This document constitutes the official meeting record of the July 22, 2009, Portland Development Commission Board of Commissioner’s meeting held at 222 NW Fifth Ave., Portland, OR 97209.

I. CALL TO ORDER AND ROLL CALL

Chair Scott Andrews called the meeting to order at approximately 3:04 p.m.

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

Chair Scott Andrews  PRESENT
Commissioner Bertha Ferran  PRESENT
Commissioner John Mohlis  PRESENT
Commissioner Steven Straus  ABSENT (Arrived at 3:34 p.m.)
Commissioner Charles Wilhoite  ABSENT (Arrived at 3:23 p.m.)

II. MEETING MINUTES

Chair Andrews called for a motion to approve the meeting minutes of June 10, 2009 and June 24, 2009.

Commissioner Mohlis moved and Commissioner Ferran seconded the motion to adopt the meeting minutes as submitted.

AYE:  Ferran, Mohlis, Andrews
NAY:  None

III. EXECUTIVE’S DIRECTORS REPORT

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

- A new sustainability section was added to the requests for proposals and requests for qualifications that PDC issues. PDC is discouraging the submission of elaborate artwork, corporate brochures, expensive paper, ring binders, section dividers or any other materials that cannot be easily recycled. Staff is asking that proposals simply be stapled, printed on recycled paper and we strongly recommend double-sided printing. And for the first time, PDC will award a maximum of five points to firms that meet our sustainable proposal requirements. This new language will be used in approximately sixty solicitations annually with about 500 proposals being returned to PDC;

- Mr. Warner expressed his thanks to Commissioners Straus, Mohlis and Andrews who all participated in brown bag discussions with staff in June. Commissioner Straus spoke with staff about his background and interests and answered their questions on June 5. Then, on June 24, the three Commissioners joined me, Peter Cunningham and Sandi McDonough of the Portland Business Alliance for a presentation to staff on our trip to China in May. It was a great opportunity to discuss the companies visited and what was
learned in China. He said he appreciate the time the Commissioners took to prepare and deliver this presentation;

- Staff learned in June that the Meier & Frank/Macy's/Nines Hotel project will receive a 2009 National Preservation Honor Award from the National Trust for Historic Preservation. The award will be presented at the Trust’s national conference in October in Nashville. This is one of 16 national awards and a significant recognition of the magnitude of PDC’s efforts in getting this complicated project completed. This is the fourth award (national and local) for this iconic building. On a related note, staff received news that the Nines was awarded LEED silver designation. Developer Sage Hospitality now has two “green” hotels in Portland; the Nines and their Marriott Courtyard at SW 6th and Oak which has LEED gold designation;

- We have the results from a customer service survey of businesses and individuals who applied for PDC loans and grants between July 2007 and December 2008. Those surveyed were divided into three segments: business finance, community development (mostly Storefront and DOS recipients), and single family. Here are a few results from the report:
  - Ninety percent of all respondents were “very satisfied” with PDC’s overall service;
  - Ninety-three percent of respondents who received financial assistance “completely agreed” or “somewhat agreed” that as a direct result of working with PDC, their project improved the local community;
  - Ninety-two percent “completely agreed” or “somewhat agreed” that PDC staff was knowledgeable and informative when they had questions; and
  - The PDC Board will receive a full presentation on the survey and its results at the August 12 meeting.

- PDC Loans Reach 39 Businesses in 2008-09 - PDC’s business finance team assisted 39 businesses with loan products and services in fiscal year 2008/09; a five percent increase over the previous fiscal year which is attributable in part to PDC’s unique pairing of flexible guidelines and technical assistance services. Loans totaling $4.2 million leveraged more than $13 million in private investment by businesses ranging from neighborhood retailers, restaurants and beauty salons to architectural and engineering firms, creative services agencies and specialty manufacturers;

- Central City Urban Renewal Evaluation Committee - The 25-member committee of city and county commissioners and community leaders, led by Mayor Adams and including PDC Commissioner Steve Strauss, has met several times to address whether and where an new central city urban renewal area would be formed on the west side. This effort was recommended by the 2008 Urban Renewal Advisory Group, which also recommended amending the River District URA and issuing the remaining debt, and retiring Downtown Waterfront and South Park Blocks urban renewal areas. The committee’s work began in May with an overview of tax increment’s role in creating Portland’s distinctive character and role as a national leader in downtown vitality;

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- June: Homeownership Month - City Council and PDC proclaimed June as “Home Ownership Month.” On June 3rd, Javier Mena, Interim Manager of the Neighborhood Housing Program, provided Council a quick overview of the city’s and PDC’s accomplishments and current opportunities. As the month came to a close the Neighborhood Housing Program celebrated the end of a very active year of production. NHP has exceeded its first-time homebuyer goal by assisting a total of 51 homebuyers over the past 12 months. PDC also sponsored Hacienda CDC’s 11th Annual Latino Homebuying and Ownership Fair and Commissioner Ferrán represented PDC at the event; and

- Workforce diversity among apprentice workers continues to lead the diversity efforts. The total female apprentice hours represent 15.46% of the total apprentice hours 4.46 percentage points ahead of the combined journey/apprentice goal of 11 % for the fiscal year. Of the apprentice hours that have been worked in this fiscal year, 23.79% have been worked by people of color. These results continue to demonstrate a positive trend toward a more diverse workforce through apprentice training. The summary table below represents the total workforce diversity (apprentice and journey level workers) for the three projects referenced above:

<table>
<thead>
<tr>
<th>Goal</th>
<th>Women</th>
<th>People of Color</th>
<th>Apprentice</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.0%</td>
<td>5.99%</td>
<td></td>
<td></td>
<td>[5.01%]</td>
</tr>
<tr>
<td>17.0%</td>
<td></td>
<td>22.19%</td>
<td></td>
<td>+5.19%</td>
</tr>
<tr>
<td>20.0%</td>
<td></td>
<td></td>
<td>26.12%</td>
<td>+6.12%</td>
</tr>
</tbody>
</table>

Commissioner Mohlis commented continuous employment of apprentices continues to be difficult due to the economy; however, he said it was still important to hit those numbers.

IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

Chair Andrews asked if there were any public comments for items not on the agenda.

Mr. Adam Shaffer asked for an update regarding the efforts to remove blight in the Vernon neighborhood (15th & Killingsworth).

Ms. Sara King, PDC Urban Development Department Neighborhood Manager, stated there is a study about to begin that will look at the entire North/Northeast Portland Area to determine which areas should remain in the existing Urban Renewal Areas, which areas will move and which areas may be added. She said the area is part of the Albina Plan and was originally designated as high density residential which restricted much of the redevelopment that could occur. She said recently the area was changed to commercial. She said the designation change would make redeveloping the area much easier. She offered to come to the Vernon Neighborhood Association meeting to discuss the N/NE area in more detail.
Chair Andrews thanked both Mr. Shaffer and Ms. King for their time.

V. CONSENT AGENDA

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

Resolution No. 6716, titled, “Resolution Amending Flexible Services Contract 207071 with Triad Technology Group”.

Resolution No. 6722, titled, “Resolution Amending Flexible Services Contract 207106 with Vanderhouwen and Associates.”

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to adopt Resolution Nos. 6716 and 6722.

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

Mr. Warner commented both contracts utilize local firms.

VI. INFORMATION ITEM: PORTLAND STATE UNIVERSITY FRAMEWORK PLAN AND ECONOMIC DEVELOPMENT PLAN BRIEFING


Ms. Flynn stated Portland State University (PSU) is completing a University District Framework Plan and Economic Development Plan pursuant to an Intergovernmental Agreement (IGA) between PSU, the Portland Development Commission (PDC), and the City of Portland Bureau of Planning, now the Bureau of Planning & Sustainability (BPS). The IGA sets forth a partnership to help guide PSU’s long-term growth in coordination with related City efforts, including the Central Portland Plan, Economic Development Strategy, and evaluation of a future urban renewal area in the Central City’s westside. Specifically, the PSU plans help integrate PSU's interests in academic program development, research, technical assistance and community outreach, and campus development with City and regional economic development objectives. This partnership is outlined as a key action item in the City’s Economic Development Strategy.

Dr. Lindsay Desrochers expressed her thanks to the Board. She stated the PSU University District Framework Plan (Framework Plan) outlines planning and design principles, strategies, and recommendations for PSU’s physical growth at a building, block, and district level. The Framework Plan’s overarching goal is to unite PSU and the City’s strategic planning and to use the University District as a catalyst to position Portland as a global model for sustainable development. She said the PSU Economic Development Plan (Economic Plan) aligns PSU activities with the goals of the Portland region and the City of Portland. Key areas of focus are PSU’s role in providing regional workforce training; creating and commercializing next-generation ideas and technology; and becoming a center of public/private research collaboration to support target industry cluster development. The Economic Plan’s overarching goal is to build Portland’s global excellence in sustainability by advancing comprehensive approaches for the university, city, and region.
Dr. Desrochers explained PSU’s enrollment was 27,000 students and they continue to grow especially given the current economic environment. Their research has grown from $40 million to $56 million in sponsored research in the last year. The overall economic impact of the institution is well over $1 billion. She said different roles Portland State University Play are:

- Employer: with more than 3,500 full-time and another 2,600 part-time employees, PSU is one of the largest employers in Oregon. The payroll was more than $205 million in 2007-2008;
- Workforce Developer: 17,000 PSU alumni are now in the workforce; 65% of these in Oregon;
- Researcher: $52 million in annual research contracts and grants in 2008-2009. In 2008 – PSU was awarded a $25 million dollar 10-year grant from the Miller Foundation, making PSU a leader in sustainability education and research;
- Real Estate Developer: The $51 million spent in 2007-2008 represents just 17% of the total capital investment PSU plans to make in the University District by the year 2012;
- Expert Advisor: PSU’s eight schools and colleges provide the metro region with cutting edge expertise in hundreds of subjects;
- Business Accelerator: 100% of the startup businesses in the Portland State Business Accelerator work with PSU students. Thirty eight new businesses served since 2004;
- Community Partner: Using the Oregon multiplier for volunteer time, the 1.44 million hours PSU students contributed to the community was worth $25 million in 2007-2008.

Dr. Desrochers stated the Student Recreation Center will be completed in 2009 and will consist of ground floor retail, state of the art recreation center, School of Social Work, City Archives and the OUS Chancellor’s Office. She said in 2000 they completed the Urban Center Plaza which consists of ground floor retail, front yard of the College of Urban and Public Affairs and TriMet ticket sales.

Dr. Desrochers explained the Economic Development Strategy briefly. She stated the Strategy calls for PSU to work with the public agencies (City, PDC, etc.) on the Economic Development Strategy, business attraction and retention, etc., as well as private and not-for-profit entities for business and job creation, etc. She said interacting actions include: workforce development, innovation and commercialization, research and strategy creation and urban development. She said strategy links include University District Framework Plan, City of Portland Economic Development Strategy.

Dr. Desrochers said major goals of the strategy include:

1. Align PSU’s Economic Development Strategy with the City of Portland’s Economic Development Strategy;
2. Align PSU’s Economic Development Strategy with the needs of the regional business clusters;
3. Align PSU’s Economic Development Strategy with Portland’s job development objectives; and

She said actions PSU’s has agreed to address include:
Issue 1: Communication and coordination with partners
Action 1.1: Create Vice President for Research and Partnerships; and
Action 1.2: Evaluate existing and create new policies and tools for economic development.

Issue 2: Alignment with regional economic development goals:
Action 2.1: Align academic and research goals with growing and emerging economic clusters;
Action 2.2: Inventory PSU’s academic resources, degree production and regional higher-education resources;
Action 2.3: Expand partnerships with OHSU and other institutions of higher education.

Issue 3: Planning and development partnerships:
Action 3.1: Plan for updated University District and new urban renewal area;
Action 3.2: Leverage regional commitments to create a model sustainable built environment and green jobs.

Actions in City Strategy that relate to Portland State:

1. Support the efforts of higher education institutions to serve as the innovation engine of our sustainable economy;
2. Expand the efforts…to fund and commercialize research and development at state universities;
3. Assist PSU in efforts to become a center of excellence in sustainability research, innovation, and talent development;

Actions in Portland State Strategy that relate to City:

1. Align academic and research programs with economic clusters;
2. Create new Vice President for research and partnerships; expand partnerships with OHSU and other institutions of higher education; and
3. Leverage commitment to create a more sustainable built environment and green jobs.

University District Framework Plan Purpose:

- Growth accommodation and University District Boundary;
- Distinct, cohesive, and vibrant urban public realm with multi-purpose buildings;
- Creative and strategic partnerships for development; 40% private uses;
- EcoDistrict integration;
- Improved pedestrian and transit experience within the district connections.

The Commissioners expressed their thanks for the partnership efforts by PSU and stated they look forward to hearing more about the strategy.

VII. 2009-10 PORTLAND HOUSING BUREAU CONTRACT

Mr. Komi Kalevor and Mr. Dan Williams presented Report No. 09-87, titled, “2009-10 Portland Housing Bureau Contract.”
Mr. Kalevor stated the action will authorize a Subrecipient Contract with the Portland Housing Bureau (PHB, formerly known as the Bureau of Housing and Community Development- BHCD) to receive up to $6,288,324 in federal and city funds for the purpose of administering various housing development programs. He said the Board annually reviews and approves this agreement with PHB. The agreement establishes programmatic and management guidelines as well as the maximum annual reimbursement the Portland Development Commission (PDC) may invoice PHB for identified city and federal funds. The funds are used for various housing projects, as well as operating support for loan servicing and housing asset management functions associated with the management of the existing portfolio and new projects. BHCD (PHB’s predecessor) and PDC have entered into such an agreement for nearly three decades.

Chair Wilhoite called for a motion to adopt Resolution No. 6723, titled, “Authorizing a Subrecipient Contract with the Portland Housing Bureau to Produce Housing Projects and Programs for FY 2009-10 with approximately $6,288,324 in Federal and City Funds.”

Commissioner Ferran moved and Commissioner Wilhoite seconded the motion to adopt resolution No. 6723.

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

VIII. PEARL FAMILY HOUSING

Mr. Komi Kalevor and Ms. Siobain Beddow presented Report No. 09-88, titled, “Providing a $19,000,000 Loan to the Nurture 247 Limited Partnership for the Pearl Family Housing Project in the River District URA.”

Mr. Kalevor stated the action will authorize a $19,000,000 loan to Nurture 247 Limited Partnership (or affiliated entity) for the Pearl Family Housing Project in the River District Urban Renewal Area (URAC). This mixed-use project delivers 138 units of affordable rental housing, primarily family-sized units (60 two-bedroom and 70 three-bedroom), with 12,000 square feet of ground floor community space. Of the $19 million, $7 million is in the budget forecast for Fiscal Year (FY) 2010-11 and is subject to appropriation by the Commission in its FY 2010-11 Budget.

Mr. Kalevor stated the benefits of the project include:

1) The site is close to public transportation;
2) The building will contain green building features;
3) Affordable family sized units in the Pearl District, 60 two-bedroom and 70 three-bedroom;
4) Portland Public Schools is expected to lease half of the ground floor for lower grades;
5) Generates an estimated 282 temporary construction jobs, and a total of 541 temporary jobs associated with various aspects of the project during its 18 month construction period;
6) Generates 5 new permanent housing operations jobs; and
7) Generates $8,017,780 in real estate taxes throughout the PDC assistance period; which is roughly twice that of the existing use of the property, despite abating the taxes on the affordable housing portion of the project.
Mr. Kalevor stated the financial assistance for this project is set forth in the proposed budget for the River District URA in FYs 2009-11. The $12 million to be allocated in FY 2009-10 is contained in the adopted PDC budget, and the $7 million to be allocated in FY 2010-11 is in the PDC budget forecast, neither approved nor adopted, and will therefore need to be committed subject to appropriation. The budget and forecast was developed based on expected cash flow requirements for the project.

He said key risks and mitigating factors include:

Standard construction risk:

- Performance bond required;
- Close monitoring by PDC construction coordinator assists in risk mitigation both during design and change order oversight; and
- Walsh Construction is a large contractor with substantial experience in construction of this type.

Financing risk:

- Interest rate risk – moderate;
- Tax credit equity – low;
- Tax abatement approval – low;
- The bond rates for senior construction and permanent funding may change until the rates are locked. Proceed to commitment/closing quickly to lock in the rate on senior financing. Possibly purchase a “swaption” instrument to mitigate risk with more certainty – cost $375,000;
- Staff has requested flexibility in structuring required PDC debt payment schedule in order to allow some room for changing rates. Disarray in the credit markets has created unpredictability on the investor (tax credit equity) side of the equation. In order to minimize this risk for themselves, the senior permanent lender has co-bid the tax credit equity piece in order to assure themselves of a closing; and
- Require approval of the tax abatement prior to closing. Structure 15 years to get to the possibility of a non-profit acquiring the project.

Market risk:

- The community spaces are essentially pre-leased. The Portland Public Schools commitment is a matter of public record;
- PDC staff has already received calls from potential tenants wanting to get on the waiting list for an apartment. The need for affordable family-sized housing in this URA is well-documented; and
- Unit rents are significantly below market.

Operating risk - Residential – low:

- Low market risk and 7% vacancy loss; and
- Conservative revenue escalation (2%).

Community - moderate
• Commercial: The project was underwritten so that the bond repayment could be covered out of residential net operating income if needed;
• The Portland Public schools lease runs for five years. Getting a signed lease is proving to be a challenge currently and it is unknown whether this will materialize. If it does not, the project will need to be reconfigured; and
• 10% vacancy allowed for.

Mr. Kalevor stated the board may withhold approval and/or revise the terms and conditions of providing this financial assistance. This places an existing $1 million predevelopment loan to the project at risk which is due either 12/14/09 or at the close of the project’s construction/permanent financing. It may be possible to reconfigure the project on the existing site if needed to avoid a write-off.

Mr. Ed McNamara his proposal for the project included an intention for the project to convert to a limited equity co-operative after the tax credit compliance period expires. Mr. McNamara stated limited-equity cooperative housing is a form of multi-family housing that offers residents both affordability and management control. Limited-equity cooperatives are identical, in almost all respects, to market rate cooperatives, with the fundamental difference that they restrict resale prices to maintain affordability. This emphasis on affordability makes limited equity cooperatives a form of homeownership opportunity and resident control that is accessible to a broad range of incomes, although most limited-equity cooperatives are limited to households with moderate or low incomes. Residents do not own the land or their individual units; rather, residents acquire shares in the cooperative corporation that holds title to the building. In a limited-equity cooperative, share prices are restricted to levels well below the typical down payment required for the acquisition of a single-family dwelling. He said the equity investor will not approve a 138 common share general partner in the tax credit structure. Since the project cannot become a co-op until the tax credit compliance period is completed, a period of fifteen years, a condition of the loan is that he will provide a plan, a timeline, and a budget for the limited equity co-operative prior to conversion to permanent financing.

Commissioner Wilhoite expressed his thanks to Mr. McNamara for his efforts developing affordable housing. He asked if the terms of the deal were changed from rental to home ownership, would the deal still be able to occur.

Mr. McNamara responded if the deal was changed, there would be additional gaps equal to the tax credit dollars and he would not be able to do the deal unless additional funding was in place.

Commissioner Straus asked whether the ground floor commercial space lease had been finalized with the Portland Public Schools.

Mr. McNamara responded that the lease is still under negotiations, however the length of the lease has been agreed upon: a five-year lease with two five-year options.

Commissioner Mohlis said he was pleased to see the neighborhood associations supportive of the project.

Chair Andrews called for a motion to adopt Resolution No. 6724, titled, “Authorize $19,000,000 Loan to Nurture 247 Limited Partnership for Development of the Pearl Family Housing Project in the River District Urban Renewal Area, of which $7,000,000 is Subject to Appropriation by the Commission in its Fiscal Year 2010-11 Budget.”
Commissioner Wilhoite moved and Commission Mohlis seconded the motion to adopt Resolution No. 6724.

AYES: Andrews, Mohlis, Straus, Wilhoite
NAYS: Ferran

Commissioner Ferran stated home ownership is the key to wealth creation. She further stated PDC needs to put something in place to make this a reality for more people.

Commissioner Andrews expressed his thanks to staff for the hard work.

IX. ADJOURN

There being no further business, Chair Andrews adjourned the meeting at 4:51 p.m.

Respectfully submitted,

Approved by the Portland Development Commission on August 26, 2009.

[Signature]
Renee A. Castilla, Recording Secretary