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This document constitutes the official meeting record of the April 13, 2011, 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 Scott Andrews called the meeting to order at approximately 3:04 p.m.

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

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

J. Scott Andrews
Commission Chair

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

II. MEETING MINUTES

Chair Andrews called for a motion to adopt the meeting minutes of February 23, 2011.

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion to adopt the February 23, 2011, meeting minutes.

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

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

Patrick Quinton
Executive Director

Chair Andrews recognized Ms. Renee Castilla, PDC's Board Coordinator for her service during the past four-plus years, indicating she was part of the recent reduction of force and would be leaving PDC. He said he would like to invite her back to attend the May 11, 2011, Board meeting where she can be further recognized by the Board and Commission.

Chair Andrews mentioned Patrick Quinton recently participated in a trade mission to Germany with the Portland Business Alliance and said he anticipates Patrick discussing this important mission as part of his Executive Director's report to the Board.

Chair Andrews also mentioned his disappointment in the recently-released Oregonian article pertaining to the Disparity Study, saying in the three years he has been on PDC's Board, the social equity piece has never been characterized in a negative light. in this manner.

222 Northwest
Fifth Avenue
Portland, OR
97209-3859

III. EXECUTIVE DIRECTOR REPORT

PDC Executive Director, Patrick Quinton, presented his Executive Director's report and highlighted the following:

- At the end of March, I participated in a trade mission to Germany with the Portland Business Alliance and representatives from Bank of America, city of Portland, Greenlight Greater Portland, Metro, Hillsboro's Mayor, Mayor Adams and his Chief of Staff, Warren Jimenez, Port of Portland, PGE, PSU and the Pacific NW International Trade Association. This included meetings with German business leaders, government officials and representatives of American companies doing

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business in Germany. During this trip, meetings were held with key companies including Adidas, Daimler, Solar World and Siltronic. Steven Shain joined a faction of the delegation which split off and visited Spain to call on Iberdrola Renewables – the second largest wind operator in the U.S. Overall, it was a very positive trip.

- The Disparity Study was made public and copies were provided to various news outlets, with Mr. Quinton mentioning he shares Chair Andrew's view and disappointment of how the Oregonian reported the story. He further stated the Daily Journal of Commerce also reported it incorrectly, as they stated there were no disparities which is not the case. The PDC and the City of Portland conducted a year-long study to determine if disparities exist in minority and women contracting on PDC and City projects.

The most powerful finding was the more control PDC had over contracts and projects, the more participation there was for minority and women contractors. The study found PDC's equity policy and programs were responsible for ensuring little or no overall disparity on PDC-owned contracts, including construction and design service such as engineering or architecture.

In contrast, the study did find some significant disparities existed on construction contracts that weren't owned by PDC but to which PDC had contributed resources or funding. Public and public-private construction projects in the Portland region typically have multiple partners and funding sources. The greatest disparities were in prime contracting and services such as engineering and architecture. No disparities were found for African-American or Asian-Pacific owned firms, but the study found underutilization for Hispanic, Native American and Subcontinent Asian-American firms.

Mr. Quinton stated the Portland Development Commission is committed to increasing the utilization of all minority and women-owned firms, regardless of whether the study found a disparity or not with any particular group. They will be looking for policy and program changes that will help all groups.

Commissioner Wilhoite said Director Quinton articulated the report well and said he believes the public wants to know PDC is taking the information and incorporating it into its thinking and putting it into practice.

Commissioner Dickson echoed Commissioner Wilhoite's comments and went on to recognize Mr. John Jackley, PDC Director for Business and Social Equity, for the hard work he has directed toward this initiative and for engaging the public in the process.

Commissioner Mohlis said he concurred with previous Commissioner's comments.

Chair Andrews asked if there was currently any way to impose PDC's goals onto others that weren't owned by PDC but to which PDC had contributed resources or funding, going beyond what is legally required, asking specifically if PDC has the ability to impose aspirational goals/limits to its partners

Mr. Quinton responded further research and discussion would need to occur in order to determine next steps.

Commissioner Wilhoite said he did not know what the completed study will determine nor how to comments that are received into the policy as PDC moves forward. Commissioner Wilhoite recommended Mr. Quinton return in the future to present findings and next steps to the Board.

Mr. Quinton agreed with Commissioner Wilhoite's request.

IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

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

V. CONSENT AGENDA

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

Resolution No. 6860, "Requesting City Council Issue Bonds to Refund Bonds Previously Issued for the Oregon Convention Center Urban Renewal Area, the South Park Blocks Urban Renewal Area, and the Downtown Waterfront Urban Renewal Area."

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion to adopt Resolution No. 6860.

AYES: Andrews, Dickson, Mohlis, Wilhoite

NAYS: None

VI. HATS OFF AWARDS

The Board recognized three PDC staff members with a Hats Off Award. Those receiving an award were: Ms. Ember Breckenridge was recognized for delivering excellence in supporting the achievement of the Real Estate Department goals by assisting others and organizing items such as disbursements, DDA management and file organization. Ms. Lois Cortell was recognized for diligent project follow-through and dedication to the organization, including the creation of an IGA template which can be utilized across city bureaus and agencies. Ms. Paula Edwards, although absent, was recognized for her commitment in building strong relationships through teamwork and collaboration.

VII. ADOPT REVISED DEVELOPMENT OPPORTUNITY SERVICES (DOS) PROGRAM GUIDELINES

ADOPT REVISED COMMERCIAL PROPERTY REDEVELOPMENT LOAN PROGRAM GUIDELINES

ADOPT REVISED COMMERCIAL PROPERTY REDEVELOPMENT LOAN PROGRAM GUIDELINES

Executive Director Quinton announced staff would be giving a presentation which is the result of a year-long process to review guidelines and processes for PDC's financial products. He said it is a comprehensive look at how PDC decides and awards loans and grants and under what terms and conditions. The group has standardized the process and has come up with products that are reflective of current market. Mr. Quinton said he appreciates all of the hard work that has gone into this effort. He said there are still big tasks left and metrics that still need to be developed to ensure desired outcomes.

Ms. Sara King stated the action would adopt revised guidelines for PDC's Development Opportunity Services (DOS) Program, streamlines the process and would add two programming components to increase services for clients. The DOS program guidelines would expand the program to allow for a DOS grant up to \$20,000 for larger redevelopment/multiple properties that require master planning for complex issues.

Ms. King provided background information, saying the DOS Program was created in 1993, soon after the Oregon Convention Center URA was extended to Martin Luther King, Jr. Boulevard. Program guidelines were developed and approved in 1996 to add revitalization efforts in urban renewal districts. The DOS program is a part of PDC's "toolbox" of assistance for private property revitalization in neighborhood commercial districts. Today, the program is active in six Urban Renewal Areas (URAs). The DOS program has significantly contributed to the revitalization of Portland neighborhoods by providing over \$1.8 million to fund over 260 projects since 2000. During the last fiscal year, 2009-10, DOS funds in the amount of \$208,000 were granted to 26 projects. The DOS program has provided participants with the ability to evaluate possible uses and improvements for vacant and underutilized properties, evaluate the feasibility of project implementation, and help identify the potential and necessary resources to make the recommended development plans a reality.

Ms. King said while the original intent of the program remains intact, strategic changes are needed to allow the program to better meet the needs of our diverse urban renewal districts and the needs of our clients.

Ms. King explained a DOS project generally focuses on one or two properties at a time, in a single ownership. Many of the URAs have small parcels that have been zoned for higher density residential or commercial uses. Up until now, individual owners have little or no opportunity to proceed on their own if a larger parcel is needed for development. Therefore, it was deemed a multiple property DOS was needed in order to facilitate redevelopment of small underutilized properties under separate ownership.

Ms. King further stated the DOS program's primary focus is to assist applicants who may not be familiar with the development or redevelopment process and most of our applicants fall into this category. The initial intake process with clients has led staff to the conclusion that many of them need more directed redevelopment/development financial feasibility prior to the start of a DOS project or assistance with the financing and development processes at the end of a DOS project.

To adapt to the changing needs of this program, Ms. King pointed out the Board would be requested to adopt the revised guidelines for loan and grant programs today, via Resolutions 6861, 6862, and 6863.

Ms. King introduced Mr. Peter Englander, Urban Development Central City Manager, and explained he would discuss the action to adopt revised Commercial Property Redevelopment Loan Program guidelines.

Mr. Englander stated the revised guidelines for the Community Livability Grant (CLG) Program will reinforce how CLG advances PDC's strategic goals of healthy neighborhoods, sustainability and social equity. He said current CLG terms and processes are unchanged by the revised guidelines; however the revisions provide clarification and specific expectations that will improve program delivery and better prepare applicants, resulting in higher project success rates.

Mr. Englander further stated grants are awarded through a competitive process but "eligible grantee" continues to be broadly defined and they are working with a fiscal agent/City bureau to ensure there is necessary capacity to complete the project. He said evaluation criteria, directed at overall organizational and project management capacity, are added in order to have better prepared clients. He also said the program's ability to be flexible and responsive for each URA's unique needs is being maintained.

He explained since 2006, nearly \$1.8 million in CLG has been awarded to 29 community-based organizations in the Interstate Corridor and Lents Town Center URAs. He said this particular action is timely, as the announcement of funds being available (for FY 2011-12) was just released. This will allow the review/selection process to be completed during the start of the new FY and recommendations being proposed today can be implemented.

Mr. Englander said revised guidelines will increase efficiencies in delivering CLG and provide more clarity for potential applicants. He went on to state PDC had administered the CLG Program since 2006 and it was a program developed as part of the Interstate Corridor URA Community Livability Strategy. It was designed to maximize the community benefits of urban renewal to nonprofits and other community groups who may not otherwise have benefited from previous developer-oriented models of urban renewal. Mr. Englander said the CLG was offered exclusively in the Interstate Corridor URA until 2010 when the Lents Town Center URA first offered the grant program.

He said since 2006, nearly \$1.8 million in CLG has been awarded to 29 community-based organizations in the Interstate Corridor and Lents Town Center URAs. These grant dollars have leveraged almost \$1.6 million in volunteer hours, in-kind donations, and cash for a leverage rate of 1:0.89. Grant awards are recommended to PDC through an evaluation committee comprised of community members, URA members, and PDC staff.

Ms. Sara King discussed the proposed Board action to authorize approval of changes to the Commercial Property Redevelopment Loan (CPRL) Program to align it with the City of Portland Economic Development Strategy (Strategy) and Strategic Plan 2010, by making the selection of loan interest rates and fees more consistent with the Business Incentive Fund, and by reducing risk on predevelopment loans.

She said the action would eliminate the Retail Retention and Improvement Loan Product, as financial assistance to retail businesses are sufficiently addressed through the Business Incentive Fund or the Commercial Property Redevelopment Loan Program. The primary revisions to the proposed guidelines include changes to program objectives and to loan terms. She said staff is proposing to expand program objectives to add job creation, green and sustainable practices, and social equity goals. She said staff would apply CPRL Program guidelines to Disposition and Development Agreement loans which would increase borrower contribution for predevelopment loans from 10 percent of project costs to a goal of 50 percent cash and a minimum of 25 percent cash. This would increase loan maximums for predevelopment loans from \$100,000 or \$200,000 (if City owned) to \$200,000 for all projects.

Ms. King further stated staff is proposing interest rates for construction and permanent loans be based on a formula verses the typical three percent interest, saying loan rates starts at the current prime interest rate plus 3 percent, and loan rates would be reduced to prime upon achievement of public goals. A one percent loan fee on construction and permanent loans and will be and Collect a one percent loan fee on construction and permanent loans. She said since its establishment in 2007, the CPRL Program has made 26 loans totaling more than \$23.6 million and has leveraged nearly \$208 million in non-PDC funds for projects.

Ms. King and Mr. Englander showed a short video highlighting the various programs that are being supported by these grant monies.

Chair Andrews thanked them for their report and for reaching out to the community. He also thanked Ms. Julie Cody, PDC Chief Financial Officer for all of the work that has transpired with this activity and for leading the Finance Rethink effort. He said he believed it was time to have a strong look at these programs and to ensure guidelines are up-to-date with the current world. He said all three programs are great and effective programs.

Chair Andrews asked in terms of providing technical assistance, who would be providing the service and what is the cost to PDC. Ms. King responded and said it was a combination of technical assistance, indicating they would first meet with applications and determine needs and if client was not ready to complete the application process, they would provide other resources. She said they would continue working with them through the technical assistance process until they were prepared to enter the program. She said for the livability program, additional opportunities were being created for financial assistance and clients would be given a list of consultants that would be able to work with applications on completing the DOS program.

Chair Andrews asked with respect to the commercial redevelopment program if we were moving borrower contributions from 10 percent to 50 percent, with the goal being around the 25 percent mark. Mr. Englander responded, saying yes but for situations where loan amounts would be exceeded, the PDC loan committee would need to approve. Executive Director Quinton said if the threshold is crossed, then it will have to come to the Board for approval. Chair Andrews cautioned Mr. Englander, saying in order to avoid some of the criticism we have received in the past, be cautious of the wording. He went on to reference Vestas as an example.

Commissioner Dickson asked if an applicant applying for grants could apply all three grants to one project. Ms. King said yes and they would work with the applicant to streamline the process.

Ms. Dickson asked if the biggest change with DOS was the amount being larger than it was before. Ms. King said the first major change is staff's ability to bump the DOS grant to \$20k and can also grant an additional \$1.5k for counseling assistance. Ms. King said the extra financial assistance also helps applicants upfront to clarify their goals, etc.

Ms. Dickson said she believes PDC should have the same type of assistance for all three loan programs. Mr. Englander agreed.

Commissioner Mohlis stated this action appears to be well thought out and as times change, it is also a good time to be changing our program so PDC can serve our community well.

Commissioner Wilhoite applauded staff for being so comprehensive and asked if he were the public, would we find PDC to be kinder or gentler or if it is now harder to acquire funds.

Ms. King responded by stating PDC is setting people up for success and working with customers to get them to the point where they can obtain funds and successfully utilize PDC's products.

Commissioner Wilhoite thanked Ms. King and Mr. Englander for all of their hard work.

Chair Andrews called for a motion to adopt all three Resolutions, Resolution No. 6861, "Adopt Revised Development Opportunity Services (DOS) Program Guidelines," Resolution No. 6862, "Adopt Revised Community Livability Grant Program Guidelines," and Resolution No. 6863, "Adopt Revised Commercial Property Redevelopment Loan Program Guidelines."

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

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

VIII. ACQUISITION OF REAL PROPERTY AT SE 72ND AND SE FOSTER ROAD

Ms. Amy Miller Dowell introduced the action to the Board to acquire real property and improvements located at SE 72nd Avenue and SE Foster, specifically 7104-7120 SE Foster Road, 7126-7130 SE Foster Road and 7238 SE Foster Road (collectively referred to as "the property"). She stated this property is comprised of three lots in the Lents Town Center URA, from property owner Albina Community Bank, for the purchase price of \$1,400,000. She further stated an appraisal of the property was completed December 13, 2010, by Romanaggi Valuation Services, LLC that estimated the fee simple valuation to be \$1,400,000.

Ms. Miller Dowell introduced Mr. Bernie Kerosky and stated he would be providing the Board with more information about this transaction via a staff presentation.

Mr. Kerosky stated the Purchase and Sale Agreement allows for a negotiated reduction in the purchase price if environmental remediation is found to be necessary and preliminary reports estimate significant contamination is not present. Mr. Kerosky further stated a final determination and potentially re-negotiated purchase price will be completed before the anticipated April 29, 2011, closing date. Funding for the acquisition is contained in the Adopted FY 2010-11 Lents Town Center URA Budget. Mr. Kerosky further stated the Portland Housing Bureau (PHB) will contribute 30 percent of the acquisition price, or \$420,000, plus 30 percent of the cost of due diligence and closing.

Mr. Kerosky stated the property totals approximately 1.68 acres and contains one 6,934 square foot structure. He further explained the zoning code designation for all three lots is CG, or General Commercial, which allows retail and service businesses with a local or regional market and is intended to allow auto-accommodating commercial development in areas already predominantly built in this manner and in most new commercial areas. He further stated to date, PDC has invested in loans to small business, commercial livability grants and affordable housing rehabilitation in this area. Mr. Kerosky concluded his presentation by stating this property was formerly used as an auto dealership before being acquired by Albina Community bank through foreclosure and this action will greatly improve the viability of the Foster Road commercial corridor.

Commissioner Wilhoite asked how PDC had arrived at the allocation.

Mr. Kerosky responded by stating PDC needed to be flexible and estimated housing uses could take approximately 30 percent of the site.

Chair Andrews stated he was amazed at how small amount of environmental contamination existed on this site and believed this site becoming a mixed use property will really transform this property and will increase property values. The Chair further stated PDC had looked at this property prior when it was for sale for \$2.4 million and PDC concluded it was too costly. He further stated it is unfortunate someone had to go through the loss for PDC to acquire it at a good price but is pleased PDC is getting a good deal.

Commissioner Wilhoite concurred with Chair Andrews stating PDC has purchased this property at a good price and is pleased PDC will be using this property for something beneficial.

Commissioner Dickson asked if PDC was pushing hard for the \$27,000 reduction.

Ms. Miller Dowell responded by stating yes, as the \$27,000 reduction is part of PDC's agreement.

Commissioner Mohlis stated this is a great piece of property.

Chair Andrews called for a motion to adopt revised Resolution 6864, titled, "Acquisition of Real Property at SE 72nd and SE Foster road.

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

AYES: Andrews, Dickson, Mohlis, Wilhoite

NAYS: None

IX. ADJOURN

There being no further business, Chair Andrews adjourned the meeting at 4:08 p.m.

Respectfully submitted,

Approved by the Portland Development Commission May 11, 2011.



Recording Secretary

Date: May 11, 2011