, inspection by the Bureau of Environmental Services (BES) of an old brick-lined storm manhole resulted in the need to make immediate corrections to address critical stormwater drainage that serves train track drip pans, roof drains, and other site drainage (Phase B). Due to the urgency and similarity in scope, this work was included in the Emergency Exemption, and added to the C&W Grading contract through a Change Order. The initial contract with C&W Grading, a State of Oregon Certified Emerging Small Business, was for \$150,000 and a Notice to Proceed was issued August 6, 2010. PDC has amended the contract with C&W Grading through four subsequent Change Orders in light of multiple unforeseen issues encountered at the Property. Phase A has been completed to address the emergency sewer repairs for a total cost of \$276,154.

Ms. Harpole concluded based on unforeseen issues discovered at the start of the stormwater repairs in October/November 2010, which necessitated a redesign of the stormdrain collection system, additional Change Orders are necessary to complete the Phase B emergency repairs, the total cost of which is now estimated to be \$403,590. In addition, in consultation with the engineering consultant, staff is recommending a \$95,256 contingency to resolve any other unforeseen issues, for a total contract authorization not to exceed \$775,000.

Commissioner Wilhoite asked how the additional costs associated with the new repairs were identified.

Ms. Harpole replied an independent consultant worked with PDC staff to determine costs.

Commissioner Wilhoite asked if there have been any thoughts to future ownership possibilities.

Mr. Lew Bowers admitted that PDC is not in a position to own Union Station indefinitely and a strategy for long-term ownership needs to be identified. Considerations include a desire to maintain transportation operations, address existing deferred maintenance needs, ensure future funding availability, and leverage the surrounding development opportunities.

Chair Andrews called for a motion to adopt Resolution No. 6845, titled, "Authorizing an Increase to the Public Improvement Contract with C&W Grading for a Total Amount Not to exceed \$775,000 for Emergency Repairs at Union Station, Located at 800 NW 6th Avenue in the River District Urban Renewal Area."

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion to adopt Resolution No. 6845.

AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite

NAYS: None

IX. FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT AND AUDIT PRESENTATION

Chair Andrews adjourned the PDC Regular Meeting and Convened the PDC Audit Committee.

Ms. Julie Cody stated PDC's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010, 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. The accounting firm of Moss Adams, LLP (MA), conducted the audit of the PDC's FY 2009-2010 financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (clean) opinion that PDC's financial statements for the fiscal year ended June 30, 2010, are fairly presented in accordance with accounting principles generally accepted in the United States of America.

Ms. Cody stated each year; our external auditor also provides a letter to the governing Board of Commissioners discussing significant matters of interest noted during the course of the annual fiscal year-end audit. The external auditor's letter is addressed to the PDC Audit Committee so that it can appropriately discharge its oversight responsibility and so that MA is in compliance with its professional responsibilities to the Audit Committee. As PDC management is responsible for financial reporting and disclosure, we have prepared responses to the issues noted in the external auditor's letter. Management has prepared these responses to keep the Audit Committee informed of our plans to address the issues raised by the auditor's communication.

Mr. Drummond Kahn representing the City of Portland Auditor's Office expressed his thanks to the PDC Board and Staff for their assistance with the audit. He introduced Nancy Dunn with Moss Adams and stated she would be presenting the auditors finding and letter.

Ms. Nancy Dunn presented the letter regarding their findings (attachment A).

Ms. Julie Cody presented the management's response to Moss Adams (attachment B) and asked that the Board approve them.

The PDC Board expressed their thanks to Moss Adams and PDC staff for their hard work.

Chair Andrews call for a motion to adopt Resolution No. 6846, titled, "Accept and Approve Comprehensive Annual Financial Report for Fiscal Year 2009-2010 as required by Portland City Charter Chapter 15-104 and PDC Resolution No. 6112."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6846.

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

X. ADOPT INTERNAL AUDIT WORK PLAN

Mr. David Nemo stated the action would adopt the following Internal Audit Work Plan for Fiscal Year 2010-2011.

1. Internal Review: Fleet Vehicle Usage;
 - a. Objective / Scope: Evaluate costs and efficiencies of alternative fleet vehicle arrangements;
2. Food and Meal Expenditures;
 - a. Objective / Scope: Follow-up review to 2009 report; and
3. Sponsorship Expenditures
 - a. Objective / Scope: Follow-up review to 2009 report.

The proposed *FY 2010-11 Internal Audit Work Plan* is being recommended by the Executive Director, after consultation with Commissioners Wilhoite and Mohlis, based on a preliminary risk analysis and proposal by the Internal Audit Manager, and subsequent discussion and revision by the Executive Team.

The Board expressed their appreciation to Mr. Nemo for his due diligence and hard work.

Chair Andrews call for a motion to adopt Resolution No. 6847, titled, "Adoption of PDC Internal Audit Work Plan for Fiscal Year 2010-11." Chair Andrews asked for an amendment to add review of commissioner parking to the work scope.

Mr. Nemo responded he thought the work could fall within Fleet Vehicle Usage.

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6847.

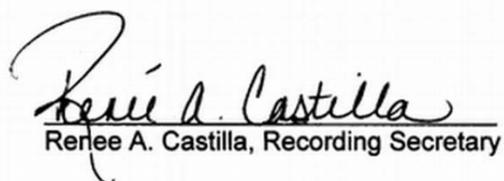
AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite
NAYS: None

XI. ADJOURN

There being no further business, Chair Andrews adjourned the commission meeting at 5:31 p.m.

Respectfully submitted,

Approved by the Portland Development Commission on March 23, 2011.



Rereee A. Castilla, Recording Secretary