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J. Scott Andrews
Commission Chair

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

Patrick Quinton
Executive Director

This document constitutes the official meeting record of the June 22, 2011, Portland Development Commission (PDC) 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 8:03 a.m.

Ms. Tracey Gemma, acting as recording secretary for the Board, called the Commission roll:

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

Chair Andrews welcomed everyone to the meeting. He began by saying he attended the opening for the Crisis Assessment and Treatment Center (CATC) (the old Hooper Detox Center). He said this was a great opening with over 150 people in attendance, including City Commissioners and Mayor Adams. He said PDC's \$2 million investment to rebuild this building will be the location that provides treatment for someone having an acute mental health session. He said the patient would expect to be at the CATC for 6-14 days and then move on to some of the other services. He said this is a great addition to our continuum of services in Portland. He said the \$2 million investment will assist people with serious mental health issues and get them the kind of treatment they need.

II. EXECUTIVE DIRECTOR REPORT

PDC Executive Director, Mr. Patrick Quinton, reiterated Chair Andrews comments about the Crisis Center and opening. He went on to brief the Board on these other recent activities:

Highlight of last week was speaking at the grand opening of the North American headquarters of Hi-Tec which is the latest athletic and outdoor company moving to Portland. These companies find Portland one of the best places to locate for a number of reasons. Hi-Tec is a 35-year old European company specializing in outdoor footwear and they are going to expand their product line and really share a lot of the values we see in other companies in Portland. The appeal of Portland is evident, as all we did was provide them with less than a \$7,000 storefront grant.

Appeared on OPB's Think Out Loud to talk about PDC's Solo Power event and a lot of interest in how that played out with the company originally looking at Wilsonville and appeared with former Mayor of Wilsonville and spoke about pros and cons of business recruitment and how important it is to remind public why we recruit businesses and how selective we are about it and how judicious we are with our funds.

PDC recently received the 2011 International Association for Public Participation (IAP2) Best Practices award. The IAP2 is an organization that recognizes public participation projects and we received award for our work on the North/Northeast and work that led up to the expansion of the Interstate. Mr. John Jackley received on our behalf and once again confirms great work we did in managing a very inclusive process that led up to

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that expansion and we get a lot of recognition for projects we do but also nice to get recognition for the public participation work we do.

As part of PDC's ongoing commitment to public involvement approximately 3,000 supernotices for the expansion of the Interstate Corridor (IC) Urban Renewal Area (URA) were mailed out. These notices give citizens the opportunity to hear about the ICURA expansion and a chance to respond. The expansion is going to the Planning Commission next week and to City Council for vote during July 2011.

Groundbreaking event taking place next week for the Oregon College of Oriental Medicine (OCOM). Renovation of the former Glove Hotel in Old Town China Town (OTCT) will be the home for OCOM which will relocate its campus in the fall 2012. This new campus will more than double OCOM's current square footage and provide the college with state-of-the art academic, clinical and research facility from the ground floor up. The OCOM is one of the oldest Chinese medicine schools in the United States. There is an opening for the Zidell Gardens, 11,000 square foot garden developed on the campus in the South Waterfront. Project sponsored by the Zidell family as tribute to their mother but to nationally recognize a landscape designer and will be quite an attraction.

Attending the Annual Economic Development Summit for the Greenlight Greater Portland which is the first summit held under the unified regional economic entity and believes an announcement will be made to share their new name and logo.

Portland-Milwaukie Light Rail (PMLR) groundbreaking event taking place next week in South Waterfront. This is the next extension of the max and rail line that spans the Willamette River between South Waterfront and OMSI and will carry light rail, buses, cyclists, pedestrians and, in the future, streetcars but no private vehicles. Construction of the bridge is scheduled to begin in July and citizens will actually be able to view the construction of this online as they will have a webcam showing the progress. This will be the first bridge constructed in Portland for over 30 years.

Chair Andrews stated the Mayor's office has asked him to represent the city at the Clinton initiative in Chicago next week. The Brookings Institute is presenting the city with an award for our work around the cluster strategy, economic development strategy (specifically around the manufacturing piece). He said he will be participating in panels which directly line up with our economic development strategy.

III. CONSENT AGENDA

Chair Andrews stated as there were no Meeting Minutes to approve and since no citizens signed up for the public comment period of the agenda, the Board would move to the consent agenda.

Chair Andrews said it was a long consent agenda and some changes were made earlier this week that will be discussed after all resolutions are called out, first starting with Resolution 6888, "Authorize Short-Term Interfund Operating Loans for Special Revenue Funds," Resolution 6889, "Approve Amendments to Vanport Housing Easements," Resolution 6890, "Appoint Existing Members for Second Term and Appoint Two New Members for First Term to River District Urban Renewal Advisory Committee," Resolution 6891, "Appoint Ms. Sia Sellu and Reappoint Ms. Rachel Cunningham to the Lents Town Center Urban Renewal Advisory Committee," Resolution 6892, "Appoint Mr. Irek Wielgosz and Reappoint Mr. Rick Williams and Mr. Owen Ronchelli to the Oregon Convention Center Urban Renewal Advisory Committee."

Chair Andrews stated the change made earlier in the week was relative to Resolution 6891 and Resolution 6892, as the original resolution had all individuals being appointed to one-year terms and this was changed so those being added for their first term will actually serve three-year terms. He said this means as new members, Ms. Sia Sellu and Mr. Irek Wielgosz would be appointed to three-year terms.

Chair Andrews made a motion to approve the consent agenda and Commissioner Dickson moved and Commissioner Wilhoite seconded the motion.

AYES: Andrews, Dickson, Mohlis, Wilhoite, Straus

NAYS: None

Chair called to adjourn the regular meeting for the 8:15 a.m. time certain Tax Supervising Commission (TSCC) hearing. He said the TSCC will convene a public hearing on the PDC FY 2011-12 Approved Budget.

IV. TAX SUPERVISING AND CONSERVATION COMMISSION HEARING ON FY 2011-12 APPROVED BUDGET

The TSCC Chair, Mr. Terry McCall, opened the public hearing by stating this is a public hearing of the Multnomah County TSCC for the purpose of discussing the 2011-12 Approved Budget for the Portland Development Commission. He said one of TSCC's responsibilities, as detailed in state law, is to review the budgets of all municipal corporations under the commission's jurisdiction, saying TSCC staff have carefully reviewed the budget and worked with PDC staff on technical aspects of the budget. He said they have questions concerning the financial policies implicit in the budget, same as a typical citizen might ask, and they would like to have them answered. He said in this sense, the TSCC is here today representing all of the citizens that might not otherwise be able to ask questions of the PDC Board directly. He further stated we encourage citizens to attend these public hearings and learn more about the District's budget and make any comments that are appropriate. He said Meeting Minutes of this public hearing will be prepared and retained as permanent record of the proceedings.

Mr. McCall introduced the other four TSCC Commissioners starting with Mr. Javier Fernandez, Ms. Susan Schneider, Mr. Steven Nance, and Dr. Roslyn Elms Sutherland.

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

Question 1: Due to the continued recession, real estate market slump and tight credit markets, the prospects for large, privately-funded projects has not improved much since we talked about this last year. As a result, the City's and PDC's emphasis in this budget has switched to job creation as a main focus. Can you detail some of the specific strategies and programs you are undertaking to accomplish the City's goal of creating 10,000 new jobs by the year 2014?

Chair Andrews Response: This year's PDC Budget continues the intentional approach to integrate real estate and job-creation objectives. This approach has nothing to do with a slumping real estate market and lack of large privately-funded projects.

The City and PDC's traded-sector economic development work drives job creation by raising the national and international profile and competitiveness of Portland's target cluster industries: Clean Tech, Advanced Manufacturing, Athletic & Outdoor, Software, and Research & Commercialization. This approach to economic development is highly effective because it helps organize disparate efforts such as business retention and expansion, recruitment, innovation, entrepreneurship, land

assembly and workforce development. Working on these issues directly with private industry leads to greater competitiveness for Portland and ultimately to job growth.

We are proactively investing tax increment financing (TIF) in real estate developments in a manner that leverages high-growth industries to increase jobs and employment opportunities.

Question 2: While it is certainly important to create jobs as a means to spur economic recovery in Portland, how will these strategies and programs lead to increased assessed value, which is the life blood of TIF revenues that PDC depends on?

Commissioner Dickson Response: Many of the strategies are tied to how PDC makes urban renewal investments with TIF dollars. More specifically, the strategies focus investments to maximize job creation while revitalizing Urban Renewal Districts. This includes targeted business lending, commercial lending and community redevelopment activities that will be used to rehabilitate blighted buildings and develop properties within PDC's Urban Renewal Areas (URAs). Alignment of recruitment and job creation activities within specific urban renewal activities will increase assessed value as investments are made, as they would have under previous strategies.

Question 3: The allocation for PDC from the City's General Fund is being increased primarily to address the issues of job creation. Is the use of these funds in areas outside of URA's distinctly different than how TIF revenues are used within URA's?

Commissioner Straus Response: The allocation for PDC from the City's General Fund helps PDC to deliver on its mission by providing resources for citywide programs (i.e. outside of URAS) and address needs other than those allowed under ORS 457 which limits the use of tax increment proceeds. Specifically, programs such as Portland Main Street, small business technical assistance, resources to support the Alliance of Portland Neighborhood Business Association, the Economic Opportunity Initiative and the Partners for Economic Progress Initiative provide capacity development and technical assistance for organizations, small businesses and business districts across the city. The small business working capital and the Seed Fund provide critical early stage and working capital resources to help businesses grow. Finally, cluster work, international business developmental and business recruitment allows PDC staff to work with current and potential private partners to address key industry-wide issues and promote Portland as a place to do businesses nationally and internationally.

Question 4: You have made some changes in the internal operations of the Agency, transferring some positions from the Executive Department to a new Finance & Operations Department (formerly Central Services). And in total, there are 14.2 fewer full-time employee (FTE) budgeted in these two departments which is nearly a 14 percent reduction in administrative staff. Are you able to gain efficiencies to compensate for this reduced staff or are you simply asking employees to do "more with less"?

Commissioner Wilhoite Response: The reductions have had varying impacts. Some functions have been decentralized and transferred to other areas of the Agency, while other functions/services have been eliminated entirely. There have also been some efficiencies realized over the past couple of years that have allowed some of the workload to be absorbed by other existing departmental staff. Given the reduction in overall revenues, there will be fewer projects, programs, grants and loans to make. We are sizing the administration and staff to the projected workloads given the ongoing reductions seen in future revenues.

Question 5: Were you able to reduce staff through attrition and retirements or did some employees actually get laid off?

Commissioner Wilhoite Response: Of the total 22.2 positions reduced, 17.5 positions were filled at the time. Employees in impacted positions were provided with severance benefits to assist them in transitioning from the agency.

Question 6: The Housing Set-Aside policy that requires 30 percent of urban renewal funds in plan areas be spent on housing for low-income populations has been in the news recently and there seems to be some disagreement as to whether the 30 percent threshold applies to each URA individually or as a total of all plan areas. What is your interpretation of the 30 percent set aside rule and will this be addressed when the policy is renewed later this year? (Link: *Budget Plan ices affordable housing*, The Oregonian, May 18, 2011, and *A win for affordable Housing*, editorial, The Oregonian, May 25, 2011).

Commissioner Mohlis Response: The current set aside implementation language establishes specific set aside targets for each URA. Some of these targets are less than 30 percent for older, established URAs that have made considerable historical investments in affordable housing. The PDC and Portland Housing Bureau (PHB) monitor spending annually by URA and adjust forecasts as needed to address each URA target. Any deviation from the target is a matter of City Council direction and policy. The City Council is currently reviewing the policy.

Question 7: It has been just about a year since housing staff and project funding was transferred from PDC to the PHB. How has that been working out from your perspective, and perhaps more importantly from the perspective of accomplishing the goals and objectives for the various housing programs?

Commissioner Straus Response: The Intergovernmental Agreement (IGA) between PDC and PHB gives PDC responsibility for carrying out the various housing programs, pursuant to the Affordable Housing Set-aside Policy adopted by City Council. The PHB has successfully implemented the set-aside, and is allocating TIF through competitive processes open to developers of affordable housing. Coordination and alignment with PDC URA plans is one element of the decision-making process for PHB, and overall both PDC and PHB leadership believe the new organizational structures are working well. The transfer to PHB has given PDC a greater opportunity to focus on economic development, which is very appropriate given the state of the economy.

Question 8: Later this year, Portland City Council will consider creating a new URA called The Innovation District which will take in most of the Portland State University (PSU) campus and surrounding blocks, including the southern blocks that are now within the South Park Blocks URA. The new URA will encompass approximately 130 acres with an assessed value of \$603 million. Since the area is dominated by publicly-owned buildings and most of the projects are related to PSU, isn't there a concern the assessed value will not grow significantly more than it would without the formation of an URA which therefore will severely limit the amount of TIF revenues that can be generated to pay for the projects? What is the projected assessed value in the 10th and 20th year of the URA? (Link: *The Innovation District*, Proposal, February 2011)

Commissioner Mohlis Response: PSU has indicated 40 percent of the investment in PSU projects is expected to be taxable. An example is the College Station apartments currently under construction – a fully taxable project. Current projections of TIF revenues result in a proposed district capacity of \$134 million. The capacity is lower than the calculated maximum indebtedness of \$258 million because of the expectation that some portion of the improvements would not result in assessed value increases. Current projections estimate the assessed value of the area will be \$817 million in Year 10 and \$1.2 billion in Year 1020. Historically, the central city has experienced growth rates of 2.5-2.9 percent, with the proposed district we expect it will increase to an average of 3.0-3.5 percent. The purpose of this district is about helping PSU become a world class research and commercialization university. This generates a public benefit that goes beyond just assessed value.

Question 9: At the same time, areas in Northwest Portland that had earlier been considered for inclusion in a new central city URA have been left out, including the Con-way property which is one of the few large undeveloped commercial sites in the central city. What are the plans for assisting this clearly blighted area, either with or without including it in a URA area in the future?

Commissioner Wilhoite Response: There has been little support for public assistance in northwest Portland, including the Con-way site. Additionally, there are other large redevelopment areas within the central city, such as the Post Office, North Macadam, Rose Quarter and Oregon Convention Center (OCC) that have greater momentum, prioritization, and access to public resources than the Con-way properties. Regardless, Con-way may move forward with redevelopment without assistance from the City, or with assistance other than tax increment

Question 10: For perhaps the second year in a row, the largest single-budgeted project is the Bud Clark Commons (Resource Access Center) currently under construction in the River District URA. You provided us details on this project last year. Briefly, is the project coming in on time and within budget?

Commissioner Dickson Response: Bud Clark Commons opened June 2, 2011. Home Forward (formerly Housing Authority of Portland) opened the project on-time. The men's shelter portion opened June 10, and the day center will open June 20. Leasing of units in the housing portion of the facility is well underway and the first tenants should begin moving in June 21. Final invoices for the project are still pending, but the project is within budget.

Question 11: Staying with the River District URA, can you give us an update on the following projects:

Centennial Mills Redevelopment:

Commissioner Straus Response: The negotiations under a Memorandum of Understanding (MOU) for the redevelopment of Centennial Mills will end June 30, 2011. After that date, PDC will decide how best to move forward on the redevelopment of the site.

Redevelopment of the Grove Hotel into a specialty Hostel:

Commissioner Straus Response: PDC is working through a Disposition and Development Agreement (DDA) for the Grove Hotel. Based on preliminary pre-development due diligence and market study, it was decided converting the property into a Youth Hostel would be a major improvement for the site and neighborhood. It is anticipated the DDA would be going to the PDC Board to consider its authorization in July 2011 with the property opening January 23, 2012 (Chinese New Year), in addition to the Youth Hostel, the developer will improve the storefronts and open restaurants and other shops that will bring vitality and street-life back to this currently derelict property and create an revitalized entrance to OTCT.

Purchase of the U.S. Postal Service's regional distribution center:

Commissioner Straus Response: PDC has finalized the terms of a Purchase and Sale Agreement (PSA) with United States Postal Service (USPS) and anticipates bringing this transaction to the PDC Board in the near term for consideration. Even when the PSA may be authorized, there is no requirement PDC close on the transaction.

Question 12: The Central Eastside URA includes \$3 million for the Burnside Bridgehead project. Can you give us an update on this project, including whether the original development agreement is still in effect or do you anticipate a new developer taking over the project?

Chair Andrews Response: The PDC completed a framework plan for the Burnside Bridgehead on January 2010. Since that time, PDC has negotiated with BEAM Development for the redevelopment of Convention Plaza Building (Block 68). Additionally after the Framework Plan was issued, PDC issued a Request for Interest (RFI) for the remaining property within the Burnside Bridgehead site and received proposals for the remainder of the property. The PDC has entered into negotiations with BEAM Development for a DDDA for the redevelopment of Block 68 that would then come to the PDC Board to consider its authorization.

Question 13: We noticed construction activity on a vacant lot to the east of the OCC. Assuming that is not preliminary construction of a Headquarters Hotel, can you tell us what is being developed on that site and what is PDC's involvement with the project?

Chair Andrews Response: Block 26 in the OCC URA was acquired January 22, 2001, to assemble a two-block site (encompassing three parcels), including Block 43 directly north of the site, for the Convention Center Headquarters Hotel. Due to the economic downturn, the Headquarter (HQ) Hotel project is not expected to be built in the near term and Metro requested to use Block 26 for use as an outdoor event venue and public plaza. In order to achieve the goal of cleaning up the front door of the Convention Center, PDC demolished the structure and entered into a lease with Metro to redevelop the site as a public plaza for use an outdoor event venue.

Question 14: The North Macadam URA's budget includes \$3,735,415 for "design and construction" for the 1,300 lineal feet of Phase I of the Central District Greenway, yet no amounts are projected for fiscal years beyond 2011-12. What is the long-term schedule for completing the entire greenway and what are the total estimated costs and funding sources?

Commissioner Dickson Response: As with other sections of the City's waterfront, the greenway, by code, is implemented on a phased basis triggered by adjacent development. The Phase 1 segment was triggered by the development of adjacent residential towers per the Central District Development Agreement. It is not anticipated every greenway segment will be similarly or equally funded by PDC resources. We are holding active conversations with the property owner to the north (between Riverplace and the Phase 1 segment) and the Parks Bureau to identify timing of development and when greenway improvements could be triggered. That property owner is completing significant in-water cleanup work at their own cost this year. The out years of North Macadam's budget do have a line item reservation for New Initiatives - Parks and Greenway in FY 2014-2015 and FY 2015-2016 of \$1 million per year. These resources could either be committed to future greenway development phases or to other open space projects within the district.

Question 15a: Funding continues for the ongoing construction of the Affordable Veterans Housing project. Is the project coming in on-time and within budget?

Commissioner Mohlis Response: The project is on schedule and within budget. The PHB is in the lead on this project and will continue to monitor construction.

Question 15b: Will the building have a name and if so, what process will be used to select a suitable name?

Commissioner Mohlis Response: Ms. Margaret Van Vliet, PHB Director, and Portland City Commissioner Nick Fish will work with Veterans Administration (VA) staff, REACH staff and others to determine an appropriate name. They hope to have a name by the end of 2011.

Question 15c: When is the building scheduled to open?

Commissioner Mohlis Response: The building is scheduled to open in December 2012.

Question 15d: Where are you in the process of screening and selecting tenants for the building?

Commissioner Mohlis Response: It is too early to begin screening tenants. Any inquiries are being referred to REACH Community Development, the owner of the building. A marketing and selection plan is being formulated and will be implemented approximately four-to-five months in advance of opening the development. All of the units are restricted to households earning less than 60 percent Median Family Income (MFI), with 42 of those units expected to be occupied by veterans at risk of homelessness with incomes at 0-30 percent MFI. These 42 households will pay 30 percent of adjusted income for rent and utilities utilizing Department of Housing and Urban Development project based rent assistance allocated by Home Forward. Tenant selection for those units will involve Housing Authority of Portland and the VA.

Mr. McCall stated they were now closing the regular meeting of the TSCC and welcomed any discussion and there were no comments.

The TSCC recommended PDC to closely monitor expenditures due to the fact in FY 2009-10 there were a few expenditures made without proper authorization. They reminded staff to pay more attention and bring changes to the appropriations level before changes are actually made.

The TSCC called for a vote to certify the budget and all responded in favor of this action. They thanked the PDC Board and staff for their time and involvement and stated the meeting was being adjourned.

Chair Andrews thanked the TSCC for their time and said he looks forward to seeing them again next year. He then called the regular meeting of the PDC Board back into session.

V. ADOPT FY 2011-12 BUDGET

Chair Andrews said he wanted to thank everyone for spending thousands of hours and effort putting the budget together. He said the process begins in November every year, it is a bottom-up process that gets scrutiny at the URAC level before it goes to Board. He said then three meetings are held in January to review the budget and then it goes to City Council. He pointed out that for the third year in a row, City Council has not changed PDC's proposed budget. He said the debate that occurs at City Council now has more to do with general fund dollars. He said as previously mentioned, PDC received quite an increase in general fund dollars and he attributes this to the city's Economic Development Plan and to PDC's implementation of the development and cluster strategies. He said City Council has seen that this work has brought businesses to the area and that this effort is headed in the right direction; this was the reason City Council was willing to provide more general fund dollars during these difficult economic times.

Ms. Julie Cody said she and Mr. Tony Barnes were present to request formal adoption of PDC's FY 2011-12 recommended and approved budget and to appropriate resources set forth therein that would be effective July 1, 2011.

Mr. Tony Barnes stated he would be discussing the few technical changes that were being brought forward as part of the recommended adopted budget (changes from proposed budget previously approved by City Council). Mr. Barnes said in total, the recommended changes equal approximately \$1.9 million in expenditures, with a recommended increase from \$157.9 to \$159.4 million. He said the majority of the changes made were related primarily to updating direct staffing allocations across PDCs different business sources/business lines. He said this does not change the amount allocated to staff but changes how staff allocate their time to business lines.

Chair Andrews said this is a direct result of our investment in the new accounting system that allows for project accounting. He said he recently met with staff and they are still learning how to document their time, saying in some instances, it is difficult because several staff charge time to multiple projects. He said at the end of the day, this provides much more accurate information in terms of documenting where staff spend time working on projects/programs verses on administrative matters.

Commissioner Straus asked how staff actually accounts for their time.

Mr. Barnes responded by saying PDC has a Lawson-based time card system where time is recorded. He said staff update their time on a daily basis and can do this down to each quarter hour of time worked.

Commissioner Wilhoite asked if it was required staff input their time on a daily basis.

Ms. Julie Cody said yes, it is technically required staff track their time on a daily basis.

Mr. Barnes went on to say a majority of the recommended changes are adding carryover to housing projects so they align with the proposed PHB IGA and updating project management expenses to reflect gross revenues and expenditures instead of net. He said in the past, PDC accounted for net revenues coming off properties and so going forward, PDC will reflect gross revenues and expenditures in the budget which will increase budget appropriations. He said this also updates indirect cost allocations based on final indirect budget and PDC will now see a decrease in transfers. He said in total, the recommended budget is \$159 million and the changes being discussed are being implemented on the various business lines. He said the \$52 million housing allocation includes \$16 million for the Resource Access Center (formerly called Bud Clark Commons). He said this is actually takeout financing and so part of the FY 2011-12 budget for housing is related to the IGA and project that is just being finished. He said the budget also shows \$17 million for administration, hitting the target of approximately 11 percent for administration. He said in total, the \$159 million in housing includes a \$16 million takeout allocation for the Resource Access Center.

Commissioner Wilhoite asked if the public were listening, would they understand what you mean when takeout financing is being referred to and asked that it be explained.

Mr. Barnes responded, saying specific financing requires a line of credit on the front end and a final bond issuance to take out that line of credit.

Commissioner Wilhoite said so it is really a refinancing of PDC's costs and Mr. Barnes concurred.

Mr. Barnes said the property redevelopment line item, including the gross property management allocations in this recommended adopted budget, is around \$47 million (30 percent), \$18 million for infrastructure (11 percent), \$24.6 million (15 percent) for business development, \$52 million (33 percent) for housing, and \$17.1 million (11 percent) for administration.

Chair Andrews said there was a request from Commissioner Straus to add more funds into the Interstate or Lents URA line items to assist with summer clean-up programs and asked how this request is being implemented.

Mr. Tony Barnes said this request can move forward by applying resources towards the line item for property redevelopment in the Lents/Interstate budgets. He said this could be reflected in the adopted budget document being released in July 2011.

Chair Andrews asked if the Board needed a special motion to approve this as part of the Board's action to approve the budget.

Mr. Barnes said as long as this discussion is captured within the official Meeting Minutes, it does not require a special motion. He said he will ensure it is included in the adopted budget document and the resources will be identified out of existing property redevelopment appropriations. He said the appropriations summary will be updated to reflect this change.

Chair Andrews requested a specific line item be created so the Board can track that it actually happened.

Commissioner Wilhoite said this effort was very well done and thanked all involved for their time and effort. Commissioners Straus, Dickson and Mohlis echoed Commissioner Wilhoite's sentiments.

Chair Andrews called for a motion to approve this resolution and Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

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

Chair Andrews thanked the TSCC for their service to the county. He knows it takes a lot of volunteer time and effort. He said it has been a challenging year but PDC has some great private investment projects underway and has a new Executive Director, Mr. Patrick Quinton on board. He said PDC went through a significant downsizing to ensure PDC's budget matched project revenue. He said significant recruitments have taken place, with Solo Power, envisioned to bring over 500 jobs to the area over the next few years. He said overall, he has a feeling the economy is getting better and PDC has worked through downsizing to match the mission with the economy and to future revenue sources.

VI. APPROVE FUND BALANCE POLICY AND IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STATEMENT NO. 54

Ms. Faye Brown stated she was seeking approval to establish a policy to implement Governmental Accounting Standards Board (GASB) No. 54. She said the approval is necessary to ensure financial statements are prepared in accordance with generally acceptable accounting principles.

She said this action provides greater clarity to public investors and legislative bodies as to the characteristics of PDC's fund balance and governmental funds. She said it also sets different classifications for how fund balances are categorized. She said these classifications will only apply to the governmental funds, saying for PDC, those funds are the general fund, the special revenue funds, capital projects funds and development service funds.

She said in addition to establishing categories for the fund balance, the resolution also assigns authority to PDC's Chief Financial Officer for determining the assignment of fund balances.

Chair Andrews said this seemed to line up with PDC's existing system and, for the most part, this has to do more with changing the definition or name of a particular line item versus creating a new account.

Ms. Brown responded and said yes, a lot of the resources PDC has are already restricted due to the URAs. She said because of this, PDC implementing this standard was not as difficult as it would be for some other entity, like the City for an example. She commended Ms. Catherine Kaminski for all her efforts on this project.

Commissioner Wilhoite said he commended staff for their efforts, saying PDC is ahead of the game.

Commissioner Straus asked if this change to accounting identified any issues and Ms. Brown responded by saying there was nothing that came out of the process and there were no surprises.

Chair Andrews called for a motion to approve this resolution. Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

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

VII. APPROVE THE FY 2011-12 PORTLAND HOUSING BUREAU INTERGOVERNMENTAL AGREEMENTS

Chair Andrews stated the Board would be hearing a resolution to approve the two PHB IGAs, saying Mr. Tony Barnes and Mr. Jacob Fox, PHB, would be presenting this item. He said this is an annual item and is part of PDC's due diligence to ensure oversight of the TIF funds. He said this allows the agencies to do great work as evidenced by Block 49, saying he believes everyone is excited to see this and as pointed out many times, this consolidation actually provided for a more efficient use of dollars and allows PDC to concentrate its focus on the economic development side.

Mr. Tony Barnes said this action authorizes PDC's Executive Director to execute two IGAs with PHB for FY 2011-12. He said this action, shown as Exhibit A in the Board's materials, is the housing rehabilitation redevelopment agreement which provides for PHB implementation of affordable housing activities across nine URAS. He said the total budget for this contract is \$50.8 million and includes \$48 million for projects, \$3 million for PHB staffing and indirect to support to implement projects and programs.

He said this contract is a reimbursement contract whereby PHB invoices PDC monthly for all eligible expenses. He said PDC reviews the billing for TIF eligibility and to ensure there is proper documentation and PDC then issues PHB a check for expenses.

He said the second IGA, shown as Exhibit B in the Board's materials, is a support services agreement and is the same size and scope as the one issued last year, with a total budget of \$237,000, which includes PDC providing services for property management, insurance management, property construction, environmental services and ongoing loan servicing system support until PHB implements their new loan servicing system. He said like the other IGA, this is a reimbursement-based contract where PDC accumulates expenses monthly and bills to PHB. He said in some cases, where PDC helps PHB manage specific properties, expenses will first return to PDC via the first IGA.

Mr. Jacob Fox said he was honored to be attending this meeting and was available to answer any questions. He said City Commissioner Nick Fish and PHB Director, Ms. Margaret Van Vliet respect the work PDC has done and said staff feel an unprecedented level of support. He said when the IGAs came before PHB last year, one of the items PDC wanted to be certain would be a priority was Minority, Women and Emerging Small Business (MWESB). Mr. Fox said he wanted to highlight a few items, saying Block 49 is under construction and the MWESB percentage is impressive, projecting 14 percent MB, eight WB, and seven percent ESB for a 29 percent MWESB utilization. He acknowledged Human Solutions, a housing developer, for the Glisan/Gateway project as they are bidding for the selection of the general contractor. He also acknowledged Mr. Tony Jones for work on Block 49 and assistance to MWESB firms. He said this has assisted PHB through some of the challenges.

Chair Andrews thanked Mr. Fox and Ms. Van Vliet and said good results are being achieved. He said over the last year, with all PDC's partners, it was clear when funds were being authorized that PDC expected our standards to be applied and he believes this has been effective.

Commissioner Wilhoite thanked Mr. Fox for attending the meeting. He asked Mr. Fox if there were any challenges since the transition was created. Mr. Barnes and Mr. Fox both replied, saying there were no issues of concern.

Commissioner Dickson said she appreciated hearing the process was working well, especially in the area of minority contracting. She said it was great bidding was being done for the general contractor, as it is an area where a lot of issues can occur. She said she wants PHB to view PDC as a model when it comes to MWESB.

Commissioner Mohlis said he appreciates the due diligence in making sure dollars are spent on appropriate projects.

Commissioner Straus asked Mr. Fox if PHB is tracking their time to projects similarly to PDC. Mr. Fox responded, saying the City has had the accounting system in place to charge directly to projects for a long time.

Commissioner Straus then asked Mr. Fox how the MWESB numbers were being reported for Block 49. Mr. Fox responded, saying the numbers were calculated on total construction hard costs.

Chair Andrews called for a motion to approve this resolution. Commissioner Mohlis moved and Commissioner Wilhoite seconded the motion.

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

VIII. AUTHORIZE ACQUISITION OF REAL PROPERTY ON SE REEDWAY IN LENTS TOWN CENTER URBAN RENEWAL AREA

Mr. Bernie Kerosky said this action is for the strategic acquisition of a 5,000 square foot property in Lents Town Center URA. He said PDC will pay \$100,000 for this property, paying fair market value and said it is zoned for mixed use redevelopment. He said there will be \$10,000 for due diligence costs for a total acquisition cost of \$110, 000. He said the seller is to place \$25,000 of their acquisition proceeds into escrow for funding needed remediation costs.

Mr. Kerosky said the property is one of two remaining parcels that are necessary for land assemblage for a future mixed-use development in the Lents Town Center. He said the mixed-use development would support PDC's prior investments in Lents and would act as a catalyst for additional job creation and neighborhood economic development in Lents.

Chair Andrews asked if there was a high level of confidence the \$25,000 will cover the environmental remediation. Mr. Kerosky responded, saying yes, it will cover those costs.

Chair Andrews pointed out that this property is one PDC attempted to purchase 11 years ago and this makes the third time, and perhaps the fourth time, an offer has been made on the property. He said this is the lowest offer and it is a good time to pick up a critical piece of property.

Chair Andrews made motion to approve this resolution and Commissioner Straus moved and Commissioner Wilhoite seconded the motion.

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

IX. REVIEW DRAFT DISPARITY STUDY

Mr. John Jackley introduced Ms. Christine Moody, City of Portland Chief Procurement Officer, and said the two of them would be briefing the Board on the draft Disparity Study. He said they would provide an overview of the study, the process used, and their presentation would be followed by BBC Consulting out of Denver, the firm who conducted the study. He said the Board would be hearing from some of the individuals that served on the Advisory Committee, as well as to hear public comments.

Mr. Jackley said the presentation will be presented to City Council later in the day. He said this process is one where a lot of different voices have been, and will continue to be heard and there are many differing opinions regarding the process and next steps. He said he believes, however, all individuals share a common goal to increase opportunities and work for MWESBs and to advance social equity. He said this is a common thread and there is a willingness to work together to solve social equity issues.

He said the presentation has six main elements: 1) Need for study, 2) Consultant team and selection, 3) Timeline and methodology, 4) Elements in the report, 5) Findings and process, and 6) Future policy making. He said in terms of the overview and background, the last time PDC conducted a disparity study was in 1995 and it is important to note what a disparity study does and doesn't do.

He said the studies have three elements: 1) Statistical piece, 2) Methodology when reviewing availability and utilization, and 3) In-depth interviews. He said in the case of this study, it really brought out the human element and values piece that underlay what PDC is trying to accomplish. He said contractors provided feedback about the obstacles they faced on the job and with the system. He said taken together, this became a powerful voice for obstacles that are trying to be overcome and to create opportunities for what is trying to be achieved.

Mr. Jackley said the third part involved a very robust public comment period and during the public forums, he and Ms. Christine Moody met with most of the organizations and minority chambers involved in this issue. He said the final version of the Executive Summary better reflects what was heard during the interviews and public comment period.

He said conducting a disparity study is no small undertaking and the City led the effort with PDC's assistance. He said the public process led to an RFP being issued where national firms and consultants were interviewed to find one to conduct the disparity study. As a result, BBC Research and Consulting (BBC) were selected to conduct the study. He said Commissioner Fish also established a public advisory committee that met regularly to oversee the course of the project.

Mr. Jackley said BBC will get into some of the methodology they used for this study. He said they looked at contracting, procurement procedures, MWESB programs, utilization, availability and disparities, examined the legal framework, explored marketplace conditions, developed a statistical model and then performed telephone interviews with thousands of local businesses.

He said keep in mind the report for both the City and PDC contained over 700 pages. He said in general, the study found there was no disparity with the City's fair contracting programs but there were disparities at the prime contract level, disparities with WBES, and professional services. He said the study identified issues PDC had with respect to business assistance with regard to challenges with bonding and insurances and other systemic issues. He said PDC performs different

kinds of contracting and has a different contractor base and a different kind of work than that of the City. He said for PDC, the study found when PDC holds the contract, it performs pretty well and only minimal disparities exist but for sponsored contracts (involves many different funding sources but PDC does not hold the contract), disparities were found on the design and professional services side. He said in prime contracting and in subcontracting, the greatest disparities resulted in prime contracting and in personal services, which is where PDC's policy does not apply and where community members will ask PDC to consider making it policy to address this issue.

He said at the conclusion of the study period (two years ago), PDC made significant changes and the equity policy was revised last year to calculate utilization based on total hard construction costs factored by availability, saying PDC now looks at availability on a project-by-project basis.

Mr. Jackley said he would close by saying the study is incredibly important and is part of PDC and Mr. Quinton's push to expand the equity envelope beyond just construction. He said equity will be considered in such PDC initiatives like the Neighborhood Economic Development Strategy and equity will be a lens for the city as a whole. He said PDC will be working with the City and Office of Equity to review and solve for issues. He said in the future, a project team including the Mayor's Office, Commissioner Fish, and City's Procurement office will be addressing issues and finding ways to help small business.

Chair Andrews said he wanted to hold questions and testimony and hear from BBC Consulting.

Mr. Dave Keen introduced himself as the Managing Director for BBC Research and Consulting, saying he has been working in this industry for over 22 years for states, large cities/counties and agencies like PDC. He said his partner, Mr. Kevin Williams, was also an integral part of the day-to-day aspects of PDC's and the City's Disparity Study. He said this was a joint effort and one where very few communities around the country come together, such as PDC and the City, to cooperate in such an effort, saying they are commended for this partnership and working to solve equity issues.

He said these are two separate studies and to be mindful there may be similar objectives but the contracting work at the City and PDC differ and recommendations may vary based on this. He said the key results will not go into detail but will provide context that when PDC/City makes decisions and implements public policy, there will be winners and losers and when deciding on a particular development, the courts give you a lot of deference in those types of decisions and a process must be followed and results must be justified. He said in the area of minority business programs, the courts do not give a lot of deference and is an area of law subject to the highest level of review and where a business must put forth the most information to defend minority business programs. He said because of this, it calls for strict scrutiny of standards and it is tough for entities, such as PDC, to defend. He said this is the basis for this extensive process and BBC's process is court tested and the process has always stood up in court, as BBC has never lost a case. He said BBC, with the help of PDC and the City, has a comprehensive product that would be able to withstand a court.

Mr. Keen said they found when PDC owns the contract, they did not find in most cases, large disparities between what you actually achieved in the area of utilization for minority and women-owned firms and what you would expect given the availability for those specific types and sizes of projects with the available contracts in community, existed. He said with sponsored contracts, where PDC does not drive the process, substantial disparities were found. He said this is a very important finding for PDC and the City, as it is the best indication advancing opportunities for women and minority firms, as you would expect to see based on availability in marketplace, is not happening. He said as a researcher, this is important as it shows programs are still needed and it is the basis for continuing this work.

He said there is a lot of information in the Disparity Study pertaining to the Portland area marketplace from those in the trades, those forming businesses, revenues for MWESB firms, etc.

He said each stage of evolution for a business owner found an unlevel playing field for minority and women owned firms – whether it is access to capital, bonding, etc. He said they found but for past discrimination against minorities and women, there would be more of these businesses today than is being seen in the marketplace.

He said while so much focus is on PDC and the City's contracting, it is important to not lose sight of the ability as an organization to have positive effect on the marketplace as a whole that go beyond your own contracts. He said the legal standard held if someone were to decide to challenge PDC's programs in this area are very tough are two-part: 1) Can one demonstrate there is actually a problem and there are many pages which indicate there is a problem, with both statistical and antidotal evidence, followed by the public comment period, and 2) Can it be shown the program is narrowly tailored. He said one shows seriously considered race and gender neutral measures and it may not be the program is narrowly tailored but when looking at remedies that come out of these studies, it is important to look for combination solutions that remove barriers to small businesses and make it more fair to all contractors to work in the marketplace to develop businesses. He said this business development program not just a contracting program, as it must have small business and remove barriers with a focus on minority and women owned businesses. He said when the City's prequalification process was reviewed, bonding and insurance came up which are relevant to PDC and as a result, changes to the City and PDC's programs are being considered, as it is a good time to look at what types of contracts are in place and what firms are eligible.

Mr. Keen said when they were looking at utilization and disparity, they worked with PDC and City staff and reviewed contracting information taken from a five-year period, reviewed prime and subcontracts for PDC, looked at construction-owned and sponsored work, as well as personal and flexible services contracts. He said when this information was gathered, they then looked at each individual firm and determined their ownership status and then thousands of interviews were conducted, asking firms many and very specific questions.

Commissioner Wilhoite said he understood BBC performed 80 studies and asked what the process was to gather and produce the analysis. Mr. Keen responded, saying as you can imagine over 22 years of performing this type of work, the process gets better and more sophisticated and comprehensive methods of compiling information is obtained. He said court decisions have also helped to improve the projects. He said when looking at utilization, they look at dollars as it determines how it affects the business community, not the contractors. He said with new court decisions, the methodology become more defined, with one important outcome being how available contracts are considered. He said one thing BBC found in working with five firms is 20 percent is the benchmark when looking at overall dollars. He said for PDC, the answer from the court is this must be more refined because not every contractor is available for every large prime contract and so contracts should be matched with the types and sizes, whether prime or subcontract. He said this evolution of BBC methodology over the past five or six years reflects key federal court decisions in this area and BBC is compliant with this point and actually recently successfully defended a similar program just three months ago in the 9th Circuit cCurt.

Commissioner Wilhoite asked if in the last five years the process BBC avoids is consistent with the evolution of practice as determined by the court and BBC responded, yes.

Mr. Keen said the benchmark for PDC is different than that for the city and the benchmark for prime contract work is different than that for subcontract work. He said they were able to align the work by looking across the project, not just looking at the PDC-sponsored part of a project. He said when looking at minority and woman participation, given the availability of firms that actually do this type of work as a prime or a sub and PDC is involved with the project, it is doing well and programs were in place. Where PDC was not involved, utilization was far below what BBC would have expected to see from the availability analysis.

Chair Andrews said in his three years as serving on PDC's Board, although this data is disappointing, he is not surprised because he has been told by others that once dollars leave PDC and go to other organizations, PDC's standards cannot be imposed. He asked whether or not this study gives PDC an opportunity to do better at imposing our own standards onto the partners we provide with funding.

Mr. Keen said he is not an attorney and cannot give legal advice but he would offer his perspective. He said PDC dollars and resources go into the projects being mentioned and courts have ruled that you (PDC) have an affirmative duty to ensure your (PDC) resources are not perpetuating a discriminatory system. He said for an example, a project PDC is contributing resources towards should be making sure all parties involved have a level playing field and standards are being followed or you (PDC) could withhold funds. He said when looking at federal agencies and what they impose on projects and how little dollars are contributed, those programs apply. He believes PDC could make a strong argument, even if the financial contribution is minor, the project is still using PDC resources and therefore PDC standards will apply so that a project does not have the ability to perpetuate a discriminatory system.

Commissioner Wilhoite said he is happy to hear this answer because he posed the question five years ago when looking at the construction wage law. He said if he understands this correctly, if an entity takes PDC funds, PDC can apply conditions whereby if they are not met, a certain portion of the contract as it relates to monies PDC has given, PDC can retain.

Mr. Keen said again, he is not an attorney and sometimes state law gets in the way of this practice and so tension between what some would argue they might be responsible to do under the U. S. constitution of not discriminating and what state law may say can and cannot be done can be two different things. He said these debates continue and he understands the tension because some state laws may affect the ability to impose standards. He recommended taking a careful look at this and if a barrier is found, determining if there is a way it could eventually be moved.

Mr. Keen went on to share an example of how availability was calculated for one subcontractor piece and the methodology used. He said based on court decisions, BBC developed an availability database that is used to arrive at the City's availability. He said if there is a subcontract to perform electrical work for \$20,000, BBC would look into the availability database to determine what firms are willing and interested to do this city work and/or to subcontract in electrical work. He said the case found 140 firms were available for the contract piece and so for this estimate, the contract piece is 33 divided by 140 or 24 percent. He said this process was repeated for all contracts that were included in the study and a dollar-weighted estimate for availability was used. He said this same system was just approved and passed in a California court.

Commissioner Mohlis asked with respect to the numbers BBC just discussed, if this same methodology was used for prime and subcontracts, saying it is not applied to both, correct. Mr. Keen responded, saying they look at each individual piece of the contract and so prime and subcontractors are looked at separately. He went on to say the overall availability figure set for contractors is based on a dollar-weighted average using all calculations and said statisticians try to determine if there is a meaningful difference. He said BBC wants to have aggregate data and they view this contract-by-contract, prime contract by prime contract and subcontractor contract by subcontractor, giving BBC an overall estimate.

Mr. Keen said as mentioned earlier, BBC looked at conditions for minority and women in construction in the professional services industry in Portland and reviewed the entire process. He said BBC looked at workforce issues, looked at the proportion of women and minorities in management positions, business ownership and business ownership rates, access to capital using home mortgage disclosure data, as well as success of businesses, etc. He said BBC also gathered substantial anecdotal evidence and over 60 in-depth interviews with business owners and trade

associations, etc. were conducted. He said these were lengthy interviews, covering all aspects of bidding for work in the private and public sector and BBC also gathered information from availability interviews from thousands of firms that were interviewed relative to conditions within the marketplace. He said BBC does provides a public feedback process and a draft report was released and feedback was solicited during April, followed by a public forum where comments related to the marketplace, as well as the study, were received. He said those comments were collected and placed in an anecdotal Appendix (J). He said this information was given the same weight as anecdotal interviews.

Mr. Keen said he believes BBC did a good job doing this project smart and wanted to commend PDC and the city, especially Mr. Jackley and Ms. Moody. He said considering how much public involvement was involved, this was a pretty heroic effort.

Mr. Keen said BBC is at the point in the process where the study is a stepping stone to get somewhere. He said this begins the process of having ongoing conversations about how to improve what the PDC and City are doing and determining what is and is not working well. He recommended this effort be done every 15 years.

Chair Andrews stated he wanted to now call individuals forward for public testimony, welcoming Ms. Gale Castillo, Mr. Jonathan Colan, and Mr. Andre Baugh forward.

Mr. Jorge Guerra, Oregon Association of Minority Entrepreneurs, said he commends the City and PDC for their search for information that adds value and support to MWESBs. He said his comments are based on data in the disparity study and said there're are a number of minorities that are in the construction of personal services in Oregon and the City. He said that in the Disparity Study, a loan is a means to provide support for MWESB businesses and said they conducted a support program for MWESBs and collectively forced relationships to grow for all concerned, multiplying opportunity growth and development. He said the City and PDC should strive to help MWESB businesses and OAME believes dollars are better spent supporting MWESBs.

Ms. Gale Castillo, Hispanic Chamber, stated she was present to discuss the Disparity Study but also wanted to address issues that have been raised. She said the Hispanic Chamber commends PDC and the City for conducting this Study because knowledge and awareness are the first step towards addressing issues. She said she hopes this will develop into a plan to address some of the concerns that have been raised. She said the Chamber supports the fact there be an increase in the number of subcontracts and supports smaller contract segments, using alternative bid evaluations that focus on other factors other than low bid, making it more of a qualitative analysis. She said the Hispanic chamber urges the City and PDC to insist on prompt payment and to consider providing upfront funding to small businesses to help them with initial start-up costs, saying small businesses in this environment find it almost impossible to secure financing. She said more information needs to be collected and more detailed information is still needed. She said the process on how subcontractors are notified about upcoming subcontracts needs to be changed and urged the City and PDC to not only establish relationships with major prime contractors but to build relationships with potential subcontractors early and encourage them. She said it is important subcontractors be shown how to bid and be given feedback. She said the City's partnerships with training and technical assistance needs to be increased and more online training needs to be done and flexibility in the City's bonding and insurance requirements needs to be increased. She said the Hispanic Chamber recommends using the technical assistance of not only the Chamber but other community-based organizations to conduct outreach and help get firms certified, work with prime contractors. She said if PDC and the City would contribute funds to the Hispanic Chamber, more assistance could be available. She said as a City, there is a lot of outstanding work that has been done in this area but a lot of work still needs to be done to ensure all members of our community have similar economic opportunities.

Mr. Andre Baugh, President, Group AGB and Chair of the Portland Planning and Livability Commission, said his comments were not about the actual Diversity Study or methodology but the promise of fairness and equity that can result from this study. He said, as we all know, disparities studies by nature are controversial and discussing how people are discriminated against is an uncomfortable issue for most to discuss but it is an important conversation and should not stop or impede the ability to do the right thing. He said this country is loaded with unused disparity studies and many have voiced their concern on the lack of outcomes they contain and the product sits on a shelf and is never used. He said the PDC and the City must not let this happen with this information and must understand that issuing a disparity study does not mean the problem is solved, it simply points out the need for fulfillment of equity. He said other agencies have had more significant disparities but have done more to close those gaps to reach fulfillment. He said PDC and the City must not follow the universal request for easy answers and half-baked solutions but face the disparity with directness and action.

He said the City has asked PDC to adopt equity and today I ask the City to adopt solutions and accountability, saying only through these results will be achieved. He said PDC should first adopt and then embrace a strong commitment to the community that can be seen and believed, as that commitment will be tested. He said both entities cannot waiver because of the anxiety this may cause but must move forward in the face of adversity. He said the commitment is first and PDC immediately adopting these measures (eliminate disparities of large projects, increase support for prime contracting at minority and women level, increase support for bonding and insurance and loan options) should be second.

He said PDC should extend the equity coverage to the design and lastly, prepare options for both race and gender neutral conscious measures and include a GFE which only has minority and women and extend to workforce the results of this study. He said contractors do not come from MBA programs but come from being a laborer and so workforce training is really important about the future of contracting for MWESBs, saying good apprenticeships are the future.

He said third, PDC should hold all parties to the highest standards of accountability and make changes if achievements are not being reached and report on this information quarterly and monthly to contractors, saying PDC partners must be held to the same standards and they should not be allowed to give excuses. He said it is your money, your commitment and the ones held responsible. He said maybe PDC/City cannot hold the money but can certainly make it harder for contractors to get the money. He said the ultimate measure is not where PDC/City stands in times of comfort but where they stand in times of challenge and controversy. He said a significant measure of PDC is not where it stood yesterday but where it stands today and where it stands five years from now.

Mr. Herb Fricke, Oregon Native American Chamber of Commerce, said he has been a long-time northwest resident and as a Chamber, represent about 50 Native American businesses in Oregon. He said he is a business owner and has had the honor to work with the City on several prime relationship contracts, as well as on subcontracts, and in many ways the programs are working successfully. He said the Disparity Study did point out significant disparities in the use of Native American businesses, professional services and construction firms.

He said what he found interesting was the lack of availability of Native American businesses that can perform in a prime contracting role. He said in his view, this is the most important issue to address and it will go a long way towards eliminating disparities and removing barriers within the Native American business community. He said one of the Chamber's goals is to assist the City/PDC in developing resources and capabilities of Native American businesses not only in providing subcontracting roles but providing prime contract roles. He said the City and PDC need to inform businesses of upcoming work, connecting those businesses primarily with the project managers doing the work and implement a similar GFE program with quantifiable goals and educate businesses on what services PDC has to offer, identify mentors and develop businesses. He

acknowledged PDC and the City for their effort on the Disparity Study and for including the Chamber in the discussion.

Ms. Penny Painter, Oregon Native American Chamber, stated she had been a business owner and general contractor for 18 years and also works in workforce development which assists individuals with getting into the trades at the apprentice level. She reiterated the comments made by Mr. Herb Fricke.

Mr. Melvin Oden-Orr, as Counsel for NAMCO, said he was involved with NAMCO but was present today to provide official comments on behalf of NAMCO. He said although other comments may be made by others within NAMCO, his comments serve as their official comments.

He said first of all, he wanted to thank PDC and the City for the Disparity Study, as it is viewed as the first step to the next phase of the City's goal to achieve equity in its contracting program – the first step because it is a constitutionally required step.

He said NAMCO is looking for leadership within PDC/City on issues of equity and expenditure of city funds through its contract. He said NAMCO has very specific comments on the Study and those were submitted via correspondence. He said the key point NAMCO is looking for is PDC's leadership on these issues, with the first being to address how the Study went about identifying what firms were minority owned, saying if you look at the study, you will see BBC analyzed certified, as well as uncertified firms, but the Study does not explain how BBC confirmed those firms were not certified and were in fact owned and controlled by a person of minority race status. He said the reason this is important is because the goal of the certification program is to create a level playing field for those firms reaching that level and the Study does not clarify this.

He said the other issue is even though there is some anecdotal evidence about the experience contractors have in the private sector, it is not the same analytical assessment of what constitutes utilization by private firms or private projects and believes this gives insight into what equity exists in the contracting system as a whole. He said another issue is the Study seems to engage in this hybrid analysis, where the entire population is assessed – when in fact, there is about 50 percent of the contractors BBC spoke with, gave no response. He said another issue is the study looks at one point in time and determined what the numbers of firms were and it reports to assess a five-year period but in fact only looks at availability as of the date of the study. He said this is no indication of what firms were in existence during that period of time and said he thinks the disparity and discrimination could affect the outcome of data.

Mr. Tony Jones, Executive Director for Metropolitan Contract Improvement Project and NAMCO member, said his firm and NAMCO work to build capacity for minority construction businesses and works with primes and subcontractors to help build capacity and increase utilization. He said although he did not read the improved Executive Summary, he wanted to acknowledge certain disparities and said the Disparity Study falls short and it is an opportunity to PDC/City to be aggressive addressing economic equity and need to continue on the premise there are economic disparities that exist throughout our economy in gaps of wealth, etc. He said the recognizing procurement opportunities by PDC/City are one avenue on the continuum to address economic disparities and to help small business. He said the City/PDC are missing some opportunities and believes there is a stronger case than BBC presented for PDC/City to be more aggressive. He said if you connect the 1996 Study to this Study, fifteen years later, we are at the same spot and this should be a compelling reason for setting stronger goals and targets for what is desired. He said he is unsure what more data is needed but believes PDC/City need to look at this issue harder, saying there is a lot of talk in the town about equity and gaps in economics and wealth but every time it needs to be addressed, people shy away from it and PDC/City need to be proactive and move forward. He said he believes there is value in showing greater disparity since it does exist but a challenge of the study is it compares apples and oranges and there are a number of concerns

regarding certified firms or minority contractors. He said these firms are told to get certified because there will be more opportunities but yet were not listed in the primary database, saying there is a disconnect and we need to understand the legal significance of this. He said BBC listed firms and missed firms that could have been counted because BBC did not use the primary resource contractors use to identify firms to participate in this industry.

Mr. Maurice Rahming, President, O'Neill Electric, thanked PDC/City for conducting the study and said it is really important it be done and said he did not have concerns regarding methodology but was concerned about implementing the study. He said he has done work with PDC and the City and the study shows 20 percent of those firms he has currently worked with, or has in the past, are listed as minority contractors and they have been recognized in the study. He said so when availability is discussed and goals are looked at, keep in mind 80 percent of minority contractors currently working for the City is deemed unavailable in the Study. He said so when one looks at why it is that there are fractional percentages and one of the fractional percentages he sees is in the area of African Americans, he did a tally on that number and if we were to swap positions, that number would mean PDC or the City was going to pick up the taxable liability for African Americans, meaning African Americans would have paid more than what was assigned for African American utilization. He said African Americans would pay more in taxes than what the Study shows is availability to African Americans, and he finds this appalling. He questioned how his small company that employs about 50 people can actually pay more in taxes than what we're saying is available for the African American community. He said as PDC/City look at how to implement this, it is important to note a company, calling out of Texas on behalf of a company in Denver, representing PDC and the City, contacted his company to participate in the survey. He said to those in his office, it sounded like a sales call because when he and/or his staff see a number coming in from Texas, they believe it is a sales call and do not respond. He said he therefore did not respond and is now identified as unavailable though his company is currently working on PDC and city projects, this is concerning.

Mr. Melvin Oden-Orr said he would appreciate a few more minutes of testimony, as he wanted to address an earlier comment/question posed by Chair Andrews. He said the question posed was does the study give the Commission the authority to reach out and control the process once the dollars go into another parties hands or allow PDC to impose PDC's standards on them. Mr. Oden-Orr said he was not giving legal advice but said this is an issue about controlling standards and this should be considered in the early stage because once a procurement system is in place, it is whoever is doing the procurement's responsibility to enforce and said it will be very hard to have these rules apply later than earlier.

Mr. Larry Geshner, Vice President of Slate Construction Group, said he was here to support the local minority and women businesses and said he recently attended a NAMCO luncheon where members spoke of their concerns with the Disparity Study data. He said he is a local contractor working in Portland yet is listed as unavailable for work. He said as a prime contractor, they utilize these types of studies for helping to establish their own internal company goals and when working on projects that do not have targets, that data is utilized to determine what is equitable for a community. He said as part of the general contracting community, he wants to make sure PDC mandates BBC address these concerns and makes sure the information put forward is accurate because a lot of people are struggling in this economy and it does not matter what race or gender they are, if data comes out that is not correct, it will only penalize people further. He urged PDC and the City to make sure concerns are addressed before it is issued in final.

Mr. James Posey, NAMCO member and Coalition of Black Men President, said he actually looked at the data and contractors on this piece and found out he was not available for many years. He said two African American consultants on the disparity team were also not available and one is a member of the Commission. He said this is really concerning because at the end of the day, the numbers, when looking at figures like 1.9 percent of minorities, is almost insignificant, as they are extinction numbers. He said everything is relevant to those numbers and if one or two people are missed, the

data becomes skewed and unreliable. He said we are in trouble when you think about it in those terms and it is a real travesty to have it manifested as something we need to move forward. He said this is why it is important the data be correct because if it isn't, everything after that becomes suspect. He said this is marketed as a way to help PDC not get sued but at the end of the day, PDC and the City should be looking across the river at agencies such as Tri-Met because they have no disparity study but are doing a wonderful job across the city and are doing the right things. He suggests this Study be rejected as nonsense because if the City and PDC are not able to reconcile this stuff with people in the industry, then something is really wrong.

Chair Andrews thanked everyone for taking the time to attend and provide testimony. He said the Board would take all comments to heart.

Commissioner Dickson thanked BBC for the Study and said she was concerned with implementing the study, as minority contractors that have done the work, only about 20 percent of the firms have been recognized in the Study. She said so when availability is looked at, keep in mind, 80 percent of minority contractors working for the City are not available in the Study. So when errors like this are seen, one is not able to trust the data. She said it is appalling based on what is being discussed that more is being paid in taxes than what is available for the African American community.

Commissioner Wilhoite said he wanted to first thank everyone for attending and sharing their thoughts and concerns, thanked BBC for the work they conducted, and thanked Mr. Jackley and Ms. Moody for their leadership.

He said he would be blunt, stating a lot of money was spent for this Study and the conclusions are not really surprising to anyone attending the meeting. He said as Mr. Posey pointed out, several people/companies were left out of the Study. He said to BBC, when you go through this type of analysis and form conclusions, at the end of the day you make some recommendations that were presented in the Executive Summary. He asked BBC what role they played when finalizing their report.

Mr. Keen responded, saying BBC has been available to past clients post study and will be available to PDC to help move the efforts forward. He said part of the Disparity Study came in with no answers but all knew the questions given court guidance. He said there were a number of comments about the methodology and said it has been used by the courts and is the strongest methodology available. He said BBC can stand by this and said it is really a neutral-objective study, offering an outside perspective of what the City and PDC are doing and documents conditions of the marketplace. He said the City and PDC may find it advantageous to involve BBC in the process of moving the effort forward but they would wear a different hat – from a program implementer hat and what BBC has found to work. He said prior to BBC jumping into the work, a lot of direction from policy makers would be needed.

Commissioner Wilhoite said regarding conclusions of utilization and availability, that some might look at a study like this as sort of like polling and said there is always a plus or minus on how this is factored. He said because of some of the points made and conclusions in the report and considering Mr. Posey's comment about the 1.9 percent, he said it does not feel real meaningful. So when BBC looks at something like this, how do you come up with some plus or minus, saying the 1.9 conclusion was based on data, however it should be "x."

Mr. Keen responded, saying first of all, availability benchmarks in the Study were meant for purposes of examining whether or not there was a disparity and they did not necessarily be the exact goals for going forward. He said there are a number of reasons but the most logical is evidence was found but for past discrimination, there may have been more minority and women-owned firms or larger minority or woman-owned firms that would make availability numbers higher if there was a level playing field. He said that policy decision is for the City and PDC to make but the courts decisions

have held and in many situations, a company does not need to have goals that exactly match current availability and said in fact, it may perpetuate past discrimination. He said some like to separate policy implications of availability analysis from disparity calculations. He said with disparity calculations, there is no perfect methodology but BBC relies on a system where they engage business owners and managers on the phone and obtain information from them to build the availability database. He said some of the people BBC tried repeatedly to get on the phone but to no avail, saying this is one of the challenges in this particular methodology and there is no substitute for getting actual information from a business owner, as a certification list does not provide the information that is needed.

Commissioner Dickson asked if using the certification list was a start and said she is trying to understand how, if you are a company and you are available, why you are not counted as available.

Mr Keen responded, saying BBC is interested in getting unbiased and accurate percentages and not counting exactly how many minority firms there are.

Commissioner Dickson stated they are in a community where the City majority is white – in the number one whitest city in the country – and comparing majority-owned companies to those of minority owned companies, creates an uneven playing field right from the start in terms of how BBC calculates and gets data. She said it feels like this is really off in terms of how data was captured.

Mr. Keen said those seemingly straightforward approaches are also off and said based on his experience, he said if the list is independent of any government agency, taking the City as an example, BBC could have taken the City's prequalification list but BBC has found the list works against small businesses and minority and women-owned businesses, saying even a process that appears to be neutral and is a government process, tends to work against these businesses. He said if the City's list was used as a benchmark for what should be done, we would actually be saying we are ok with affecting our benchmark with discrimination. He said the problem with the certification list is there is no comparable certification list for minority-owned firms, saying every firm doing business would have to register in some way that is independent of a public agency process. He said this is why BBC did not work with a government list because it works against minority and women-owned firms and they did not have a comparable list for majority-owned firms and so they used a list that didn't have a bias either way.

Commissioner Dickson asked BBC what their source was.

Mr. Keen responded, saying BBC started with Dunn and Bradstreet and found no bias against minority or women-owned firms. He said BBC looked at the certification list and compared it to the Dunn and Bradstreet list and also compared other lists to Dunn and Bradstreet. He said there is no perfect source and imperfections will always exist. He said when it comes to defending this type of research in court, a business must be able to say they used an unbiased and independent and as comprehensive source as possible. He said courts have actually ruled on this issue and Dunn and Bradstreet fit this bill.

Commissioner Dickson asked if BBC could have used the resources of local consultants that happen to be on this project and given them the ability to provide input in terms of availability.

Mr. Keen said BBC used assistance and consultants and they were a major part of this effort. He said Dunn and Bradstreet was the basis, followed with telephone interviews, realizing it does not capture every firm. He said at the end of the day, BBC performed this work in an objective and unbiased manner.

Commissioner Dickson said the Board had just heard people give testimony that they were not called or available and said her company was not called and was not even on the unavailable list

and wondered how many other companies had the same experience. She said in terms of the way BBC gathered the data, it matters significantly because it changes the numbers and she has heard today there are substantial disparities verses minor or large. She said she is concerned what this means for the future when people come and try to challenge programs like this if the work being implemented is incorrect.

Commissioner Wilhoite said the amount spent on this effort could be doubled and this would lead to having a similar collection of conclusions and issues. He said the one thing he is getting from this Study is understanding disparities exist and they are material. He said the only question he has is regarding availability and asked how much room I have from availability to where we set the standard legally. He said PDC and the City need to answer this question, if what we are seeing is 1.9 percent availability from the study we paid for, and I'm hearing that does not necessarily mean that is where the target is set and will that set some precedent if you go into court to defend a much higher target. He said at the end of the day, any business that takes PDC/City money will know what the standards are and if they are not willing to meet the standards, then they should not take the money and if a business does take the money and does not meet standards, it should cost them and then those monies can be placed into programs that will help develop the capacity that is being tried to achieved. He said this effort is to help access opportunity and we are not taling about handing out money, it is about opportunity and if you (BBC) can tell me this Study will allow PDC/City to do this and we have the groundwork to develop a strategic plan to make this happen at the PDC/City level. He said he appreciates Commissioner Dickson's comments and frustration because if a contractor did not get contacted, there could be a problem with the conclusion and he said he understands why this could happen and we are not saying -0 is good or bad – obviously it is not good but it does not necessarily mean there is a flaw in the process because BBC is following a generally acceptable practice followed in the court system. He asked if this Study would allow PDC/City to do what has been described.

Mr. Keen said the broader issue is do you only look at current availability when goals are set and the courts are of the opinion that there is more flexibility if you look beyond current availability.

Commissioner Wilhoite said the goal is when PDC/City look backwards ten years from now, will they be in the same position and said from what he hears, this document and Study provides the foundation for improving the current situation and the ability to be aggressive with setting standards. He said he believes PDC/City is in a position where the risk is taken if a business is going to sue because a business is not being genuine if they communicate they adopt/embrace diversity goals but do not want a certain aspect of it and so as an organization, and as a city, he does not know how we cannot, as he cannot think of one particular project where he has heard one percent and would be ok with this. He said if we are arguing about these types of statistics because there is concern about lawsuits, any entity suing against us for taking a position on improving practices is someone he is willing to fight in court.

Chair Andrews stated he overlooked one person that was present to testify and so he invited Mr. James Fason to testify.

Mr. James Fason said he is a minority contractor and has been in business with the City for over ten years. He said he heard the being stated and said he is trying to understand the availability issue and numbers with respect to minority contractors. He said a number of contractors in the Portland area and with NAMCO fail to understand how, when tax payers pay good money for this, data was gathered that is not accurate when there are multiple ways to get the needed data (i.e., state, city minority groups). He said he views this process as scary because this is supposed to be a study that helps minority contractors. He said he is a minority contractor and in 11 years, he has only been able to get one job with the City and none with PDC and so something is wrong with the system and it is something the City and PDC need to look at. He said he does not understand how the study can move forward when it is incomplete.

Commissioner Straus thanked BBC and staff for their efforts. He asked if BBC was a MWESB firm.

BBC responded saying they are not a MWESB firm.

Commissioner Straus asked what percentage of minority subcontracting was included as part of their contract to do this work and Mr. Keen responded, saying he did not know.

Commissioner Straus was incredulous and expressed he was embarrassed to have two white males from Denver be discussing disparity. He said BBC is defending everything to get us (PDC and City) to meet the law and – the testimony given seems to not be fair and balanced and increases his concern. He said he apologizes but hopes PDC does a better job in our future contracting and he would expect if BBC had minority subcontractors participating with their team, to appear when testifying as opposed to just two white males.

He said he recently asked with regard to a City project why construction cannot be done as a CM or CMGC and was told it is not the way the City contracts for work. He said part of PDC's success is contracts have to be negotiated with general contractors who can then ensure PDC requests to include MWESBs are upheld. He said it has been proven that strictly low-bid contracts do not have the same success and wondered if legal requirements prevent the City from having a CM or CMGC process.

Ms. Moody responded, saying Oregon law requires the City do a low bid in order to do an alternative contracting method. She said for a construction manager general contractor, also called "CMCG, the City needs to produce certain findings and those findings need to go before City Council as the Local Contract Review Board (LCRB) and be approved. She said there are certain projects the City uses CMCGs but the majority of the City's work is still low bid for construction projects.

Commissioner Straus asked why the State employs CMCGs for almost every project and asked why Tri-Met is able to do this and wanted to understand why the City does not push this, as it would benefit them for so many reasons.

Ms. Moody said the State and Tri-Met would have to produce the same findings, choosing projects that meet the eight requirements, and would have to go before the LCRB and get the project exempted. She said one recommendation the City will be taking before City Council today is an action to improve the City's forecasting. She said the City needs to be working with Bureaus and having conversations on whether a particular project lends itself to an alternative contracting method like CMCG and this is one of the City's recommendations moving forward.

Commissioner Straus mentioned a recently approved Parks project and said he would appreciate the City looking at this project because he believes there are a number of reasons this should be a CMCG project.

Ms. Moody asked if Commissioner Straus was referring to the Fields project and Commissioner Straus responded, yes. Ms. Moody said she did have the opportunity to speak with Parks before it went out for design regarding alternative contracting methods. She said at that point, the project was already 80 percent complete with design work and so at that point, a general contractor is typically not brought in when the project is already between 60 and 80 percent complete.

Commissioner Straus said he begged to differ – he saw documents and was told there was another six to eight months to complete the design.

Commissioner Dickson thanked everyone for the work that had been done and said it has been a good public process and a lot of people have been able to voice their opinions and concerns. She

thanked Mr. Jackley and Ms. Moody for delivering a message that in her opinion was not good news. She said since the three elements of the report clearly demonstrates disparities, but the statistical data shows only little disparities, asked how the City/PDC move forward in terms of being able to set hard goals and asked if these were only aspirational goals. She said inequities and disparities exist and said she hopes we do more than just say we will give it our best because these companies need to grow otherwise PDC and the City will be talking about this forever.

Mr. John Jackley said one recommendation being put forward in the Executive Summary and Disparity Study is establishing a policy board to address the issue Ms. Dickson posed.

He said PDC already found disparities in design and engineering, professional services, prime and general contracting. He said meetings have been held with architect, design firms, and various chambers to hear their ideas. He said with regard to the three disparities the study shows PDC has, they are all part of contracting and three stakeholder groups, with representatives from design, sub and prime contractors, to address issues and generate answers. This team will put forth policy recommendations that will be presented to the Board.

He said PDC also has a running start on capacity building, but he said to take on the availability issue head on, the Disparity Study and methodology has two items that need to be remembered: 1) The information looks backwards and the contracting world has changed since 2009, as has the economy and so undoubtedly, situations have changed since the study period, and 2) The new Board policy calculates availability on a project-by-project basis and PDC needs to take the FY 2011-2012 Annual Budget to ensure projects are lined up and supplement the statistical model with an actual assessment of availability. He said PDC knows the projects, and the firms and can work to put together an annual tool so PDC is not always in a position to be looking backwards to determine progress.

He said for the last year, monthly reporting is received from the City and in addition receiving workforce data on a monthly basis, he said MWESB reports are received monthly, as well. He said these reports are for each project PDC owns or has put money into. He said if PDC combines the annual availability forecast with a monthly monitoring system like is done on South Waterfront, PDC will be able to catch issues and adjust mid-course. He said PDC will be able to make actual availability forecasts on a project-by-project basis because there is a difference between a housing project, a Killingsworth Station and Oregon Sustainability Center. He said he believes if we do this and involve the community, together all parties will not be looking backwards any longer and will have a real line item for projects in PDC's adopted budget. He said PDC will be able to meet with other agencies and contractors to develop a proactive game plan so when another disparity study gets issued in the next fifteen years, success can be shown.

Commissioner Dickson asked how soon the change can be implemented, especially adopting the actual availability list.

Mr. Jackley responded saying work was already underway and would be finished in the fall.

Commissioner Dickson said if availability had been there, the data would have shown even more of a disparity.

Commissioner Mohlis thanked the team and all of the people that attended to share their experiences. He said he did not want to minimize what he has heard through testimony or from fellow Commissioners. He said he has been a Board member for five years and it is also important to know PDC had already put in place many of the recommendations and will strive to continually improve. He said with respect to South Waterfront numbers, it is hard to argue with the numbers involving apprentices and people of color. He said this is a good example of how PDC continues working on this issue and the reason PDC is successful is because the numbers are looked at early

in the process. He said the construction workforce of today will impact the world of contractors tomorrow.

Mr. Quinton said from a staff perspective, the commitment of the PDC Board to take action is understood. He said this is a high priority item and said Mr. Jackley spoke about the actions and PDC is ready to move forward.

Chair Andrews said this was an information item and no vote is required. From his perspective, he hears the frustrations in terms of methodology. He said what he heard is the Study gives PDC the ability to hold PDC's partners to a higher standard. He said while PDC has already done some good things and has pushed hard for results, we need to do better.

X. ELECTION OF OFFICERS

Chair Andrews stated the Board must vote on the election of officers. He said he would like the Board to consider him continuing to serve as PDC Board Chair, Commissioner Mohlis to continue as Secretary, and Commissioner Wilhoite to continue serving as PDC's Acting Secretary.

Chair Andrews called for a motion to approve the election of officers. Commissioner Straus moved and Commissioner Dickson seconded the motion.

XI. ADJOURN

There being no further business, Chair Andrews adjourned the meeting at 11:29 a.m.

Adopted by the Portland Development Commission August 24, 2011.



Recording Secretary