

**AUDIT COMMITTEE OF THE  
PORTLAND DEVELOPMENT COMMISSION**

Portland, Oregon

**RESOLUTION NO. 6990**

**ACCEPTING AND APPROVING COMPREHENSIVE ANNUAL FINANCIAL  
REPORT FOR FISCAL YEAR 2011-12 AS REQUIRED BY OREGON REVISED  
STATUTE 297.425, PORTLAND CITY CHARTER CHAPTER 15-104, AND  
PDC RESOLUTION NO. 6112**

**WHEREAS**, the Oregon Revised Statute 297.425 requires that “the accounts and fiscal affairs of every municipal corporation shall be audited and reviewed at least once each calendar or fiscal year;”

**WHEREAS**, the Portland City Charter Chapter 15-104 requires that “the Commission shall provide for an annual comprehensive independent audit of all funds and accounts of the Commission by a qualified Certified Public Accountant or firm of such accountants selected with the approval of the City Auditor;”

**WHEREAS**, the Portland Development Commission (“PDC”) Board of Commissioners (“Board”) with Resolution 6112 delegated authority to the PDC Audit Committee (“Audit Committee”) to, among other things, “review and comment on management’s response to audit findings and recommendations, and provide the Board with recommendations on addressing issues identified by the auditor and/or management;”

**WHEREAS**, Moss Adams, LLP (“Moss Adams”), has been contracted with by the City of Portland to conduct an annual comprehensive independent audit of all funds and accounts of the Commission for the fiscal year 2011-12;

**WHEREAS**, based upon the independent audit, Moss Adams has audited the PDC’s Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012, attached hereto as Exhibit A (the “Fiscal Year 2011-12 CAFR”), and prepared a letter discussing significant matters of interest noted during the course of the annual fiscal year end audit for fiscal year 2011-12, attached hereto as Exhibit B (the “Moss Adams Management Letter”); and

**WHEREAS**, management has prepared responses to the Management Letter, with such responses attached hereto as Exhibit C (the “PDC Management Responses”).

**NOW, THEREFORE, BE IT RESOLVED**, that the PDC Board, acting as the Audit Committee, hereby accepts and approves the Fiscal Year 2011-12 CAFR on behalf of the Commission;

**BE IT FURTHER RESOLVED**, that the Audit Committee hereby accepts the Moss Adams Management Letter and endorses the PDC Management Responses; and

**BE IT FURTHER RESOLVED**, that this resolution shall become effective 30 days after its adoption.

**Adopted by Portland Development Commission on January 9, 2013**

A handwritten signature in black ink, appearing to read "Gina Wiedrick". The signature is written in a cursive style with a large initial "G".

---

Gina Wiedrick, Recording Secretary

**AUDIT COMMITTEE OF THE  
PORTLAND DEVELOPMENT COMMISSION**

Portland, Oregon

**RESOLUTION NO. 6990**

**EXHIBIT A**

**ACCEPTING AND APPROVING COMPREHENSIVE ANNUAL FINANCIAL  
REPORT FOR FISCAL YEAR 2011-12 AS REQUIRED BY OREGON REVISED  
STATUTE 297.425, PORTLAND CITY CHARTER CHAPTER 15-104, AND  
PDC RESOLUTION NO. 6112**

Exhibit A – C includes this cover page and contains 176 pages:

- Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012

# PORTLAND DEVELOPMENT COMMISSION

Comprehensive Annual Financial Report  
for the Fiscal Year Ended **June 30, 2012**



A Component Unit of the City of Portland, Oregon

**PDC** | PORTLAND  
DEVELOPMENT  
COMMISSION  
[www.pdc.us](http://www.pdc.us)

Created by Portland voters in 1958, PDC plays a major role in making Portland, Oregon one of America's most livable cities. As Portland's urban renewal and economic development agency, PDC is pursuing an aggressive strategy to create the most sustainable economy in the world, by connecting people and resources to achieve the city's vision of healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all. PDC integrates business, economic and physical development to spark job creation and attract investments that provide a full range of employment opportunities and economic benefits to all residents in the region. PDC has played a key role in the creation of many of Portland's most important landmarks, and is internationally recognized as a model for urban renewal success and sustainable practices. For more information, visit the PDC website at [www.pdc.us](http://www.pdc.us).

**Cover photo:**

*United States Senator Ron Wyden and PDC Executive Director Patrick Quinton with representatives of the Portland Mercado project. The Portland Mercado, a Latino public market, is a community-driven initiative slated to open in summer 2014. The Mercado will occupy a now-vacant building owned by PDC at Southeast 72nd Avenue and Foster Road, in the Lents Town Center Urban Renewal Area. The three-quarter acre Mercado site will feature an array of services including a butcher, food and produce vendors, a bakery and local retailers.*

*Furthering the Neighborhood Economic Development Strategy, in addition to expanding access to culturally specific food, the Mercado will provide opportunities for business incubation, expansion and wealth creation for local entrepreneurs.*

# **PORTLAND DEVELOPMENT COMMISSION**

A Component Unit of the City of Portland, Oregon

# **Comprehensive Annual Financial Report**

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**Prepared by the Portland Development Commission  
Finance and Business Operations**

Patrick Quinton, Executive Director  
Faye Brown, Chief Financial Officer

For the fiscal year ended June 30, 2012

# About PDC

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In 1958, Portlanders voted to create the Portland Development Commission to serve as Portland's urban renewal and economic development agency. During the past half century, PDC has taken forward 20 urban renewal plans that have changed the face of Portland – making it a better place to live for all Portlanders.

PDC focuses on what matters to Portland: job creation, economic vitality, collaboration and partnership, and responsible stewardship of public funds. As Portland's urban renewal and economic development agency, PDC is pursuing an aggressive strategy to create the most sustainable economy in the world.

## ***PDC's Mission***

*Our Mission is to create one of the world's most desirable and equitable cities by investing in job creation, innovation and economic opportunity throughout Portland.*

To achieve this end, the revised 2010-2014 Strategic Plan focuses PDC's efforts around five goals:

- Strong Economic Growth and Competitiveness
- Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

The Commission is responsible for maintaining an accounting system and providing for a comprehensive independent financial audit. The following pages are the Commission's Comprehensive Annual Financial Report with accompanying report of independent auditor.

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# Introductory Section\_\_\_\_\_

**PDC** | PORTLAND  
DEVELOPMENT  
COMMISSION  
[www.pdc.us](http://www.pdc.us)

**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

November 23, 2012

To the Commissioners of the Portland Development Commission,  
Mayor and Members of the City Council, and the  
Citizens of the City of Portland, Oregon:

The Finance & Business Operations Department and I are pleased to submit the Portland Development Commission's (PDC or Commission) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. State law requires that all local governments publish a complete set of financial statements within six months of the close of each fiscal year. This report is published to provide the Commissioners of PDC, the citizens of the City of Portland (City), city staff, and other readers with detailed information concerning the financial position and activities of the PDC.

Management assumes full responsibility for the completeness and reliability of all information presented in this report, including all disclosures, based upon a comprehensive internal control framework that it has established for this purpose. The management of PDC is responsible for establishing and maintaining an effective internal control structure to safeguard its assets, assure the reliability of its accounting records, and promote operational efficiency. Because the cost of such controls should not outweigh their benefits, PDC's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free of any material misstatements.

The Portland City charter requires the Commission to undergo an annual independent audit by a licensed municipal auditor. The accounting firm of Moss Adams, LLP conducted the audit of the PDC's FY 2011-12 financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that PDC's financial statements for the fiscal year ended June 30, 2012, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is presented at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

222 NW Fifth Avenue  
Portland, OR  
97209-3859

503-823-3200 Main  
503-823-3368 Fax  
503-823-3366 TTY

## **PDC Profile**

PDC was created as a city agency in 1958 under Article I, Section 15 of the Charter of the City of Portland, Oregon to serve as Portland's urban renewal and economic development agency. PDC's principal activities are business recruitment and retention, job creation, financial assistance for rehabilitation and restoration of properties and business development, and the acquisition of real property for the purpose of removing or preventing blight. The governing body is a five-member Commission, appointed by the Mayor and approved by the City Council. PDC is a component unit of the City of Portland and is discretely reported in their Comprehensive Annual Financial Report.

PDC's mission is to ensure Portlanders enjoy a diverse, sustainable community with healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all. It is the linkages among these efforts and the integration of services that sets PDC apart and assures that true efficiencies are achieved. In carrying out city policy, PDC has developed and managed projects and programs which have played a major role in keeping Portland one of America's most livable cities. PDC currently manages eleven urban renewal areas (URA's) scattered geographically throughout the City of Portland, and works extensively in Portland's neighborhoods to deliver a broad range of neighborhood improvement programs, and to carry out a comprehensive range of economic development programs which create jobs for residents citywide.

PDC's business is conducted at semi-monthly public meetings and all activities are guided by the annual budget. Developed in conjunction with public and private community partners, the budget concentrates PDC resources in urban renewal areas and throughout Portland's business districts and neighborhoods. Development of the budget for business lines and key activities at the program area level is critical to PDC plans for the future. In accordance with Oregon Local Budget Law, the proposed annual budget is presented to the Portland City Council acting as the PDC Budget Committee for review and approval. Following budget committee approval, PDC submits the approved budget to the Tax Supervising and Conservation Commission (TSCC) for review and to the PDC Board of Commissioners for review, adoption, and subsequent amendment as necessary. The appropriated budget is prepared by fund and program.

## **Relevant Financial Policies**

The City charter prescribes that PDC maintain budgeting and accounting systems and prepare an annual budget in accordance with Oregon Local Budget Law. Funds are used to segregate activities in accordance with special restrictions on the use of revenue. Expenditures are recorded by fund and purpose on the modified accrual basis of accounting, and are further classified by program, project, and organizational unit for internal management information. Cash and other assets, related liabilities, and residual equity are segregated into independent self-balancing funds. All capital asset and long-term debt balances are reflected in the government-wide financial statements. City charter requires PDC's cash to be deposited in the City of Portland's investment pool and invested by the City Treasurer in accordance

with Oregon Revised Statutes 294.035 and 294.046. In addition, special accounts may be maintained if required, for example, by debt covenants. Interest is paid by the City of Portland to PDC, and is allocated based on each fund's periodic cash balance.

### **Local Economic Conditions**

Portland is the financial, trade, transportation, manufacturing, and business service center for Oregon, southwest Washington, and the Columbia River Basin. The area's five largest private sector employers are Intel Corporation, Providence Health Systems, Oregon Health Science University, Fred Meyer, and the Kaiser Foundation. Trade, transportation, and utilities continue to comprise the largest industry segment of the regional economy and account for approximately 17% of local jobs.

Portland's economy is healthier than many in the US, ranked 9th among 100 metropolitan areas in a recent analysis weighing such factors as private-sector job growth, unemployment, housing-price appreciation, and economic output. Growth in the job market has been slow and strategies for job creation are playing a major role in keeping economic recovery on track. Job recovery in the Portland metropolitan area at 2.2% is keeping pace with that of the State of Oregon at 2.4% and that of the Nation at 2.3%. The state Office of Economic Analysis notes that recent changes in the driving forces behind the slow recovery are beginning to show positive signs, particularly in the housing market, however full recovery is still forecast to be end of the year 2014. The Portland area was recently ranked 5<sup>th</sup> in the nation for gains in construction employment over this past year and the manufacturing industry continues to show consistent improvement within the state. The Portland metro area was also ranked 4<sup>th</sup> in the nation in a list of America's Leading High-Tech Metros based on the concentration of high-tech companies, patents per capita and average annual patent growth. The Portland metropolitan area ended June 2012 with 8.1% unemployment, slightly below the national level of 8.2% and the State of Oregon rate of 8.5% and down significantly from the 9.2% of a year ago.

Oregon statute limits the amount of property that can be included in a municipality's urban renewal areas to a maximum of 15% of assessed value and 15% of acreage. During the fiscal year just ended PDC presented to the Portland City Council 7 new URA's, six of which are Neighborhood Prosperity Initiatives whose goal is to strengthen the economic competitiveness of neighborhood business districts. The seventh new URA is the Education URA created to leverage resources to accelerate the growth of Portland State University, create jobs, attract investment, and bring long-lasting benefit to the entire region. The aggregate amount of certified assessed value in the eighteen urban renewal areas is approximately 12.7% of the City of Portland's total overall assessed value and 14.3% of overall acreage for the City. Each of the eleven previously established URA's are currently projected to have adequate funding capability to pursue established plans.



## **Long-term Financial Planning**

At present there are no known legal or legislative challenges to the funding of urban renewal activities using tax-increment financing. It is anticipated that tax-increment resources will provide ongoing funding as detailed in the five-year forecast.

Annually, PDC forecasts projected revenues and expenditures for each of the urban renewal areas. This effort results in a five-year forecast of project and program budget requirements for the funds associated with them. To a large extent, non-urban renewal area revenues and expenditure requirements are dependent on the annual allocation of resources from external funding providers.

## **Major Initiatives**

Major initiatives cited in this section are highlights based on budgeted project dollars for the fiscal year ending in June 2013. Overall, PDC has budgeted approximately \$31.9 million across urban renewal areas and city-wide for financial assistance through loans or grants (e.g., Economic Opportunity Funds, Redevelopment Loan Projects, Clean Energy Works Oregon) to stimulate investment and job growth, leveraging PDC dollars with private and public funds. PDC has an important role to play in the current economy and we continue to seek new ways to get more funds into our community.

The Commission has budgeted \$27.2 million for new and in-progress city infrastructure improvements including parks, transportation and public facilities across most urban renewal areas. The Commission has also budgeted approximately \$42.7 million for housing programs as part of the Affordable Housing Set Aside Policy and implemented via an intergovernmental agreement with the Portland Housing Bureau. The IGA with the Portland Housing Bureau consists of all homeownership, home repair, and affordable rental housing projects and programs including the preservation of existing housing.

The largest dollar projects are proposed to occur in the Convention Center URA through the Portland Housing Bureau (PHB) for the rehabilitation and preservation of affordable rental housing for \$9.3 million and property redevelopment projects including \$22 million for the revitalization of the Rose Quarter and the Veteran's Memorial Coliseum and \$4 million contribution to the Convention Center Hotel project.

The River District URA: will fund \$7.9 million in infrastructure projects to include the completion of The Fields (\$4.1M), the third in a series of neighborhood parks outlined in the Portland River District Park System Urban Design Framework Study and improvements to Union Station (\$1.2M). Housing projects of \$4.1 million will be funded through PHB, and \$8 million is planned in property redevelopment to include the relocation of the Portland Police Department Horse Barn.

In the North Macadam URA, the highest profile projects will be; Affordable Veteran Housing, \$10.7 million through PHB for the development of approximately 200 units of new rental housing targeted for households at 0-60% Median Family Income

(MFI) in South Waterfront; \$10 million transportation infrastructure funding for the Milwaukie Light Rail Project

Approximately \$11.4 million dollars is budgeted in the Interstate Corridor and the Lents Town Center URAs for revitalization and rehabilitation projects including transportation safety. Other initiatives in these areas include; \$2 million in parks and streetscapes. Through PHB, housing projects totaling \$6.1 million in Lents and \$4.3 million in the Interstate Corridor have been budgeted.

### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PDC for its CAFR for the fiscal year ended June 30, 2011. PDC has received a Certificate of Achievement for the last 24 consecutive fiscal years. GFOA's Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government comprehensive annual financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. PDC's management believes that our current report continues to meet the Certificate of Achievement Program requirements, and PDC will be submitting it to GFOA to determine its eligibility for another certificate.

The preparation of PDC's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012 would not have been possible without the efficient and dedicated service of the entire staff of the Commission and the Finance & Business Operations Department. A special thanks to Amy Aragon, Steve Baron, Sam Brugato, Yana Eysmont, Catherine Kaminski, Marj Villamarin, and Michele Whaley for their efforts in producing this CAFR. We also wish to express our gratitude and appreciation to the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Portland Development Commission's finances.

Respectfully submitted,



Patrick Quinton, Executive Director



Faye Brown, Chief Financial Officer

# Portland Development Commission

A Component Unit of the City of Portland, Oregon



(from left to right Aneska Colas-Dickson, Steven Straus, Patrick Quinton-Executive Director, Scott Andrews-Chairman, John Mohlis, Charles Wilhoite)

## Governing Board

(As of June 30, 2012)

## Term Expires

Scott Andrews, Chairman  
Melvin Mark Companies  
111 SW Columbia, Ste 1380  
Portland, OR 97201  
[sandresw@melvinmark.com](mailto:sandresw@melvinmark.com)

July 9, 2014

Charles A. Wilhoite  
*Managing Director*  
Willamette Management Associates  
111 SW Fifth Ave, Suite 2150  
Portland, OR 97204  
[cawilhoite@willamette.com](mailto:cawilhoite@willamette.com)

June 30, 2015

Aneshka Colas-Dickson  
*Vice President & CFO*  
Colas Construction  
5319 SW Westgate Drive, Suite 207  
Portland, OR 97209  
[AneshkaDickson@colasconstruction.com](mailto:AneshkaDickson@colasconstruction.com)

July 9, 2013

John Mohlis  
*Executive Secretary-Treasurer*  
Columbia Pacific Building Trades Council  
17986 S. Fir Cone Ct  
Oregon City, OR 97045  
[john\\_mohlis@comcast.net](mailto:john_mohlis@comcast.net)

June 30, 2015

Steven Straus  
*President*  
Glumac  
320 SW Washington St., Ste 200  
Portland, OR 97204  
[sstraus@glumac.com](mailto:sstraus@glumac.com)

July 9, 2014

## Registered Agent

None

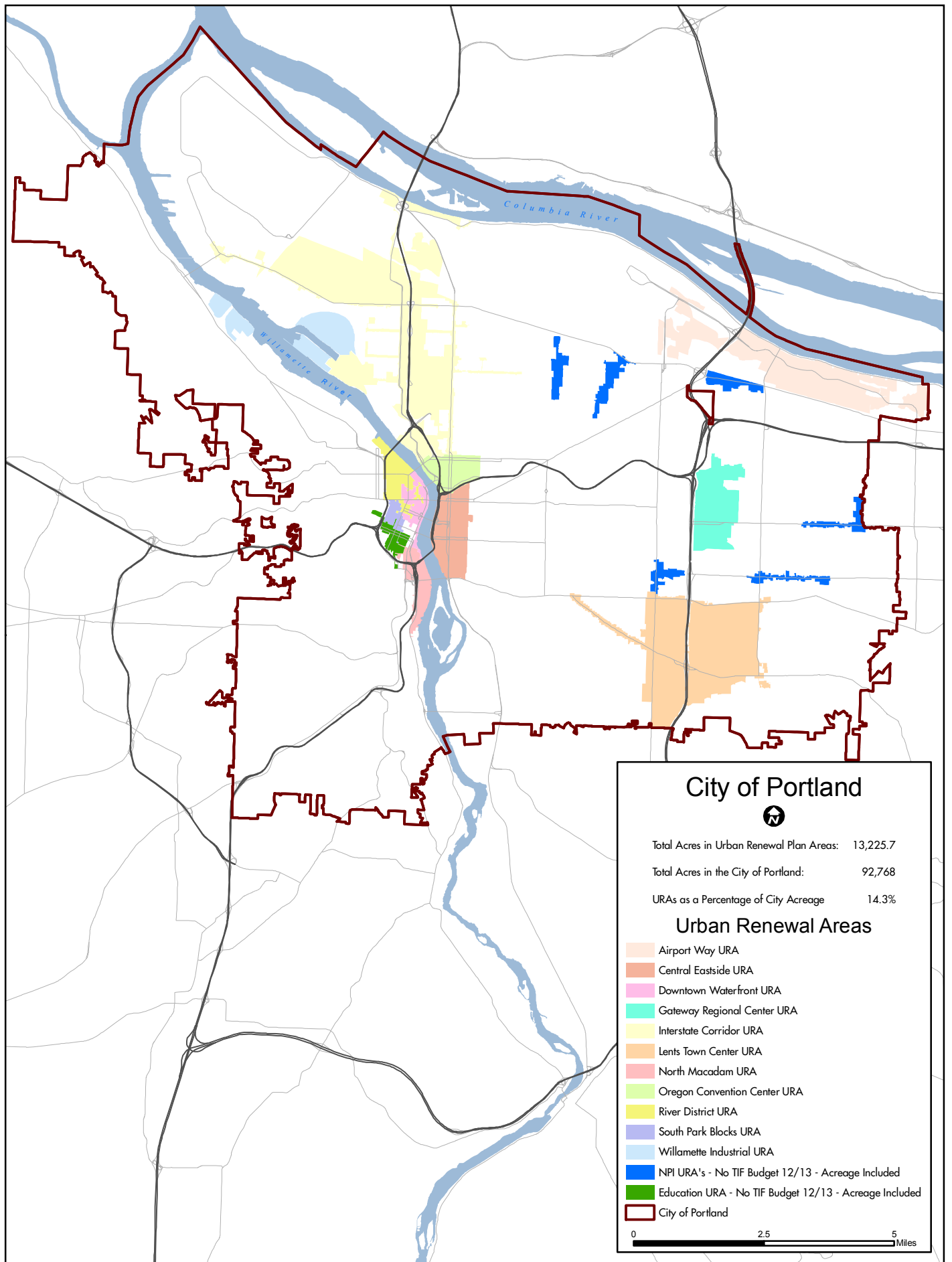
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# Portland Development Commission

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## Organizational Chart





# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
**Portland Development Commission**  
**Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Evers*

Executive Director

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DEVELOPMENT  
COMMISSION  
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Financial  
Section\_\_\_\_\_



**PDC** | PORTLAND  
DEVELOPMENT  
COMMISSION  
[www.pdc.us](http://www.pdc.us)

## REPORT OF INDEPENDENT AUDITORS

Board of Commissioners  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Portland Development Commission (a Component Unit of the City of Portland, Oregon) (the Commission), as of and for the year ended June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statements for the General Fund, and the Housing and Community Development Contract Fund, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and for the respective budgetary comparison statements for the General Fund, and the Housing and Community Development Contract Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**INDEPENDENT AUDITOR'S REPORT – (continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18, and the post-employment healthcare benefits schedule on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



James C. Lanzarotta, Partner  
for Moss Adams, LLP  
Eugene, Oregon  
November 21, 2012

## Management's Discussion and Analysis

As management of Portland Development Commission (PDC), we offer readers of PDC's financial statements this narrative overview and analysis of the financial activities of PDC for the fiscal year ended June 30, 2012. Management's Discussion and Analysis is intended to explain the significant changes in financial position, as well as differences between the current and prior years. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

### Financial Highlights

- The assets of PDC exceeded the liabilities for the current year ended June 30, 2012 by \$289,465,633 (net assets). Of this amount, \$933,496 (unrestricted net assets) may be used to meet PDC's ongoing obligations to citizens and creditors.
- PDC's total net assets increased by \$59,179,748 (25.7%) when compared to the financial statements at June 30, 2011. The net asset increase is attributable to an overall increase in general revenues and transfers of \$55,792,615 or 60.2% along with a decrease of \$66,916,059 or 39.8% in expenses.
- As of June 30, 2012, PDC's governmental funds reported a combined ending fund balance of \$288,845,340, an increase of \$63,241,283 from the prior year. Approximately 1.1% or \$3,085,043 of the combined ending governmental fund balance, is available for spending (*assigned and unassigned fund balances*).
- PDC's total long-term liabilities increased by \$3,321,875 (38.8%) during the fiscal year ended June 30, 2012. The key factor in this increase is the addition of contingent liabilities attached to property held for sale and vacation accruals along with an increase for net other post-employment benefit obligation. This is offset by a decrease of \$394,230 recorded in the accrual for pollution remediation.
- Gross loans receivable decreased from \$100,479,307 to \$91,524,165 commission-wide, or 8.9%. The loan loss allowance decreased from \$46,152,838 to \$36,566,369, a decrease of 20.3% from the prior year's allowance, resulting in net loans receivable of \$54,957,796.

Broader detail on these highlights and other topics will be presented throughout the remainder of this report.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to PDC's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of PDC's finances, in a manner similar to private-sector business statements.

The *Statement of Net Assets* presents information on all of PDC's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of PDC is improving or deteriorating. The *Statement of Activities* presents information showing how PDC's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

Both of the government-wide financial statements distinguish functions of PDC that are principally supported by tax-increment debt proceeds (in lieu of tax-increment revenue) and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, Housing and Community Development Contract administration, urban renewal and redevelopment. The business-type activities include jobs, housing and commercial financial assistance programs together with historic preservation. These activities are mainly manifested as some form of financial assistance.

The government-wide financial statements can be found on pages 19-21 of this report.

**Fund Financial Statements.** A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with budgetary requirements. All of the funds of PDC can be divided into three categories: governmental funds, proprietary funds, and fiduciary (agency) funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating our near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

PDC maintains 17 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for each of the major funds. The major governmental funds are: General Fund (adopted as the Urban Redevelopment Fund); Housing and Community Development (HCD) Contract Fund; North Macadam Urban Renewal Fund; River District Urban Renewal Fund; Convention Center Urban Renewal Fund; Lents Town Center Urban Renewal Fund; and Interstate Corridor Urban Renewal Fund. Data from the other ten governmental funds are

combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

**Proprietary funds.** PDC maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. PDC uses two enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among PDC's various functions. PDC uses an internal service fund to account for risk management. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund data are combined into a single, aggregated presentation, and includes such programs as: the Business Development Loan Fund and the Small Business Loan Fund. Additionally, the internal service fund is presented in the proprietary fund financial statements. Individual fund data for the internal service fund is provided elsewhere in this report.

*Enterprise Loans Fund.* The Enterprise Loans Fund is used to account for revolving loan programs. PDC intends to prevent expenses from exceeding annual income in order to preserve the original principal of each program.

*Enterprise Management Fund.* The Enterprise Management Fund is used to account for the activity related to the operation and maintenance of PDC properties or City of Portland properties PDC has contracted to manage outside of Urban Renewal Areas.

*Internal Service Fund.* A Risk Management Fund is used to set aside resources to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. In certain risk areas, the deductible amount increased substantially, requiring PDC to formally establish the program. Additional contributions may be made in future years.

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

**Fiduciary (agency) funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside PDC. Fiduciary (agency) funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support PDC's own programs. The accounting used for fiduciary (agency) funds is much like that used for proprietary funds.

The basic fiduciary (agency) fund financial statement can be found on page 33 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34-63 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning PDC's progress in funding its obligation to provide post-employment benefits to its employees. Required supplementary information can be found on page 65 of this report.

**Supplementary Data.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary data following the basic financial statements. Combining statements and individual fund budgetary comparison schedules can be found on pages 66-98 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. PDC's total assets exceeded liabilities by \$289,465,633 for all governmental and business-type funds at the close of the most recent fiscal year.

By far the largest portion of PDC's net assets, \$279,593,433 or 96.6%, represents resources that are subject to external restrictions on how they may be used in governmental activities. Restricted net assets are mainly comprised of urban renewal funds which are limited to use in the specific urban renewal area from whence the funds originated in the form of tax-increment debt proceeds in lieu of tax-increment revenues. The percentage of restricted net assets remained fairly constant over the fiscal year, with the percentage of restricted net assets increasing only 30.9% from fiscal year ended June 30, 2011.

### Portland Development Commission's Net Assets At June 30

|                       | Governmental<br>Activities |                       | Business-Type<br>Activities |                     | Total                 |                       |
|-----------------------|----------------------------|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------|
|                       | 2012                       | 2011                  | 2012                        | 2011                | 2012                  | 2011                  |
| <b>Assets</b>         |                            |                       |                             |                     |                       |                       |
| Current and           |                            |                       |                             |                     |                       |                       |
| Other Assets          | \$ 294,769,982             | \$ 235,172,075        | \$ 3,718,716                | \$ 3,409,529        | \$ 298,488,698        | \$ 238,581,604        |
| Capital Assets        | 8,938,704                  | 9,602,690             | -                           | -                   | 8,938,704             | 9,602,690             |
| Total Assets          | <u>303,708,686</u>         | <u>244,774,765</u>    | <u>3,718,716</u>            | <u>3,409,529</u>    | <u>307,427,402</u>    | <u>248,184,294</u>    |
| <b>Liabilities</b>    |                            |                       |                             |                     |                       |                       |
| Other Liabilities     | 5,846,705                  | 9,319,753             | 225,269                     | 10,736              | 6,071,974             | 9,330,489             |
| Long-term Liabilities | 11,889,795                 | 8,567,920             | -                           | -                   | 11,889,795            | 8,567,920             |
| Total Liabilities     | <u>17,736,500</u>          | <u>17,887,673</u>     | <u>225,269</u>              | <u>10,736</u>       | <u>17,961,769</u>     | <u>17,898,409</u>     |
| <b>Net Assets</b>     |                            |                       |                             |                     |                       |                       |
| Invested in Capital   |                            |                       |                             |                     |                       |                       |
| Assets                | 8,938,704                  | 9,602,690             | -                           | -                   | 8,938,704             | 9,602,690             |
| Restricted            | 279,593,433                | 213,594,580           | -                           | -                   | 279,593,433           | 213,594,580           |
| Unrestricted          | (2,559,951)                | 3,689,822             | 3,493,447                   | 3,398,793           | 933,496               | 7,088,615             |
| Total Net Asset       | <u>\$ 285,972,186</u>      | <u>\$ 226,887,092</u> | <u>\$ 3,493,447</u>         | <u>\$ 3,398,793</u> | <u>\$ 289,465,633</u> | <u>\$ 230,285,885</u> |

A small portion of PDC's total net assets (\$8,938,704 or 3.1%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). These capital assets are used to provide services to citizens; consequently, these assets are *not* available for future spending.

The remaining balance of *unrestricted net assets* (\$933,496 or 0.3%) may be used to meet PDC's ongoing obligations to citizens and creditors. A portion of the unrestricted net assets is contained in the business-type activities that cannot be used to make up for the decrease reported in the governmental activities. Note that unrestricted net assets have decreased \$6,155,119 or 86.8%

during fiscal year 2012. The business-type unrestricted net assets increased by 2.8%, or \$94,654, a direct result of a decrease in the loan loss allowance, while the governmental segment decreased \$6,249,773, or 169.4% as the result of changes in property held for sale and long-term liabilities.

At June 30, 2012, PDC is able to report positive balances in all three categories of net assets, for the Commission as a whole, as well as for its separate business-type activities and in two of the three categories of fund balance for the governmental activities, a slight change with the reporting for prior fiscal years.

One major component of PDC's assets is loans receivable from its customers. During this last year, PDC's gross portfolio decreased \$8,955,142 or 8.9%, likewise the loan loss allowance also decreased by 20.8% or \$9,586,469 from the prior year. The smaller, current portion of the net portfolio increased 22.0% while the non-current portion decreased by 0.4%, reflecting a trend in shorter-term lending, as well as the effects of the Portfol Loan System implementation and overall review of the loan portfolio and program designations.

**Portland Development Commission's  
Loans Receivable  
At June 30**

|                        | 2012                 | 2011                 | Change            | %      |
|------------------------|----------------------|----------------------|-------------------|--------|
|                        |                      |                      |                   | Change |
| Gross Loans Receivable | \$ 91,524,165        | \$ 100,479,307       | \$ (8,955,142)    | -8.9%  |
| Allow ance & Discount  | (36,566,369)         | (46,152,838)         | 9,586,469         | -20.8% |
| Total Net              | <u>\$ 54,957,796</u> | <u>\$ 54,326,469</u> | <u>\$ 631,327</u> | 1.2%   |
| Current Portion        | \$ 4,670,683         | \$ 3,828,175         | \$ 842,508        | 22.0%  |
| Non-Current Portion    | 50,287,113           | 50,498,294           | (211,181)         | -0.4%  |
| Total Net              | <u>\$ 54,957,796</u> | <u>\$ 54,326,469</u> | <u>\$ 631,327</u> | 1.2%   |



PDC's ending net assets increased by \$59,179,748, or approximately 25.7%, during the current fiscal year. In general, PDC's overall financial position has improved over the year, the result of a \$54,166,980 (51%) increase in revenues over the prior year, coupled with a decrease in expenses of \$66,916,029 (39.8%). The increase in net assets is attributable primarily to an increase in tax-increment debt proceeds (in lieu of tax-increment revenue) the result of bond proceeds in the Convention Center Urban Renewal Area.

**Portland Development Commission's Changes in Net Assets  
For the Fiscal Years Ended June 30**

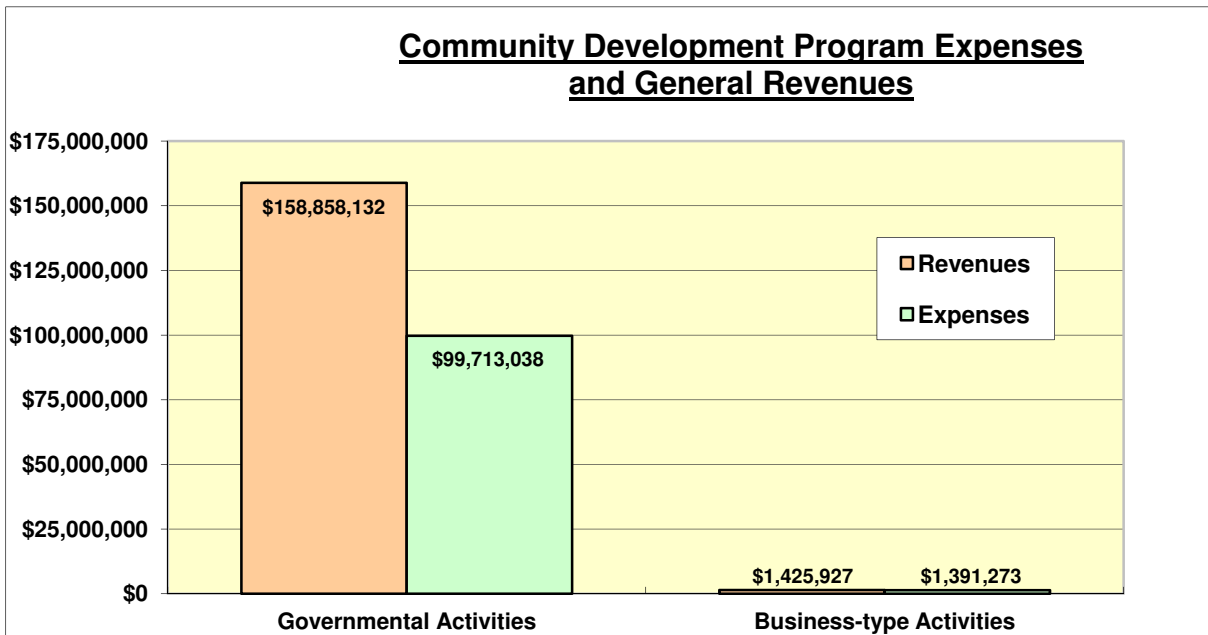
|  | Governmental<br>Activities |                       | Business-type<br>Activities |                     | Total                 |                       |
|--|----------------------------|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------|
|  | 2012                       | 2011                  | 2012                        | 2011                | 2012                  | 2011                  |
| Revenues:  |                            |                       |                             |                     |                       |                       |
| Program Revenues:  |                            |                       |                             |                     |                       |                       |
| Charges for Services   | \$ 3,291,192               | \$ 3,984,188          | \$ 1,218,447                | \$ 2,058,945        | \$ 4,509,639          | \$ 6,043,133          |
| Operating Grants and Contributions                                     | 7,170,821                  | 7,262,870             | 200,000                     | 200,092             | 7,370,821             | 7,462,962             |
| General Revenues:  |                            |                       |                             |                     |                       |                       |
| Tax-increment Debt Proceeds<br>(in lieu of tax-increment revenue)      | 133,787,307                | 85,287,185            | -                           | -                   | 133,787,307           | 85,287,185            |
| Unrestricted Investment<br>Income                                      | 525,565                    | 664,618               | 7,480                       | 14,356              | 533,045               | 678,974               |
| Miscellaneous  | 14,083,247                 | 6,644,825             | -                           | -                   | 14,083,247            | 6,644,825             |
| Total Revenues   | <u>158,858,132</u>         | <u>103,843,686</u>    | <u>1,425,927</u>            | <u>2,273,393</u>    | <u>160,284,059</u>    | <u>106,117,079</u>    |
| Expenses:  |                            |                       |                             |                     |                       |                       |
| Community Development  | 99,713,038                 | 156,412,909           | -                           | -                   | 99,713,038            | 156,412,909           |
| Enterprise Funds   | -                          | -                     | 1,391,273                   | 11,607,461          | 1,391,273             | 11,607,461            |
| Total Expenses   | <u>99,713,038</u>          | <u>156,412,909</u>    | <u>1,391,273</u>            | <u>11,607,461</u>   | <u>101,104,311</u>    | <u>168,020,370</u>    |
| Increase (Decrease) in Net Assets<br>Before Special Item and Transfers | 59,145,094                 | (52,569,223)          | 34,654                      | (9,334,068)         | 59,179,748            | (61,903,291)          |
| Transfers  | (60,000)                   | 50,000                | 60,000                      | (50,000)            | -                     | -                     |
| Increase (Decrease) in<br>Net Assets                                   | 59,085,094                 | (52,519,223)          | 94,654                      | (9,384,068)         | 59,179,748            | (61,903,291)          |
| Beginning Net Assets   | 226,887,092                | 279,406,315           | 3,398,793                   | 12,782,861          | 230,285,885           | 292,189,176           |
| Ending Net Assets  | <u>\$ 285,972,186</u>      | <u>\$ 226,887,092</u> | <u>\$ 3,493,447</u>         | <u>\$ 3,398,793</u> | <u>\$ 289,465,633</u> | <u>\$ 230,285,885</u> |

**Governmental activities.** PDC's ending net assets for governmental activities increased by \$59,085,094, while overall there was a 25.7% increase in total net assets on a government-wide basis. This increase is due primarily to an increase in governmental revenues of \$55,014,446 or 53%, while expenditures decreased by 36.3%, or \$56,699,871.

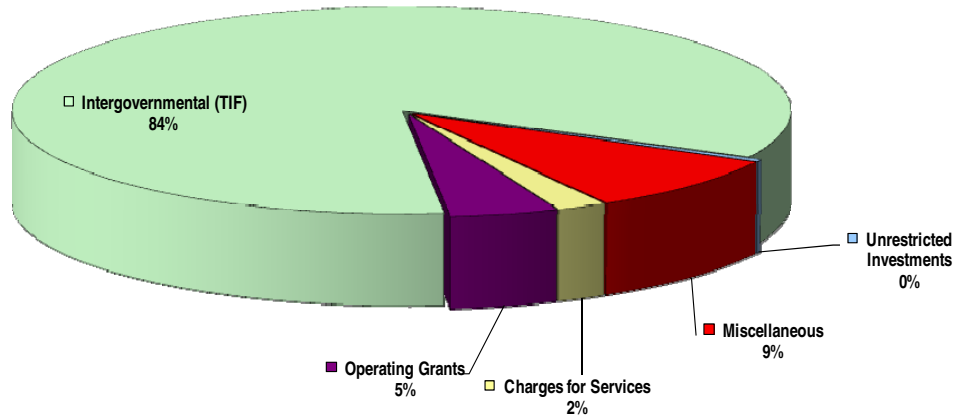
**Portland Development Commission's  
Summary of Changes in Net Assets  
for the Fiscal Year Ended June 30, 2012  
Compared to the Fiscal Year Ended June 30, 2011**

|   | Governmental<br>Activities | Business-type<br>Activities | Total<br>Change      |
|---|----------------------------|-----------------------------|----------------------|
| Revenue Changes   |                            |                             |                      |
| Increase - Tax-Increment Proceeds<br>(in lieu of tax-increment revenue) | \$ 48,500,122              | \$ -                        | \$ 48,500,122        |
| (Decrease) - Charges for Services                                       | (692,996)                  | (840,498)                   | (1,533,494)          |
| (Decrease) - Operating Grants and Contributions                         | (92,049)                   | (92)                        | (92,141)             |
| (Decrease) - Unrestricted Investment Income                             | (139,053)                  | (6,876)                     | (145,929)            |
| Increase - Miscellaneous  | 7,438,422                  | -                           | 7,438,422            |
| <b>Total Revenue Changes</b>  | <b>55,014,446</b>          | <b>(847,466)</b>            | <b>54,166,980</b>    |
| Prior Year Net Asset Increase/(Decrease)                                | (52,519,223)               | (9,384,068)                 | (61,903,291)         |
| Decrease in Expenses  | 56,699,871                 | 10,216,188                  | 66,916,059           |
| Transfers In/(Out) Change   | (110,000)                  | 110,000                     | -                    |
| <b>Change in Net Assets Current Year</b>                                | <b>\$ 59,085,094</b>       | <b>\$ 94,654</b>            | <b>\$ 59,179,748</b> |

A slight decrease in charges for services offset by an increase in miscellaneous revenues added to the increase in tax-increment proceeds (in lieu of tax-increment revenue). These increases were due to the receipt of bond proceeds and an increase in the sale of real property. A marked decrease in Community Development and Financial Assistance is the primary source of decreased expenses.



**Revenues by Source - Governmental Type Activities**



Tax-increment funding (TIF) proceeds are typically PDC's largest annual income source, and that was certainly the case for this fiscal year. The following schedule illustrates the TIF proceeds received by PDC from the City of Portland over the last five years. Note that the annual allotment of TIF proceeds received in fiscal year 2012 is significantly higher than the five-year average and any of the last five years and that the five-year average increased, by \$8,381,708 from \$95,625,628 in fiscal year 2011.

**Summary History of TIF Proceeds  
Received by Portland Development Commission  
For the Fiscal Years Ended June 30**

| <u>Year</u> | <u>Amount</u>                | <u>Change</u>     | <u>%</u>   |  |
|-------------|------------------------------|-------------------|------------|--|
| 2008        | \$ 105,929,455               |                   |            | <b>5-Year Average</b><br><b>= \$ 104,007,336</b> |
| 2009        | 105,254,573                  | (674,882)         | -1%        |  |
| 2010        | 89,778,162                   | (15,476,411)      | -15%       |  |
| 2011        | 85,287,185                   | (4,490,977)       | -5%        |  |
| 2012        | <u>133,787,307</u>           | <u>48,500,122</u> | <u>57%</u> |  |
|             | <b><u>\$ 520,036,682</u></b> |                   |            |  |

The City of Portland receives property taxes in each of the designated urban renewal areas and forwards a portion to be allocated as TIF to the Portland Development Commission for projects. The amount of TIF allocated to PDC varies annually depending on each of the urban renewal area's projected tax revenues, debt capacity, and existing levels of outstanding debt held by the City. Each urban renewal area has a planned expiration date after which it cannot issue additional tax-increment debt. A typical life-cycle is between ten and twenty years, however, the expiration date may be extended by the Board of Commissioners. An urban renewal area that has reached its maximum indebtedness or expiration date will no longer issue new long-term tax-increment debt, but may continue spending until its resources are exhausted and will receive tax-increment revenues until all outstanding debt is retired. The Downtown Waterfront Urban Renewal Area, South Park Blocks Urban Renewal Area, and Airport Way Urban Renewal Area have all reached their plan expiration dates and Oregon Convention Center Urban Renewal Area has issued its last tax-increment debt.

**Business-type activities.** PDC's net assets for business-type activities increased by \$94,654 or 2.8%, for the fiscal year ended June 30, 2012. Among the key elements in this increase are reduced revenues in Charges for Services and reduced activity in Financial Assistance.

**Portland Development Commission's  
Changes In Business-type Activities Expenses  
For the Fiscal Years Ended June 30**

| <u>Expenses</u>                 | <u>2012</u>         | <u>2011</u>          | <u>Change</u>          |
|---------------------------------|---------------------|----------------------|------------------------|
| Personal services               | \$ 19,732           | \$ 125,183           | \$ (105,451)           |
| Professional services           | 15,868              | 55,680               | (39,812)               |
| Loan document costs             | 14,532              | 59,255               | (44,723)               |
| Financial assistance            | 209,238             | 7,579,456            | (7,370,218)            |
| Internal Service Reimbursements | 98,423              | 579,270              | (480,847)              |
| Miscellaneous Expenses          | 1,033,480           | 3,208,617            | (2,175,137)            |
| <b>Totals</b>                   | <b>\$ 1,391,273</b> | <b>\$ 11,607,461</b> | <b>\$ (10,216,188)</b> |

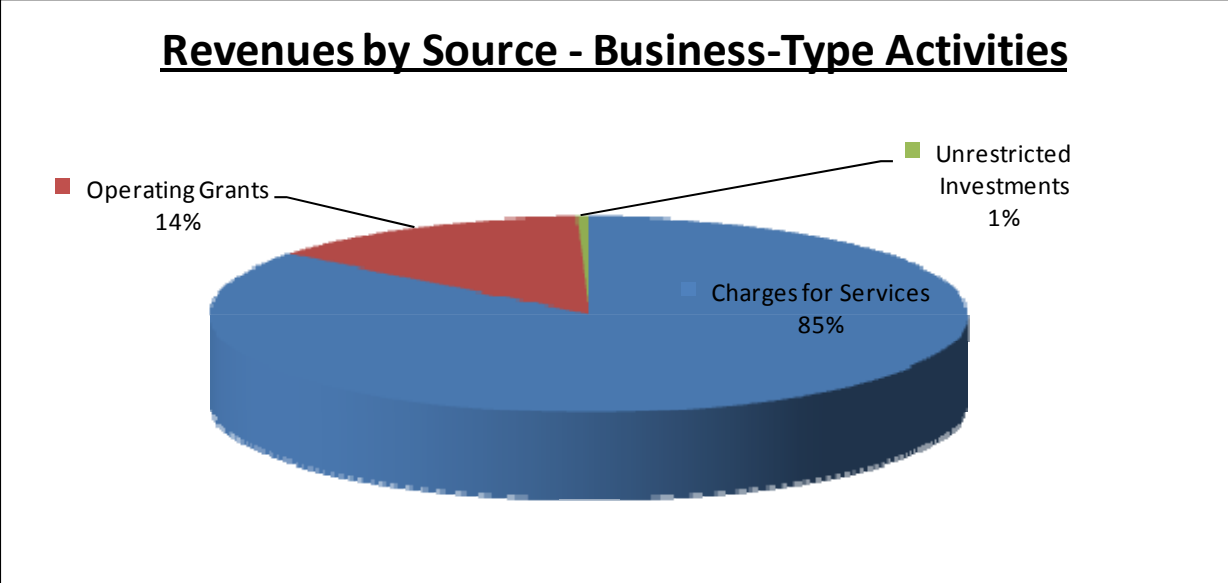
In fiscal year 2012, expenses decreased by \$7,370,218 in financial assistance for support of small business and miscellaneous expenses by \$2,175,137 due to the transfer of the housing programs to PHB and subsequent closing of those funds. These expenses were in addition to decreases for; \$39,812 in professional services, the results of changes in the architectural grant process, and a decrease of \$480,847 in internal service reimbursements for personal services.

The summary history below illustrates the fluctuating nature of the loan loss allowance. In 2012, there was no net increase in the allowance expense recorded for the Enterprise Loans Fund. There continues to be a shift in the portfolio composition towards performing amortizing loans and away from the deferred payment and cash flow dependent loans and grants.

**Portland Development Commission's  
Loan Loss Allowance History  
Enterprise Loans Fund  
For the Fiscal Years Ended June 30**

| <u>Year</u> | <u>Allowance<br/>Expense</u> | <u>Change from<br/>Prior year</u> |
|-------------|------------------------------|-----------------------------------|
| 2007        | \$ 406,467                   |                                   |
| 2008        | 1,269,841                    | \$ 863,374                        |
| 2009        | 71,340                       | (1,198,501)                       |
| 2010        | 1,393,874                    | 1,322,534                         |
| 2011        | -                            | (1,393,874)                       |
| 2012        | -                            | -                                 |

Business-type revenues overall decreased (37.3%) over the prior year, or \$847,466. Charges for services experienced a \$840,498, (40.8%) decrease, while Operating grants decreased very slightly, Charges for Services continues to be the largest source of revenue in Business-Type Activities at this time. Unrestricted investment income also experienced a decrease this fiscal year of \$6,876 or 47.9%.



**Financial Analysis of PDC’s Funds**

As noted earlier, PDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of PDC’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing PDC’s financing requirements. In particular, *unreserved fund balances* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At June 30, 2012, PDC’s governmental funds reported combined ending fund balances of \$288,845,340, an increase of \$63,241,283, or 28.0% from the prior year. Of this \$687,937, *unassigned fund balance*, is available for spending at the Commission’s discretion. Approximately \$2,397,106 or 0.8% constitutes assigned fund balance in the General Fund for subsequent years expenditures. The remainder of fund balance is not available for discretionary spending, these balances are reflected as *non-spendable* and *restricted* because they have already been committed for urban renewal programs, \$280,746,121, or for other restricted purposes, \$5,014,176, in the general fund and other governmental funds.

The General Fund, adopted as the Urban Redevelopment Fund, is the primary operating fund of PDC. During the current fiscal year ended June 30, 2012, the fund balance of the General Fund decreased from \$5,121,864 to \$4,113,594. Key factors in the \$1,008,270 decrease include:

- Revenues decreased by \$92,143 primarily due to a decrease in miscellaneous revenues and an increase in Intergovernmental Revenues, a result of the reclassification of PHB billings to intergovernmental revenue and a reduced contract. Smaller decreases were also experienced in charges for services and interest on investments.
- Net expenditures increased \$621,711. A decrease of \$559,512 in community development for professional service contracts, public communications and marketing, and training, travel, and meeting expenses account for the majority of the change, the result of decreased funding for economic development efforts citywide. Capital Outlay expenditures also decreased by \$627,626 while Financial Assistance for technical assistance and economic development increased by \$1,808,849.
- Transfers Out reflect planned reimbursements of \$60,000 to the Enterprise Loans Funds to support an ongoing cash flow reserve for Economic Development.

The six other major governmental funds include the Housing and Community Development Contract Fund, North Macadam Urban Renewal Fund, River District Urban Renewal Fund, Convention Center Urban Renewal Fund, Lents Town Center Urban Renewal Fund, and the Interstate Corridor Urban Renewal Fund. The following table shows the change in their fund balances.

**Portland Development Commission's  
Schedule of Other Major Governmental Fund Balances  
At June 30**

| <b>Fund</b>                                     | <b>2012</b>           | <b>2011</b>           | <b>Change</b>        |
|---|-----------------------|-----------------------|----------------------|
| Housing and Community Development Contract Fund | \$ 7,492              | \$ 282                | \$ 7,210             |
| North Macadam Urban Renewal Fund                | 15,296,548            | 13,856,822            | 1,439,726            |
| River District Urban Renewal Fund               | 57,345,568            | 44,498,085            | 12,847,483           |
| Convention Center Urban Renewal Fund            | 71,171,583            | 28,150,444            | 43,021,139           |
| Lents Town Center Urban Renewal Fund            | 22,573,355            | 24,422,821            | (1,849,466)          |
| Interstate Corridor Urban Renewal Fund          | 20,635,615            | 9,445,698             | 11,189,917           |
| <b>Total Fund Balances</b>                      | <b>\$ 187,030,161</b> | <b>\$ 120,374,152</b> | <b>\$ 66,656,009</b> |

As expected, the Housing and Community Development Contract Fund did not experience a significant change in its fund balance. The bulk of the programs in this fund were transferred to the Portland Housing Bureau.

In the North Macadam Urban Renewal Fund, fund balance increased \$1,439,726 or 10.4% due almost entirely to an increase of \$3,986,961 or 3,764.5% in miscellaneous revenues caused by the repayment and cancellation of the loan loss provision for the loans made from this fund. This is partially offset by a decrease in community development of \$2,051,009 or 39.4%.

In the River District Urban Renewal Area, the \$12,847,483 or 28.9% net increase in fund balance can be attributed to an increase in tax-increment debt proceeds (in lieu of tax-increment revenue) of 15.1% or \$5,554,082 coupled with significant decreases in expenditures. Financial Assistance experienced a decrease of \$10,263,409 or 95.0% as fewer loan and grant disbursements were made and Capital Outlay decreased \$16,713,613 or 89.6% as no major projects were begun. These

decreases were offset by an increase in Community Development of \$7,324,635 or 34.4%, which includes housing expenditures disbursed through Portland Housing Bureau.

In fiscal year 2012, the Convention Center Urban Renewal Fund experienced a 152.8% increase in fund balance, or \$43,021,139. Most significant was an increase of \$43,862,463 in tax-increment debt proceeds (in lieu of tax-increment revenue) the result of bond proceeds and an increase of \$3,841,767 in miscellaneous revenues resulting from property transferred to PHB and property transactions resulting from the Urban Renewal boundary changes between the Interstate Corridor and Convention Center Urban Renewal Area. This was offset by slight decreases in expenditures.

The Lents Town Center Urban Renewal Fund experienced a decrease in fund balance of 7.6% or \$1,849,466. Tax-increment debt proceeds (in lieu of tax-increment revenue) reflect a slight increase of \$1,069,360 or 16.6%, while expenditures increased by 27.8% or \$3,747,707, primarily in Capital Outlay, \$1,461,319 or 41.3%, and Financial Assistance, \$2,801,231 or 70.2%, with a small increase in Community Development of \$514,843 or 8.6%.

The Interstate Corridor Urban Renewal Fund ended 2012 with an increase in fund balance of \$11,189,917 or 118.5%. Revenues experienced an overall increase of \$2,643,570 (14.3%) attributable to a small increase in tax-increment debt proceeds (in lieu of tax-increment revenue) of \$1,283,608 or 7.0% and a similar increase of \$1,169,100 in miscellaneous revenue resulting from a decrease in loan loss allowance. Expenditures decreased by \$9,586,986 or 49.0%. Decreases were experienced in the areas with Financial Assistance at 62.8% or \$5,083,333 showing the greatest decrease. Community Development decreased by \$1,643,022 or 23.1% and Capital Outlay decreased by \$2,860,631 or 65.5%.

**Portland Development Commission's  
Tax-Increment Funds (Debt Proceeds) Allocation  
For the Years Ended June 30**

| <b>Capital Projects Urban Renewal Funds</b> | <b>2012</b>           | <b>2011</b>          | <b>Change</b>        |
|---|-----------------------|----------------------|----------------------|
| North Macadam                               | \$ 6,328,679          | \$ 7,396,300         | \$ (1,067,621)       |
| River District                              | 42,300,815            | 36,746,733           | 5,554,082            |
| Convention Center                           | 48,360,212            | 4,497,749            | 43,862,463           |
| Lents Town Center                           | 7,516,135             | 6,446,775            | 1,069,360            |
| Interstate Corridor                         | 19,636,706            | 18,353,098           | 1,283,608            |
| Other Governmental Funds                    | 9,644,760             | 11,846,530           | (2,201,770)          |
| <b>Total TIF Allocation</b>                 | <b>\$ 133,787,307</b> | <b>\$ 85,287,185</b> | <b>\$ 48,500,122</b> |

**Proprietary funds.** PDC's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. PDC's Enterprise Loans Fund encompasses numerous loan programs. Net assets for the Enterprise Loans Fund increased by \$131,049 during the fiscal year ended June 30, 2012. Factors concerning the increase in net assets of the Enterprise Loans Fund have already been addressed in the discussion of PDC's business-type activities. The Enterprise Management Fund accounts for activity related to non-URA property operation and maintenance and reflects a decrease in Net Assets of \$36,395 or 48.4%. At present this fund is comprised primarily of revenues: charges for services of \$977,933 and \$1,140 of investment interest. Expenditures stem from the transfer of revenue to PHB as this is a housing project and the payment of insurance on the property.

## General Fund Budgetary Highlights

Differences between the original budget and final amended budget amounted to a \$2,502,829 increase in appropriations. The major differences are summarized as follows:

- Budgeted revenue increased a net \$272,873 primarily due to an increase in Loan Collections and Interest revenues from the City of Portland, as well as an increase in miscellaneous revenues recognizing private business development grants.
- Budgeted expenditures in the General Fund reflected an increase of \$570,935 in the funding of Property Redevelopment mostly related to the reclassifying of the Main Street Program and an update to the carry over in Business Development associated with the General Fund EOI Program.
- Decreases in Administrative expenditures budgeted of \$146,839 represent the timing of Business and Technology Fund projects moving to fiscal year 2012-13.

Differences between the final amended budget and actual revenues and expenditures amounted to a \$3,489,446 decrease over projected amounts. The major differences are summarized as follows:

- Actual revenues decreased \$1,156,896 primarily due to decreases in intergovernmental revenues from the City of Portland General Fund received on a reimbursement basis for economic development activities and a decrease in Rental Income revenues.
- Administrative expenditures were lower than budgeted by \$1,246,796 over the final budget due to under spending in the ACT! conversion, PORTFOL Interfaces, and other IT projects.
- Budgeted contingency funds represent resources expected to be carried over to the following fiscal year beginning balance.

## Capital Assets, Property Held for Sale, and Long-Term Debt

PDC records all of its capital outlay expenditures as either capital assets to be used in the course of business or project-related property held for sale.

**Capital assets.** As of June 30, 2012 capital assets amount to \$8,938,704 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, equipment, and software. The total decrease in PDC's investment in capital assets for the fiscal year ended June 30, 2012 was \$663,986 or 6.9%.

### Portland Development Commission's Capital Assets (net of accumulated depreciation) At June 30

| Asset Type             | Governmental Activities |                     |                     |
|------------------------|-------------------------|---------------------|---------------------|
|                        | 2012                    | 2011                | Change              |
| Land                   | \$ 4,646,050            | \$ 6,101,427        | \$ (1,455,377)      |
| Buildings              | 1,407,874               | 1,462,022           | (54,148)            |
| Work In Progress       | -                       | 854,362             | (854,362)           |
| Leasehold Improvements | -                       | 177                 | (177)               |
| Vehicles and Equipment | 182,198                 | 254,308             | (72,110)            |
| Intangible Software    | 2,702,582               | 930,394             | 1,772,188           |
| <b>Total Assets</b>    | <b>\$ 8,938,704</b>     | <b>\$ 9,602,690</b> | <b>\$ (663,986)</b> |



There were no major capital asset transactions during the year. Land values decreased due to an additional transfer of property to the Portland Housing Bureau. Other types of capitalized assets decreased slightly in value during the fiscal year with the exception intangible software for the purchase of new financial software. Additional information on PDC's capital assets can be found in note III - F. on page 50 of this report, and in the Supplementary Data on pages 99-105.

**Property Held for Sale.** Expenditures for acquisition and improvements of real properties intended for sale to appropriate developers are referred to as property held for sale. This recording approach is also used for real property slated to be transferred to the City of Portland. Following are the changes in property held for sale for the fiscal year ended June 30, 2012.

**Portland Development Commission's  
Real Property Held for Sale  
For the Fiscal Year Ended June 30, 2012**

| <u>Funding Source</u>                              | <u>Balance<br/>July 1,<br/>2011</u> | <u>Additions</u>    | <u>Disposal/<br/>Adjustments</u> | <u>Balance<br/>June 30,<br/>2012</u> |
|--|-------------------------------------|---------------------|----------------------------------|--------------------------------------|
| General Fund                                       | \$ 146,754                          | \$ -                | \$ -                             | \$ 146,754                           |
| Housing and Community Development<br>Contract Fund | 251,456                             | -                   | -                                | 251,456                              |
| North Macadam Urban Renewal Fund                   | 3,730,829                           | 6,173,152           | (4)                              | 9,903,977                            |
| River District Urban Renewal Fund                  | 17,210,597                          | 7,288               | (510,597)                        | 16,707,288                           |
| Convention Center Urban Renewal Fund               | 18,072,974                          | 4,998               | (4,800,258)                      | 13,277,714                           |
| Lents Town Center Urban Renewal Fund               | 9,705,020                           | 160,743             | (351,433)                        | 9,514,330                            |
| Interstate Corridor Urban Renewal Fund             | 4,304,464                           | 2,512,176           | (260,000)                        | 6,556,640                            |
| Other Governmental Funds                           | 43,191,396                          | 53,340              | (4,127,305)                      | 39,117,431                           |
| Total Property Held for Sale                       | <u>\$ 96,613,490</u>                | <u>\$ 8,911,697</u> | <u>\$ (10,049,597)</u>           | <u>\$ 95,475,590</u>                 |

In the North Macadam Urban Renewal Area, the RiverPlace Garage was acquired at a value \$6,173,152.

In the River District Urban Renewal Area, 401-439 W Burnside St-The Grove Hotel was written down to the recently appraised value of \$660,000

In the Convention Center Urban Renewal Area, properties valued at \$2,172,974 were transferred to the Interstate Corridor Urban Renewal Area due to a realignment of Urban Renewal boundaries. In addition, 910 NE MLK Blvd-Menashe Site was written down to market value based on a recent appraisal of \$1,920,000.

In the Lents Town Center Urban Renewal Area two properties, 8801 SE Foster Rd and 9320 SE Ramona St, were written down to market value based on current appraisals for a combined total of \$300,970.

In the Interstate Urban Renewal Area, the Marco Building was disposed of for \$260,000. Additionally, properties valued at \$2,172,974 was transferred from the Convention Center Urban Renewal Area due to a realignment of Urban Renewal boundaries and property originally acquired by the EDA Loans Fund in lieu of foreclosure was purchased for \$330,000.

Significant real property transactions in the Other Government Funds included:

- In the Downtown Waterfront Urban Renewal Area, Old Town Lofts retail space and 20 parking spaces were acquired at a value equal to loans held and written-down to market value based on a recent appraisal of \$1,100,000. The 209 SW Oak St-Abandoned Jail was written down for its entire booked value of \$1,730,181 due to contingent liabilities attached to the property.
- In the Central Eastside Urban Renewal Area, the 1401 SE Water Ave property was disposed of to the Oregon Museum of Science and Industry for \$450,000.
- In the Gateway Urban Renewal Area, real property at 10225 NE Burnside St., with a value of \$804,628 transferred to the Portland Housing Bureau.
- In the EDA Loans Fund, property acquired in lieu of foreclosure was sold to the Interstate Urban Renewal Area Fund at a value of \$330,000 for development.
- In the Airport Way Urban Renewal Area, \$143,183 was recorded as amortization of the remaining lease rights at Cascade Station.

Additional information on PDC's real property held for sale can be found in note III - E. on page 49 of this report, and in the Supplementary Data on pages 103-104.

**Long-term debt.** PDC does not maintain a debt service fund. Due to the nature of the services that PDC provides to the community, all debt activity is fully represented in the Governmental and Enterprise Loans Fund.

PDC does not issue bonds, but receives proceeds from bonds issued and carried by the City of Portland. Additionally, the City of Portland maintains lines-of-credit to provide short-term funding for PDC projects. The City's lines-of-credit are ultimately repaid with the long-term financing provided by bond sales. See the statistical section on bonds in this report and the City of Portland's financial statements for further information.

### **Economic Factors and Next Year's Budgets and Rates**

- The Portland metropolitan area unemployment rate for June and July 2012 was 8.1%, and July 2011 was 9.2%. This is down slightly from the rate of 10.0% the previous June. The unemployment rate for the United States as a whole for June 2012 remains 8.2%. The rate of job recovery in Oregon at 2.4% from the lowest point is running only slightly ahead of the national rate of 2.3%. Job expansion is predicted to pick up but at present is moving excruciatingly slow. Employers are filling vacancies resulting from turnover and filling seasonal positions but few businesses are planning to actually expand their workforce. It is expected that recovery to peak employment levels could take until the end of 2014. Portland's total non-farm wage and salary employment is up to 1,010,200, 2.1% higher than last fiscal year.
- The Portland area office market increased vacancy slightly to 13.7% during the second quarter with 70,634 square feet of negative absorption. At present 315,000 square feet of new construction is underway.
- The industrial market saw vacancies decrease slightly to 14.2% during this past quarter in the Portland area after steady increases over the past two years at 16.1% and 15.2%. The availability of developable industrial land remains a concern as developable sites are key to attracting and retaining major manufacturing companies.

- Inflation rate trends for the Portland metropolitan area compare slightly less favorable to National indices for the first time since 2007. Rates projected through June 2012 are 1.7% and 2.0%, respectively. Oregonians spend far more on shelter and food, the two largest components of the index and components where price increases have been mild.
- All of the above economic indicators are occurring in the context of similar economic improvements for the State of Oregon.

All of these factors were considered in preparing PDC's budget for the next fiscal year ending June 30, 2013.

### **Requests for Information**

This financial report is designed to provide a general financial overview for those with an interest in PDC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Portland Development Commission, 222 NW Fifth Avenue, Portland, Oregon, 97209.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF NET ASSETS**  
**June 30, 2012**

|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>   |
|---|------------------------------------|-------------------------------------|----------------|
| <b>ASSETS</b>                                   |                                    |                                     |                |
| Current assets:                                 |                                    |                                     |                |
| Cash and cash equivalents                       | \$ 15,500                          | \$ -                                | \$ 15,500      |
| Cash with City of Portland                      |                                    |                                     |                |
| investment pool                                 | 143,004,300                        | 2,199,448                           | 145,203,748    |
| Cash with fiscal agent                          | 122,987                            | -                                   | 122,987        |
| Receivables:                                    |                                    |                                     |                |
| Due from City of Portland                       | 1,845,055                          | -                                   | 1,845,055      |
| Accounts  | 154,703                            | 77,605                              | 232,308        |
| Internal balances                               | (100,000)                          | 100,000                             | -              |
| Loans, net                                      | 4,044,926                          | 625,757                             | 4,670,683      |
| Interest  | 284,485                            | 3,702                               | 288,187        |
| Other   | 28,462                             | -                                   | 28,462         |
| Prepays   | 319,065                            | -                                   | 319,065        |
| Property held for sale                          | 95,475,590                         | -                                   | 95,475,590     |
| Total current assets                            | 245,195,073                        | 3,006,512                           | 248,201,585    |
| Noncurrent assets:                              |                                    |                                     |                |
| Loans receivable, net                           | 49,574,909                         | 712,204                             | 50,287,113     |
| Capital assets not being depreciated:           |                                    |                                     |                |
| Land  | 4,646,050                          | -                                   | 4,646,050      |
| Capital assets net of accumulated depreciation: |                                    |                                     |                |
| Buildings and improvements                      | 1,407,874                          | -                                   | 1,407,874      |
| Furniture, vehicles and equipment               | 182,198                            | -                                   | 182,198        |
| Intangible software                             | 2,702,582                          | -                                   | 2,702,582      |
| Total noncurrent assets                         | 58,513,613                         | 712,204                             | 59,225,817     |
| Total assets                                    | \$ 303,708,686                     | \$ 3,718,716                        | \$ 307,427,402 |
| <b>LIABILITIES</b>                              |                                    |                                     |                |
| Current liabilities:                            |                                    |                                     |                |
| Accounts payable                                | \$ 1,457,497                       | \$ 1,357                            | \$ 1,458,854   |
| Accrued liabilities                             | 766,364                            | 6,970                               | 773,334        |
| Due to City of Portland                         | 3,256,110                          | 216,942                             | 3,473,052      |
| Due to other entities                           | 194,750                            | -                                   | 194,750        |
| Long-term liabilities due within one year:      |                                    |                                     |                |
| Pollution remediation                           | 112,255                            | -                                   | 112,255        |
| Replacement parking access                      | 59,729                             | -                                   | 59,729         |
| Total long-term liabilities due within one year | 171,984                            | -                                   | 171,984        |
| Total current liabilities                       | 5,846,705                          | 225,269                             | 6,071,974      |
| Noncurrent liabilities:                         |                                    |                                     |                |
| Long-term liabilities:                          |                                    |                                     |                |
| Net other post-employment benefits obligation   | 679,030                            | -                                   | 679,030        |
| Pollution remediation                           | 7,423,164                          | -                                   | 7,423,164      |
| Replacement parking access                      | 268,359                            | -                                   | 268,359        |
| Replacement parking construction                | 2,847,000                          | -                                   | 2,847,000      |
| Vacation accrual                                | 672,242                            | -                                   | 672,242        |
| Total noncurrent liabilities                    | 11,889,795                         | -                                   | 11,889,795     |
| Total liabilities                               | 17,736,500                         | 225,269                             | 17,961,769     |
| <b>NET ASSETS</b>                               |                                    |                                     |                |
| Invested in capital assets                      | 8,938,704                          | -                                   | 8,938,704      |
| Restricted for:                                 |                                    |                                     |                |
| Urban renewal                                   | 273,210,702                        | -                                   | 273,210,702    |
| Other   | 6,382,731                          | -                                   | 6,382,731      |
| Unrestricted                                    | (2,559,951)                        | 3,493,447                           | 933,496        |
| Total net assets                                | 285,972,186                        | 3,493,447                           | 289,465,633    |
| Total liabilities and net assets                | \$ 303,708,686                     | \$ 3,718,716                        | \$ 307,427,402 |

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012**

| <b>Functions/Programs</b> | <b>Expenses</b>       | <b>Program Revenues</b>         |                             |
|---------------------------|-----------------------|---------------------------------|-----------------------------|
|                           |                       | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants</b> |
| Governmental activities:  |                       |                                 |                             |
| Community development     | \$ 99,713,038         | \$ 3,291,192                    | \$ 7,170,821                |
| Business-type activities: |                       |                                 |                             |
| Enterprise loans          | 375,805               | 240,514                         | 200,000                     |
| Enterprise management     | 1,015,468             | 977,933                         | -                           |
| Total                     | <u>\$ 101,104,311</u> | <u>\$ 4,509,639</u>             | <u>\$ 7,370,821</u>         |

General Revenues:

Tax-increment debt proceeds (in lieu  
of tax-increment revenue) -  
intergovernmental revenues, unrestricted  
Unrestricted investment income  
Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets - July 1, 2011

Net assets - June 30, 2012

The accompanying notes are an integral part of the basic financial statements.

| <b>Net Expense and Changes in Net Assets</b> |                                     |                       |
|--|-------------------------------------|-----------------------|
| <b>Governmental<br/>Activities</b>           | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
| \$ (89,251,025)                              | \$ -                                | \$ (89,251,025)       |
| -  | 64,709                              | 64,709                |
| -  | (37,535)                            | (37,535)              |
| <u>(89,251,025)</u>                          | <u>27,174</u>                       | <u>(89,223,851)</u>   |
| 133,787,307                                  | -                                   | 133,787,307           |
| 525,565                                      | 7,480                               | 533,045               |
| 14,083,247                                   | -                                   | 14,083,247            |
| (60,000)                                     | 60,000                              | -                     |
| <u>148,336,119</u>                           | <u>67,480</u>                       | <u>148,403,599</u>    |
| 59,085,094                                   | 94,654                              | 59,179,748            |
| <u>226,887,092</u>                           | <u>3,398,793</u>                    | <u>230,285,885</u>    |
| <u>\$ 285,972,186</u>                        | <u>\$ 3,493,447</u>                 | <u>\$ 289,465,633</u> |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

|  | <u>Special Revenue Funds</u> |  |   |  |
|--|------------------------------|--|---|--|
|  | <u>General Fund</u>          | <u>Housing and Community Development Contract Fund</u> | <u>North Macadam Urban Renewal Fund</u> | <u>River District Urban Renewal Fund</u> |
| <b>ASSETS</b>                              |                              |  |   |  |
| Cash and cash equivalents                  | \$ 15,500                    | \$ -   | \$ -                                    | \$ -                                     |
| Cash with City of Portland investment pool | 3,131,610                    | 14,137   | 5,549,132                               | 23,682,557                               |
| Cash with fiscal agent                     | -                            | -  | -                                       | -  |
| Receivables:                               |                              |  |   |  |
| Due from City of Portland                  | 1,414,150                    | 413,757  | -                                       | -  |
| Accounts                                   | 4,048                        | -  | -                                       | -  |
| Loans, net                                 | 701,200                      | -  | -                                       | 18,213,371                               |
| Interest                                   | 12,383                       | -  | 10,400                                  | 22,631                                   |
| Prepays                                    | 319,065                      | -  | -                                       | -  |
| Property held for sale                     | 146,754                      | 251,456  | 9,903,977                               | 16,707,288                               |
| Other                                      | -                            | -  | -                                       | 1,991                                    |
| <b>Total assets</b>                        | <b>\$ 5,744,710</b>          | <b>\$ 679,350</b>                                      | <b>\$ 15,463,509</b>                    | <b>\$ 58,627,838</b>                     |
| <b>LIABILITIES AND FUND BALANCES</b>       |                              |  |   |  |
| <b>Liabilities:</b>                        |                              |  |   |  |
| Accounts payable                           | \$ 541,247                   | \$ 320,402   | \$ 72,389                               | \$ 43,403                                |
| Accrued liabilities                        | 766,364                      | -  | -                                       | -  |
| Due to City of Portland                    | 242,336                      | 251,456  | 94,572                                  | 1,238,867                                |
| Due to other entities                      | 81,169                       | -  | -                                       | -  |
| Internal balances                          | -                            | 100,000  | -                                       | -  |
| <b>Total liabilities</b>                   | <b>1,631,116</b>             | <b>671,858</b>   | <b>166,961</b>                          | <b>1,282,270</b>                         |
| <b>Fund balances:</b>                      |                              |  |   |  |
| Non-spendable                              |                              |  |   |  |
| Prepaid expenditures                       | 319,065                      | -  | -                                       | -  |
| Loans receivable                           | 562,732                      | -  | -                                       | -  |
| Property held for sale                     | 146,754                      | -  | -                                       | -  |
| Restricted                                 |                              |  |   |  |
| Loans receivable                           | -                            | -  | -                                       | 18,213,371                               |
| Property held for sale                     | -                            | -  | 9,903,977                               | 16,707,288                               |
| Accounts receivable-others                 | -                            | 7,492  | -                                       | -  |
| Urban renewal                              | -                            | -  | 5,392,571                               | 22,424,909                               |
| Contractual obligations                    | -                            | -  | -                                       | -  |
| Assigned                                   |                              |  |   |  |
| Subsequent year's expenditures             | 2,397,106                    | -  | -                                       | -  |
| Unassigned                                 |                              |  |   |  |
| Ending fund balance                        | 687,937                      | -  | -                                       | -  |
| <b>Total fund balances</b>                 | <b>4,113,594</b>             | <b>7,492</b>   | <b>15,296,548</b>                       | <b>57,345,568</b>                        |
| <b>Total liabilities and fund balances</b> | <b>\$ 5,744,710</b>          | <b>\$ 679,350</b>                                      | <b>\$ 15,463,509</b>                    | <b>\$ 58,627,838</b>                     |

The accompanying notes are an integral part of the basic financial statements.

**Capital Projects Funds**

| <u>Convention<br/>Center Urban<br/>Renewal Fund</u> | <u>Lents Town<br/>Center Urban<br/>Renewal Fund</u> | <u>Interstate<br/>Corridor Urban<br/>Renewal Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|---|---|---|
| \$ -  | \$ -  | \$ -  | \$ -                                    | \$ 15,500                               |
| 49,431,347  | 11,813,475  | 7,412,565   | 41,720,380                              | 142,755,203                             |
| -   | -   | -   | 122,987                                 | 122,987                                 |
| -   | -   | -   | 17,148                                  | 1,845,055                               |
| -   | -   | -   | 150,655                                 | 154,703                                 |
| 9,063,689   | 1,984,968   | 6,762,115   | 16,894,492                              | 53,619,835                              |
| 51,854  | 31,374  | 27,523  | 127,496                                 | 283,661                                 |
| -   | -   | -   | -                                       | 319,065                                 |
| 13,277,714  | 9,514,330   | 6,556,640   | 39,117,431                              | 95,475,590                              |
| -   | -   | 18,694  | 7,777                                   | 28,462                                  |
| <u>\$ 71,824,604</u>                                | <u>\$ 23,344,147</u>                                | <u>\$ 20,777,537</u>                                  | <u>\$ 98,158,366</u>                    | <u>\$ 294,620,061</u>                   |
| \$ 43,425   | \$ 252,567  | \$ 21,526   | \$ 162,538                              | \$ 1,457,497                            |
| -   | -   | -   | -                                       | 766,364                                 |
| 509,596   | 516,770   | 113,455   | 289,058                                 | 3,256,110                               |
| 100,000   | 1,455   | 6,941   | 5,185                                   | 194,750                                 |
| -   | -   | -   | -                                       | 100,000                                 |
| <u>653,021</u>                                      | <u>770,792</u>                                      | <u>141,922</u>  | <u>456,781</u>                          | <u>5,774,721</u>                        |
| -   | -   | -   | -                                       | 319,065                                 |
| -   | -   | -   | -                                       | 562,732                                 |
| -   | -   | -   | -                                       | 146,754                                 |
| 9,063,689   | 1,984,968   | 6,762,115   | 16,894,492                              | 52,918,635                              |
| 13,277,714  | 9,514,330   | 6,556,640   | 39,117,431                              | 95,077,380                              |
| -   | -   | -   | -                                       | 7,492                                   |
| 48,830,180  | 11,074,057  | 7,316,860   | 38,900,969                              | 133,939,546                             |
| -   | -   | -   | 2,788,693                               | 2,788,693                               |
| -   | -   | -   | -                                       | 2,397,106                               |
| -   | -   | -   | -                                       | 687,937                                 |
| <u>71,171,583</u>                                   | <u>22,573,355</u>                                   | <u>20,635,615</u>                                     | <u>97,701,585</u>                       | <u>288,845,340</u>                      |
| <u>\$ 71,824,604</u>                                | <u>\$ 23,344,147</u>                                | <u>\$ 20,777,537</u>                                  | <u>\$ 98,158,366</u>                    | <u>\$ 294,620,061</u>                   |



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**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2012**

|   |    |             |
|---|----|-------------|
| Fund balances - total governmental funds  | \$ | 288,845,340 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because:  |    |             |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds  |    | 8,938,704   |
| Net other post-employment benefit obligation reported on the Balance Sheet  |    | (679,030)   |
| Net vacation accrual obligation reported on the Balance Sheet   |    | (672,242)   |
| Pollution remediation liability   |    | (7,535,419) |
| Replacement parking access  |    | (328,088)   |
| Replacement parking construction  |    | (2,847,000) |
| The internal service fund is used by management to charge insurance costs to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets |    | 249,921     |
| Net assets of governmental activities   | \$ | 285,972,186 |

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2012**

|   | <b>Special Revenue Fund</b> |  |   |  |
|---|-----------------------------|--|---|--|
|   | <b>General Fund</b>         | <b>Housing and Community Development Contract Fund</b> | <b>North Macadam Urban Renewal Fund</b> | <b>River District Urban Renewal District</b> |
| <b>REVENUES</b>   |                             |  |   |  |
| Intergovernmental revenues  | \$ 4,569,139                | \$ 2,376,034   | \$ -                                    | \$ -   |
| Charges for services  | 12,086                      | -  | 362,694                                 | 495,613                                      |
| Loan collections  | 29,422                      | -  | 15,099                                  | 77,071                                       |
| Interest on investments   | 28,389                      | 189  | 30,908                                  | 41,705                                       |
| Miscellaneous   | 410,220                     | -  | 4,092,870                               | 1,058,324                                    |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue) | -                           | -  | 6,328,679                               | 42,300,815                                   |
| <b>Total revenues</b>   | <b>5,049,256</b>            | <b>2,376,223</b>                                       | <b>10,830,250</b>                       | <b>43,973,528</b>                            |
| <b>EXPENDITURES</b>   |                             |  |   |  |
| Current:  |                             |  |   |  |
| Community development   | 3,247,530                   | 333,181  | 3,159,637                               | 28,636,092                                   |
| Capital outlay  | 668,985                     | -  | -                                       | 1,946,827                                    |
| Financial assistance  | 2,081,011                   | 2,035,832  | 6,230,887                               | 543,126                                      |
| <b>Total expenditures</b>   | <b>5,997,526</b>            | <b>2,369,013</b>                                       | <b>9,390,524</b>                        | <b>31,126,045</b>                            |
| Excess (deficiency) of revenues<br>over (under) expenditures      | (948,270)                   | 7,210  | 1,439,726                               | 12,847,483                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |                             |  |   |  |
| Transfers in  | -                           | -  | -                                       | -  |
| Transfers out   | (60,000)                    | -  | -                                       | -  |
| <b>Total other financing sources (uses)</b>                       | <b>(60,000)</b>             | <b>-</b>   | <b>-</b>                                | <b>-</b>                                     |
| <b>Net change in fund balances</b>                                | <b>(1,008,270)</b>          | <b>7,210</b>   | <b>1,439,726</b>                        | <b>12,847,483</b>                            |
| <b>FUND BALANCES - July 1, 2011</b>                               | <b>5,121,864</b>            | <b>282</b>   | <b>13,856,822</b>                       | <b>44,498,085</b>                            |
| <b>FUND BALANCES - June 30, 2012</b>                              | <b>\$ 4,113,594</b>         | <b>\$ 7,492</b>  | <b>\$ 15,296,548</b>                    | <b>\$ 57,345,568</b>                         |

The accompanying notes are an integral part of the basic financial statements.

**Capital Projects Fund**

|    | <b>Convention<br/>Center Urban<br/>Renewal Fund</b> | <b>Lents Town<br/>Center Urban<br/>Renewal Fund</b> | <b>Interstate<br/>Corridor Urban<br/>Renewal Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|----|---|---|---|---|---|
| \$ | -   | \$ -  | \$ -  | 225,648                                 | \$ 7,170,821                            |
|    | 116,589   | 69,577  | 155,378   | 446,792                                 | 1,658,729                               |
|    | 250,558   | 92,198  | 163,770   | 610,115                                 | 1,238,233                               |
|    | 58,868  | 69,822  | 34,896  | 259,130                                 | 523,907                                 |
|    | 3,927,146   | 142,299   | 1,172,314   | 3,280,074                               | 14,083,247                              |
|    | <u>48,360,212</u>                                   | <u>7,516,135</u>                                    | <u>19,636,706</u>                                     | <u>9,644,760</u>                        | <u>133,787,307</u>                      |
|    | <u>52,713,373</u>                                   | <u>7,890,031</u>                                    | <u>21,163,064</u>                                     | <u>14,466,519</u>                       | <u>158,462,244</u>                      |
|    | 6,494,081   | 6,472,825   | 5,460,943   | 7,318,073                               | 61,122,362                              |
|    | 2,690,005   | 2,075,408   | 1,506,376   | 8,279,216                               | 17,166,817                              |
|    | 508,148   | 1,191,264   | 3,005,828   | 1,275,686                               | 16,871,782                              |
|    | <u>9,692,234</u>                                    | <u>9,739,497</u>                                    | <u>9,973,147</u>                                      | <u>16,872,975</u>                       | <u>95,160,961</u>                       |
|    | <u>43,021,139</u>                                   | <u>(1,849,466)</u>                                  | <u>11,189,917</u>                                     | <u>(2,406,456)</u>                      | <u>63,301,283</u>                       |
|    | -   | -   | -   | -                                       | -                                       |
|    | -   | -   | -   | -                                       | (60,000)                                |
|    | -   | -   | -   | -                                       | (60,000)                                |
|    | 43,021,139  | (1,849,466)   | 11,189,917  | (2,406,456)                             | 63,241,283                              |
|    | <u>28,150,444</u>                                   | <u>24,422,821</u>                                   | <u>9,445,698</u>                                      | <u>100,108,041</u>                      | <u>225,604,057</u>                      |
| \$ | <u><u>71,171,583</u></u>                            | <u><u>22,573,355</u></u>                            | <u><u>20,635,615</u></u>                              | <u><u>97,701,585</u></u>                | <u><u>288,845,340</u></u>               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012**

Amounts reported for governmental activities in the Statement of Activities are different because:

|   |    |                          |
|---|----|--------------------------|
| Net change in fund balances - total governmental funds  | \$ | 63,241,283               |
| <p>Governmental funds report capital asset acquisitions as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital assets acquisitions.</p> |    |                          |
| Expenditures for capital assets   | \$ | 2,146,552                |
| Less current year depreciation  |    | (165,971)                |
| Loss on sale/disposal of assets net of depreciation   |    | <u>(2,644,567)</u>       |
|   |    | (663,986)                |
| Current year expense for net other post-employment benefits obligation payable in the Statement of Net Assets   |    | (40,759)                 |
| Current year expense for the change in vacation accrual   |    | (672,242)                |
| Current year revenue for pollution remediation  |    | 394,230                  |
| Current year expense for parking access   |    | (328,088)                |
| Current year expense for replacement parking construction   |    | (2,847,000)              |
| <p>The internal service fund is used by management to charge insurance costs to individual funds. The change in net assets is reported with governmental activities.</p>  |    |                          |
| Expenditures for internal services  | \$ | (2)                      |
| Interest on investment  |    | <u>1,658</u>             |
|   |    | <u>1,656</u>             |
| Change in net assets of governmental activities   | \$ | <u><u>59,085,094</u></u> |

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GENERAL FUND (adopted as Urban Redevelopment Fund)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                     |                                       |
| <b>REVENUES</b>   |                         |                     |                     |                                       |
| Intergovernmental revenues-   |                         |                     |                     |                                       |
| City of Portland, General Fund  | \$ 5,288,326            | \$ 5,288,326        | \$ 4,569,139        | \$ (719,187)                          |
| Charges for services-   |                         |                     |                     |                                       |
| Application fees and charges  | -                       | 3,500               | 3,107               | (393)                                 |
| Rental income   | 411,904                 | 411,904             | 8,979               | (402,925)                             |
| Loan Collections-   |                         |                     |                     |                                       |
| Principal   | 60,000                  | 115,000             | 138,468             | 23,468                                |
| Interest  | 15,000                  | 25,000              | 29,422              | 4,422                                 |
| Interest on investments   | 5,000                   | 22,373              | 28,389              | 6,016                                 |
| Miscellaneous:  |                         |                     |                     |                                       |
| Reimbursements  | 160,258                 | 177,258             | 102,727             | (74,531)                              |
| Private grants and donations  | -                       | 100,000             | 101,000             | 1,000                                 |
| Other   | -                       | 70,000              | 75,234              | 5,234                                 |
|   | <u>5,940,488</u>        | <u>6,213,361</u>    | <u>5,056,465</u>    | <u>(1,156,896)</u>                    |
| Total revenues  |                         |                     |                     |                                       |
| <b>EXPENDITURES</b>   |                         |                     |                     |                                       |
| Current:  |                         |                     |                     |                                       |
| Community development:  |                         |                     |                     |                                       |
| Business development  | 5,199,520               | 5,719,505           | 4,347,994           | 1,371,511                             |
| Property redevelopment  | 321,444                 | 892,379             | 784,270             | 108,109                               |
| Administration  | 16,187,809              | 16,040,970          | 14,794,174          | 1,246,796                             |
| Total community development   | <u>21,708,773</u>       | <u>22,652,854</u>   | <u>19,926,438</u>   | <u>2,726,416</u>                      |
| Contingency   | 361,178                 | 1,919,926           | -                   | 1,919,926                             |
| Total expenditures  | <u>22,069,951</u>       | <u>24,572,780</u>   | <u>19,926,438</u>   | <u>4,646,342</u>                      |
| Excess (deficiency) of revenues<br>over expenditures                      | <u>(16,129,463)</u>     | <u>(18,359,419)</u> | <u>(14,869,973)</u> | <u>3,489,446</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                                     |                         |                     |                     |                                       |
| Internal service reimbursements   | 14,318,426              | 14,438,426          | 14,318,426          | (120,000)                             |
| Transfers in-   |                         |                     |                     |                                       |
| General Fund  | -                       | 2,180,713           | -                   | (2,180,713)                           |
| Housing and Community<br>Development Contract Fund                        | -                       | 135,000             | 135,000             | -                                     |
| Total transfers in  | <u>-</u>                | <u>2,315,713</u>    | <u>135,000</u>      | <u>(2,180,713)</u>                    |
| Internal service reimbursements   | (441,092)               | (441,092)           | (441,092)           | -                                     |
| Transfers out:  |                         |                     |                     |                                       |
| General Fund  | -                       | (2,180,713)         | -                   | 2,180,713                             |
| Enterprise Loans Fund   | -                       | (60,000)            | (60,000)            | -                                     |
| Total transfers out   | <u>-</u>                | <u>(2,240,713)</u>  | <u>(60,000)</u>     | <u>2,180,713</u>                      |
| Total other financing sources (uses)                                      | <u>13,877,334</u>       | <u>14,072,334</u>   | <u>13,952,334</u>   | <u>(120,000)</u>                      |
| Net change in fund balance  | (2,252,129)             | (4,287,085)         | (917,639)           | 3,369,446                             |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>2,252,129</u>        | <u>4,287,085</u>    | <u>4,183,279</u>    | <u>(103,806)</u>                      |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>             | <u>\$ -</u>         | <u>3,265,640</u>    | <u>3,265,640</u>                      |
| <b>Adjustments to generally accepted<br/>accounting principles basis-</b> |                         |                     |                     |                                       |
| Loans receivable, net   |                         |                     | 701,200             |                                       |
| Property held for sale  |                         |                     | <u>146,754</u>      |                                       |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                         |                     | <u>\$ 4,113,594</u> |                                       |

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**HOUSING AND COMMUNITY DEVELOPMENT CONTRACT FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts |                    | Actual           | Variance with<br>Final Budget |
|---|------------------|--------------------|------------------|-------------------------------|
|   | Original         | Final              |                  |                               |
| <b>REVENUES</b>   |                  |                    |                  |                               |
| Intergovernmental revenue:  |                  |                    |                  |                               |
| Housing and Community<br>Development contract                             | \$ 2,376,034     | \$ 2,376,034       | \$ 2,376,034     | \$ -                          |
| Interest on investments   | -                | -                  | 189              | 189                           |
| <b>Total revenues</b>   | <b>2,376,034</b> | <b>2,376,034</b>   | <b>2,376,223</b> | <b>189</b>                    |
| <b>EXPENDITURES</b>   |                  |                    |                  |                               |
| Current:  |                  |                    |                  |                               |
| Community development:  |                  |                    |                  |                               |
| Housing   | -                | -                  | 141              | (141)                         |
| Business development  | 2,002,720        | 2,178,437          | 2,171,127        | 7,310                         |
| Administration  | 175,569          | -                  | -                | -                             |
| Total Community development   | 2,178,289        | 2,178,437          | 2,171,268        | 7,169                         |
| <b>Total expenditures</b>   | <b>2,178,289</b> | <b>2,178,437</b>   | <b>2,171,268</b> | <b>7,169</b>                  |
| Excess (deficiency) of revenues<br>over expenditures                      | 197,745          | 197,597            | 204,955          | 7,358                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                                     |                  |                    |                  |                               |
| Transfers in:   |                  |                    |                  |                               |
| Enterprise Loans Fund   | -                | -                  | 100,000          | 100,000                       |
| <b>Total transfers in</b>   | <b>-</b>         | <b>-</b>           | <b>100,000</b>   | <b>100,000</b>                |
| Internal service reimbursements   | (197,745)        | (197,745)          | (197,745)        | -                             |
| Transfers out-  |                  |                    |                  |                               |
| General Fund  | -                | (835,000)          | (835,000)        | -                             |
| <b>Total transfers out</b>  | <b>-</b>         | <b>(835,000)</b>   | <b>(835,000)</b> | <b>-</b>                      |
| <b>Total other financing sources (uses)</b>                               | <b>(197,745)</b> | <b>(1,032,745)</b> | <b>(932,745)</b> | <b>100,000</b>                |
| Net change in fund balance  | -                | (835,148)          | (727,790)        | 107,358                       |
| <b>FUND BALANCE - July 1, 2011</b>  | <b>-</b>         | <b>835,148</b>     | <b>835,282</b>   | <b>134</b>                    |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <b>\$ -</b>      | <b>\$ -</b>        | <b>107,492</b>   | <b>\$ 107,492</b>             |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                  |                    |                  |                               |
| Interfund advances  |                  |                    | (100,000)        |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                  |                    | <b>\$ 7,492</b>  |                               |

The accompanying notes are an integral part of the basic financial statements

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2012

|  | <b>Business-type Activities -Enterprise Funds, Non-major</b> |   |                     | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|--|--|---|---------------------|--|
|  | <b>Enterprise<br/>Loans Fund</b>                             | <b>Enterprise<br/>Management<br/>Fund</b> | <b>Totals</b>       |  |
| <b>ASSETS</b>                              |  |   |                     |  |
| Current assets:                            |  |   |                     |  |
| Cash with City of Portland investment pool | \$ 2,015,831   | \$ 183,617                                | \$ 2,199,448        | \$ 249,097   |
| Receivables:                               |  |   |                     |  |
| Accounts                                   | 5,907  | 71,698                                    | 77,605              | -  |
| Internal balances                          | 100,000  | -   | 100,000             | -  |
| Loans, net                                 | 625,757  | -   | 625,757             | -  |
| Interest                                   | 3,198  | 504                                       | 3,702               | 824  |
| Total current assets                       | <u>2,750,693</u>   | <u>255,819</u>                            | <u>3,006,512</u>    | <u>249,921</u>   |
| Noncurrent assets:                         |  |   |                     |  |
| Loans receivable, net                      | <u>712,204</u>   | <u>-</u>                                  | <u>712,204</u>      | <u>-</u>   |
| Total noncurrent assets                    | <u>712,204</u>   | <u>-</u>                                  | <u>712,204</u>      | <u>-</u>   |
| Total assets                               | <u>\$ 3,462,897</u>  | <u>\$ 255,819</u>                         | <u>\$ 3,718,716</u> | <u>\$ 249,921</u>  |
| <b>LIABILITIES AND NET ASSETS</b>          |  |   |                     |  |
| <b>Liabilities:</b>                        |  |   |                     |  |
| Current liabilities:                       |  |   |                     |  |
| Accounts payable                           | \$ 1,357   | \$ -                                      | \$ 1,357            | -  |
| Accrued liability                          | 6,970  | -   | 6,970               | -  |
| Due to City of Portland                    | <u>-</u>   | <u>216,942</u>                            | <u>216,942</u>      | <u>-</u>   |
| Total current liabilities                  | <u>8,327</u>   | <u>216,942</u>                            | <u>225,269</u>      | <u>-</u>   |
| Total liabilities                          | <u>8,327</u>   | <u>216,942</u>                            | <u>225,269</u>      | <u>-</u>   |
| <b>NET ASSETS</b>                          |  |   |                     |  |
| Unrestricted                               | <u>3,454,570</u>   | <u>38,877</u>                             | <u>3,493,447</u>    | <u>249,921</u>   |
| <b>Total net assets</b>                    | <u>3,454,570</u>   | <u>38,877</u>                             | <u>3,493,447</u>    | <u>249,921</u>   |
| <b>Total liabilities and net assets</b>    | <u>\$ 3,462,897</u>  | <u>\$ 255,819</u>                         | <u>\$ 3,718,716</u> | <u>\$ 249,921</u>  |

The accompanying notes are an integral part of the basic financial statements.



PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2012

|  | <u>Business-type Activities -Enterprise Funds, Non-major</u> |   |                     | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</u> |
|--|--|---|---------------------|--|
|  | <u>Enterprise<br/>Loans Fund</u>                             | <u>Enterprise<br/>Management<br/>Fund</u> | <u>Totals</u>       |  |
| <b>OPERATING REVENUES:</b>               |  |   |                     |  |
| Charges for services                     | \$ 41,812  | \$ 977,933                                | \$ 1,019,745        | \$ -   |
| Interest on loans                        | 102,456  | -   | 102,456             | -  |
| Miscellaneous revenues                   | 96,246   | -   | 96,246              | -  |
| Total operating revenues                 | <u>240,514</u>   | <u>977,933</u>                            | <u>1,218,447</u>    | <u>-</u>   |
| <b>OPERATING EXPENSES:</b>               |  |   |                     |  |
| Personal services                        | 19,732   | -   | 19,732              | -  |
| Professional services                    | 15,868   | -   | 15,868              | 2  |
| Loan document costs                      | 14,532   | -   | 14,532              | -  |
| Financial assistance                     | 209,238  | -   | 209,238             | -  |
| Internal service reimbursements          | 98,423   | -   | 98,423              | -  |
| Miscellaneous expenses                   | 18,012   | 1,015,468                                 | 1,033,480           | -  |
| Total operating expenses                 | <u>375,805</u>   | <u>1,015,468</u>                          | <u>1,391,273</u>    | <u>2</u>   |
| Operating income (loss)                  | <u>(135,291)</u>   | <u>(37,535)</u>                           | <u>(172,826)</u>    | <u>(2)</u>   |
| <b>NON-OPERATING REVENUES (EXPENSE):</b> |  |   |                     |  |
| Interest on investments                  | 6,340  | 1,140                                     | 7,480               | 1,658  |
| Intergovernmental revenues               | 200,000  | -   | 200,000             | -  |
| Total non-operating revenues (expense)   | <u>206,340</u>   | <u>1,140</u>                              | <u>207,480</u>      | <u>1,658</u>   |
| Income before (loss) transfers           | <u>71,049</u>  | <u>(36,395)</u>                           | <u>34,654</u>       | <u>1,656</u>   |
| Transfers in                             | <u>60,000</u>  | <u>-</u>                                  | <u>60,000</u>       | <u>-</u>   |
| Change in net assets                     | 131,049  | (36,395)                                  | 94,654              | 1,656  |
| <b>Net assets - July 1, 2011</b>         | <u>3,323,521</u>   | <u>75,272</u>                             | <u>3,398,793</u>    | <u>248,265</u>   |
| <b>Net assets - June 30, 2012</b>        | <u>\$ 3,454,570</u>  | <u>\$ 38,877</u>                          | <u>\$ 3,493,447</u> | <u>\$ 249,921</u>  |

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For The Fiscal Year Ended June 30, 2012**

|   | <b>Business-type Activities - Enterprise Funds, Non-Major</b> |   |                     | <b>Governmental<br/>Activities-<br/>Internal<br/>Service Fund</b> |
|---|---|---|---------------------|---|
|   | <b>Enterprise<br/>Loans Fund</b>                              | <b>Enterprise<br/>Management<br/>Fund</b> | <b>Totals</b>       |   |
| <b>Cash flows from operating activities:</b>  |   |   |                     |   |
| Loan collections from borrowers   | \$ 806,962  | \$ -                                      | \$ 806,962          | \$ -  |
| Interest on loans from borrowers  | 102,456   | -   | 102,456             | -   |
| Loan fees from customers  | 41,812  | -   | 41,812              | -   |
| Rent income   | -   | 977,933                                   | 977,933             | -   |
| Payments to employees   | (19,732)  | -   | (19,732)            | -   |
| Payments to vendors   | (336,703)   | (870,224)                                 | (1,206,927)         | (2)   |
| Payments for interfund services used  | (98,424)  | -   | (98,424)            | -   |
| Miscellaneous reimbursements  | 854   | -   | 854                 | -   |
| <b>Net cash provided(used) by operating activities</b>  | <u>497,225</u>  | <u>107,709</u>                            | <u>604,934</u>      | <u>(2)</u>  |
| <b>Cash flows from noncapital financing activities:</b>   |   |   |                     |   |
| Operating grant   | 200,000   | -   | 200,000             | -   |
| Collection of interfund loans   | 625,720   | -   | 625,720             | -   |
| Transfers from other funds  | 4,230,000   | -   | 4,230,000           | -   |
| Transfers to other funds  | (4,170,000)   | -   | (4,170,000)         | -   |
| <b>Net cash provided by noncapital financing activities</b>   | <u>885,720</u>  | <u>-</u>                                  | <u>885,720</u>      | <u>-</u>  |
| <b>Cash flows from investing activities:</b>  |   |   |                     |   |
| Interest received from investing  | 6,910   | 2,156                                     | 9,066               | 1,856   |
|   | 1,389,855   | 109,865                                   | 1,499,720           | 1,854   |
| <b>Cash and cash equivalents-July 1, 2011</b>   | <u>625,976</u>  | <u>73,752</u>                             | <u>699,728</u>      | <u>247,243</u>  |
| <b>Cash and cash equivalents-June 30, 2012</b>  | <u>\$ 2,015,831</u>   | <u>\$ 183,617</u>                         | <u>\$ 2,199,448</u> | <u>\$ 249,097</u>   |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>     |   |   |                     |   |
| Net operating (loss)  | \$ (135,291)  | \$ (37,535)                               | \$ (172,826)        | \$ (2)  |
| Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities: |   |   |                     |   |
| Increase in due from City of Portland   | -   | 216,942                                   | 216,942             | -   |
| Decrease in loans receivable  | 640,832   | -   | 640,832             | -   |
| Increase in due from other entities   | (5,907)   | (71,698)                                  | (77,605)            | -   |
| Decrease in accounts payable  | (2,409)   | -   | (2,409)             | -   |
| Total adjustments   | <u>632,516</u>  | <u>145,244</u>                            | <u>777,760</u>      | <u>-</u>  |
| <b>Net cash provided(used) by operating activities</b>  | <u>\$ 497,225</u>   | <u>\$ 107,709</u>                         | <u>\$ 604,934</u>   | <u>\$ (2)</u>   |

The accompanying notes are an integral part of the basic financial statements.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
June 30, 2012**

**Assets**

|  |                      |
|--|----------------------|
| Cash with City of Portland investment pool | \$ <u>700</u>        |
| Total assets                               | \$ <u><u>700</u></u> |

**Liabilities**

|                  |                      |
|------------------|----------------------|
| Accounts payable | \$ <u><u>700</u></u> |
|------------------|----------------------|

The accompanying notes are an integral part of the financial statements.

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements**  
**June 30, 2012**

***I. Summary of Significant Accounting Policies***

**A. Reporting Entity**

The Portland Development Commission (PDC) is the City of Portland's (the City) urban renewal and redevelopment agency. The Commission was created in 1958 under Article I, Section 15 of the Charter of the City of Portland, Oregon to deliver projects and programs to achieve the City's housing, economic development and redevelopment priorities and to link citizens to jobs. PDC is governed by a five-member Commission, appointed by the Mayor and approved by the City Council to serve a three-year term.

PDC is a component unit of the City and its financial activities are discretely presented in a separate column in the City's basic financial statements.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of PDC. Governmental activities, which normally are supported by tax-increment revenues and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who use or directly benefit from services or privileges provided by the given function, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Tax-increment debt proceeds (in lieu of tax-increment revenue) and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary (agency) funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the proprietary funds are reported as separate columns in the fund financial statements. Non-major governmental funds are consolidated into a single column in the basic financial statements. Combining schedules of the components of the Enterprise Loans Fund and the non-major governmental funds are presented in the supplementary data section of the report.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, PDC considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Significant revenues which were measurable and available under the modified accrual basis are comprised of certain intergovernmental revenues consisting primarily of grant proceeds and tax-increment debt proceeds (in lieu of tax-increment revenue).

Loans Receivable and Property Held for Sale are treated as financial resources, an activity that does not result from revenue transactions. No expenditure is recognized when property is purchased or a loan is issued, and income is only recognized for the interest portion of loan collections and any proceeds for property sales in excess of the property's cost basis. Expenditures are recognized if a loan is discounted, or an allowance is recorded. Loans receivable and properties held for sale are itemized as part of fund balance according to level of constraint of the fund.

PDC reports the following major governmental funds:

*General Fund (adopted as Urban Redevelopment Fund)* – this is PDC's primary operating fund. It accounts for the financial operations not accounted for in any other fund and for indirect administrative costs. Principal resources are reimbursement for services to other funds, contract fees for services provided to other agencies, miscellaneous grants, donations and interest earnings. Primary expenditures are for personal services, operational supplies, and capital outlay.

*Housing and Community Development Contract Fund* – accounts for the contract with the City of Portland Housing Bureau to administer a portion of the City's Community Development Block Grant Economic Opportunity Initiative programs.

*North Macadam Urban Renewal Fund* – accounts for resources used in the redevelopment of the district into a major mixed-use Central City neighborhood, with a spectacular greenway and parks system, with improved transportation infrastructure and accessibility, enhanced public amenities and uses.

*River District Urban Renewal Fund* – accounts for resources used in the development and construction of a wide range of housing units, new commercial opportunities and open space, all oriented to the Willamette River.

*Convention Center Urban Renewal Fund* - accounts for resources used to develop a plan for the area surrounding the Oregon Convention Center that will best support Convention Center business, enhance area recreational and entertainment facilities, strengthen ties to downtown

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

Portland, and ensure the area's compatibility with nearby neighborhoods and to develop the Eastbank Riverfront park.

*Lents Town Center Urban Renewal Fund* – accounts for resources used in the revitalization of commercial and residential areas in and near the existing Lents neighborhood.

*Interstate Corridor Urban Renewal Fund* – accounts for resources used in the construction and preservation of a wide array of housing options, new family-wage jobs, and the infrastructure investment to support these efforts.

PDC reports the following non-major proprietary funds:

*Enterprise Loans Fund* - this enterprise fund accounts for the activities of PDC's various loan programs.

*Enterprise Management Fund* – this enterprise fund provides for the activity related to the operation and maintenance of PDC properties or City of Portland properties PDC has contracted to manage outside Urban Renewal Areas. Currently, this fund includes operating revenues and expenses of the Headwaters Apartments.

*Risk Management Fund* – the Internal Service Fund sets aside resources to meet the insurance policy deductibles, if necessary.

Additionally, PDC reports the following fund type:

Fiduciary (Agency) Funds – accounts for contract retainage and accumulated interest held by PDC in a fiduciary capacity. Agency funds do not have a measurement focus, but do use the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. PDC has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are overhead charges allocated by the General Fund to the Enterprise Loans Fund in the amount of \$98,423. Eliminations of these charges would distort the direct costs reported for the various programs concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided, 2) operating grants and contributions. All other revenues are considered general revenues.

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the Enterprise Loans Fund are interest on loans and charges for loan fees. Operating expenses include the administrative and interest expense on borrowings. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available to use for the same purpose, it is PDC's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Investments**

The Portland Development Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City Charter requires PDC to participate in the City's cash and investment pool. Each fund's portion of this pool is displayed on the Balance Sheet and the Statement of Net Assets as "Cash with City of Portland Investment Pool".

Investment pool cash balances are part of the City's cash management activity and are considered cash and cash equivalents. Activities undertaken by the investment pool on behalf of the proprietary funds are not considered as part of the investing and financing activities of the funds, and details of these investments are not reported in the Statement of Cash Flows. In general, interest earned from pooled investments is allocated to each City fund, including PDC which appears as a single cash account, based on average earnings rate and daily cash balance of each fund. PDC allocates and credits interest received from the City to each individual fund based on the monthly ending cash balance.

The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Idaho and Washington that have a rating of AA or better, A-1 rated commercial paper and banker's acceptances, Aa rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Local Government Investment Pool.

PDC recorded its investment in the City of Portland Investment Pool at fair value.

**2. Receivables and Payables**

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as internal balances. Reimbursements due from other governmental entities for the CDBG Economic Opportunity Initiative (CDBG-EOI) programs are reported as accounts receivable.

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. In the Housing and Community Development Fund there is one remaining economic development property which was purchased with CDBG funds in a prior year and is offset by a Due to the City of Portland, the original provider of the funds.

PDC maintains a valuation allowance for loans receivable comprised of an allowance for risk and an allowance for present value discount. The allowance for risk is determined based on the historical performance of each loan type and upon continuing consideration of changes in the character of the portfolio. The allowance for the present value discount represents an estimate of the difference between the present value of discounted net cash flows using the weighted average interest rate for the program within which a given loan belongs.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items both in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**4. Capital Assets**

Capital assets include property, buildings, equipment, and software. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for furniture and equipment and real property acquisitions and improvements are stated as capital outlay expenditures in the governmental funds. Capital assets, which are acquired and held for internal use, are stated at historical cost, and include the costs of appraisals and demolition. Donated capital assets are recorded at their fair market value at the date of donation.

Costs incurred for the acquisition and improvements of properties, as an agent for the owner, are not capitalized. Maintenance and repairs of a routine nature are charged to expenditures/expenses as incurred and are not capitalized.

Depreciation and amortization on capital assets is recorded in the Statement of Activities and is calculated using a modified half-year convention method on a straight-line basis over the following estimated useful lives.

| <u>Asset</u>               | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 50           |
| Leasehold improvements     | 6            |
| Vehicles                   | 8            |
| Equipment                  | 5-15         |
| Computer software          | 10           |
| Computer equipment         | 5            |



**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

Generally, when construction projects are completed on behalf of the City of Portland, the project's capital assets are transferred to the City at cost. Proceeds from sale of capital assets originally purchased with grant resources are reported as due to City of Portland until recycled through the grant program. All other proceeds from the sale of capital assets are recognized as revenue.

**5. Property Held for Sale**

Land and related buildings and improvements acquired for the purpose of redevelopment and sale are recognized as assets and stated at the lower of cost (including costs of appraisal, demolition, and relocation) or net realizable value and are offset by non-spendable or restricted fund balance depending on the fund classification, except for those acquired with grant proceeds. Property held for sale acquired with grant resources are offset by an amount Due to the City of Portland until cycled through the grant program. Upon final disposition or a decline in the value of the property, gain or loss is charged or credited to operations.

**6. Compensated Absences**

It is PDC's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since PDC does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**7. Long-term Obligations**

Long-term bonded debt issued to finance urban development activities is not reported in the financial statements, but is reported in the City of Portland's financial statements since the debt is the obligation of the City.

**8. Fund Equity and Net Assets**

PDC's equity is classified as follows in the government wide and proprietary fund financial statements:

*Invested in capital assets.* This represents PDC's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Restricted.* This represents net assets that are limited in their use by external third parties, laws or regulations of other governments, or imposed by legislation.

*Unrestricted.* This represents net assets not included in other categories.

PDC's fund balance is classified as follows in the governmental fund financial statements

*Non-spendable.* This includes the portion of fund balance that are not in a spendable form such as prepaids or others such as long term loans receivable, properties held for sale, prepaid expenses.

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

*Restricted.* The restriction is imposed by a third party such as creditors or regulators or enabling legislation.

*Committed.* This represents resources committed by PDC's commission. Resolutions passed by the PDC Board of Commissioners is required to commit or release funds at this level.

*Assigned.* This represents resources designated by Chief Financial Officer acting in the designated authority with the power to make the assignment as designated by the Board in adopting the implementation of GASB 54.

*Unassigned.* Residual amount that is not restricted, committed, or assigned in the General Fund and any negative amount in other funds created by expenditures exceeding restricted, committed, or assigned resources.

PDC will spend resources in the following order as appropriate for the specific expenditures when more than one category of fund balance exists: Restricted, Committed, Assigned, and Unassigned. Any exceptions to this spending order must be approved by the Board of Commissioners.

**9. Management Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of June 30, 2012, and the reported amounts of revenues, expenditures, and expenses for the year then ended. Actual results could differ from those estimates.

**10. New Accounting Pronouncements**

In fiscal year 2013 PDC will be subject to GASB Statement No. 60. *Accounting and Financial Reporting for Services Concession Arrangements.* The objective of this statement is to improve the financial reporting of service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. PDC, at present, has no SCA agreements.

Statement No. 61. *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* also becomes effective in fiscal year 2013. The objective of this statement is to improve financial reporting for a governmental entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. New criteria are also added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

requirements as a funds of the primary government. The reporting of PDC as a component unit in the city of Portland's CAFR will not be affected by this statement.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement is intended to incorporate guidance previously found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. These standards have already been applied where applicable to PDCs CAFR.

Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance incorporating deferred outflows and deferred inflows as well as renaming the residual measure as net position rather than net assets, this statement becomes effective fiscal year 2013.

Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions* is effective this fiscal year. PDC does not handle investment of the Commissions cash it is handled by the city of Portland's treasury office. Investment hedging may be affected and information related to such transactions will be relayed from the city. Relevant information related to hedging of any of the Commission's cash may flow through to the Commission's statements.

Statement No. 65 *Items Previously Reported as Assets and Liabilities* issued in March 2012 and becomes effective for fiscal year 2014 will reclassify some items that were previously reported as either assets or liabilities. PDC will implement this in fiscal year 2014.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

PDC is required by Oregon Local Budget Law to budget all funds except the Agency Funds. All funds, except the Agency Funds, are budgeted on the modified accrual basis of accounting. The resolution authorizing appropriations sets the maximum level of expenditures for each fund. The original budget is adopted by the Commission by resolution prior to the beginning of the fiscal year (July 1 through June 30). The amount reported as "fund balance" on the General Fund budgetary basis of accounting derives from the basis of accounting used in preparing PDC's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund balances because of the cumulative effect of the transactions in the table below.

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|                                |                     |
|--------------------------------|---------------------|
| Revenues—budgetary basis       | \$ 5,056,465        |
| Loans receivable revenues      | (138,468)           |
| Internal service reimbursement | 98,423              |
| Allowance for loans receivable | <u>32,836</u>       |
| <br>                           |                     |
| Revenues—GAAP basis            | <u>\$ 5,049,256</u> |
| <br>                           |                     |
| Expenditures—budgetary basis   | \$ 19,926,438       |
| internal service reimbursment  | (14,220,004)        |
| Book new loans receivable      | (150,000)           |
| Reclass indirect charges       | <u>441,092</u>      |
| <br>                           |                     |
| Expenditures—GAAP basis        | <u>\$ 5,997,526</u> |

Appropriations are made by organizational unit or programs; appropriating the expenditure budget by business line. Expenditure detail is also provided by the following categories: Personal Services, Materials and Services, Capital Outlay, Financial Assistance, Debt Service, and other levels of control established by the resolution. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget may require hearings before the public and publications in newspapers, but always requires approval by the Commission. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Commission. The Commission approved three supplemental budgets during the fiscal year. Appropriations lapse at each fiscal year-end.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2012, the following funds and programs had expenditures in excess of appropriations:

| Fund                                       | Program | Excess |
|--|---------|--------|
| Housing and Community Development Contract | Housing | \$ 141 |
| Home Grant                                 | Housing | 114    |
| Enterprise Loans                           | Housing | 32,359 |

**III. Detailed Notes on All Funds**

**A. Cash and Cash Equivalents and Cash with City of Portland Investment Pool**

The City maintains a cash and investment pool that is available for use by all funds including its component units. Cash and investments are presented on the balance sheet in the basic financial statements at fair value in accordance with GASB Statement No. 31.

All investment pool cash purchases and sales are part of the City’s cash management activity and considered cash and cash equivalents. Activities undertaken by the pool on behalf of the proprietary funds are not part of operating, capital, investing, or financing activities of the proprietary funds, and details of these transactions are not reported in the Statement of Cash Flows. In general, interest

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earned from pooled investments is allocated to each fund based on the average earnings rate and daily cash balance of each fund.

Oregon Revised Statutes (ORS) 294, authorizes the City and component units to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper, high-grade corporate bonds and the State Treasurer's Local Government Investment Pool (LGIP).

PDC's cash balance as of June 30 is comprised of the following:

|  |    |                       |
|--|----|-----------------------|
| Cash on hand                               | \$ | 500                   |
| Deposits with financial institutions       |    | 137,987               |
| Cash with City of Portland investment pool |    | <u>145,204,448</u>    |
|  |    | <u>\$ 145,342,935</u> |

The balance is reflected in the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities as follows:

|  | <b>Governmental<br/>Activities</b> | <b>Business-<br/>Type<br/>Activities</b> | <b>Fiduciary<br/>Activities</b> | <b>Total</b>          |
|--|------------------------------------|--|---------------------------------|-----------------------|
| Cash and cash equivalents                  | \$ 15,500                          | \$ -                                     | \$ -                            | \$ 15,500             |
| Cash with City of Portland investment pool | 143,004,300                        | 2,199,448                                | 700                             | 145,204,448           |
| Cash with fiscal agent                     | 122,987                            | -  | -                               | 122,987               |
|  | <u>\$ 143,142,787</u>              | <u>\$ 2,199,448</u>                      | <u>\$ 700</u>                   | <u>\$ 145,342,935</u> |

The cash with fiscal agent is an account in Wells Fargo Bank created to comply with the Economic Development Administration's (EDA) requirement to sequester excess program cash.

***Custodial credit risk—deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer (OST). The City's deposit policy requires that all deposits are covered by the Federal Deposit Insurance Corporation (FDIC), and/or are collateralized as required by and in compliance with ORS 295.

The FDIC's standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. From December 31, 2010 through December 31, 2012, at all FDIC-insured institutions, deposits held in noninterest-bearing transaction accounts will be fully insured regardless of the amount in the account. Public Money Market Deposit Accounts (PMMDAs) and Negotiable Order of Withdrawal (NOW) accounts are not eligible for this temporary unlimited insurance coverage, regardless of the interest rate, even if no interest is paid

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The OST's custodian, Federal Home Loan Bank of Seattle, is the agent of the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the Depository Bank, Custodian Bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors.

PDC bank deposits of \$137,987 at Wells Fargo Bank are 100% insured by the FDIC.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of June 30, 2012, the weighted average maturity of the City's investment portfolio was 349 days. To minimize interest rate risk, the City's investment policy limits the portfolio to a maximum weighted average maturity of eighteen months. In addition, no more than 50% of the projected lowest cash balance may be invested in securities with a maturity range beyond two years. All other funds must be invested in less than three-year maturities and must meet the City's cash flow requirements. Investments with maturities greater than three years may be purchased only with the approval of the IAC.

***Credit Risk***

Credit risk is the financial risk of not receiving principal and interest when due from an issuer. The types of investments permitted by the Investment Policy seeks to minimize this risk by the conservative nature of the permissible investments and by establishing safe limits on the level of investments with Oregon financial institutions and issuers of commercial paper, corporate debt, and monitoring their credit quality on an ongoing basis. A portfolio policy stressing a relatively short maturity and highly rated investment grade debt serves to additionally minimize credit risk.

The City's investments in United States Treasury and Agency Obligations have short-term credit ratings of P-1 / A-1+ / F1+, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in United States Treasury and Agency Obligations have long-term credit ratings of Aaa / AA+ / AAA, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in Corporate Debt Obligations have short-term or long-term credit ratings of Aa3 / AA- / AA- or better, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in Municipal Debt Obligations have short-term credit ratings of A-1 / SP-1 / F1 or better, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively.

As of June 30, 2012, the LGIP was not rated.

***Concentration of Credit Risk***

Of the City's total investments as of June 30, 2012, 71% percent were United States Agency Debt Obligations or short-term investments. All other investments not explicitly guaranteed by the United

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States Government were less than five percent (per issuer basis) of the City's total investments. The City's investment policy addresses credit risk concentration by limiting both the types and amounts of securities that may be held in the portfolio. These portfolio restrictions vary based upon the investment type and issuer. These restrictions as well as other information contained in the City's investment policy are located at:

<http://www.portlandonline.com/auditor/index.cfm?c=47787&a=200869>.

***Custodial credit risk—investments***

For an investment, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All trades are executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. The City's investment policy complies with ORS 294.035 and ORS 294.810 that lists acceptable investments. As of June 30, 2012, the City had no investments that were held by either counterparty or the counterparty's trust department agent. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

**B. Internal Balances and Transfers**

The composition of internal balances is as follows:

| <b>Payable Fund</b>                             | <b>Receivable Fund</b>       | <b>Total</b> |
|---|------------------------------|--------------|
|   | <b>Enterprise Loans Fund</b> |              |
| Liabilities                                     |                              |              |
| Housing and Community Development Contract Fund | \$ 100,000                   | \$ 100,000   |
| Governmental Fund Liabilities                   |                              | \$ 100,000   |

As of June 30, 2012, the Housing and Community Development Fund owes the Enterprise Loans Fund \$100,000 for short-term Interfund loans for grant expenditures not yet reimbursed by the City of Portland and are repaid in the next accounting period.

Interfund transfers made during the year are outlined below.

| <b>Transfer out fund</b> | <b>Transfer In Fund</b>      |              |
|--------------------------|------------------------------|--------------|
|                          | <b>Enterprise Loans Fund</b> | <b>Total</b> |
| General Fund             | \$ 60,000                    | \$ 60,000    |

The General Fund transferred \$60,000 in additional resources for the support of business finance of revolving loan funds.

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**C. Loans Receivable**

Loans receivable are comprised of loans to qualified borrowers for rehabilitation and redevelopment of commercial properties and commercial loans to small business to promote economic development, which are collateralized by personal property. Net loans receivable are as follows:

| <u>Fund and Program</u>                            | <u>Maximum<br/>Term</u> | <u>Interest<br/>Rate</u> | <u>Gross<br/>Loans<br/>Receivable</u> | <u>Allowance<br/>And<br/>Discount</u> |
|--|-------------------------|--------------------------|---------------------------------------|---------------------------------------|
| <b>Major Funds:</b>                                |                         |                          |                                       |                                       |
| General Fund:                                      |                         |                          |                                       |                                       |
| Urban Development:                                 |                         |                          |                                       |                                       |
| Amortized loans                                    | 10 yrs                  | 4%                       | \$ 779,037                            | \$ 98,970                             |
| Deferred payment loans                             | 10 yrs                  | 4%                       | 49,801                                | 28,668                                |
| Total Gross General Fund                           |                         |                          | <u>828,838</u>                        | <u>127,638</u>                        |
| Total Net General Fund                             |                         |                          |                                       | <u>701,200</u>                        |
| River District Urban Renewal Fund:                 |                         |                          |                                       |                                       |
| Urban Development:                                 |                         |                          |                                       |                                       |
| Amortized loans                                    | 20 yrs                  | 0% to 9%                 | 13,848,697                            | 3,833,944                             |
| Deferred payment loans                             | 15 yrs                  | 0% to 5%                 | 18,571,447                            | 10,372,829                            |
| Total Gross River District Urban Renewal Fund      |                         |                          | <u>32,420,144</u>                     | <u>14,206,773</u>                     |
| Total Net River District Urban Renewal Fund        |                         |                          |                                       | <u>18,213,371</u>                     |
| Convention Center Urban Renewal Fund:              |                         |                          |                                       |                                       |
| Urban Development:                                 |                         |                          |                                       |                                       |
| Deferred payment loans                             | 20 yrs                  | 0% to 3%                 | 7,276,896                             | 4,539,939                             |
| Amortized loans                                    | 30 yrs                  | 1% to 7%                 | 7,564,430                             | 1,298,501                             |
| Cash flow loans                                    | 43 yrs                  | 1% to 9%                 | 2,960,655                             | 2,899,852                             |
| Total Gross Convention Center Urban Renewal Fund   |                         |                          | <u>17,801,981</u>                     | <u>8,738,292</u>                      |
| Total Net Convention Center Urban Renewal Fund     |                         |                          |                                       | <u>9,063,689</u>                      |
| Lents Town Center Urban Renewal Fund:              |                         |                          |                                       |                                       |
| Urban Development:                                 |                         |                          |                                       |                                       |
| Deferred payment loans                             | 30 yrs                  | 0% to 3%                 | 1,309,420                             | 773,711                               |
| Amortized loans                                    | 26 yrs                  | 1% to 5%                 | 2,179,569                             | 730,310                               |
| Total Gross Lents Town Center Urban Renewal Fund   |                         |                          | <u>3,488,989</u>                      | <u>1,504,021</u>                      |
| Total Net Lents Town Center Urban Renewal Fund     |                         |                          |                                       | <u>1,984,968</u>                      |
| Interstate Corridor Urban Renewal Fund:            |                         |                          |                                       |                                       |
| Urban Development:                                 |                         |                          |                                       |                                       |
| Amortized loans                                    | 20 yrs                  | 0% to 9%                 | 4,200,382                             | 530,566                               |
| Deferred payment loans                             | 20 yrs                  | 0% to 2%                 | 6,412,185                             | 3,319,886                             |
| Total Gross Interstate Corridor Urban Renewal Fund |                         |                          | <u>10,612,567</u>                     | <u>3,850,452</u>                      |
| Total Net Interstate Corridor Urban Renewal Fund   |                         |                          |                                       | <u>6,762,115</u>                      |
|  |                         |                          | <u>65,152,519</u>                     | <u>28,427,176</u>                     |
|  |                         |                          |                                       | <u>36,725,343</u>                     |



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| <u>Fund and Program</u>                                | <u>Maximum<br/>Term</u> | <u>Interest<br/>Rate</u> | <u>Gross<br/>Loans<br/>Receivable</u> | <u>Allowance<br/>And<br/>Discount</u> |
|--|-------------------------|--------------------------|---------------------------------------|---------------------------------------|
| <b>Other Governmental Funds:</b>                       |                         |                          |                                       |                                       |
| Other Federal Grants Fund (EDA):                       |                         |                          |                                       |                                       |
| Urban Development:                                     |                         |                          |                                       |                                       |
| Amortized Loans  | 20 yrs                  | 3% to 8%                 | 1,360,789                             | 171,349                               |
| Total Gross Other Federal Grants Fund                  |                         |                          | 1,360,789                             | 171,349                               |
| Total Net Other Federal Grants Fund                    |                         |                          |                                       | 1,189,440                             |
| Downtown Waterfront Urban Renewal Fund:                |                         |                          |                                       |                                       |
| Urban Development:                                     |                         |                          |                                       |                                       |
| Amortized loans  | 20 yrs                  | 1% to 5%                 | 4,907,895                             | 622,199                               |
| Deferred payment loans                                 | 20 yrs                  | 0% to 3%                 | 5,605,475                             | 3,202,800                             |
| Total Gross Downtown Waterfront Urban Renewal Fund     |                         |                          | 10,513,370                            | 3,824,999                             |
| Total Net Downtown Waterfront Urban Renewal Fund       |                         |                          |                                       | 6,688,371                             |
| South Park Blocks Urban Renewal Fund:                  |                         |                          |                                       |                                       |
| Urban Development:                                     |                         |                          |                                       |                                       |
| Deferred payment loans                                 | 20 yrs                  | 0% to 2%                 | 7,800                                 | 3,900                                 |
| Amortized loans  | 28 yrs                  | 1% to 5%                 | 2,284,658                             | 250,086                               |
| Total Gross South Park Blocks Urban Renewal Fund       |                         |                          | 2,292,458                             | 253,986                               |
| Total Net South Park Blocks Urban Renewal Fund         |                         |                          |                                       | 2,038,472                             |
| Central Eastside Urban Renewal Fund:                   |                         |                          |                                       |                                       |
| Urban Development:                                     |                         |                          |                                       |                                       |
| Cash flow loans  | 28 yrs                  | 4%                       | 1,180,754                             | 1,144,048                             |
| Amortized loans  | 20 yrs                  | 0% to 9%                 | 3,731,735                             | 822,501                               |
| Deferred payment loans                                 | 20 yrs                  | 4%                       | 889,069                               | 457,230                               |
| Total Gross Central Eastside Urban Renewal Fund        |                         |                          | 5,801,558                             | 2,423,779                             |
| Total Net Central Eastside Urban Renewal Fund          |                         |                          |                                       | 3,377,779                             |
| Gateway Regional Center Urban Renewal Fund:            |                         |                          |                                       |                                       |
| Urban Development:                                     |                         |                          |                                       |                                       |
| Amortized loans  | 20 yrs                  | 1% to 3%                 | 241,595                               | 30,975                                |
| Total Gross Gateway Regional Center Urban Renewal Fund |                         |                          | 241,595                               | 30,975                                |
| Total Net Gateway Regional Center Urban Renewal Fund   |                         |                          |                                       | 210,620                               |

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| <u>Fund and Program</u>                    | <u>Maximum<br/>Term</u> | <u>Interest<br/>Rate</u> | <u>Gross<br/>Loans<br/>Receivable</u> | <u>Allowance<br/>And<br/>Discount</u> |
|--|-------------------------|--------------------------|---------------------------------------|---------------------------------------|
| Airport Way Urban Renewal Fund:            |                         |                          |                                       |                                       |
| Urban Development:                         |                         |                          |                                       |                                       |
| Amortized loans                            | 20 yrs                  | 2% to 9%                 | 3,629,386                             | 569,639                               |
| Deferred payment loans                     | 20 yrs                  | 2% to 9%                 | 1,041,237                             | 711,174                               |
| Total Gross Airport Way Urban Renewal Fund |                         |                          | <u>4,670,623</u>                      | <u>1,280,813</u>                      |
| Total Net Airport Way Urban Renewal Fund   |                         |                          |                                       | <u>3,389,810</u>                      |
| Total Gross Other Governmental Funds       |                         |                          | <u>24,880,393</u>                     | <u>7,985,901</u>                      |
| Total Net Other Governmental Funds         |                         |                          |                                       | <u>16,894,492</u>                     |
| <b>Total Gross Governmental Funds</b>      |                         |                          | <u><b>90,032,912</b></u>              | <u><b>36,413,077</b></u>              |
| <b>Total Net Governmental Funds</b>        |                         |                          |                                       | <u><b>53,619,835</b></u>              |
| <b>Business-Type Funds:</b>                |                         |                          |                                       |                                       |
| Enterprise Loans Fund:                     |                         |                          |                                       |                                       |
| Urban Development:                         |                         |                          |                                       |                                       |
| Amortized loans                            | 15 yrs                  | 1% to 7%                 | 1,491,253                             | 153,292                               |
| <b>Total Gross Enterprise Loans Fund</b>   |                         |                          | <u><b>1,491,253</b></u>               | <u><b>153,292</b></u>                 |
| <b>Total Net Enterprise Loans Fund</b>     |                         |                          |                                       | <u><b>1,337,961</b></u>               |
| <b>Total Gross All Funds</b>               |                         |                          | <u><b>\$ 91,524,165</b></u>           | <u><b>36,566,369</b></u>              |
| <b>Total Net All Funds</b>                 |                         |                          |                                       | <u><b>\$ 54,957,796</b></u>           |

The combined loan portfolio is composed of the following:

| <u>Organizational Unit<br/>and Program</u> | <u>Current Year<br/>Gross Loan<br/>Percentages</u> |    | <u>Gross<br/>Loans<br/>Receivable</u> | <u>Allowance<br/>And<br/>Discount</u> |
|--|--|----|---------------------------------------|---------------------------------------|
| Urban Development:                         |  |    |                                       |                                       |
| Amortized loans                            | 50.50%   | \$ | 46,219,426                            | 9,112,332                             |
| Cash flow loans                            | 4.52%  |    | 4,141,409                             | 4,043,900                             |
| Deferred payment loans                     | 44.98%   |    | 41,163,330                            | 23,410,137                            |
| Urban development totals                   | <u>100.00%</u>                                     |    | <u>91,524,165</u>                     | <u>36,566,369</u>                     |
| <b>Total Gross Loans</b>                   | 100%   | \$ | <u><b>91,524,165</b></u>              | <u><b>36,566,369</b></u>              |
| <b>Total Net Loans</b>                     |  |    |                                       | <u><b>\$ 54,957,796</b></u>           |
| <b>Summary Loans Receivable Aging:</b>     |  |    |                                       |                                       |
| Current loans receivable, net              |  | \$ | 4,670,683                             |                                       |
| Noncurrent loans receivable, net           |  |    | <u>50,287,113</u>                     |                                       |
| <b>Total Net Loans</b>                     |  | \$ | <u><b>54,957,796</b></u>              |                                       |

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The Loan Loss Allowance is comprised of both an interest discount factor and a loan loss risk factor. The total allowance at June 30, 2012 is broken down as follows:

|                              |    |                   |
|------------------------------|----|-------------------|
| Interest Discount Factor     | \$ | 9,539,389         |
| Loan Loss Risk Factor        |    | <u>27,026,979</u> |
| Total Allowance and Discount | \$ | <u>36,566,368</u> |

**D. Restricted Net Assets**

Restricted net assets consist of net assets with constraints placed on the use either by external parties such as creditors, grantors, and contributors, or laws and regulations of other governments, or legally restricted through provisions or enabling legislation. As summarized below, the government-wide statement of net assets report \$279,593,433 of restricted net assets.

|                                      |    |                    |
|--------------------------------------|----|--------------------|
| <b>Restricted by:</b>                |    |                    |
| Enabling legislation:                |    |                    |
| Urban renewal                        | \$ | 273,210,702        |
| Contributors:                        |    |                    |
| Public-private partnership agreement |    | <u>6,382,731</u>   |
|                                      | \$ | <u>279,593,433</u> |

**E. Property Held for Sale**

Property held for sale consists of real property PDC intends to sell to appropriate developers or homeowners. The carrying amount of the property is stated at the lower of cost or net realizable value. The carrying value of the property is as follows:

|   |    |                   |
|---|----|-------------------|
| General Fund                                    | \$ | 146,754           |
| Housing and Community Development Contract Fund |    | 251,456           |
| North Macadam Urban Renewal Fund                |    | 9,903,977         |
| River District Urban Renewal Fund               |    | 16,707,288        |
| Convention Center Urban Renewal Fund            |    | 13,277,714        |
| Lents Town Center Urban Renewal Fund            |    | 9,514,330         |
| Interstate Corridor Urban Renewal Fund          |    | 6,556,640         |
| Other Governmental Funds                        |    | <u>39,117,431</u> |
| Total Governmental Funds                        | \$ | <u>95,475,590</u> |

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**F. Capital Assets**

PDCs capital assets are all used in community development and are composed of the following:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>      | <u>Transfers</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|-----------------------|------------------|---------------------------|
| Capital assets, not being depreciated:       |                              |                     |                       |                  |                           |
| Land   | \$ 6,101,427                 | \$ 10,813           | \$ (1,466,190)        | \$ -             | \$ 4,646,050              |
| Work in progress                             | 854,362                      | -                   | (854,362)             | -                | -                         |
| Capital assets, being depreciated:           |                              |                     |                       |                  |                           |
| Buildings and improvements                   | 2,707,441                    | -                   | -                     | -                | 2,707,441                 |
| Leasehold improvements                       | 3,849,501                    | -                   | -                     | -                | 3,849,501                 |
| Vehicles and equipment                       | 2,151,111                    | 60,172              | -                     | (1,141,736)      | 1,069,547                 |
| Intangible software                          | 930,394                      | 2,075,567           | (1,429,332)           | 1,125,953        | 2,702,582                 |
| Total capital assets being depreciated       | <u>9,638,447</u>             | <u>2,135,739</u>    | <u>(1,429,332)</u>    | <u>(15,783)</u>  | <u>10,329,071</u>         |
| Less accumulated depreciation for:           |                              |                     |                       |                  |                           |
| Buildings and improvements                   | (1,245,419)                  | (54,148)            | -                     | -                | (1,299,567)               |
| Leasehold improvements                       | (3,849,324)                  | (177)               | -                     | -                | (3,849,501)               |
| Vehicles and equipment                       | (1,896,803)                  | (111,646)           | 1,105,317             | 15,783           | (887,349)                 |
| Total accumulated depreciation               | <u>(6,991,546)</u>           | <u>(165,971)</u>    | <u>1,105,317</u>      | <u>15,783</u>    | <u>(6,036,417)</u>        |
| Total capital assets, being depreciated, net | <u>2,646,901</u>             | <u>1,969,768</u>    | <u>(324,015)</u>      | <u>-</u>         | <u>4,292,654</u>          |
| Governmental activities capital assets, net  | <u>\$ 9,602,690</u>          | <u>\$ 1,980,581</u> | <u>\$ (2,644,567)</u> | <u>\$ -</u>      | <u>\$ 8,938,704</u>       |

**G. Operating Leases**

**As Lessee**

PDC leases office space and land under operating leases. Rental expenditures amounted to approximately \$1,043,885. Future minimum lease payments under PDC's operating leases are as follows:

| <u>Fiscal Year<br/>Ending</u> | <u>Minimum<br/>Lease<br/>Payments</u> |
|-------------------------------|---------------------------------------|
| 2013                          | \$ 1,066,524                          |
| 2014                          | 1,098,516                             |
| 2015                          | 1,131,480                             |
| 2016                          | 1,165,416                             |
| 2017                          | 1,200,384                             |
| 2018-2020                     | <u>3,821,568</u>                      |
|                               | <u>\$ 9,483,888</u>                   |

The amounts above do not include lessee maintenance charges in excess of the stipulated minimum rental fees. The total of such charges for the fiscal year amounted to approximately \$8,400.

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**As Lessor**

PDC functions as a lessor for office space, parking lot space, and land leases on certain property which it has acquired as part of its urban renewal activities. The carrying value of the property being leased is approximately \$12,824,487. Rental revenue amounted to approximately \$2,177,000 for the fiscal year. The minimum future operating non-cancelable lease revenues are as follows:

| <u>Fiscal Year</u><br><u>Ending</u> | <u>Minimum</u><br><u>Revenue Total</u> |
|-------------------------------------|--|
| 2013                                | \$ 162,570                             |
| 2014                                | 52,914                                 |
| 2015                                | 914                                    |
| 2016                                | 904                                    |
| 2017                                | 902                                    |
| 2018-2022                           | 56                                     |
| 2023-2027                           | 55                                     |
| 2028-2032                           | 55                                     |
| 2033-2037                           | 55                                     |
| 2038-2042                           | 55                                     |
| 2043-2047                           | 55                                     |
| 2048-2052                           | 25                                     |
|                                     | <u>\$ 218,560</u>                      |

**H. Changes in Long-term Liabilities**

|                                  | <u>Long-term</u><br><u>Beginning</u><br><u>Balance</u> | <u>Additions</u>    | <u>Payments/</u><br><u>Reductions</u> | <u>Long-term</u><br><u>Ending</u><br><u>Balances</u> | <u>Due within</u><br><u>One Year</u> |
|----------------------------------|--|---------------------|---------------------------------------|--|--------------------------------------|
| Governmental activities          |  |                     |                                       |  |                                      |
| Replacement parking access       | \$ -   | \$ 391,832          | \$ 63,744                             | \$ 268,359   | \$ 59,729                            |
| Replacement parking construction | -  | 2,847,000           | -                                     | 2,847,000  | -                                    |
| Vacation accrual                 | -  | 672,242             | -                                     | 672,242  | -                                    |
| Post employment benefits         | 638,271  | 40,759              | -                                     | 679,030  | -                                    |
| Pollution Remediation            | 7,929,649  | -                   | 394,230                               | 7,423,164  | 112,255                              |
|                                  | <u>\$ 8,567,920</u>                                    | <u>\$ 3,951,833</u> | <u>\$ 457,974</u>                     | <u>\$ 11,889,795</u>                                 | <u>\$ 171,984</u>                    |

For governmental activities, vacation accruals and post employment benefits will generally be liquidated by the general fund and pollution remediation will be liquidated by the capital project fund in which the property is located. The replacement parking and replace parking construction liabilities will both be liquidated by the Downtown Waterfront Urban Renewal Fund.

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**I. Amounts Due To and From the City of Portland**

Due To the City of Portland consists principally of an amount related to property held for sale which was acquired via grant funds under the Community Development Block Grant program that PDC administered for the City of Portland and accounts payable for services provided by the City. Balances of Due to the City of Portland by fund as of June 30, 2012 follow.

|  | <u>Property Held<br/>for Sale</u> | <u>Accounts<br/>Payable</u> | <u>Ending<br/>Balance</u> |
|--|-----------------------------------|-----------------------------|---------------------------|
| Housing and Community                  |                                   |                             |                           |
| Development Contract Fund              | \$ 251,456                        | \$ -                        | \$ 251,456                |
| General Fund                           | -                                 | 242,336                     | 242,336                   |
| North Macadam Urban Renewal Fund       | -                                 | 94,572                      | 94,572                    |
| River District Urban Renewal Fund      | -                                 | 1,238,867                   | 1,238,867                 |
| Convention Center Urban Renewal Fund   | -                                 | 509,596                     | 509,596                   |
| Lents Town Center Urban Renewal Fund   | -                                 | 516,770                     | 516,770                   |
| Interstate Corridor Urban Renewal Fund | -                                 | 113,455                     | 113,455                   |
| Other governmental funds               | -                                 | 289,058                     | 289,058                   |
| Other business type funds              | -                                 | 216,942                     | 216,942                   |
| <b>Total</b>                           | <u>\$ 251,456</u>                 | <u>\$ 3,221,596</u>         | <u>\$ 3,473,052</u>       |

Grant revenues under various grant programs and other inter-governmental agreements due from the City of Portland totaled \$1,845,055 at June 30, 2012.

**J. Revenue**

Miscellaneous revenue for the fiscal year was higher than normal. This was predominantly due to the loan loss adjustment for the year and reimbursements as detailed below:

|                                | <u>Reimbursements</u> | <u>Loan Loss<br/>Adjustment</u> | <u>Other</u>        | <u>Total<br/>Miscellaneous<br/>Revenue</u> |
|--------------------------------|-----------------------|---------------------------------|---------------------|--|
| General                        | \$ 201,150            | \$ 32,836                       | \$ 176,234          | \$ 410,220                                 |
| North Macadam                  | 6,861                 | 4,086,009                       | -                   | 4,092,870                                  |
| River District                 | 154,536               | 903,788                         | -                   | 1,058,324                                  |
| Convention Center              | 1,685,562             | 2,241,584                       | -                   | 3,927,146                                  |
| Lents Town Center              | 17,909                | 121,974                         | 2,416               | 142,299                                    |
| Interstate Corridor            | 50,784                | 791,530                         | 330,000             | 1,172,314                                  |
| Other Governmental             | 151,260               | 2,349,104                       | 779,710             | 3,280,074                                  |
| <b>Total Governmental Fund</b> | <u>\$ 2,268,062</u>   | <u>\$ 10,526,825</u>            | <u>\$ 1,288,360</u> | <u>\$ 14,083,247</u>                       |

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**IV. Other Information**

**A. Retirement and Deferred Compensation Plans**

***State of Oregon Public Employees Retirement System***

***Plan Description***

The State of Oregon Public Employees Retirement System (PERS), a cost-sharing multi-employer defined benefit plan, administers a retirement plan for the City and its component units. PDC, as a component unit, has a cost-sharing arrangement with the City. All PDC full-time employees are participants under one or more plans currently available through PERS.

There are currently two programs with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members.

OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

Beginning January 1, 2004, all employees who are active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but any future member contributions will be deposited in the members IAP, not into the member's PERS account.

Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, or on the internet at URL: [http://oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://oregon.gov/PERS/section/financial_reports/financials.shtml), or by calling 1-503-598-7377.

Benefits generally vest after contributions are made in five consecutive calendar years or when employee has reached 50 years of age. Retirement is allowed at age 58 (age 60 for Tier Two members) or with 30 years of service with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits, based on final average salary and length of service, are calculated using either a money match, full formula, or a formula plus annuity computation, if a greater benefit results, and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

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***Funding Policy***

Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the Oregon Public Employees Retirement Board. Contributions made by PDC for the year ended June 30, 2012 on behalf of qualifying employees represented 6% of covered payroll.

***Risk Pooling and Revised PERS Contribution Rates***

Effective January 1, 2000, the City elected to participate in the Local Government Rate Pool (LGRP). The LGRP was created by legislative act of the State of Oregon and provided governments the option to pool their PERS related assets and liabilities with others that elected to participate in the pool, whereby contribution rates are determined based on the overall experience of the pool versus the potentially more volatile experience of individual employers. The LGRP was expanded and replaced by the State and Local Government Rate Pool (the SLGRP). The City made the election to join the SLGRP as of January 1, 2002.

The most recent actuarial valuation was prepared for the period ending December 31, 2009. In September 2010, the City was notified by the PERS actuarial firm that based on the most recent actuarial valuation the City's contribution rate for the fiscal year was 8.4% for Tier 1 and Tier 2 members and 6.79% for OPSRP members, this rate will continue for fiscal year 2013.

***Annual Pension Cost***

PERS sets the rate for the SLGRP, based on the independent actuarial study that is performed every two years. This rate establishes the annual required contribution for the City and PDC.

***Other Supplementary Information***

Schedule of Rates expressed as a percentage of covered payroll

|                           | Fiscal Year   |               |               |               |               |               |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                           | 2010          |               | 2011          |               | 2012          |               |
|                           | PERS          | OPSRP         | PERS          | OPSRP         | PERS          | OPSRP         |
| PERS Defined Benefit Plan | 4.30%         | 5.04%         | 4.30%         | 5.04%         | 9.30%         | 7.69%         |
| Employee IAP*             | 6.00%         | 6.00%         | 6.00%         | 6.00%         | 6.00%         | 6.00%         |
|                           | <u>10.30%</u> | <u>11.04%</u> | <u>10.30%</u> | <u>11.04%</u> | <u>15.30%</u> | <u>13.69%</u> |

*\*PDC has chosen to pay the employee contributions to the IAP as an additional employee benefit*

The amounts contributed to PERS during the years ended June 30, 2010, 2011, and 2012 were equal to the required contributions for each year. The approximate covered payroll and actual amounts contributed by PDC were as follows:



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***Schedule of Employer Contributions***

|                     | 2010          | 2011          | 2012          |
|---------------------|---------------|---------------|---------------|
| Covered Payroll     | \$ 15,778,255 | \$ 11,921,205 | \$ 10,570,046 |
| PERS Contributions* | 1,711,281     | 1,266,681     | 1,435,201     |

*\*As provided by Oregon PERS*

In 1997, as a result of changing legislation and a court decision mandating taxation of state PERS benefits for retirees, the actuaries determined that the PERS unfunded liability for the City's plan was \$257 million. This unfunded liability would have created extremely high contributions percentages each employer, including PDC, would need to come up with each year. In order to help the City, and the organizations meet the financial demands of the liability, the City issued a 30 year bond for \$300 million. \$257 million was put directly into PERS to offset the unfunded liability, and make the annual contributions a more manageable amount. PDC's contributions to the City's Annual Pension Cost for its share of their PERS liability over the last three fiscal years were as follows:

| Fiscal Year |            |
|-------------|------------|
| Ended       | Amount     |
| 2010        | \$ 384,883 |
| 2011        | 467,363    |
| 2012        | 499,262    |

**B. Other Post-employment Benefits**

*Plan Description.* PDC does not have a formal post-employment benefits plan for any employee groups; however the PDC is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 45 is applicable to the PDC due only to the implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

*Funding Policy.* In addition to the pension benefits described in Note IV.A., PDC provides post-retirement health care benefits in accordance with PDC Personnel Policy XIII. Employee Benefits. This PDC policy, in line with Oregon law, provides that retired employees and their dependents are eligible to participate in group insurance coverage at their own cost until age 65, or when they are otherwise eligible for Medicare. Eligibility is contingent on meeting the requirements to receive retirement benefits from PERS as discussed in the previous section. Dependents of a retired PDC Employee may participate in group coverage at the time of retirement; only so long as the retiree is covered by a PDC plan. As of June 30, 2012, PDC has 16 eligible post-retirement participants enrolled and paying the full cost of their premiums.

*Annual Other Post-employment Benefits Cost and Net Other Post-employment Benefits Obligation.* The PDC's annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 15 years. The following table shows the components of the PDC's annual other post-

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employment benefit cost for the year, the amount actually contributed to the plan, and changes in the PDC's other post-employment benefit obligation to the plan. PDC participates in a cost-sharing multi-employer plan.

|  |                   |
|--|-------------------|
| Net OPEB Obligation at FYE 2011                                  | \$ 638,271        |
| Annual OPEB Cost/Annual Required Contribution (a)                | 164,427           |
| Interest on net OPEB obligation (b)                              | 25,531            |
| Adjustment to the ARC (c)  | <u>(43,376)</u>   |
| Net annual OPEB cost (a + b + c)                                 | 146,582           |
| Dollars contributed this FY (implicit benefit payments) (d)      | <u>(105,823)</u>  |
| Increase/Decrease in the Net OPEB Obligation during FY (a+b+c+d) | <u>40,759</u>     |
| Net OPEB Obligation at FYE 2012                                  | <u>\$ 679,030</u> |

*Funding Status and Funding Progress.* As of August 1, 2010, the actuarial accrued liability for benefits was \$1,082,727 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,082,727. The covered payroll (annual payroll of active employees covered by the plan) was \$10,570,046 for fiscal year 2012 and the ratio of the UAAL to the covered payroll was 10.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| <u>Fiscal Year</u><br><u>Ended June 30,</u> | <u>Annual</u><br><u>OPEB Cost</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost Paid</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|---|-----------------------------------|--|--------------------------------------|
| 2012  | \$ 40,759                         | 33.44%   | \$ 679,030                           |
| 2011  | 215,310                           | 39.16%   | 638,271                              |
| 2010  | 203,726                           | 33.44%   | 507,267                              |

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 2010 actuarial valuation performed by Milliman the projected unit credit cost method was used. The economic actuarial assumptions included a 2.75% inflation rate and a 4.0% investment rate of return, and annual healthcare cost trend rate of 8.5% for the first year that is graded down to 6.0 for

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the fourth through 23<sup>rd</sup> year, and 5.5% for the 24<sup>th</sup> through 47<sup>th</sup> year and 5.0% thereafter. Dental costs are assumed to increase 5.0% per year. Demographic assumptions were based on assumptions used by Oregon PERS for its 2009 actuarial valuation of retirement benefits.

In addition, PDC contributes to Oregon Public Employees Retirement System's (OPERS) Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

The RHIA plan was created by enabling legislation (ORS 238.420) and therefore the contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating local governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% for Tier 1 and 2 accounts and 0.50% for OPSRP accounts of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amortized as a level percentage of payroll; UAL (10 year) amortization period is closed. An inflation rate of 2.75% is used for this agent multiple-employer postemployment benefit plan. Required and actual contributions are reported below:

| <b>Fiscal Year<br/>Ended June 30,</b> | <b>Annual<br/>Required<br/>Contribution</b> | <b>Actual<br/>Contribution</b> |
|---------------------------------------|---|--------------------------------|
| 2012                                  | \$ 57,323                                   | \$ 57,323                      |
| 2011                                  | 29,329                                      | 29,329                         |
| 2010                                  | 29,978                                      | 29,978                         |

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**C. Commitments**

Contractual and other commitments for subsequent years' expenditures amounting to \$50,372,214 are included in the restricted fund balances indicating tentative plans for utilization in future periods. In addition, PDC has contractual and other commitments relating to future expenditures for grant projects, grant funded loan commitments, and Enterprise Loans Fund loan commitments aggregating \$51,044.

Commitments for subsequent year's expenditures are as follows:

| Fund Balance for:                      | Restricted for<br>Urban Renewal | Restricted for<br>contractual<br>obligation | Total                |
|--|---------------------------------|---|----------------------|
| North Macadam Urban Renewal Area       | \$ 5,392,574                    | \$ -  | \$ 5,392,574         |
| River District Urban Renewal Area      | 22,424,911                      | -   | 22,424,911           |
| Convention Center Urban Renewal Area   | 2,792,128                       | -   | 2,792,128            |
| Lents Town Center Urban Renewal Area   | 6,367,307                       | -   | 6,367,307            |
| Interstate Corridor Urban Renewal Area | 7,316,861                       | -   | 7,316,861            |
| Other governmental funds               | 5,608,707                       | 399,726                                     | 6,008,433            |
| <b>Total</b>                           | <b>\$ 49,902,488</b>            | <b>\$ 399,726</b>                           | <b>\$ 50,302,214</b> |

**D. PDC's Use of the City of Portland's Conduit Debt**

The City has issued Economic Development Revenue Bonds (bonds). The proceeds of these bond sales are used by private developers to finance capital expansion in urban renewal areas.

The City's and PDC's participation in the financing of these projects enables the developer to utilize applicable provisions of the United States Internal Revenue Code (IRC Section 103) of 1954, as amended. IRC Section 103 encourages the construction of certain facilities and the public financing thereof through revenue bonds by providing that the interest on such bonds, as contrasted with any bonds issued by the developer itself, will be exempt from federal income tax. This tax exemption enables the purchasers of the bonds to accept a lower rate of interest and, since the developer in effect pays the interest on the bonds, reduces the interest cost of the project financing to the developer.

The bond indentures provide that the bonds shall never constitute a general obligation of, an indebtedness of, or a charge against the general credit of the City or PDC. Nor are the bonds payable in any manner from revenue raised by taxation. Rather, the bonds will be special obligations of the City payable solely from the revenues, receipts, and resources pledged under the indentures and not from other revenues, funds, or assets of the City.

The bonds are collateralized solely by the specific project and payments are made by the developers. The bonds shall not be payable from or a charge against any other funds or assets, nor shall the City or PDC be subject to any liability thereon. No holder or holders of the bonds shall ever have the right to compel any exercise of the taxing power of the City to pay the bonds or the interest thereon, nor to enforce payment thereof against any property of the City or PDC except the specific project. Upon completion of the repayment of the debt by the developer, the assets constructed become the property

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of the developer. At June 30, 2012, the total of the City's conduit debt outstanding as related to PDC development projects is \$7,280,000. This amount may differ from actual amounts reported in the City CAFR because not all conduit debt issued by the City is related to PDC projects.

**E. Contingencies**

In the normal course of business PDC is subject to litigation. The opinion of PDC's General Counsel is that the outcome of any litigation will not have a significant effect on the financial statements.

***Contingent Liability***

In 2002, PDC acquired property in the Downtown Waterfront Urban Renewal Area with the intent of using the property for Housing development. The property included an abandoned structure not used in more than 20 years and a basement parking garage. Attached to the acquisition of the property were three agreements between the former owner and the owner of the adjacent property regarding the basement parking. The first lease between former owner (as landlord) and the owner of the adjacent property (as tenant) dated December 12, 1997 (the "Basement Parking Lease") leased the basement of any current or future building located on the Property to the tenant for use as parking. The initial term of the Basement Parking Lease is 99 years and the tenant has the option to renew the lease for two successive terms of 99 years each for a total maximum term of 297 years.

Under a second agreement also dated December 12, 1997 (the "Parking Leaseback Lease"). The tenant leased back to the former owner, for use by future tenants of the new building to be constructed on the Property, certain parking in the basement of the Property and on nearby property owned by the tenant. The term of the lease commences upon occupancy of the new building to be constructed on the Property and continues for 99 years. The former owner has the option to renew the lease for two successive terms of 99 years each for a total maximum term of 297 years.

The final agreement ("Basement Use Agreement") requires the owner of the property to pay the cost of replacement parking during any period in which some or all of the basement parking is not accessible for use. This replacement parking payment obligation commences one year after the earlier of demolition of the existing building or the date when the basement parking otherwise becomes inaccessible. The existing building on the property was demolished in January 2007, making the parking inaccessible, and triggering the payment for replacement parking beginning in January 2008. This obligation passed to PDC with the purchase of the land.

The Downtown Waterfront Urban Renewal Area issued its remaining maximum indebtedness in April 2008 and is anticipated to wind down its operations over the next five years. The subject property is included in PDC's Strategic Real Estate Disposition Plan as being disposed of within the next five years. The remaining resources of the URA have been budgeted towards investment in entrepreneurship and cluster industry job growth in the Old Town / Chinatown Creative Corridor and neighborhood enhancement through the redevelopment of underutilized blocks in Old Town / Chinatown. If PDC were intent on holding the property and not developing the site, the liability is estimated to be approximately \$9,397,604 for the first lease term, PDC does not see this as a probable

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outcome. Given the plans for the URA, the Strategic Real Estate Disposition Plan, and the re-focus on economic development, PDC has concluded three possible options for minimizing the liability to occur within these five years;

1. The property is sold and PDC no longer holds fee title (the obligation would pass with the property).
2. PDC reaches a consensual settlement with the other party to the agreement to terminate the obligation.
3. PDC constructs basement parking on the property that satisfies the requirements of the underlying agreement.

It is more than likely that the property will be disposed of within the five years included in the long term liability section of these notes. Should a disposition not occur in a reasonable amount of time within the five year period, PDC would construct the replacement parking before the end of the period to relieve the obligation. Based on current construction costs escalated at 2.5%, the liability for replacement parking is estimated at \$2,847,000.

**F. Risk Management**

PDC is not part of the City of Portland's self-insurance program and purchases a variety of commercial insurance policies to protect itself against loss. Like most other large public agencies, PDC is exposed to various risk of loss related to torts, errors and omissions, general liability, property damage, worker's compensation, and unemployment claims.

PDC is insured by the State Accident Insurance Fund (SAIF) against losses from employee workers' compensation claims up to a limit of \$500,000 for each incident and each employee.

PDC is covered by Glatfelters American Alternative Insurance for: a commercial general liability policy in the amount of \$1,000,000 per occurrence, \$3,000,000 aggregate and an additional \$5,000,000 excess liability policy subject to \$5,000 deductible for each wrongful act or occurrence; public officials errors and omission coverage in the amount of \$1,000,000 with a \$3,000,000 aggregate and a deductible of \$5,000 per claim.; automobile coverage for PDC fleet vehicles in the amount of \$1,000,000 for bodily injury/property damage with a \$250 deductible for comprehensive and \$500 deductible for collision. Umbrella policy provides an additional \$8,000,000 under the excess liability umbrella policy. A blanket property policy through Lloyd's of London for \$100,000,000. A separate policy provides coverage for faithful performance (employee dishonesty) through Hartford Insurance in the amount of \$300,000, providing protection from losses from forgery, alteration, theft, and disappearance. Employment practices liability coverage is provided through Zurich American Insurance in the amount of \$3,000,000 per claim with a \$150,000 deductible per claim. PDC has an aggressive risk management policy of transferring liability to contractors, lessees, event sponsors, and other entities through specific indemnification and insurance requirements in all contracts and agreements. PDC has been successful in resolving claims and has not suffered any significant losses

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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

over the past year. In addition, there have been minimal reductions in insurance coverage and no insurance settlements have exceeded insurance coverage limits in any of the past seven fiscal years.

The Internal Service Fund has equity of \$249,921 to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. Of this amount, \$213,714 is an insurance deductible reserve as required by the Rivers East LLC Rent Abatement Agreement.

Changes in the balances of claims liabilities including incurred but not reported (IBNR) liabilities during the past two fiscal years are as follows:

|                                   | <b>2012</b> | <b>2011</b> |
|-----------------------------------|-------------|-------------|
| Unpaid claims, beginning of year  | \$ -        | \$ 550,000  |
| Incurred claims (including IBNRs) | -           | -           |
| Claim payments                    | -           | (550,000)   |
| Unpaid claims, end of fiscal year | \$ -        | \$ -        |

***Environmental Risk***

GASBS 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASBS 49 does not require the PDC to search for pollution, it does require PDC to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and PDC is compelled to take action;
- PDC is in violation of a pollution related permit or license;
- PDC is named or has evidence that it will be named as responsible party by a regulator;
- PDC is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- PDC commence or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the many PDC properties. PDC has programs, rules, and regulations that routinely deal with remediation related issues. Much of PDCs mission is to deal with blighted properties which sometimes include pollution conditions. PDC has the knowledge and expertise to estimate the remediation but also employs consultants when expedient. The obligations presented herein are based on estimates by both PDC staff and consultants and are based upon prior experience in identifying and funding similar remediation activities. The standards require PDC to calculate pollution remediation liabilities using the expected cash flow technique. Where PDC cannot reasonably estimate a pollution remediation obligation, it does not report a liability.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuation, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulation and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce PDC's obligation.

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During the fiscal year, PDC recognized estimated revenue which decreased the liability by \$394,230. At June 30, 2012, PDC had a total outstanding pollution remediation liability of \$7,535,419. The current portion is \$112,255.

*Portland Harbor Superfund*

In January 2008, the City of Portland, and subsequently PDC, was notified of a CERCLA 104 (e) records request and therefore potential liability with respect to the Portland Harbor Superfund that may include 46 current and previously-owned PDC parcels on or adjacent to the lower reach of the Willamette River. The Portland Harbor Superfund matter is still in the early discovery stage, and it is likely to be several years before any potential liability is known.

**G. Related Party Transactions**

***Portland Family of Funds Holdings, Inc.***

Portland Development Commission has a working relationship with Portland New Markets Fund I, LLC (PNMF), a subsidiary owned by the Portland Family of Funds Holdings, Inc., an Oregon mutual-benefit corporation (PFF), for purposes of obtaining New Market Tax Credit (NMTC) Allocations from the U.S. Treasury.

PNMF was certified as a Community Development Entity in August 2002, by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury in order to become eligible for tax credits through the NMTC program. PNMF was awarded \$100 million in NMTC allocation authority as part of the NMTC program established by Congress. All of the tax credits awarded have been committed to City of Portland projects.

It is intended that through the NMTC program and PNMF, PDC will be able to advance beneficial development projects in the City of Portland. The "NMTC Collaboration Agreement" between PDC, PFF, and PNMF dated May 11th, 2005, outlines the respective roles and responsibilities of the working relationship between the entities. This agreement will continue in force for any future awards of NMTC allocation authority given to PFF or any of its subsidiaries.

PDC's role consists of project identification and sourcing, as well as veto and joint approval rights of proposed projects. The functions of PNMF include ongoing day-to-day management control and fundraising activities, and all tax-credit related financial transactions will be recorded by PNMF. PNMF is charged with activities for raising private equity capital, lending their own credit, and owning private equity. Such activities are constitutionally prohibited to PDC by Article XI, Section 9 of the Oregon Constitution.

Portland Small Business Investment Fund, LLC (PSB) is a subsidiary of PFF. PDC has an unsecured non-recourse loan with PSB, in a maximum amount of \$4,000,000. The purpose of this program is to finance subordinated loans to qualified small businesses to enable them to use New Market Tax Credits. PDC underwrites these borrowers. At present six fund-level loans between PDC and PSB



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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2012**

have a total balance of \$4,000,000 at June 30, 2012. Each advance to PSB was exactly matched by a corresponding note and deed of trust from a small business borrower in favor of PSB. PSB passes on payments received to PDC.

All such loans are interest-only and are unsecured during the seven-year holding period required to obtain the maximum benefit from New Market Tax Credits. Borrowers may not prepay loans during this period, interest rates during the first seven years range from 1% to 3%. The loans then convert to fully amortizing loans at interest rates ranging from 3% to 6% for the next 13 years, at that time PDC receives a security interest in the loans. Interstate Corridor URA, Lents URA, and Oregon Convention Center URA all reserve these loans at a 10% rate.

Unrelated to the tax credit program are two deferred payment loans for the historic Armory restoration project totaling \$4,600,000 to the Portland New Markets Investment Fund, a PFF subsidiary. One loan for \$2,600,000 carries an interest rate of 3%, and the other loan for \$2,000,000 has no stated interest rate. Both loans mature in January 2013. They are reserved at 50% in the River District Urban Renewal Fund.

A former PDC Commissioner now serves as Portland Family of Funds chairman, chief executive officer and executive chair of the board of directors. Additionally, one former PDC executive director serves on the PFF board of directors.

***Other***

In the course of carrying out the City of Portland's development policies, PDC engaged in numerous transactions with the City, including but not limited to the provision of materials and services, real property acquisition, development, transfers, and sales. PDC also participates in the City of Portland's cash investment pool.

**H. Reviews by Grantor Agencies**

Costs of each grant project are subject to review by the grantor agency to assure that such costs are in accordance with or further the purpose of the grant program. Any costs disallowed as the result of the review would become a liability and could require the return of such amounts to the grantor agency.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Other Postemployment Healthcare Benefits  
Schedule of Fund Progress**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets</b> | <b>Actuarial<br/>Accrued<br/>Liability</b> | <b>Unfunded<br/>Accrued<br/>Liability<br/>(UAAL)</b> | <b>Funded<br/>Ratio</b> | <b>Covered<br/>Payroll</b> | <b>UAAL as<br/>a % of<br/>Covered<br/>Payroll</b> |
|---|--|--|--|-------------------------|----------------------------|---|
| 8/1/06                                  | \$ -                                     | \$ 994,779                                 | \$ 994,779   | 0.0%                    | \$13,272,207               | 7.5%  |
| 8/1/08                                  | -  | 1,176,724                                  | 1,176,724  | 0.0%                    | 14,305,934                 | 8.2%  |
| 8/1/10                                  | -  | 1,082,727                                  | 1,082,727  | 0.0%                    | 10,561,717                 | 10.3%   |

# Supplementary Data

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Combining Statements and Schedules, Budgetary Schedules, and Schedules of  
Capital Assets Used in the Operation of Governmental Funds

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

*HOME Grants Fund* - accounts for revenues and expenditures under the Housing and Urban Development HOME Grant.

*Other Federal Grants Fund* - accounts for revenues and expenditures for an EDA Grant.

*Ambassador Program Fund* - accounts for monies donated by private businesses for outreach activities.

*Enterprise Zone Fund* - accounts for monies received from participating Enterprise Zone companies to provide the North/Northeast Portland community with workforce and business development opportunities.

### **CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

*Downtown Waterfront Urban Renewal Fund* - accounts for resources used in redeveloping property around Union Station for a variety of public and private uses, including: multifamily housing, redevelopment, and continued rail passenger service; improving the 73-acre south Waterfront Project area, including public streets, riverfront, and park improvements.

*South Park Blocks Urban Renewal Fund* - accounts for resources used in the development and improvement of the south park blocks.

*Central Eastside Urban Renewal Fund* - accounts for resources used in the development and improvement of the central eastside while maintaining a good environment for existing businesses by making improvements and developing the Eastbank Riverfront park.

*Gateway Regional Center Urban Renewal Fund* - accounts for resources used to transform the area into a Regional Center with enhanced housing, employment, recreational and cultural opportunities.

*Airport Way Urban Renewal Fund* - accounts for resources used for: acquisitions and construction related to the Riverside Parkway projects; projects to increase job density by attracting and retaining businesses; supporting transit and other infrastructure investments; increasing Portland's inventory of developable land for industry and creation of quality jobs; and protecting the natural resources of the greater Portland area.

*Willamette Industrial Urban Renewal Fund* - accounts for resources used to attract new industrial, high-technology, manufacturing, and distributing businesses to the currently vacant or unused parcels of land.

**PORTLAND DEVELOPMENT COMMISSION  
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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012**

|  | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|----------------------------|-----------------------------|--|
| <b>ASSETS</b>                              |                            |                             |  |
| Cash with City of Portland investment pool | \$ 2,571,343               | \$ 39,149,037               | \$ 41,720,380  |
| Cash with fiscal agent                     | 122,987                    | -                           | 122,987  |
| Receivables:                               |                            |                             |  |
| Due from City of Portland                  | 17,148                     | -                           | 17,148   |
| Accounts                                   | 150,655                    | -                           | 150,655  |
| Loans, net                                 | 1,189,440                  | 15,705,052                  | 16,894,492   |
| Interest                                   | 8,372                      | 119,124                     | 127,496  |
| Property held for sale                     | -                          | 39,117,431                  | 39,117,431   |
| Other                                      | -                          | 7,777                       | 7,777  |
|  | <u>\$ 4,059,945</u>        | <u>\$ 94,098,421</u>        | <u>\$ 98,158,366</u>                                 |
| <b>Total assets</b>                        | <b>\$ 4,059,945</b>        | <b>\$ 94,098,421</b>        | <b>\$ 98,158,366</b>                                 |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |                            |                             |  |
| <b>Liabilities:</b>                        |                            |                             |  |
| Accounts payable                           | \$ 81,812                  | \$ 80,726                   | \$ 162,538   |
| Due to City of Portland                    | -                          | 289,058                     | 289,058  |
| Due to other entities                      | -                          | 5,185                       | 5,185  |
|  | <u>81,812</u>              | <u>374,969</u>              | <u>456,781</u>                                       |
| <b>Total liabilities</b>                   | <b>81,812</b>              | <b>374,969</b>              | <b>456,781</b>                                       |
| <br><b>Fund balances:</b>                  |                            |                             |  |
| Restricted                                 |                            |                             |  |
| Loans receivable                           | 1,189,440                  | 15,705,052                  | 16,894,492   |
| Property held for sale                     | -                          | 39,117,431                  | 39,117,431   |
| Urban renewal                              | -                          | 38,900,969                  | 38,900,969   |
| Contractual obligations                    | 2,788,693                  | -                           | 2,788,693  |
|  | <u>3,978,133</u>           | <u>93,723,452</u>           | <u>97,701,585</u>                                    |
| <b>Total fund balances</b>                 | <b>3,978,133</b>           | <b>93,723,452</b>           | <b>97,701,585</b>                                    |
| <b>Total liabilities and fund balances</b> | <b>\$ 4,059,945</b>        | <b>\$ 94,098,421</b>        | <b>\$ 98,158,366</b>                                 |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2012**

|   | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|---|----------------------------|-----------------------------|--|
| <b>REVENUES</b>   |                            |                             |  |
| Intergovernmental revenues  | \$ 17,148                  | \$ 208,500                  | \$ 225,648   |
| Charges for services  | 116,995                    | 329,797                     | 446,792  |
| Loan interest collections   | 62,645                     | 547,470                     | 610,115  |
| Interest on investments   | 15,802                     | 243,328                     | 259,130  |
| Miscellaneous   | 780,573                    | 2,499,501                   | 3,280,074  |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue) | <u>-</u>                   | <u>9,644,760</u>            | <u>9,644,760</u>                                     |
| Total revenues  | <u>993,163</u>             | <u>13,473,356</u>           | <u>14,466,519</u>                                    |
| <b>EXPENDITURES</b>   |                            |                             |  |
| Current:  |                            |                             |  |
| Community development   | 443,743                    | 6,874,330                   | 7,318,073  |
| Capital outlay  | 86,430                     | 8,192,786                   | 8,279,216  |
| Financial assistance  | <u>67,580</u>              | <u>1,208,106</u>            | <u>1,275,686</u>                                     |
| Total expenditures  | <u>597,753</u>             | <u>16,275,222</u>           | <u>16,872,975</u>                                    |
| Excess (deficiency) of revenues<br>over expenditures              | <u>395,410</u>             | <u>(2,801,866)</u>          | <u>(2,406,456)</u>                                   |
| Net change in fund balances                                       | <u>395,410</u>             | <u>(2,801,866)</u>          | <u>(2,406,456)</u>                                   |
| <b>FUND BALANCES - July 1, 2011</b>                               | <u>3,582,723</u>           | <u>96,525,318</u>           | <u>100,108,041</u>                                   |
| <b>FUND BALANCES - June 30, 2012</b>                              | <u>\$ 3,978,133</u>        | <u>\$ 93,723,452</u>        | <u>\$ 97,701,585</u>                                 |



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2012**

|  | <b>HOME<br/>Grant Fund</b> | <b>Other Federal<br/>Grants Fund</b> | <b>Ambassador<br/>Program Fund</b> | <b>Enterprise<br/>Zone Fund</b> | <b>Total</b>        |
|--|----------------------------|--------------------------------------|------------------------------------|---------------------------------|---------------------|
| <b>ASSETS</b>                              |                            |                                      |                                    |                                 |                     |
| Cash with City of Portland investment pool | \$ -                       | \$ 787,561                           | \$ 19,911                          | \$ 1,763,871                    | \$ 2,571,343        |
| Cash with fiscal agent                     | -                          | 122,987                              | -                                  | -                               | 122,987             |
| Receivables:                               |                            |                                      |                                    |                                 |                     |
| Due from City of Portland                  | -                          | 17,148                               | -                                  | -                               | 17,148              |
| Accounts                                   | -                          | -                                    | -                                  | 150,655                         | 150,655             |
| Loans receivable, net                      | -                          | 1,189,440                            | -                                  | -                               | 1,189,440           |
| Interest                                   | -                          | 2,568                                | 63                                 | 5,741                           | 8,372               |
| <b>Total assets</b>                        | <b>\$ -</b>                | <b>\$ 2,119,704</b>                  | <b>\$ 19,974</b>                   | <b>\$ 1,920,267</b>             | <b>\$ 4,059,945</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                            |                                      |                                    |                                 |                     |
| <b>Liabilities:</b>                        |                            |                                      |                                    |                                 |                     |
| Accounts payable                           | \$ -                       | -                                    | -                                  | \$ 81,812                       | \$ 81,812           |
| Total liabilities                          | -                          | -                                    | -                                  | 81,812                          | 81,812              |
| <b>Fund balances:</b>                      |                            |                                      |                                    |                                 |                     |
| Restricted                                 |                            |                                      |                                    |                                 |                     |
| Loans receivable                           | -                          | 1,189,440                            | -                                  | -                               | 1,189,440           |
| Contractual obligations                    | -                          | 930,264                              | 19,974                             | 1,838,455                       | 2,788,693           |
| Total fund balances                        | -                          | 2,119,704                            | 19,974                             | 1,838,455                       | 3,978,133           |
| <b>Total liabilities and fund balances</b> | <b>\$ -</b>                | <b>\$ 2,119,704</b>                  | <b>\$ 19,974</b>                   | <b>\$ 1,920,267</b>             | <b>\$ 4,059,945</b> |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2012**

|  | <b>HOME<br/>Grant<br/>Fund</b> | <b>Other Federal<br/>Grants Fund</b> | <b>Ambassador<br/>Program<br/>Fund</b> | <b>Enterprise Zone<br/>Fund</b> | <b>Total</b>        |
|--|--------------------------------|--------------------------------------|--|---------------------------------|---------------------|
| <b>REVENUES</b>  |                                |                                      |  |                                 |                     |
| Intergovernmental revenues                                   | \$ -                           | \$ 17,148                            | \$ -                                   | \$ -                            | \$ 17,148           |
| Charges for services   | -                              | 7,295                                | -                                      | 109,700                         | 116,995             |
| Loan collections   | -                              | 62,645                               | -                                      | -                               | 62,645              |
| Interest on investments                                      | -                              | 4,687                                | 123                                    | 10,992                          | 15,802              |
| Miscellaneous  | -                              | 77,592                               | -                                      | 702,981                         | 780,573             |
| Total revenues   | <u>-</u>                       | <u>169,367</u>                       | <u>123</u>                             | <u>823,673</u>                  | <u>993,163</u>      |
| <b>EXPENDITURES</b>  |                                |                                      |  |                                 |                     |
| Current:   |                                |                                      |  |                                 |                     |
| Community development  | 114                            | 82,398                               | 918                                    | 360,313                         | 443,743             |
| Capital outlay   | -                              | 86,430                               | -                                      | -                               | 86,430              |
| Financial assistance   | -                              | 67,580                               | -                                      | -                               | 67,580              |
| Total expenditures   | <u>114</u>                     | <u>236,408</u>                       | <u>918</u>                             | <u>360,313</u>                  | <u>597,753</u>      |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(114)</u>                   | <u>(67,041)</u>                      | <u>(795)</u>                           | <u>463,360</u>                  | <u>395,410</u>      |
| Net change in fund balances                                  | (114)                          | (67,041)                             | (795)                                  | 463,360                         | 395,410             |
| <b>FUND BALANCES - July 1, 2011</b>                          | <u>114</u>                     | <u>2,186,745</u>                     | <u>20,769</u>                          | <u>1,375,095</u>                | <u>3,582,723</u>    |
| <b>FUND BALANCES - June 30, 2012</b>                         | <u>\$ -</u>                    | <u>\$ 2,119,704</u>                  | <u>\$ 19,974</u>                       | <u>\$ 1,838,455</u>             | <u>\$ 3,978,133</u> |

PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

HOME GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

|  | Budgeted Amounts |       | Actual | Variance with<br>Final Budget |
|--|------------------|-------|--------|-------------------------------|
|  | Original         | Final |        |                               |
| <b>EXPENDITURES</b>                                  |                  |       |        |                               |
| Current:   |                  |       |        |                               |
| Community development:                               |                  |       |        |                               |
| Housing  | \$ -             | \$ -  | \$ 114 | \$ (114)                      |
| Total Community development                          | -                | -     | 114    | (114)                         |
| Excess (deficiency) of revenues<br>over expenditures | -                | -     | (114)  | (114)                         |
| <b>FUND BALANCE - July 1, 2011</b>                   | -                | -     | 114    | 114                           |
| <b>FUND BALANCE - June 30, 2012</b>                  | \$ -             | \$ -  | \$ -   | \$ -                          |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**OTHER FEDERAL GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts |                  | Actual              | Variance with<br>Final Budget |
|---|------------------|------------------|---------------------|-------------------------------|
|   | Original         | Final            |                     |                               |
| <b>REVENUES</b>   |                  |                  |                     |                               |
| Intergovernmental revenue:  |                  |                  |                     |                               |
| Federal grants  | \$ -             | \$ 539,050       | \$ 17,148           | \$ (521,902)                  |
| Charges for services:   |                  |                  |                     |                               |
| Application fees and charges  | -                | -                | 7,295               | 7,295                         |
| Loan Collections:   |                  |                  |                     |                               |
| Principal   | 96,000           | 96,000           | 186,003             | 90,003                        |
| Interest  | 64,000           | 64,000           | 62,645              | (1,355)                       |
| Interest on investments   | -                | 2,500            | 4,687               | 2,187                         |
| Miscellaneous:  |                  |                  |                     |                               |
| Recovery of bad loan debt   | -                | -                | 25,000              | 25,000                        |
| Reimbursements  | -                | -                | 116                 | 116                           |
| Sale of real property   | 250,000          | 330,000          | 330,000             | -                             |
| <b>Total revenues</b>   | <u>410,000</u>   | <u>1,031,550</u> | <u>632,894</u>      | <u>(398,656)</u>              |
| <b>EXPENDITURES</b>   |                  |                  |                     |                               |
| Current:  |                  |                  |                     |                               |
| Community development:  |                  |                  |                     |                               |
| Business development  | 443,715          | 1,142,765        | 132,425             | 1,010,340                     |
| Total Community development   | <u>443,715</u>   | <u>1,142,765</u> | <u>132,425</u>      | <u>1,010,340</u>              |
| Contingency   | 9,521            | 292,827          | -                   | 292,827                       |
| <b>Total expenditures</b>   | <u>453,236</u>   | <u>1,435,592</u> | <u>132,425</u>      | <u>1,303,167</u>              |
| Excess (deficiency) of revenues<br>over expenditures                      | <u>(43,236)</u>  | <u>(404,042)</u> | <u>500,469</u>      | <u>904,511</u>                |
| <b>OTHER FINANCING USES</b>   |                  |                  |                     |                               |
| Internal service reimbursements   | (38,830)         | (38,830)         | (38,830)            | -                             |
| Transfers out-  |                  |                  |                     |                               |
| General Fund  | -                | (25,721)         | -                   | 25,721                        |
| <b>Total transfers out</b>  | <u>-</u>         | <u>(25,721)</u>  | <u>-</u>            | <u>25,721</u>                 |
| <b>Total other financing uses</b>   | <u>(38,830)</u>  | <u>(64,551)</u>  | <u>(38,830)</u>     | <u>25,721</u>                 |
| Net change in fund balance  | (82,066)         | (468,593)        | 461,639             | 930,232                       |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>82,066</u>    | <u>468,593</u>   | <u>468,625</u>      | <u>32</u>                     |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>930,264</u>      | <u>\$ 930,264</u>             |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                  |                  |                     |                               |
| Loans receivable, net   |                  |                  | <u>1,189,440</u>    |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                  |                  | <u>\$ 2,119,704</u> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**AMBASSADOR PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|  | <u>Budgeted Amounts</u> |              | <u>Actual</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|--------------|---------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u> |               |                                       |
| <b>REVENUES</b>                                      |                         |              |               |                                       |
| Interest on investments                              | \$ -                    | \$ -         | \$ 123        | \$ 123                                |
| Total revenues                                       | -                       | -            | 123           | 123                                   |
| <b>EXPENDITURES</b>                                  |                         |              |               |                                       |
| Current:   |                         |              |               |                                       |
| Business development                                 | 23,554                  | 20,324       | 472           | 19,852                                |
| Total Community development                          | 23,554                  | 20,324       | 472           | 19,852                                |
| Total expenditures                                   | 23,554                  | 20,324       | 472           | 19,852                                |
| Excess (deficiency) of revenues<br>over expenditures | (23,554)                | (20,324)     | (349)         | 19,975                                |
| <b>OTHER FINANCING USES</b>                          |                         |              |               |                                       |
| Internal service reimbursements                      | (446)                   | (446)        | (446)         | -                                     |
| Total other financing uses                           | (446)                   | (446)        | (446)         | -                                     |
| Net change in fund balance                           | (24,000)                | (20,770)     | (795)         | 19,975                                |
| <b>FUND BALANCE - July 1, 2011</b>                   | 24,000                  | 20,770       | 20,769        | (1)                                   |
| <b>FUND BALANCE - June 30, 2012</b>                  | \$ -                    | \$ -         | \$ 19,974     | \$ 19,974                             |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**ENTERPRISE ZONE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|  | <u>Budgeted Amounts</u> |                    | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|--------------------|---------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>       |                     |                                       |
| <b>REVENUES</b>                                      |                         |                    |                     |                                       |
| Charges for services:                                |                         |                    |                     |                                       |
| Application fees and charges                         | \$ -                    | \$ 100,742         | \$ 109,700          | \$ 8,958                              |
| Interest on investments                              | 13,000                  | 11,000             | 10,992              | (8)                                   |
| Miscellaneous:                                       |                         |                    |                     |                                       |
| Other  | 430,781                 | 517,603            | 702,981             | 185,378                               |
| Total revenues                                       | <u>443,781</u>          | <u>629,345</u>     | <u>823,673</u>      | <u>194,328</u>                        |
| <b>EXPENDITURES</b>                                  |                         |                    |                     |                                       |
| Current:   |                         |                    |                     |                                       |
| Business development                                 | 755,000                 | 755,000            | 308,333             | 446,667                               |
| Administration                                       | 82,302                  | 110,302            | 51,120              | 59,182                                |
| Total Community development                          | <u>837,302</u>          | <u>865,302</u>     | <u>359,453</u>      | <u>505,849</u>                        |
| Contingency  | <u>217,459</u>          | <u>1,138,279</u>   | <u>-</u>            | <u>1,138,279</u>                      |
| Total expenditures                                   | <u>1,054,761</u>        | <u>2,003,581</u>   | <u>359,453</u>      | <u>1,644,128</u>                      |
| Excess (deficiency) of revenues<br>over expenditures | <u>(610,980)</u>        | <u>(1,374,236)</u> | <u>464,220</u>      | <u>1,838,456</u>                      |
| <b>OTHER FINANCING USES</b>                          |                         |                    |                     |                                       |
| Internal service reimbursements                      | <u>(860)</u>            | <u>(860)</u>       | <u>(860)</u>        | <u>-</u>                              |
| Total other financing uses                           | <u>(860)</u>            | <u>(860)</u>       | <u>(860)</u>        | <u>-</u>                              |
| Net change in fund balance                           | (611,840)               | (1,375,096)        | 463,360             | 1,838,456                             |
| <b>FUND BALANCE - July 1, 2011</b>                   | <u>611,840</u>          | <u>1,375,096</u>   | <u>1,375,095</u>    | <u>(1)</u>                            |
| <b>FUND BALANCE - June 30, 2012</b>                  | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 1,838,455</u> | <u>\$ 1,838,455</u>                   |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR CAPITAL PROJECTS FUNDS  
June 30, 2012**

|  | <b>Downtown<br/>Waterfront<br/>Urban Renewal<br/>Fund</b> | <b>South Park<br/>Blocks Urban<br/>Renewal Fund</b> | <b>Central Eastside<br/>Urban Renewal<br/>Fund</b> |
|--|---|---|--|
|  | <u>                    </u>                               | <u>                    </u>                         | <u>                    </u>                        |
| <b>ASSETS</b>                              |   |   |  |
| Cash with City of Portland investment pool | \$ 14,280,845   | \$ 10,934,443                                       | \$ 3,223,323                                       |
| Loans, net                                 | 6,688,371   | 2,038,472   | 3,377,779  |
| Interest                                   | 45,881  | 37,631  | 5,573  |
| Property held for sale                     | 5,444,888   | 3,863,482   | 13,529,403   |
| Other                                      | -   | -   | 7,777  |
|  | <u>                    </u>                               | <u>                    </u>                         | <u>                    </u>                        |
| <b>Total assets</b>                        | <b>\$ 26,459,985</b>                                      | <b>\$ 16,874,028</b>                                | <b>\$ 20,143,855</b>                               |
| <br>                                       |   |   |  |
| <b>LIABILITIES AND FUND BALANCES</b>       |   |   |  |
| <b>Liabilities:</b>                        |   |   |  |
| Accounts payable                           | \$ 3,659  | \$ 10,711   | \$ 31,170  |
| Due to City of Portland                    | 19,746  | 36,632  | 51,611   |
| Due to other entities                      | 5,185   | -   | -  |
|  | <u>                    </u>                               | <u>                    </u>                         | <u>                    </u>                        |
| Total liabilities                          | 28,590  | 47,343  | 82,781   |
| <br>                                       |   |   |  |
| <b>Fund balances:</b>                      |   |   |  |
| Restricted                                 |   |   |  |
| Loans receivable                           | 6,688,371   | 2,038,472   | 3,377,779  |
| Property held for sale                     | 5,444,888   | 3,863,482   | 13,529,403   |
| Urban renewal                              | 14,298,136  | 10,924,731  | 3,153,892  |
|  | <u>                    </u>                               | <u>                    </u>                         | <u>                    </u>                        |
| Total fund balances                        | 26,431,395  | 16,826,685  | 20,061,074   |
|  | <u>                    </u>                               | <u>                    </u>                         | <u>                    </u>                        |
| <b>Total liabilities and fund balances</b> | <b>\$ 26,459,985</b>                                      | <b>\$ 16,874,028</b>                                | <b>\$ 20,143,855</b>                               |
|  | <u>                    </u>                               | <u>                    </u>                         | <u>                    </u>                        |

| <u>Gateway<br/>Regional Urban<br/>Renewal Fund</u> | <u>Airport Way<br/>Urban Renewal<br/>Fund</u> | <u>Willamette<br/>Industrial Urban<br/>Renewal Fund</u> | <u>Total</u>         |
|--|---|---|----------------------|
| \$ 4,160,552                                       | \$ 3,878,636                                  | \$ 2,671,238  | \$ 39,149,037        |
| 210,620  | 3,389,810                                     | -   | 15,705,052           |
| 10,722   | 13,353  | 5,964   | 119,124              |
| 4,068,519  | 12,211,139                                    | -   | 39,117,431           |
| -  | -   | -   | 7,777                |
| <u>\$ 8,450,413</u>                                | <u>\$ 19,492,938</u>                          | <u>\$ 2,677,202</u>                                     | <u>\$ 94,098,421</u> |
| <br>   |   |   |                      |
| \$ 29,310  | \$ 5,876                                      | \$ -  | \$ 80,726            |
| 180,716  | 50  | 303   | 289,058              |
| -  | -   | -   | 5,185                |
| <u>210,026</u>                                     | <u>5,926</u>                                  | <u>303</u>  | <u>374,969</u>       |
| <br>   |   |   |                      |
| 210,620  | 3,389,810                                     | -   | 15,705,052           |
| 4,068,519  | 12,211,139                                    | -   | 39,117,431           |
| 3,961,248  | 3,886,063                                     | 2,676,899   | 38,900,969           |
| <u>8,240,387</u>                                   | <u>19,487,012</u>                             | <u>2,676,899</u>  | <u>93,723,452</u>    |
| <br>   |   |   |                      |
| <u>\$ 8,450,413</u>                                | <u>\$ 19,492,938</u>                          | <u>\$ 2,677,202</u>                                     | <u>\$ 94,098,421</u> |



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR CAPITAL PROJECTS FUNDS  
For the Fiscal Year Ended June 30, 2012**

|   | <u>Downtown<br/>Waterfront<br/>Urban Renewal<br/>Fund</u> | <u>South Park<br/>Blocks Urban<br/>Renewal Fund</u> | <u>Central Eastside<br/>Urban Renewal<br/>Fund</u> |
|---|---|---|--|
| <b>REVENUES</b>   |   |   |  |
| Intergovernmental revenues  | \$ -  | \$ -  | \$ -   |
| Charges for services  | 154,190   | 36,122  | 124,375  |
| Loan collections  | 252,561   | 60,457  | 123,679  |
| Interest on investments   | 89,787  | 79,629  | 10,909   |
| Miscellaneous   | 1,151,882   | 264,898   | 535,706  |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue) | <u>-</u>  | <u>-</u>  | <u>5,864,661</u>                                   |
| Total revenues  | <u>1,648,420</u>  | <u>441,106</u>                                      | <u>6,659,330</u>                                   |
| <b>EXPENDITURES</b>   |   |   |  |
| Current:  |   |   |  |
| Community development   | 685,105   | 772,288   | 2,286,658  |
| Capital outlay  | 2,540,330   | 1,016,621   | 3,119,297  |
| Financial assistance  | <u>682,981</u>  | <u>145,298</u>                                      | <u>263,009</u>                                     |
| Total expenditures  | <u>3,908,416</u>  | <u>1,934,207</u>                                    | <u>5,668,964</u>                                   |
| Excess (deficiency) of revenues<br>over (under) expenditures      | <u>(2,259,996)</u>  | <u>(1,493,101)</u>                                  | <u>990,366</u>                                     |
| Net change in fund balances                                       | (2,259,996)   | (1,493,101)   | 990,366  |
| <b>FUND BALANCES - July 1, 2011</b>                               | <u>28,691,391</u>   | <u>18,319,786</u>                                   | <u>19,070,708</u>                                  |
| <b>FUND BALANCES - June 30, 2012</b>                              | <u>\$ 26,431,395</u>                                      | <u>\$ 16,826,685</u>                                | <u>\$ 20,061,074</u>                               |

|    | <b>Gateway<br/>Regional Urban<br/>Renewal Fund</b> | <b>Airport Way<br/>Urban Renewal<br/>Fund</b> | <b>Willamette<br/>Industrial Urban<br/>Renewal Fund</b> | <b>Total</b>                |
|----|--|---|---|-----------------------------|
| \$ | 208,500  | \$ -  | \$ -  | \$ 208,500                  |
|    | 4,975  | 10,135  | -   | 329,797                     |
|    | 6,004  | 104,769                                       | -   | 547,470                     |
|    | 21,514   | 29,084  | 12,405  | 243,328                     |
|    | 40,872   | 506,143                                       | -   | 2,499,501                   |
|    | <u>2,844,599</u>                                   | <u>-</u>                                      | <u>935,500</u>  | <u>9,644,760</u>            |
|    | <u>3,126,464</u>                                   | <u>650,131</u>                                | <u>947,905</u>  | <u>13,473,356</u>           |
|    | 2,166,482  | 721,306                                       | 242,491   | 6,874,330                   |
|    | 1,194,070  | 322,468                                       | -   | 8,192,786                   |
|    | <u>86,818</u>                                      | <u>30,000</u>                                 | <u>-</u>  | <u>1,208,106</u>            |
|    | <u>3,447,370</u>                                   | <u>1,073,774</u>                              | <u>242,491</u>  | <u>16,275,222</u>           |
|    | <u>(320,906)</u>                                   | <u>(423,643)</u>                              | <u>705,414</u>  | <u>(2,801,866)</u>          |
|    | (320,906)  | (423,643)                                     | 705,414   | (2,801,866)                 |
|    | <u>8,561,293</u>                                   | <u>19,910,655</u>                             | <u>1,971,485</u>  | <u>96,525,318</u>           |
| \$ | <u><u>8,240,387</u></u>                            | \$ <u><u>19,487,012</u></u>                   | \$ <u><u>2,676,899</u></u>                              | \$ <u><u>93,723,452</u></u> |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**DOWNTOWN WATERFRONT URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts    |                     | Actual               | Variance with<br>Final Budget |
|---|---------------------|---------------------|----------------------|-------------------------------|
|   | Original            | Final               |                      |                               |
| <b>REVENUES</b>   |                     |                     |                      |                               |
| Charges for services:   |                     |                     |                      |                               |
| Application fees and charges  | \$ -                | \$ -                | \$ 6,830             | \$ 6,830                      |
| Rental income   | 700                 | 700                 | 147,360              | 146,660                       |
| Loan Collections:   |                     |                     |                      |                               |
| Principal   | 560,164             | 1,595,148           | 1,548,123            | (47,025)                      |
| Interest  | -                   | 130,342             | 259,522              | 129,180                       |
| Interest on investments   | 50,000              | 50,000              | 89,788               | 39,788                        |
| Miscellaneous:  |                     |                     |                      |                               |
| Recovery of bad loan debt   | -                   | -                   | 737,744              | 737,744                       |
| Reimbursements  | -                   | -                   | 138,352              | 138,352                       |
| Other   | -                   | -                   | 35                   | 35                            |
| <b>Total revenues</b>   | <b>610,864</b>      | <b>1,776,190</b>    | <b>2,927,754</b>     | <b>1,151,564</b>              |
| <b>EXPENDITURES</b>   |                     |                     |                      |                               |
| Current:  |                     |                     |                      |                               |
| Community development:  |                     |                     |                      |                               |
| Housing   | 517,400             | -                   | -                    | -                             |
| Business development  | 253,913             | 753,913             | 24,338               | 729,575                       |
| Property redevelopment  | 1,337,329           | 1,764,342           | 1,062,364            | 701,978                       |
| Infrastructure  | 2,851               | 62,851              | 32,471               | 30,380                        |
| Administration  | 38,778              | 53,343              | 5,452                | 47,891                        |
| Total Community development   | <u>2,150,271</u>    | <u>2,634,449</u>    | <u>1,124,625</u>     | <u>1,509,824</u>              |
| Contingency   | <u>9,915,451</u>    | <u>11,636,749</u>   | <u>-</u>             | <u>11,636,749</u>             |
| <b>Total expenditures</b>   | <b>12,065,722</b>   | <b>14,271,198</b>   | <b>1,124,625</b>     | <b>13,146,573</b>             |
| Excess (deficiency) of revenues<br>over expenditures                      | <u>(11,454,858)</u> | <u>(12,495,008)</u> | <u>1,803,129</u>     | <u>14,298,137</u>             |
| <b>OTHER FINANCING USES</b>   |                     |                     |                      |                               |
| Internal service reimbursements   | <u>(273,352)</u>    | <u>(273,352)</u>    | <u>(273,352)</u>     | <u>-</u>                      |
| <b>Total other financing uses</b>   | <b>(273,352)</b>    | <b>(273,352)</b>    | <b>(273,352)</b>     | <b>-</b>                      |
| Net change in fund balance  | (11,728,210)        | (12,768,360)        | 1,529,777            | 14,298,137                    |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>11,728,210</u>   | <u>12,768,360</u>   | <u>12,768,359</u>    | <u>(1)</u>                    |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>         | <u>\$ -</u>         | <u>14,298,136</u>    | <u>\$ 14,298,136</u>          |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                     |                     |                      |                               |
| Loans receivable, net   |                     |                     | 6,688,371            |                               |
| Property held for sale  |                     |                     | <u>5,444,888</u>     |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                     |                     | <u>\$ 26,431,395</u> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**NORTH MACADAM URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget |
|---|--------------------|--------------------|----------------------|-------------------------------|
|   | Original           | Final              |                      |                               |
| <b>REVENUES</b>   |                    |                    |                      |                               |
| Charges for services:   |                    |                    |                      |                               |
| Rental income   | \$ 15,000          | \$ 15,000          | \$ 47,222            | \$ 32,222                     |
| Contractual service charges   | 315,472            | 315,472            | 315,472              | -                             |
| Loan Collections:   |                    |                    |                      |                               |
| Principal   | 128,880            | 132,090            | 49,342               | (82,748)                      |
| Interest  | -                  | 34,845             | 15,099               | (19,746)                      |
| Interest on investments   | 25,000             | 25,000             | 30,908               | 5,908                         |
| Miscellaneous:  |                    |                    |                      |                               |
| Reimbursements  | -                  | -                  | 6,861                | 6,861                         |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue)         | 8,717,552          | 10,075,513         | 6,328,679            | (3,746,834)                   |
| <b>Total revenues</b>   | <u>9,201,904</u>   | <u>10,597,920</u>  | <u>6,793,583</u>     | <u>(3,804,337)</u>            |
| <b>EXPENDITURES</b>   |                    |                    |                      |                               |
| Current:  |                    |                    |                      |                               |
| Community development:  |                    |                    |                      |                               |
| Housing   | 5,653,877          | 7,103,877          | 6,882,979            | 220,898                       |
| Business development  | 1,297,176          | 1,447,176          | 64,189               | 1,382,987                     |
| Property redevelopment  | 915,682            | 922,992            | 274,834              | 648,158                       |
| Infrastructure  | 3,817,138          | 5,894,909          | 1,332,186            | 4,562,723                     |
| Administration  | 53,601             | 67,526             | 31,344               | 36,182                        |
| Total Community development   | <u>11,737,474</u>  | <u>15,436,480</u>  | <u>8,585,532</u>     | <u>6,850,948</u>              |
| Contingency   | <u>672,225</u>     | <u>2,345,962</u>   | <u>-</u>             | <u>2,345,962</u>              |
| <b>Total expenditures</b>   | <u>12,409,699</u>  | <u>17,782,442</u>  | <u>8,585,532</u>     | <u>9,196,910</u>              |
| Excess (deficiency) of revenues<br>over expenditures                      | <u>(3,207,795)</u> | <u>(7,184,522)</u> | <u>(1,791,949)</u>   | <u>5,392,573</u>              |
| <b>OTHER FINANCING USES</b>   |                    |                    |                      |                               |
| Internal service reimbursements   | <u>(772,253)</u>   | <u>(772,253)</u>   | <u>(772,253)</u>     | <u>-</u>                      |
| <b>Total other financing uses</b>   | <u>(772,253)</u>   | <u>(772,253)</u>   | <u>(772,253)</u>     | <u>-</u>                      |
| Net change in fund balance  | (3,980,048)        | (7,956,775)        | (2,564,202)          | 5,392,573                     |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>3,980,048</u>   | <u>7,956,775</u>   | <u>7,956,773</u>     | <u>(2)</u>                    |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>        | <u>\$ -</u>        | <u>5,392,571</u>     | <u>\$ 5,392,571</u>           |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                    |                    |                      |                               |
| Property held for sale  |                    |                    | <u>9,903,977</u>     |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                    |                    | <u>\$ 15,296,548</u> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RIVER DISTRICT URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget |
|---|--------------------|--------------------|----------------------|-------------------------------|
|   | Original           | Final              |                      |                               |
| <b>REVENUES</b>   |                    |                    |                      |                               |
| Charges for services:   |                    |                    |                      |                               |
| Application fees and charges  | \$ -               | \$ -               | \$ 1,605             | \$ 1,605                      |
| Rental income   | 582,348            | 582,348            | 494,008              | (88,340)                      |
| Loan Collections:   |                    |                    |                      |                               |
| Principal   | 450,000            | 450,000            | 239,132              | (210,868)                     |
| Interest  | -                  | -                  | 77,071               | 77,071                        |
| Interest on investments   | 30,000             | 30,000             | 41,705               | 11,705                        |
| Miscellaneous:  |                    |                    |                      |                               |
| Reimbursements  | 200,000            | 200,000            | 154,536              | (45,464)                      |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue)         | 50,450,100         | 44,735,955         | 42,300,815           | (2,435,140)                   |
| <b>Total revenues</b>   | <b>51,712,448</b>  | <b>45,998,303</b>  | <b>43,308,872</b>    | <b>(2,689,431)</b>            |
| <b>EXPENDITURES</b>   |                    |                    |                      |                               |
| Current:  |                    |                    |                      |                               |
| Community development:  |                    |                    |                      |                               |
| Housing   | 26,270,298         | 28,624,140         | 24,358,448           | 4,265,692                     |
| Business development  | 3,457,330          | 2,457,330          | 143,178              | 2,314,152                     |
| Property redevelopment  | 9,564,804          | 6,445,005          | 1,523,641            | 4,921,364                     |
| Infrastructure  | 3,840,230          | 3,681,154          | 1,405,221            | 2,275,933                     |
| Administration  | 69,908             | 247,547            | 192,081              | 55,466                        |
| Total Community development   | 43,202,570         | 41,455,176         | 27,622,569           | 13,832,607                    |
| Contingency   | 11,907,767         | 11,161,734         | -                    | 11,161,734                    |
| <b>Total expenditures</b>   | <b>55,110,337</b>  | <b>52,616,910</b>  | <b>27,622,569</b>    | <b>24,994,341</b>             |
| Excess (deficiency) of revenues<br>over expenditures                      | (3,397,889)        | (6,618,607)        | 15,686,303           | 22,304,910                    |
| <b>OTHER FINANCING USES</b>   |                    |                    |                      |                               |
| Internal service reimbursements   | (3,204,879)        | (3,324,879)        | (3,204,879)          | 120,000                       |
| <b>Total other financing uses</b>   | <b>(3,204,879)</b> | <b>(3,324,879)</b> | <b>(3,204,879)</b>   | <b>120,000</b>                |
| Net change in fund balance  | (6,602,768)        | (9,943,486)        | 12,481,424           | 22,424,910                    |
| <b>FUND BALANCE - July 1, 2011</b>  | <b>6,602,768</b>   | <b>9,943,486</b>   | <b>9,943,485</b>     | <b>(1)</b>                    |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <b>\$ -</b>        | <b>\$ -</b>        | <b>22,424,909</b>    | <b>\$ 22,424,909</b>          |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                    |                    |                      |                               |
| Loans receivable, net   |                    |                    | 18,213,371           |                               |
| Property held for sale  |                    |                    | 16,707,288           |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                    |                    | <b>\$ 57,345,568</b> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SOUTH PARK BLOCKS URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts   |                     | Actual               | Variance with<br>Final Budget |
|---|--------------------|---------------------|----------------------|-------------------------------|
|   | Original           | Final               |                      |                               |
| <b>REVENUES</b>   |                    |                     |                      |                               |
| Charges for services:   |                    |                     |                      |                               |
| Application fees and charges  | \$ -               | \$ -                | \$ 122               | \$ 122                        |
| Rental income   | -                  | -                   | 36,000               | 36,000                        |
| Loan Collections:   |                    |                     |                      |                               |
| Principal   | 98,400             | 66,815              | 66,816               | 1                             |
| Interest  | -                  | 60,387              | 60,457               | 70                            |
| Interest on investments   | 25,000             | 25,000              | 79,629               | 54,629                        |
| Miscellaneous:  |                    |                     |                      |                               |
| Reimbursements  | -                  | -                   | 10,000               | 10,000                        |
| Sale of real property   | -                  | 1,800,000           | -                    | (1,800,000)                   |
| <b>Total revenues</b>   | <u>123,400</u>     | <u>1,952,202</u>    | <u>253,024</u>       | <u>(1,699,178)</u>            |
| <b>EXPENDITURES</b>   |                    |                     |                      |                               |
| Current:  |                    |                     |                      |                               |
| Community development:  |                    |                     |                      |                               |
| Housing   | 2,301,727          | 802,270             | 429,838              | 372,432                       |
| Business development  | 454,694            | 954,385             | 23,460               | 930,925                       |
| Property redevelopment  | 178,353            | 7,251,664           | 1,439,013            | 5,812,651                     |
| Infrastructure  | 100,000            | 170,000             | 54,142               | 115,858                       |
| Administration  | 10,000             | 26,059              | 5,713                | 20,346                        |
| Total Community development   | <u>3,044,774</u>   | <u>9,204,378</u>    | <u>1,952,166</u>     | <u>7,252,212</u>              |
| Contingency   | <u>2,833,864</u>   | <u>5,371,699</u>    | <u>-</u>             | <u>5,371,699</u>              |
| <b>Total expenditures</b>   | <u>5,878,638</u>   | <u>14,576,077</u>   | <u>1,952,166</u>     | <u>12,623,911</u>             |
| Excess (deficiency) of revenues<br>over expenditures                      | <u>(5,755,238)</u> | <u>(12,623,875)</u> | <u>(1,699,142)</u>   | <u>10,924,733</u>             |
| <b>OTHER FINANCING USES</b>   |                    |                     |                      |                               |
| Internal service reimbursements   | <u>(46,701)</u>    | <u>(46,701)</u>     | <u>(46,701)</u>      | <u>-</u>                      |
| <b>Total other financing uses</b>   | <u>(46,701)</u>    | <u>(46,701)</u>     | <u>(46,701)</u>      | <u>-</u>                      |
| Net change in fund balance  | (5,801,939)        | (12,670,576)        | (1,745,843)          | 10,924,733                    |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>5,801,939</u>   | <u>12,670,576</u>   | <u>12,670,574</u>    | <u>(2)</u>                    |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>        | <u>\$ -</u>         | 10,924,731           | <u>\$ 10,924,731</u>          |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                    |                     |                      |                               |
| Loans receivable, net   |                    |                     | 2,038,472            |                               |
| Property held for sale  |                    |                     | <u>3,863,482</u>     |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                    |                     | <u>\$ 16,826,685</u> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CONVENTION CENTER URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget |
|---|--------------------|--------------------|----------------------|-------------------------------|
|   | Original           | Final              |                      |                               |
| <b>REVENUES</b>   |                    |                    |                      |                               |
| Charges for services:   |                    |                    |                      |                               |
| Application fees and charges  | \$ -               | \$ -               | \$ 6,347             | \$ 6,347                      |
| Rental income   | 1,003,827          | 1,003,827          | 110,242              | (893,585)                     |
| Loan Collections:   |                    |                    |                      |                               |
| Principal   | 325,000            | 1,000,000          | 1,247,501            | 247,501                       |
| Interest  | -                  | 200,000            | 250,558              | 50,558                        |
| Interest on investments   | 50,000             | -                  | 58,868               | 58,868                        |
| Miscellaneous:  |                    |                    |                      |                               |
| Reimbursements  | -                  | 1,473,339          | 1,685,562            | 212,223                       |
| Sale of real property   | -                  | 2,260,923          | 2,172,976            | (87,947)                      |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue)         | 20,495,500         | 47,800,000         | 48,360,212           | 560,212                       |
| <b>Total revenues</b>   | <u>21,874,327</u>  | <u>53,738,089</u>  | <u>53,892,266</u>    | <u>154,177</u>                |
| <b>EXPENDITURES</b>   |                    |                    |                      |                               |
| Current:  |                    |                    |                      |                               |
| Community development:  |                    |                    |                      |                               |
| Housing   | 3,010,967          | 2,540,418          | 1,019,723            | 1,520,695                     |
| Business development  | 969,370            | 731,370            | 57,395               | 673,975                       |
| Property redevelopment  | 15,014,857         | 24,629,659         | 2,741,772            | 21,887,887                    |
| Infrastructure  | 547,323            | 84,277             | 21,645               | 62,632                        |
| Administration  | 97,144             | 88,816             | 45,728               | 43,088                        |
| Total Community development   | <u>19,639,661</u>  | <u>28,074,540</u>  | <u>3,886,263</u>     | <u>24,188,277</u>             |
| Contingency   | 1,856,034          | 24,487,725         | -                    | 24,487,725                    |
| <b>Total expenditures</b>   | <u>21,495,695</u>  | <u>52,562,265</u>  | <u>3,886,263</u>     | <u>48,676,002</u>             |
| Excess (deficiency) of revenues<br>over expenditures                      | 378,632            | 1,175,824          | 50,006,003           | 48,830,179                    |
| <b>OTHER FINANCING USES</b>   |                    |                    |                      |                               |
| Internal service reimbursements   | (2,873,053)        | (2,873,053)        | (2,873,053)          | -                             |
| <b>Total other financing uses</b>   | <u>(2,873,053)</u> | <u>(2,873,053)</u> | <u>(2,873,053)</u>   | <u>-</u>                      |
| Net change in fund balance  | (2,494,421)        | (1,697,229)        | 47,132,950           | 48,830,179                    |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>2,494,421</u>   | <u>1,697,229</u>   | <u>1,697,230</u>     | <u>1</u>                      |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>        | <u>\$ -</u>        | <u>48,830,180</u>    | <u>\$ 48,830,180</u>          |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                    |                    |                      |                               |
| Loans receivable, net   |                    |                    | 9,063,689            |                               |
| Property held for sale  |                    |                    | 13,277,714           |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                    |                    | <u>\$ 71,171,583</u> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CENTRAL EASTSIDE URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget |
|---|--------------------|--------------------|----------------------|-------------------------------|
|   | Original           | Final              |                      |                               |
| <b>REVENUES</b>   |                    |                    |                      |                               |
| Charges for services:   |                    |                    |                      |                               |
| Application fees and charges  | \$ -               | \$ -               | \$ 1,336             | \$ 1,336                      |
| Rental income   | 20,000             | 20,000             | 123,039              | 103,039                       |
| Loan Collections:   |                    |                    |                      |                               |
| Principal   | 127,931            | 93,542             | 108,730              | 15,188                        |
| Interest  | -                  | 91,298             | 123,679              | 32,381                        |
| Interest on investments   | 25,000             | 25,000             | 10,909               | (14,091)                      |
| Miscellaneous:  |                    |                    |                      |                               |
| Recovery of bad loan debt   | -                  | -                  | 2,450                | 2,450                         |
| Reimbursements  | 2,191              | -                  | 175                  | 175                           |
| Sale of real property   | 3,000,000          | 2,600,000          | 423,425              | (2,176,575)                   |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue)         | 5,821,877          | 6,035,087          | 5,864,661            | (170,426)                     |
| <b>Total revenues</b>   | <b>8,996,999</b>   | <b>8,864,927</b>   | <b>6,658,404</b>     | <b>(2,206,523)</b>            |
| <b>EXPENDITURES</b>   |                    |                    |                      |                               |
| Current:  |                    |                    |                      |                               |
| Community development:  |                    |                    |                      |                               |
| Housing   | 96,549             | 96,549             | 41,302               | 55,247                        |
| Business development  | 1,178,032          | 1,078,032          | 251,553              | 826,479                       |
| Property redevelopment  | 4,050,870          | 3,761,544          | 695,737              | 3,065,807                     |
| Infrastructure  | 3,059,784          | 3,159,784          | 3,159,117            | 667                           |
| Administration  | 18,000             | 78,236             | 23,993               | 54,243                        |
| <b>Total Community development</b>  | <b>8,403,235</b>   | <b>8,174,145</b>   | <b>4,171,702</b>     | <b>4,002,443</b>              |
| Contingency   | 41,752             | 1,357,972          | -                    | 1,357,972                     |
| <b>Total expenditures</b>   | <b>8,444,987</b>   | <b>9,532,117</b>   | <b>4,171,702</b>     | <b>5,360,415</b>              |
| Excess (deficiency) of revenues<br>over expenditures                      | 552,012            | (667,190)          | 2,486,702            | 3,153,892                     |
| <b>OTHER FINANCING USES</b>   |                    |                    |                      |                               |
| Internal service reimbursements   | (1,520,689)        | (1,520,689)        | (1,520,689)          | -                             |
| <b>Total other financing uses</b>   | <b>(1,520,689)</b> | <b>(1,520,689)</b> | <b>(1,520,689)</b>   | <b>-</b>                      |
| Net change in fund balance  | (968,677)          | (2,187,879)        | 966,013              | 3,153,892                     |
| <b>FUND BALANCE - July 1, 2011</b>  | <b>968,677</b>     | <b>2,187,879</b>   | <b>2,187,879</b>     | <b>-</b>                      |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <b>\$ -</b>        | <b>\$ -</b>        | <b>3,153,892</b>     | <b>\$ 3,153,892</b>           |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                    |                    |                      |                               |
| Loans receivable, net   |                    |                    | 3,377,779            |                               |
| Property held for sale  |                    |                    | 13,529,403           |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                    |                    | <b>\$ 20,061,074</b> |                               |



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**LENTS TOWN CENTER URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget |
|---|--------------------|--------------------|----------------------|-------------------------------|
|   | Original           | Final              |                      |                               |
| <b>REVENUES</b>   |                    |                    |                      |                               |
| Intergovernmental revenue:  |                    |                    |                      |                               |
| State and local   | \$ 250,000         | \$ -               | \$ -                 | \$ -                          |
| Charges for services:   |                    |                    |                      |                               |
| Application fees and charges  | -                  | -                  | 799                  | 799                           |
| Rental income   | -                  | 20,000             | 68,778               | 48,778                        |
| Loan Collections:   |                    |                    |                      |                               |
| Principal   | 108,000            | 108,000            | 60,451               | (47,549)                      |
| Interest  | -                  | 41,000             | 92,198               | 51,198                        |
| Interest on investments   | 6,000              | 6,000              | 69,822               | 63,822                        |
| Miscellaneous:  |                    |                    |                      |                               |
| Recovery of bad loan debt   | -                  | -                  | 2,350                | 2,350                         |
| Reimbursements  | -                  | -                  | 17,909               | 17,909                        |
| Sale of real property   | 1,151,264          | -                  | -                    | -                             |
| Other   | -                  | -                  | 66                   | 66                            |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue)         | 8,217,702          | 7,562,840          | 7,516,135            | (46,705)                      |
| <b>Total revenues</b>   | <b>9,732,966</b>   | <b>7,737,840</b>   | <b>7,828,508</b>     | <b>90,668</b>                 |
| <b>EXPENDITURES</b>   |                    |                    |                      |                               |
| Current:  |                    |                    |                      |                               |
| Community development:  |                    |                    |                      |                               |
| Housing   | 6,850,546          | 8,360,687          | 3,941,626            | 4,419,061                     |
| Business development  | 1,544,902          | 1,544,902          | 246,935              | 1,297,967                     |
| Property redevelopment  | 3,843,904          | 4,644,323          | 2,102,503            | 2,541,820                     |
| Infrastructure  | 2,907,340          | 2,907,340          | 1,714,737            | 1,192,603                     |
| Administration  | 10,000             | 96,659             | 37,397               | 59,262                        |
| Total Community development   | <u>15,156,692</u>  | <u>17,553,911</u>  | <u>8,043,198</u>     | <u>9,510,713</u>              |
| Contingency   | 315,207            | 1,472,677          | -                    | 1,472,677                     |
| <b>Total expenditures</b>   | <b>15,471,899</b>  | <b>19,026,588</b>  | <b>8,043,198</b>     | <b>10,983,390</b>             |
| Excess (deficiency) of revenues<br>over expenditures                      | (5,738,933)        | (11,288,748)       | (214,690)            | 11,074,058                    |
| <b>OTHER FINANCING USES</b>   |                    |                    |                      |                               |
| Internal service reimbursements   | (1,500,338)        | (1,500,338)        | (1,500,338)          | -                             |
| <b>Total other financing uses</b>   | <b>(1,500,338)</b> | <b>(1,500,338)</b> | <b>(1,500,338)</b>   | <b>-</b>                      |
| Net change in fund balance  | (7,239,271)        | (12,789,086)       | (1,715,028)          | 11,074,058                    |
| <b>FUND BALANCE - July 1, 2011</b>  | <b>7,239,271</b>   | <b>12,789,086</b>  | <b>12,789,085</b>    | <b>(1)</b>                    |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <b>\$ -</b>        | <b>\$ -</b>        | <b>11,074,057</b>    | <b>\$ 11,074,057</b>          |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                    |                    |                      |                               |
| Loans receivable, net   |                    |                    | 1,984,968            |                               |
| Property held for sale  |                    |                    | 9,514,330            |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                    |                    | <b>\$ 22,573,355</b> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**INTERSTATE CORRIDOR URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts    |                    | Actual               | Variance with<br>Final Budget |
|---|---------------------|--------------------|----------------------|-------------------------------|
|   | Original            | Final              |                      |                               |
| <b>REVENUES</b>   |                     |                    |                      |                               |
| Charges for services:   |                     |                    |                      |                               |
| Application fees and charges  | \$ -                | \$ -               | 2,997                | 2,997                         |
| Rental income   | -                   | -                  | 152,381              | 152,381                       |
| Loan Collections:   |                     |                    |                      |                               |
| Principal   | 3,499,287           | 3,549,287          | 338,686              | (3,210,601)                   |
| Interest  | -                   | -                  | 163,770              | 163,770                       |
| Interest on investments   | 20,000              | 20,000             | 34,896               | 14,896                        |
| Miscellaneous:  |                     |                    |                      |                               |
| Reimbursements  | -                   | -                  | 50,784               | 50,784                        |
| Sale of real property   | 500,000             | 600,000            | 258,650              | (341,350)                     |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue)         | 10,195,290          | 21,843,969         | 19,636,706           | (2,207,263)                   |
| <b>Total revenues</b>   | <u>14,214,577</u>   | <u>26,013,256</u>  | <u>20,638,870</u>    | <u>(5,374,386)</u>            |
| <b>EXPENDITURES</b>   |                     |                    |                      |                               |
| Current:  |                     |                    |                      |                               |
| Community development:  |                     |                    |                      |                               |
| Housing   | 5,067,326           | 5,499,297          | 2,381,926            | 3,117,371                     |
| Business development  | 3,074,666           | 1,874,666          | 220,602              | 1,654,064                     |
| Property redevelopment  | 10,083,299          | 11,088,748         | 7,965,472            | 3,123,276                     |
| Infrastructure  | 3,060,574           | 2,860,574          | 723,014              | 2,137,560                     |
| Administration  | 124,013             | 118,432            | 36,520               | 81,912                        |
| Total Community development   | <u>21,409,878</u>   | <u>21,441,717</u>  | <u>11,327,534</u>    | <u>10,114,183</u>             |
| Contingency   | 3,641,154           | 2,577,063          | -                    | 2,577,063                     |
| <b>Total expenditures</b>   | <u>25,051,032</u>   | <u>24,018,780</u>  | <u>11,327,534</u>    | <u>12,691,246</u>             |
| Excess (deficiency) of revenues<br>over expenditures                      | <u>(10,836,455)</u> | <u>1,994,476</u>   | <u>9,311,336</u>     | <u>7,316,860</u>              |
| <b>OTHER FINANCING USES</b>   |                     |                    |                      |                               |
| Internal service reimbursements   | <u>(2,011,381)</u>  | <u>(2,011,381)</u> | <u>(2,011,381)</u>   | <u>-</u>                      |
| <b>Total other financing uses</b>   | <u>(2,011,381)</u>  | <u>(2,011,381)</u> | <u>(2,011,381)</u>   | <u>-</u>                      |
| Net change in fund balance  | (12,847,836)        | (16,905)           | 7,299,955            | 7,316,860                     |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>12,847,836</u>   | <u>16,905</u>      | <u>16,905</u>        | <u>-</u>                      |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>         | <u>\$ -</u>        | <u>7,316,860</u>     | <u>\$ 7,316,860</u>           |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                     |                    |                      |                               |
| Loans receivable, net   |                     |                    | 6,762,115            |                               |
| Property held for sale  |                     |                    | <u>6,556,640</u>     |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                     |                    | <u>\$ 20,635,615</u> |                               |

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GATEWAY REGIONAL CENTER URBAN RENEWAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts |                  | Actual              | Variance with<br>Final Budget |
|---|------------------|------------------|---------------------|-------------------------------|
|   | Original         | Final            |                     |                               |
| <b>REVENUES</b>   |                  |                  |                     |                               |
| Intergovernmental revenue:  |                  |                  |                     |                               |
| State and local   | \$ 208,500       | \$ 208,500       | \$ 208,500          | \$ -                          |
| Charges for services:   |                  |                  |                     |                               |
| Application fees and charges  | -                | -                | 536                 | 536                           |
| Rental income   | -                | -                | 4,439               | 4,439                         |
| Loan Collections:   |                  |                  |                     |                               |
| Principal   | 18,402           | 18,402           | 6,700               | (11,702)                      |
| Interest  | -                | 4,300            | 6,004               | 1,704                         |
| Interest on investments   | 7,000            | 7,000            | 21,514              | 14,514                        |
| Miscellaneous:  |                  |                  |                     |                               |
| Reimbursements  | -                | 1,706            | 1,706               | -                             |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue)         | 2,990,410        | 3,315,963        | 2,844,599           | (471,364)                     |
| <b>Total revenues</b>   | <b>3,224,312</b> | <b>3,555,871</b> | <b>3,093,998</b>    | <b>(461,873)</b>              |
| <b>EXPENDITURES</b>   |                  |                  |                     |                               |
| Current:  |                  |                  |                     |                               |
| Community development:  |                  |                  |                     |                               |
| Housing   | 938,081          | 1,672,281        | 1,090,910           | 581,371                       |
| Business development  | 653,695          | 653,695          | 22,032              | 631,663                       |
| Property redevelopment  | 999,172          | 1,059,338        | 513,067             | 546,271                       |
| Infrastructure  | 937,732          | 784,747          | 399,113             | 385,634                       |
| Administration  | 10,000           | 70,234           | 14,976              | 55,258                        |
| Total Community development   | <u>3,538,680</u> | <u>4,240,295</u> | <u>2,040,098</u>    | <u>2,200,197</u>              |
| Contingency   | 1,352,353        | 2,237,325        | -                   | 2,237,325                     |
| <b>Total expenditures</b>   | <b>4,891,033</b> | <b>6,477,620</b> | <b>2,040,098</b>    | <b>4,437,522</b>              |
| Excess (deficiency) of revenues<br>over expenditures                      | (1,666,721)      | (2,921,749)      | 1,053,900           | 3,975,649                     |
| <b>OTHER FINANCING USES</b>   |                  |                  |                     |                               |
| Internal service reimbursements   | (671,711)        | (671,711)        | (671,711)           | -                             |
| <b>Total other financing uses</b>   | <b>(671,711)</b> | <b>(671,711)</b> | <b>(671,711)</b>    | <b>-</b>                      |
| Net change in fund balance  | (2,338,432)      | (3,593,460)      | 382,189             | 3,975,649                     |
| <b>FUND BALANCE - July 1, 2011</b>  | <b>2,338,432</b> | <b>3,593,460</b> | <b>3,579,059</b>    | <b>(14,401)</b>               |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <b>\$ -</b>      | <b>\$ -</b>      | <b>3,961,248</b>    | <b>\$ 3,961,248</b>           |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                  |                  |                     |                               |
| Loans receivable, net   |                  |                  | 210,620             |                               |
| Property held for sale  |                  |                  | 4,068,519           |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                  |                  | <b>\$ 8,240,387</b> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**AIRPORT WAY URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget |
|---|--------------------|--------------------|----------------------|-------------------------------|
|   | Original           | Final              |                      |                               |
| <b>REVENUES</b>   |                    |                    |                      |                               |
| Charges for services:   |                    |                    |                      |                               |
| Application fees and charges  | \$ -               | \$ 10,000          | \$ 3,132             | \$ (6,868)                    |
| Rental income   | -                  | 10,000             | 7,003                | (2,997)                       |
| Loan Collections:   |                    |                    |                      |                               |
| Principal   | 181,536            | 181,536            | 54,974               | (126,562)                     |
| Interest  | -                  | 70,000             | 104,769              | 34,769                        |
| Interest on investments   | 30,000             | 30,000             | 29,084               | (916)                         |
| Miscellaneous:  |                    |                    |                      |                               |
| Reimbursements  | 5,000              | 10,000             | 911                  | (9,089)                       |
| Sale of real property   | 1,000,000          | -                  | -                    | -                             |
| Total revenues  | <u>1,216,536</u>   | <u>311,536</u>     | <u>199,873</u>       | <u>(111,663)</u>              |
| <b>EXPENDITURES</b>   |                    |                    |                      |                               |
| Current:  |                    |                    |                      |                               |
| Business development  | 1,460,889          | 860,889            | 570,557              | 290,332                       |
| Property redevelopment  | 825,701            | 1,144,762          | 443,731              | 701,031                       |
| Administration  | 21,459             | 61,150             | 4,278                | 56,872                        |
| Total Community development   | <u>2,308,049</u>   | <u>2,066,801</u>   | <u>1,018,566</u>     | <u>1,048,235</u>              |
| Contingency   | <u>1,543,559</u>   | <u>2,949,492</u>   | <u>-</u>             | <u>2,949,492</u>              |
| Total expenditures  | <u>3,851,608</u>   | <u>5,016,293</u>   | <u>1,018,566</u>     | <u>3,997,727</u>              |
| Excess (deficiency) of revenues<br>over expenditures                      | <u>(2,635,072)</u> | <u>(4,704,757)</u> | <u>(818,693)</u>     | <u>3,886,064</u>              |
| <b>OTHER FINANCING USES</b>   |                    |                    |                      |                               |
| Internal service reimbursements   | <u>(451,313)</u>   | <u>(451,313)</u>   | <u>(451,313)</u>     | <u>-</u>                      |
| Total other financing uses  | <u>(451,313)</u>   | <u>(451,313)</u>   | <u>(451,313)</u>     | <u>-</u>                      |
| Net change in fund balance  | (3,086,385)        | (5,156,070)        | (1,270,006)          | 3,886,064                     |
| <b>FUND BALANCE - July 1, 2011</b>  | <u>3,086,385</u>   | <u>5,156,070</u>   | <u>5,156,069</u>     | <u>(1)</u>                    |
| <b>FUND BALANCE - June 30, 2012</b>                                       | <u>\$ -</u>        | <u>\$ -</u>        | <u>3,886,063</u>     | <u>\$ 3,886,063</u>           |
| <b>Adjustments to generally accepted<br/>accounting principles basis:</b> |                    |                    |                      |                               |
| Loans receivable, net   |                    |                    | 3,389,810            |                               |
| Property held for sale  |                    |                    | <u>12,211,139</u>    |                               |
| <b>FUND BALANCE - June 30, 2012 (GAAP BASIS)</b>                          |                    |                    | <u>\$ 19,487,012</u> |                               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**WILLAMETTE INDUSTRIAL URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

|   | <b>Budgeted Amounts</b> |                    | <b>Actual</b>       | <b>Variance with<br/>Final Budget</b> |
|---|-------------------------|--------------------|---------------------|---------------------------------------|
|   | <b>Original</b>         | <b>Final</b>       |                     |                                       |
| <b>REVENUES</b>   |                         |                    |                     |                                       |
| Interest on investments   | \$ 5,000                | \$ 10,000          | \$ 12,405           | \$ 2,405                              |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue) | 999,000                 | 999,000            | 935,500             | (63,500)                              |
| Total revenues  | <u>1,004,000</u>        | <u>1,009,000</u>   | <u>947,905</u>      | <u>(61,095)</u>                       |
| <b>EXPENDITURES</b>   |                         |                    |                     |                                       |
| Current:  |                         |                    |                     |                                       |
| Business development  | 884,721                 | 884,721            | 19,015              | 865,706                               |
| Property redevelopment  | 194,000                 | 181,652            | 6,480               | 175,172                               |
| Administration  | 5,446                   | 17,794             | 1,636               | 16,158                                |
| Total Community development                                       | <u>1,084,167</u>        | <u>1,084,167</u>   | <u>27,131</u>       | <u>1,057,036</u>                      |
| Contingency   | <u>718,640</u>          | <u>1,680,959</u>   | <u>-</u>            | <u>1,680,959</u>                      |
| Total expenditures  | <u>1,802,807</u>        | <u>2,765,126</u>   | <u>27,131</u>       | <u>2,737,995</u>                      |
| Excess (deficiency) of revenues<br>over expenditures              | <u>(798,807)</u>        | <u>(1,756,126)</u> | <u>920,774</u>      | <u>2,676,900</u>                      |
| <b>OTHER FINANCING USES</b>                                       |                         |                    |                     |                                       |
| Internal service reimbursements                                   | <u>(215,360)</u>        | <u>(215,360)</u>   | <u>(215,360)</u>    | <u>-</u>                              |
| Total other financing uses  | <u>(215,360)</u>        | <u>(215,360)</u>   | <u>(215,360)</u>    | <u>-</u>                              |
| Net change in fund balance  | (1,014,167)             | (1,971,486)        | 705,414             | 2,676,900                             |
| <b>FUND BALANCE - July 1, 2011</b>                                | <u>1,014,167</u>        | <u>1,971,486</u>   | <u>1,971,485</u>    | <u>(1)</u>                            |
| <b>FUND BALANCE - June 30, 2012</b>                               | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 2,676,899</u> | <u>\$ 2,676,899</u>                   |

## PROPRIETARY FUNDS

### ENTERPRISE FUNDS

Enterprise funds are used to report an activity for which a fee is charged to external users for goods or services.

PDC has two Enterprise type funds.

*Enterprise Loans Fund* - this fund accounts for the various loan programs which are not required to be accounted for in another fund.

*Small Business Loan Fund*  
*Portland Startup Fund*  
*PLPA Bank of America Fund*  
*Housing Investment Fund*  
*Rental Rehabilitation Reloan Fund*  
*Neighborhood Housing Loan Fund*  
*Business Development Loan Fund*  
*Program Reserve Fund*  
*Workforce Training/Hiring Fund*

Combining Schedules are presented by loan program. These include a Combining Schedule of Net Assets and a Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets.

*Enterprise Management Fund* - provides for the activity related to the operations and management of PDC properties or City of Portland properties PDC has contracted to manage outside of Urban Renewal Areas. Currently, this fund includes the operating revenues and expenses of the Headwaters Apartments.

### INTERNAL SERVICE FUND

Internal service funds are used to report any activity that provides services to other funds on a cost reimbursement basis.

*Risk Management Fund* – this fund was established to set aside resources that would be used to meet insurance policy deductibles, if necessary.

**PDC** | PORTLAND  
DEVELOPMENT  
COMMISSION  
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**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**ENTERPRISE LOANS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS)  
For The Fiscal Year Ended June 30, 2012**

|  | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>(GAAP<br/>Basis)</u> | <u>Actual GAAP to<br/>Actual Budgetary<br/>Adjustments</u> | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|--------------------|------------------------------------|--|---|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>       |                                    |  |   |                                       |
| <b>REVENUES</b>                                      |                         |                    |                                    |  |   |                                       |
| Intergovernmental revenue:                           |                         |                    |                                    |  |   |                                       |
| City of Portland, General Fund                       | \$ 500,000              | \$ 500,000         | \$ 200,000                         | \$ -   | \$ 200,000                              | \$ (300,000)                          |
| Charges for services-                                |                         |                    |                                    |  |   |                                       |
| Application fees and charges                         | -                       | -                  | 41,812                             | -  | 41,812                                  | 41,812                                |
| Loan Collections:                                    |                         |                    |                                    |  |   |                                       |
| Principal  | 123,000                 | 123,000            | -                                  | 806,962  | 806,962                                 | 683,962                               |
| Interest   | 82,000                  | 82,000             | 102,456                            | -  | 102,456                                 | 20,456                                |
| Interest on investments                              | -                       | 1,500              | 6,340                              | -  | 6,340                                   | 4,840                                 |
| Miscellaneous:                                       |                         |                    |                                    |  |   |                                       |
| Reimbursements                                       | -                       | -                  | 10,819                             | -  | 10,819                                  | 10,819                                |
| Other  | -                       | -                  | 85,431                             | (59,711)   | 25,720                                  | 25,720                                |
| <b>Total revenues</b>                                | <u>705,000</u>          | <u>706,500</u>     | <u>446,858</u>                     | <u>747,251</u>   | <u>1,194,109</u>                        | <u>487,609</u>                        |
| <b>EXPENDITURES</b>                                  |                         |                    |                                    |  |   |                                       |
| Current:   |                         |                    |                                    |  |   |                                       |
| Community development:                               |                         |                    |                                    |  |   |                                       |
| Housing  | -                       | -                  | 32,359                             | -  | 32,359                                  | (32,359)                              |
| Business development                                 | 980,682                 | 1,628,420          | 343,450                            | (17,721)   | 325,729                                 | 1,302,691                             |
| Total community development                          | <u>980,682</u>          | <u>1,628,420</u>   | <u>375,809</u>                     | <u>(17,721)</u>  | <u>358,088</u>                          | <u>1,270,332</u>                      |
| Contingency  | 4,399                   | 118,140            | -                                  | -  | -                                       | 118,140                               |
| <b>Total expenditures</b>                            | <u>985,081</u>          | <u>1,746,560</u>   | <u>375,809</u>                     | <u>(17,721)</u>  | <u>358,088</u>                          | <u>1,388,472</u>                      |
| Excess (deficiency) of revenues<br>over expenditures | <u>(280,081)</u>        | <u>(1,040,060)</u> | <u>71,049</u>                      | <u>764,972</u>   | <u>836,021</u>                          | <u>1,876,081</u>                      |
| Transfers in:  |                         |                    |                                    |  |   |                                       |
| General Fund   | -                       | 85,721             | 60,000                             | -  | 60,000                                  | (25,721)                              |
| Housing and Community<br>Development Contract Fund   | -                       | 700,000            | -                                  | 700,000  | 700,000                                 | -                                     |
| <b>Total transfers in</b>                            | <u>-</u>                | <u>785,721</u>     | <u>60,000</u>                      | <u>700,000</u>   | <u>760,000</u>                          | <u>(25,721)</u>                       |
| Internal service reimbursements                      | (98,423)                | (98,423)           | -                                  | (98,423)   | (98,423)                                | -                                     |
| Transfers out:                                       |                         |                    |                                    |  |   |                                       |
| Housing and Community<br>Development Contract Fund   | -                       | -                  | -                                  | (100,000)  | (100,000)                               | (100,000)                             |
| <b>Total transfers out</b>                           | <u>-</u>                | <u>-</u>           | <u>-</u>                           | <u>(100,000)</u>   | <u>(100,000)</u>                        | <u>(100,000)</u>                      |
| <b>Total transfers</b>                               | <u>(98,423)</u>         | <u>687,298</u>     | <u>60,000</u>                      | <u>501,577</u>   | <u>561,577</u>                          | <u>(125,721)</u>                      |
| <b>Net change in fund balance</b>                    | <u>(378,504)</u>        | <u>(352,762)</u>   | <u>131,049</u>                     | <u>1,266,549</u>   | <u>1,397,598</u>                        | <u>1,750,360</u>                      |
| <b>FUND EQUITY - July 1, 2011</b>                    | <u>378,504</u>          | <u>352,762</u>     | <u>3,323,521</u>                   | <u>(2,677,181)</u>   | <u>646,340</u>                          | <u>293,578</u>                        |
| <b>FUND EQUITY - June 30, 2012</b>                   | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 3,454,570</u>                | <u>\$ (1,410,632)</u>                                      | <u>\$ 2,043,938</u>                     | <u>\$ 2,043,938</u>                   |



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING SCHEDULE OF NET ASSETS  
FOR COMPONENTS OF THE ENTERPRISE LOANS FUND  
June 30, 2012**

|  | <u>Small<br/>Business<br/>Loan Fund</u> | <u>Portland<br/>Startup Fund</u> | <u>PLPA Bank<br/>of America<br/>Fund</u> | <u>Housing<br/>Investment Fund</u> | <u>Rental<br/>Rehabilitation<br/>Reloan Fund</u> |
|--|---|----------------------------------|--|------------------------------------|--|
| <b>ASSETS</b>                              |   |                                  |  |                                    |  |
| Current assets:                            |   |                                  |  |                                    |  |
| Cash with City of Portland investment pool | \$ 927,434                              | \$ 61,625                        | \$ -                                     | \$ -                               | -  |
| Receivables:                               |   |                                  |  |                                    |  |
| Accounts                                   | -                                       | -                                | -  | -                                  | -  |
| Due from other funds                       | 100,000                                 | -                                | -  | -                                  | -  |
| Loans, net                                 | 497,026                                 | -                                | -  | -                                  | -  |
| Interest                                   | 1,155                                   | 143                              | -  | -                                  | -  |
| Total current assets                       | 1,525,615                               | 61,768                           | -  | -                                  | -  |
| Noncurrent assets:                         |   |                                  |  |                                    |  |
| Loans receivable, net                      | -                                       | -                                | -  | -                                  | -  |
| Total noncurrent assets                    | -                                       | -                                | -  | -                                  | -  |
| Total assets                               | 1,525,615                               | 61,768                           | -  | -                                  | -  |
| <b>LIABILITIES AND NET ASSETS</b>          |   |                                  |  |                                    |  |
| <b>Liabilities:</b>                        |   |                                  |  |                                    |  |
| Current liabilities:                       |   |                                  |  |                                    |  |
| Accounts payable                           | -                                       | -                                | -  | -                                  | -  |
| Accrued liability                          | -                                       | -                                | -  | -                                  | -  |
| Total current liabilities                  | -                                       | -                                | -  | -                                  | -  |
| Total liabilities                          | -                                       | -                                | -  | -                                  | -  |
| <b>Net Assets:</b>                         |   |                                  |  |                                    |  |
| Unrestricted                               | \$ 1,525,615                            | \$ 61,768                        | \$ -                                     | \$ -                               | -  |

| <u>Neighborhood<br/>Housing Loan<br/>Fund</u> | <u>Business<br/>Development<br/>Loan Fund</u> | <u>Program<br/>Reserve Fund</u> | <u>Workforce<br/>Training/Hiring<br/>Fund</u> | <u>Total<br/>Enterprise<br/>Loans Fund</u> |
|---|---|---------------------------------|---|--|
| \$ 192,263                                    | \$ 777,029                                    | \$ -                            | \$ 57,480                                     | \$ 2,015,831                               |
| 5,907   | -   | -                               | -   | 5,907                                      |
| -   | -   | -                               | -   | 100,000                                    |
| -   | 128,731                                       | -                               | -   | 625,757                                    |
| -   | 1,708   | -                               | 192   | 3,198                                      |
| 198,170                                       | 907,468                                       | -                               | 57,672  | 2,750,693                                  |
| -   | 712,204                                       | -                               | -   | 712,204                                    |
| -   | 712,204                                       | -                               | -   | 712,204                                    |
| 198,170                                       | 1,619,672                                     | -                               | 57,672  | 3,462,897                                  |
| 770   | 587   | -                               | -   | 1,357                                      |
| 6,970   | -   | -                               | -   | 6,970                                      |
| 7,740   | 587   | -                               | -   | 8,327                                      |
| 7,740   | 587   | -                               | -   | 8,327                                      |
| <u>\$ 190,430</u>                             | <u>\$ 1,619,085</u>                           | <u>\$ -</u>                     | <u>\$ 57,672</u>                              | <u>\$ 3,454,570</u>                        |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR COMPONENTS OF THE ENTERPRISE LOANS FUND  
For the Fiscal Year Ended June 30, 2012**

|  | Small Business<br>Loan Fund | Portland<br>Startup Fund | PLPA Bank of<br>America Fund | Housing<br>Investment Fund | Rental<br>Rehabilitation<br>Reloan Fund |
|--|-----------------------------|--------------------------|------------------------------|----------------------------|---|
| <b>OPERATING REVENUES:</b>               |                             |                          |                              |                            |   |
| Charges for services                     | \$ 26,103                   | \$ -                     | \$ -                         | \$ -                       | \$ -                                    |
| Interest on loans                        | 71,342                      | -                        | -                            | -                          | -                                       |
| Miscellaneous revenues                   | 60,482                      | -                        | -                            | -                          | -                                       |
| Total operating revenues                 | <u>157,927</u>              | <u>-</u>                 | <u>-</u>                     | <u>-</u>                   | <u>-</u>                                |
| <b>OPERATING EXPENSES:</b>               |                             |                          |                              |                            |   |
| Personal services                        | 6,405                       | -                        | -                            | -                          | -                                       |
| Professional services                    | -                           | -                        | -                            | -                          | -                                       |
| Loan document costs                      | -                           | -                        | -                            | -                          | -                                       |
| Financial assistance                     | 7,417                       | 200,000                  | -                            | -                          | -                                       |
| Internal service reimbursements          | 39,016                      | -                        | -                            | -                          | -                                       |
| Miscellaneous expenses                   | 80                          | -                        | 3,540                        | 5,323                      | 578                                     |
| Total operating expenses                 | <u>52,918</u>               | <u>200,000</u>           | <u>3,540</u>                 | <u>5,323</u>               | <u>578</u>                              |
| Operating income (loss)                  | <u>105,009</u>              | <u>(200,000)</u>         | <u>(3,540)</u>               | <u>(5,323)</u>             | <u>(578)</u>                            |
| <b>NON-OPERATING REVENUES (EXPENSE):</b> |                             |                          |                              |                            |   |
| Interest on investment                   | 2,496                       | 348                      | 3                            | 6                          | -                                       |
| Intergovernmental revenues               | -                           | 200,000                  | -                            | -                          | -                                       |
| Total non-operating revenues (expense)   | <u>2,496</u>                | <u>200,348</u>           | <u>3</u>                     | <u>6</u>                   | <u>-</u>                                |
| Income (loss) before transfers           | <u>107,505</u>              | <u>348</u>               | <u>(3,537)</u>               | <u>(5,317)</u>             | <u>(578)</u>                            |
| <b>TRANSFERS</b>                         |                             |                          |                              |                            |   |
| Transfers in                             | 30,000                      | -                        | -                            | -                          | -                                       |
| Total transfers                          | <u>30,000</u>               | <u>-</u>                 | <u>-</u>                     | <u>-</u>                   | <u>-</u>                                |
| Change in net assets                     | 137,505                     | 348                      | (3,537)                      | (5,317)                    | (578)                                   |
| <b>Net assets - July 1, 2011</b>         | <u>1,388,110</u>            | <u>61,420</u>            | <u>3,537</u>                 | <u>5,317</u>               | <u>578</u>                              |
| <b>Net assets - June 30, 2012</b>        | <u>\$ 1,525,615</u>         | <u>\$ 61,768</u>         | <u>\$ -</u>                  | <u>\$ -</u>                | <u>\$ -</u>                             |

| Neighborhood<br>Housing Loan<br>Fund | Business<br>Development<br>Loan Fund | Program<br>Reserve Fund | Workforce<br>Training/Hiring<br>Fund | Total<br>Enterprise<br>Loans Fund |
|--------------------------------------|--------------------------------------|-------------------------|--------------------------------------|-----------------------------------|
| \$ 13,617                            | \$ 2,092                             | \$ -                    | \$ -                                 | \$ 41,812                         |
| -                                    | 31,114                               | -                       | -                                    | 102,456                           |
| 50                                   | 35,714                               | -                       | -                                    | 96,246                            |
| <u>13,667</u>                        | <u>68,920</u>                        | <u>-</u>                | <u>-</u>                             | <u>240,514</u>                    |
| 3,447                                | 9,880                                | -                       | -                                    | 19,732                            |
| -                                    | 15,868                               | -                       | -                                    | 15,868                            |
| 13,552                               | 980                                  | -                       | -                                    | 14,532                            |
| -                                    | 1,821                                | -                       | -                                    | 209,238                           |
| -                                    | 59,407                               | -                       | -                                    | 98,423                            |
| 500                                  | 2,576                                | 5,415                   | -                                    | 18,012                            |
| <u>17,499</u>                        | <u>90,532</u>                        | <u>5,415</u>            | <u>-</u>                             | <u>375,805</u>                    |
| <u>(3,832)</u>                       | <u>(21,612)</u>                      | <u>(5,415)</u>          | <u>-</u>                             | <u>(135,291)</u>                  |
| 145                                  | 2,953                                | 6                       | 383                                  | 6,340                             |
| -                                    | -                                    | -                       | -                                    | 200,000                           |
| <u>145</u>                           | <u>2,953</u>                         | <u>6</u>                | <u>383</u>                           | <u>206,340</u>                    |
| <u>(3,687)</u>                       | <u>(18,659)</u>                      | <u>(5,409)</u>          | <u>383</u>                           | <u>71,049</u>                     |
| -                                    | 30,000                               | -                       | -                                    | 60,000                            |
| -                                    | 30,000                               | -                       | -                                    | 60,000                            |
| (3,687)                              | 11,341                               | (5,409)                 | 383                                  | 131,049                           |
| <u>194,117</u>                       | <u>1,607,744</u>                     | <u>5,409</u>            | <u>57,289</u>                        | <u>3,323,521</u>                  |
| <u>\$ 190,430</u>                    | <u>\$ 1,619,085</u>                  | <u>\$ -</u>             | <u>\$ 57,672</u>                     | <u>\$ 3,454,570</u>               |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**ENTERPRISE MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS)  
For The Fiscal Year Ended June 30, 2012**

|                                    | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Variance with<br/>Final Budget</u> |
|------------------------------------|-------------------------|------------------|---|---------------------------------------|
|                                    | <u>Original</u>         | <u>Final</u>     |   |                                       |
| <b>REVENUES</b>                    |                         |                  |   |                                       |
| Charges for services-              |                         |                  |   |                                       |
| Rental income                      | \$ 1,287,564            | \$ 1,287,564     | \$ 977,933                              | \$ (309,631)                          |
| Interest on investments            | -                       | -                | 1,140                                   | 1,140                                 |
| Total revenues                     | <u>1,287,564</u>        | <u>1,287,564</u> | <u>979,073</u>                          | <u>(308,491)</u>                      |
| <b>EXPENDITURES</b>                |                         |                  |   |                                       |
| Current:                           |                         |                  |   |                                       |
| Community development:             |                         |                  |   |                                       |
| Housing                            | <u>1,287,564</u>        | <u>1,287,564</u> | <u>1,015,468</u>                        | <u>272,096</u>                        |
| Total community development        | <u>1,287,564</u>        | <u>1,287,564</u> | <u>1,015,468</u>                        | <u>272,096</u>                        |
| Total expenditures                 | <u>1,287,564</u>        | <u>1,287,564</u> | <u>1,015,468</u>                        | <u>272,096</u>                        |
| Net change in fund balance         | -                       | -                | (36,395)                                | (36,395)                              |
| <b>FUND EQUITY - July 1, 2011</b>  | -                       | -                | <u>75,272</u>                           | <u>75,272</u>                         |
| <b>FUND EQUITY - June 30, 2012</b> | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 38,877</u>                        | <u>\$ 38,877</u>                      |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RISK MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2012**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|------------------|-------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>     |                   |                                       |
| <b>REVENUES</b>                                      |                         |                  |                   |                                       |
| Interest on investments                              | \$ -                    | \$ 500           | \$ 1,658          | \$ 1,158                              |
| Total revenues                                       | <u>-</u>                | <u>500</u>       | <u>1,658</u>      | <u>1,158</u>                          |
| <b>EXPENDITURES</b>                                  |                         |                  |                   |                                       |
| Current:   |                         |                  |                   |                                       |
| Administration                                       | 240,000                 | 248,765          | 2                 | 248,763                               |
| Total community development                          | <u>240,000</u>          | <u>248,765</u>   | <u>2</u>          | <u>248,763</u>                        |
| Total expenditures                                   | <u>240,000</u>          | <u>248,765</u>   | <u>2</u>          | <u>248,763</u>                        |
| Excess (deficiency) of revenues<br>over expenditures | <u>(240,000)</u>        | <u>(248,265)</u> | <u>1,656</u>      | <u>249,921</u>                        |
| Net change in fund balance                           | (240,000)               | (248,265)        | 1,656             | 249,921                               |
| <b>FUND BALANCE - July 1, 2011</b>                   | <u>240,000</u>          | <u>248,265</u>   | <u>248,265</u>    | <u>-</u>                              |
| <b>FUND BALANCE - June 30, 2012</b>                  | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 249,921</u> | <u>\$ 249,921</u>                     |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND**

For the Fiscal Year Ended June 30, 2012

|  | <u>Balance<br/>July 1, 2011</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>June 30, 2012</u> |
|--|---------------------------------|------------------|-------------------|----------------------------------|
| <b>Assets:</b>                             |                                 |                  |                   |                                  |
| Cash with City of Portland investment pool | \$ 19                           | \$ 95,337        | \$ 94,656         | \$ 700                           |
| Interest receivable                        | <u>8</u>                        | <u>3,559</u>     | <u>3,567</u>      | <u>-</u>                         |
| Total assets                               | <u>\$ 27</u>                    | <u>\$ 98,896</u> | <u>\$ 98,223</u>  | <u>\$ 700</u>                    |
| <br><b>Liabilities -</b>                   |                                 |                  |                   |                                  |
| Accounts payable                           | <u>\$ 26</u>                    | <u>\$ 93,102</u> | <u>\$ 92,428</u>  | <u>\$ 700</u>                    |

**CAPITAL ASSETS  
USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

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**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY SOURCE  
June 30, 2012**

|  |    |                    |
|--|----|--------------------|
| Governmental funds capital assets:                         |    |                    |
| Land   | \$ | 4,646,050          |
| Buildings and improvements                                 |    | 2,707,441          |
| Leasehold improvements                                     |    | 3,849,501          |
| Vehicles, and equipment                                    |    | 1,069,547          |
| Intangible software  |    | 2,702,582          |
| Accumulated depreciation                                   |    | <u>(6,036,417)</u> |
| Total governmental funds capital assets                    | \$ | <u>8,938,704</u>   |
| Investment in governmental funds capital assets by source: |    |                    |
| General Fund   | \$ | 3,778,642          |
| Capital Projects Funds                                     |    | 11,196,479         |
| Accumulated depreciation                                   |    | <u>(6,036,417)</u> |
| Total governmental funds capital assets                    | \$ | <u>8,938,704</u>   |

This schedule presents only the capital asset balances related to governmental funds.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2012**

| <u>Function and Activity</u>                   | <u>Land</u>         | <u>Buildings<br/>and<br/>Improvements</u> | <u>Leasehold<br/>Improvements</u> | <u>Vehicles and<br/>Equipment</u> | <u>Software</u>     | <u>Total</u>        |
|--|---------------------|---|-----------------------------------|-----------------------------------|---------------------|---------------------|
| <b>Community development</b>                   |                     |   |                                   |                                   |                     |                     |
| Revitalization                                 | \$ 4,646,050        | \$ 2,707,441                              | \$ -                              | \$ -                              | \$ -                | \$ 7,353,491        |
| Administration                                 | -                   | -   | 3,849,501                         | 1,069,547                         | 2,702,582           | 7,621,630           |
| Total Community development                    | 4,646,050           | 2,707,441                                 | 3,849,501                         | 1,069,547                         | 2,702,582           | 14,975,121          |
| Less: Accumulated depreciation                 | -                   | (1,299,567)                               | (3,849,501)                       | (887,349)                         | -                   | (6,036,417)         |
| <b>Total governmental funds capital assets</b> | <u>\$ 4,646,050</u> | <u>\$ 1,407,874</u>                       | <u>\$ -</u>                       | <u>\$ 182,198</u>                 | <u>\$ 2,702,582</u> | <u>\$ 8,938,704</u> |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
For the Fiscal Year Ended June 30, 2012**

| <u>Program</u>                                 | <u>Governmental<br/>Funds Capital<br/>Assets<br/>July 1, 2011</u> | <u>Additions</u>           | <u>Deductions</u>            | <u>Governmental<br/>Funds Capital<br/>Assets<br/>June 30, 2012</u> |
|--|---|----------------------------|------------------------------|--|
| <b>Community development:</b>                  |   |                            |                              |  |
| Revitalization                                 | \$ 8,808,866  | \$ 10,815                  | \$ (1,466,190)               | \$ 7,353,491   |
| Adminstration                                  | <u>7,785,370</u>  | <u>1,281,377</u>           | <u>(1,445,117)</u>           | <u>7,621,630</u>   |
| Total Community development                    | 16,594,236  | 1,292,192                  | (2,911,307)                  | 14,975,121   |
| Less: Accumulated depreciation                 | <u>(6,991,546)</u>  | <u>(164,755)</u>           | <u>1,119,884</u>             | <u>(6,036,417)</u>   |
| <b>Total governmental funds capital assets</b> | <b>\$ <u>9,602,690</u></b>  | <b>\$ <u>1,127,437</u></b> | <b>\$ <u>(1,791,423)</u></b> | <b>\$ <u>8,938,704</u></b>   |

This schedule presents only the capital asset balances related to governmental funds.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SCHEDULE OF ACTIVITY OF REAL PROPERTY  
HELD BY THE COMMISSION  
For The Fiscal Year Ended June 30, 2012**

| <u>Funding Source</u>                            | <u>Balance<br/>July 1, 2011</u> | <u>Additions</u> | <u>Sales/<br/>Adjustment</u> | <u>Balance<br/>June 30, 2012</u> |
|--|---------------------------------|------------------|------------------------------|----------------------------------|
| <b>General Fund (Urban Redevelopment Fund):</b>  |                                 |                  |                              |                                  |
| * Woodstock & Foster Rd-Dagel Site-LTC           | \$ 100,000                      | \$ -             | \$ -                         | \$ 100,000                       |
| * 9330 SE Harold St-Boys & Girls Club-LTC        | 46,754                          | -                | -                            | 46,754                           |
| South Auditorium Park Block C                    | 2                               | -                | -                            | 2                                |
| Upshur- Willamette Heights Lot 7 & 8             | 6,501                           | -                | -                            | 6,501                            |
| Block 103-SW Montgomery Street                   | 1                               | -                | -                            | 1                                |
| Block 101-1510 SW Harbor Way                     | 1                               | -                | -                            | 1                                |
| Block 111-Market/Clay/Front                      | 1                               | -                | -                            | 1                                |
| Tom McCall Waterfront Park                       | 7                               | -                | -                            | 7                                |
| <b>Total</b>                                     | <u>153,267</u>                  | <u>-</u>         | <u>-</u>                     | <u>153,267</u>                   |
| <b>Housing and Community Development Fund:</b>   |                                 |                  |                              |                                  |
| * 5815 SE 92nd-Lents Plaza Mcgalliard Site       | 251,456                         | -                | -                            | 251,456                          |
| <b>Total</b>                                     | <u>251,456</u>                  | <u>-</u>         | <u>-</u>                     | <u>251,456</u>                   |
| <b>Other Federal Grants Fund:</b>                |                                 |                  |                              |                                  |
| * 6931 NE MLK JR Blvd                            | 416,430                         | -                | (416,430)                    | -                                |
| <b>Total</b>                                     | <u>416,430</u>                  | <u>-</u>         | <u>(416,430)</u>             | <u>-</u>                         |
| <b>Downtown Waterfront Urban Renewal Fund:</b>   |                                 |                  |                              |                                  |
| * NW Naito Parkway                               | 3,000                           | 70,597           | -                            | 73,597                           |
| * 209 SW Oak St-Abandoned Jail                   | 1,730,179                       | -                | (1,730,179)                  | -                                |
| * 820-838 SW 3rd Ave-Cossette Site               | 1,761,290                       | -                | -                            | 1,761,290                        |
| Union Station Parcels                            | 8,795,945                       | 10,813           | (1,466,190)                  | 7,340,568                        |
| * NW Davis BLK 8                                 | 2,500,001                       | -                | -                            | 2,500,001                        |
| * 411 NW Flanders Unit 100                       | 1,303,566                       | -                | (503,566)                    | 800,000                          |
| * 411 NW Flanders Prk (20 units)                 | 532,500                         | -                | (222,500)                    | 310,000                          |
| <b>Total</b>                                     | <u>16,626,481</u>               | <u>81,410</u>    | <u>(3,922,435)</u>           | <u>12,785,456</u>                |
| <b>North Macadam Urban Renewal Fund:</b>         |                                 |                  |                              |                                  |
| * South Waterfront Development Sites             | 3,730,829                       | -                | (4)                          | 3,730,825                        |
| * RiverPlace Garage                              | -                               | 6,173,152        | -                            | 6,173,152                        |
| <b>Total</b>                                     | <u>3,730,829</u>                | <u>6,173,152</u> | <u>(4)</u>                   | <u>9,903,977</u>                 |
| <b>River District Urban Renewal Fund:</b>        |                                 |                  |                              |                                  |
| * NW Naito Parkway                               | 193,516                         | -                | (70,597)                     | 122,919                          |
| * Broadway Hoyt/Glisan/6th-Block R               | 72,283                          | -                | -                            | 72,283                           |
| * 1362 NW Naito Prkwy-Centennial Mill            | 2,650,000                       | -                | -                            | 2,650,000                        |
| * 800 NW 6th Ave Parking Site-Block Y            | 487,039                         | -                | -                            | 487,039                          |
| * 9th & Lovejoy-Station Place                    | 1,053,464                       | 7,288            | -                            | 1,060,752                        |
| * Station Place Garage                           | 9,277,726                       | -                | -                            | 9,277,726                        |
| * Union Station Parcels-Old Fire Station & Lot 5 | 260,220                         | -                | -                            | 260,220                          |
| * 401-439 West Burnside St-Grove Hotel           | 1,100,000                       | -                | (440,000)                    | 660,000                          |
| ** WIP Postal Site                               | 2,116,349                       | -                | -                            | 2,116,349                        |
| <b>Total</b>                                     | <u>17,210,597</u>               | <u>7,288</u>     | <u>(510,597)</u>             | <u>16,707,288</u>                |
| <b>South Park Blocks Urban Renewal Fund:</b>     |                                 |                  |                              |                                  |
| * 5th & SW Montgomery St-PSU Carpool Lot         | 2,700,000                       | 8,560            | -                            | 2,708,560                        |
| * 401 SW Harrison St-Jasmine Tree                | 1,106,623                       | 48,299           | -                            | 1,154,922                        |
| <b>Total</b>                                     | <u>3,806,623</u>                | <u>56,859</u>    | <u>-</u>                     | <u>3,863,482</u>                 |
| <b>Convention Center Urban Renewal Fund:</b>     |                                 |                  |                              |                                  |
| * 5001 NE MLK Blvd-Living Color Site             | 815,321                         | -                | (815,321)                    | -                                |
| * NE Hol/MLK Blvd-Christie-Block 47              | 455,843                         | -                | -                            | 455,843                          |
| * 1st/Multnomah /2nd/Holladay Sts-Block 49       | 1,747,754                       | -                | -                            | 1,747,754                        |
| * 420 Holladay St-Inn @ Convention Center        | 5,493,803                       | -                | -                            | 5,493,803                        |
| * 831-834 NE MLK Blvd-Sizzler Site               | 2,779,188                       | 4,998            | -                            | 2,784,186                        |
| * 5029 NW MLK Blvd-Walnut Park Theater           | 362,582                         | -                | (362,582)                    | -                                |
| * 5125-5131 NE MLK Blvd-Wirf Sites               | 933,183                         | -                | (933,183)                    | -                                |
| * 84 NE Weidler St-B & K Site                    | 876,128                         | -                | -                            | 876,128                          |
| * 910 NE MLK-Menashe Site                        | 4,547,284                       | -                | (2,627,284)                  | 1,920,000                        |
| * 3620 NE MLK Blvd-Parking Lot                   | 61,888                          | -                | (61,888)                     | -                                |
| <b>Total</b>                                     | <u>18,072,974</u>               | <u>4,998</u>     | <u>(4,800,258)</u>           | <u>13,277,714</u>                |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SCHEDULE OF ACTIVITY OF REAL PROPERTY  
HELD BY THE COMMISSION  
For The Fiscal Year Ended June 30, 2012**

| <u>Funding Source</u>                              | <u>Balance<br/>July 1, 2011</u> | <u>Additions</u>    | <u>Sales/<br/>Adjustment</u> | <u>Balance<br/>June 30, 2012</u> |
|--|---------------------------------|---------------------|------------------------------|----------------------------------|
| <b>Central Eastside Urban Renewal Fund:</b>        |                                 |                     |                              |                                  |
| * 240 NE MLK Blvd                                  | 152,397                         | 2                   | -                            | 152,399                          |
| * 11 NE MLK Blvd-Unocal Site                       | 574,950                         | -                   | -                            | 574,950                          |
| * 313 E Burnside St-Recovery Inn-Block 76          | 566,422                         | -                   | -                            | 566,422                          |
| * 5-13 NE 3rd Ave-Block 67                         | 312,728                         | -                   | -                            | 312,728                          |
| * 1401 SE Water Ave-OMSI Crescent Site             | 450,000                         | -                   | (450,000)                    | -                                |
| * 318 NE Couch St-Fischels Site                    | 534,525                         | -                   | -                            | 534,525                          |
| * 123 NE 3rd Ave-Convention Center Plaza           | 10,085,780                      | -                   | -                            | 10,085,780                       |
| * 111 NE MLK Blvd-Block 75                         | 1,302,599                       | -                   | -                            | 1,302,599                        |
| <b>Total</b>                                       | <u>13,979,401</u>               | <u>2</u>            | <u>(450,000)</u>             | <u>13,529,403</u>                |
| <b>Lents Town Center Urban Renewal Fund:</b>       |                                 |                     |                              |                                  |
| * 9316 SE Woodstock Blvd-Glendville                | 123,278                         | -                   | -                            | 123,278                          |
| * 9330 SE Harold St-Boys and Girls Club            | 1,241,745                       | 78,448              | -                            | 1,320,193                        |
| * 6116 SE 93rd-Davis Property                      | 103,975                         | -                   | -                            | 103,975                          |
| * 5728 SE 91St & 5808 SE 91St-Rssn Ch & Hse        | 337,000                         | -                   | -                            | 337,000                          |
| * 9117-9123 SE Foster Rd                           | 116,300                         | 54,385              | -                            | 170,685                          |
| * 5916 SE 91st Ave                                 | 770,267                         | 17,749              | -                            | 788,016                          |
| * 5933 SE 92nd Ave Lot 3-5                         | 1,076,019                       | -                   | -                            | 1,076,019                        |
| * 9231 SE Foster Rd                                | 1,278,977                       | -                   | -                            | 1,278,977                        |
| * 5716 SE 92nd Ave                                 | 2,151,149                       | -                   | -                            | 2,151,149                        |
| * 8801 SE Foster Rd                                | 399,148                         | -                   | (219,148)                    | 180,000                          |
| * 9320 SE Ramona St                                | 253,255                         | -                   | (132,285)                    | 120,970                          |
| * SE Foster Rd Lents Town Center II                | 372,966                         | -                   | -                            | 372,966                          |
| * 7104-7120, 7126-7130, 7238 SE Foster Rd          | 1,380,111                       | -                   | -                            | 1,380,111                        |
| * SE Reedway St                                    | 100,830                         | 10,161              | -                            | 110,991                          |
| <b>Total</b>                                       | <u>9,705,020</u>                | <u>160,743</u>      | <u>(351,433)</u>             | <u>9,514,330</u>                 |
| <b>Interstate Corridor Urban Renewal Fund:</b>     |                                 |                     |                              |                                  |
| * 5001 NE MLK Blvd-Living Color Site               | -                               | 815,321             | -                            | 815,321                          |
| * 5029 NW MLK Blvd-Walnut Park Theater             | -                               | 362,582             | -                            | 362,582                          |
| * 5125-5131 NE MLK Blvd-Wirf Sites                 | -                               | 933,183             | -                            | 933,183                          |
| 4500 N Albina                                      | 6,410                           | -                   | -                            | 6,410                            |
| * 5116 NE Garfield St-Reiss Site                   | 304,110                         | -                   | -                            | 304,110                          |
| * Marco Bldg                                       | 260,000                         | -                   | (260,000)                    | -                                |
| * 3620 NE MLK Blvd-Parking Lot                     | -                               | 61,888              | -                            | 61,888                           |
| * 8411 N Denver Ave                                | 1,034,719                       | 2,301               | -                            | 1,037,020                        |
| * 8419 N Denver Ave                                | 245,314                         | 2,301               | -                            | 247,615                          |
| * 2221 N Argyle St                                 | 1,031,795                       | 2,300               | -                            | 1,034,095                        |
| * 2221 N Argyle St                                 | 1,428,526                       | 2,300               | -                            | 1,430,826                        |
| * 6931 NE MLK JR Blvd                              | -                               | 330,000             | -                            | 330,000                          |
| <b>Total</b>                                       | <u>4,310,874</u>                | <u>2,512,176</u>    | <u>(260,000)</u>             | <u>6,563,050</u>                 |
| <b>Gateway Regional Center Urban Renewal Fund:</b> |                                 |                     |                              |                                  |
| * 10225 NE Burnside St-Childrens Receiving Ctr     | 794,135                         | 10,493              | (804,628)                    | -                                |
| * 9707 NE Multnomah Blvd-Gateway Transit Ctr       | 848,094                         | -                   | -                            | 848,094                          |
| * 10520 NE Halsey St                               | 1,152,811                       | -                   | -                            | 1,152,811                        |
| * 10506-10512 NE Halsey St                         | 2,009,041                       | 58,573              | -                            | 2,067,614                        |
| <b>Total</b>                                       | <u>4,804,081</u>                | <u>69,066</u>       | <u>(804,628)</u>             | <u>4,068,519</u>                 |
| <b>Airport Way Urban Renewal Fund:</b>             |                                 |                     |                              |                                  |
| * NE 185th Riverside Parkway-Spada                 | 1,563,627                       | -                   | -                            | 1,563,627                        |
| * Holman St Site                                   | 5,000                           | -                   | -                            | 5,000                            |
| * 13328 NE Airport Way-Damonte                     | 140,500                         | -                   | -                            | 140,500                          |
| * 12824 NE Airport Way-Danner South                | 192,850                         | -                   | -                            | 192,850                          |
| * Cascade Station Lease Rights                     | 10,452,345                      | (143,183)           | -                            | 10,309,162                       |
| <b>Total</b>                                       | <u>12,354,322</u>               | <u>(143,183)</u>    | <u>-</u>                     | <u>12,211,139</u>                |
| <b>Total all funds</b>                             | <u>105,422,355</u>              | <u>\$ 8,922,511</u> | <u>\$ (11,515,785)</u>       | <u>102,829,081</u>               |
| <b>Add:</b> Vehicles and equipment                 | 2,151,111                       |                     |                              | 1,069,547                        |
| Leasehold improvements                             | 3,849,501                       |                     |                              | 3,849,501                        |
| Software   | 930,394                         |                     |                              | 2,702,582                        |
| ** WIP-software                                    | 854,362                         |                     |                              | -                                |
| <b>Less:</b> Property held for sale                | (96,613,487)                    |                     |                              | (95,475,590)                     |
| Accumulated depreciation-NHFS                      | (6,991,546)                     |                     |                              | (6,036,417)                      |
| <b>Total Capital Assets</b>                        | <u>\$ 9,602,690</u>             |                     |                              | <u>\$ 8,938,704</u>              |

\* Represents property held for sale

\*\* Represents work in process

**Statistical  
Section\_\_\_\_\_**

**PDC** | PORTLAND  
DEVELOPMENT  
COMMISSION  
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## STATISTICAL SECTION

This part of PDC's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required information says about the Commission's overall financial health.

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| Financial Trends   | 106         |
| <i>These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.</i>   |             |
| Revenue Capacity   | 110         |
| <i>These schedules contain information to help the reader assess the Commission's most significant local revenue source, tax increment debt proceeds (in lieu of tax increment revenue).</i>                       |             |
| Debt Capacity  | 112         |
| <i>These schedules present information to help the reader assess the affordability of the Commission's current levels of understanding debt and its ability to issue additional debt in the future.</i>            |             |
| Demographics and Economic Information  | 128         |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.</i>                                      |             |
| Operating Information  | 130         |
| <i>These schedules contain service data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.</i> |             |



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**NET ASSETS BY COMPONENT  
Last Ten Fiscal Years  
(Unaudited)**

|   | Fiscal Year              |                       |                       |                       |                       |                          |                       |                       |                       |                       |
|---|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2002-03<br>(as restated) | 2003-04               | 2004-05               | 2005-06               | 2006-07               | 2007-08<br>(as restated) | 2008-09               | 2009-10               | 2010-11               | 2011-12               |
| Governmental activities                         |                          |                       |                       |                       |                       |                          |                       |                       |                       |                       |
| Invested in capital assets, net of related debt | \$ 12,078,534            | \$ 13,181,711         | \$ 13,864,073         | \$ 13,188,653         | \$ 12,715,642         | \$ 12,358,875            | \$ 12,404,855         | \$ 9,995,090          | \$ 9,602,690          | \$ 8,938,704          |
| Restricted                                      | 223,589,051              | 207,792,342           | 177,136,865           | 197,188,290           | 214,919,258           | 237,479,876              | 262,020,868           | 267,883,500           | 213,594,580           | 279,593,433           |
| Unrestricted                                    | 3,385,457                | 2,966,770             | 3,314,382             | 3,389,413             | 2,660,789             | 3,283,081                | 4,943,550             | 1,527,725             | 3,689,822             | (2,559,951)           |
| Total governmental activities net assets        | <u>239,053,042</u>       | <u>223,940,823</u>    | <u>194,315,320</u>    | <u>213,766,356</u>    | <u>230,295,689</u>    | <u>253,121,832</u>       | <u>279,369,273</u>    | <u>279,406,315</u>    | <u>226,887,092</u>    | <u>285,972,186</u>    |
| Business-type activities                        |                          |                       |                       |                       |                       |                          |                       |                       |                       |                       |
| Unrestricted                                    | <u>13,946,370</u>        | <u>14,492,189</u>     | <u>12,551,778</u>     | <u>14,508,369</u>     | <u>14,668,980</u>     | <u>16,409,376</u>        | <u>17,024,863</u>     | <u>12,782,861</u>     | <u>3,398,793</u>      | <u>3,493,447</u>      |
| Total government                                |                          |                       |                       |                       |                       |                          |                       |                       |                       |                       |
| Invested in capital assets, net of related debt | 12,078,534               | 13,181,711            | 13,864,073            | 13,188,653            | 12,715,642            | 12,358,875               | 12,404,855            | 9,995,090             | 9,602,690             | 8,938,704             |
| Restricted                                      | 223,589,051              | 207,792,342           | 177,136,865           | 197,188,290           | 214,919,258           | 237,479,876              | 262,020,868           | 267,883,500           | 213,594,580           | 279,593,433           |
| Unrestricted                                    | 17,331,827               | 17,458,959            | 15,866,160            | 17,897,782            | 17,329,769            | 19,692,457               | 21,968,413            | 14,310,586            | 7,088,615             | 933,496               |
| Total government net assets                     | <u>\$ 252,999,412</u>    | <u>\$ 238,433,012</u> | <u>\$ 206,867,098</u> | <u>\$ 228,274,725</u> | <u>\$ 244,964,669</u> | <u>\$ 269,531,208</u>    | <u>\$ 296,394,136</u> | <u>\$ 292,189,176</u> | <u>\$ 230,285,885</u> | <u>\$ 289,465,633</u> |

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CHANGES IN NET ASSETS**  
**Last Ten Fiscal Years**  
**(Unaudited)**

|   | Fiscal Year               |                        |                        |                           |                           |                          |                      |                       |                        |                      |
|---|---------------------------|------------------------|------------------------|---------------------------|---------------------------|--------------------------|----------------------|-----------------------|------------------------|----------------------|
|   | 2002-03<br>(as restated)  | 2003-04                | 2004-05                | 2005-06                   | 2006-07                   | 2007-08<br>(as restated) | 2008-09              | 2009-10               | 2010-11                | 2011-12              |
| <b>Expenses</b>   |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Governmental activities:                                |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Community development                                   | \$ 58,007,849             | \$ 75,311,799          | \$ 99,462,500          | \$ 100,446,658            | \$ 116,101,082            | \$ 105,412,401           | \$ 103,984,411       | \$ 130,439,659        | \$ 156,412,909         | \$ 99,713,038        |
| Business-type activities:                               |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Enterprise loans  | 10,510,950                | 866,407                | 5,010,245              | 1,239,307                 | 2,322,045                 | 8,105,250                | 9,936,353            | 10,450,636            | 10,621,790             | 375,805              |
| Enterprise management                                   | -                         | -                      | -                      | -                         | -                         | -                        | -                    | 1,112,560             | 985,671                | 1,015,468            |
| <b>Total expenses</b>                                   | <b>68,518,799</b>         | <b>76,178,206</b>      | <b>104,472,745</b>     | <b>101,685,965</b>        | <b>118,423,127</b>        | <b>113,517,651</b>       | <b>113,920,764</b>   | <b>142,002,855</b>    | <b>168,020,370</b>     | <b>101,104,311</b>   |
| <b>Program Revenues</b>                                 |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Governmental activities:                                |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Charges for services                                    | 6,312,913                 | 5,101,044              | 6,957,708              | 9,142,846                 | 5,692,711                 | 5,322,051                | 4,609,577            | 5,423,765             | 3,984,188              | 3,291,192            |
| Operating grants and contributions                      | 4,698,443                 | 9,935,888              | 14,481,639             | 16,386,221                | 8,669,663                 | 12,007,140               | 9,537,786            | 17,538,107            | 7,262,870              | 7,170,821            |
| <b>Total governmental activities program revenues</b>   | <b>11,011,356</b>         | <b>15,036,932</b>      | <b>21,439,347</b>      | <b>25,529,067</b>         | <b>14,362,374</b>         | <b>17,329,191</b>        | <b>14,147,363</b>    | <b>22,961,872</b>     | <b>11,247,058</b>      | <b>10,462,013</b>    |
| Business-type activities:                               |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Charges for services                                    | 2,101,629                 | 1,350,925              | 2,999,021              | 2,676,027                 | 2,037,570                 | 3,211,791                | 3,643,684            | 2,299,955             | 2,058,945              | 1,218,447            |
| Operating grants and contributions                      | -                         | -                      | -                      | -                         | 138,814                   | 6,365,519                | 6,840,790            | 6,747,695             | 200,092                | 200,000              |
| <b>Total business-type activities program revenues</b>  | <b>2,101,629</b>          | <b>1,350,925</b>       | <b>2,999,021</b>       | <b>2,676,027</b>          | <b>2,176,384</b>          | <b>9,577,310</b>         | <b>10,484,474</b>    | <b>9,047,650</b>      | <b>2,259,037</b>       | <b>1,418,447</b>     |
| <b>Total revenues</b>                                   | <b>13,112,985</b>         | <b>16,387,857</b>      | <b>24,438,368</b>      | <b>28,205,094</b>         | <b>16,538,758</b>         | <b>26,906,501</b>        | <b>24,631,837</b>    | <b>32,009,522</b>     | <b>13,506,095</b>      | <b>11,880,460</b>    |
| <b>Net (expense)/revenue:</b>                           |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Governmental activities                                 | (46,996,493)              | (60,274,867)           | (78,023,153)           | (74,917,591)              | (101,738,708)             | (88,083,210)             | (89,837,048)         | (107,477,787)         | (145,165,851)          | (89,251,025)         |
| Business-type activities                                | 2,101,629                 | 1,350,925              | 2,999,021              | 2,676,027                 | 2,176,384                 | 9,577,310                | 10,484,474           | (2,515,546)           | (9,348,424)            | 27,174               |
| <b>Total net expenses</b>                               | <b>(44,894,864)</b>       | <b>(58,923,942)</b>    | <b>(75,024,132)</b>    | <b>(72,241,564)</b>       | <b>(99,562,324)</b>       | <b>(78,505,900)</b>      | <b>(79,352,574)</b>  | <b>(109,993,333)</b>  | <b>(154,514,275)</b>   | <b>(89,223,851)</b>  |
| <b>General Revenues and Other Changes in Net Assets</b> |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Governmental activities:                                |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Tax-increment debt proceeds                             |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| (in lieu of tax-increment revenue)                      | 64,390,903 <sup>(1)</sup> | 36,906,756             | 43,671,683             | 82,974,088 <sup>(2)</sup> | 91,878,764 <sup>(2)</sup> | 105,929,455              | 105,254,573          | 89,778,162            | 85,287,185             | 133,787,307          |
| Unrestricted investment income                          | 2,441,664                 | 1,473,943              | 2,009,751              | 2,890,426                 | 3,491,587                 | 2,489,775                | 2,872,087            | 1,190,507             | 664,618                | 525,565              |
| Miscellaneous   | 2,941,489                 | 6,768,486              | 2,707,265              | 8,911,725                 | 8,458,224                 | 2,627,865                | 7,920,829            | 14,769,846            | 6,644,825              | 14,083,247           |
| Special Item - Cascade Station lease rights             | -                         | -                      | -                      | -                         | 14,550,302                | -                        | -                    | -                     | -                      | -                    |
| Transfers   | 433,570                   | 13,463                 | 8,951                  | (407,612)                 | (110,836)                 | (137,742)                | 37,000               | 1,776,314             | 50,000                 | (60,000)             |
| <b>Total governmental activities</b>                    | <b>70,207,626</b>         | <b>45,162,648</b>      | <b>48,397,650</b>      | <b>94,368,627</b>         | <b>118,268,041</b>        | <b>110,909,353</b>       | <b>116,084,489</b>   | <b>107,514,829</b>    | <b>92,646,628</b>      | <b>148,336,119</b>   |
| Business-type activities:                               |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Unrestricted investment income                          | 156,279                   | 74,764                 | 79,764                 | 112,259                   | 195,423                   | 130,594                  | 74,339               | 49,858                | 14,356                 | 7,480                |
| Miscellaneous   | (433,570)                 | -                      | -                      | -                         | -                         | -                        | 30,027               | -                     | -                      | -                    |
| Transfers   | -                         | (13,463)               | (8,951)                | 407,612                   | 110,836                   | 137,742                  | (37,000)             | (1,776,314)           | (50,000)               | 60,000               |
| <b>Total business-type activities</b>                   | <b>(277,291)</b>          | <b>61,301</b>          | <b>70,813</b>          | <b>519,871</b>            | <b>306,259</b>            | <b>268,336</b>           | <b>67,366</b>        | <b>(1,726,456)</b>    | <b>(35,644)</b>        | <b>67,480</b>        |
| <b>Total</b>  | <b>69,930,335</b>         | <b>45,223,949</b>      | <b>48,468,463</b>      | <b>94,888,498</b>         | <b>118,574,300</b>        | <b>111,177,689</b>       | <b>116,151,855</b>   | <b>105,788,373</b>    | <b>92,610,984</b>      | <b>148,403,599</b>   |
| <b>Changes in Net Assets</b>                            |                           |                        |                        |                           |                           |                          |                      |                       |                        |                      |
| Governmental activities                                 | 23,211,133                | (15,112,219)           | (29,625,503)           | 19,451,036                | 16,529,333                | 22,826,143               | 26,247,441           | 37,042                | (52,519,223)           | 59,085,094           |
| Business-type activities                                | (8,686,612)               | 545,819                | (1,940,411)            | 1,956,591                 | 160,598                   | 1,740,396                | 10,551,840           | (4,242,002)           | (9,384,068)            | 94,654               |
| <b>Total</b>  | <b>\$ 14,524,521</b>      | <b>\$ (14,566,400)</b> | <b>\$ (31,565,914)</b> | <b>\$ 21,407,627</b>      | <b>\$ 16,689,931</b>      | <b>\$ 24,566,539</b>     | <b>\$ 36,799,281</b> | <b>\$ (4,204,960)</b> | <b>\$ (61,903,291)</b> | <b>\$ 59,179,748</b> |

(1) Increase is due to bonds issued for River District urban renewal area.

(2) Increase is due to City of Portland Line of Credit reimbursements received for capital outlay.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(Unaudited)**

|                                  | Fiscal Year              |                       |                       |                       |                       |                          |                       |                       |                       |                       |
|----------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                  | 2002-03<br>(as restated) | 2003-04               | 2004-05               | 2005-06               | 2006-07               | 2007-08<br>(as restated) | 2008-09               | 2009-10               | 2010-11               | 2011-12               |
| General Fund                     |                          |                       |                       |                       |                       |                          |                       |                       |                       |                       |
| Non-spendable                    | \$ 3,129,527             | \$ 2,707,267          | \$ 2,452,654          | \$ 1,444,428          | \$ 476,064            | \$ 466,175               | \$ 569,765            | \$ 673,358            | \$ 1,042,036          | \$ 1,028,551          |
| Assigned                         | -                        | -                     | -                     | -                     | -                     | -                        | -                     | -                     | 3,069,788             | 2,397,106             |
| Unassigned                       | -                        | -                     | 701,254               | 1,471,055             | 1,788,615             | 2,789,504                | 4,391,564             | 4,632,922             | 1,010,040             | 687,937               |
| Total general fund               | <u>\$ 3,129,527</u>      | <u>\$ 2,707,267</u>   | <u>\$ 3,153,908</u>   | <u>\$ 2,915,483</u>   | <u>\$ 2,264,679</u>   | <u>\$ 3,255,679</u>      | <u>\$ 4,961,329</u>   | <u>\$ 5,306,280</u>   | <u>\$ 5,121,864</u>   | <u>\$ 4,113,594</u>   |
| All other governmental funds     |                          |                       |                       |                       |                       |                          |                       |                       |                       |                       |
| Reserved                         | \$ 129,823,503           | \$ 125,008,341        | \$ 113,678,934        | \$ 127,770,229        | \$ 165,555,407        | \$ 174,306,280           | \$ 182,333,262        | \$ 187,587,202        | \$ -                  | \$ -                  |
| Unreserved, report in:           |                          |                       |                       |                       |                       |                          |                       |                       |                       |                       |
| Special revenue funds            | 1,360,203                | 935,674               | 1,048,085             | 734,202               | 928,313               | 747,264                  | 371,923               | 1,070,851             | -                     | -                     |
| Capital projects funds           | 92,405,345               | 82,491,391            | 62,649,846            | 68,683,859            | 48,435,539            | 70,007,265               | 88,815,802            | 84,843,645            | -                     | -                     |
| Restricted                       |                          |                       |                       |                       |                       |                          |                       |                       |                       |                       |
| Special revenue funds            | -                        | -                     | -                     | -                     | -                     | -                        | -                     | -                     | 3,583,005             | 7,492                 |
| Capital projects funds           | -                        | -                     | -                     | -                     | -                     | -                        | -                     | -                     | 216,899,188           | 284,724,254           |
| Total all other government funds | <u>\$ 223,589,051</u>    | <u>\$ 208,435,406</u> | <u>\$ 177,376,865</u> | <u>\$ 197,188,290</u> | <u>\$ 214,919,259</u> | <u>\$ 245,060,809</u>    | <u>\$ 271,520,987</u> | <u>\$ 273,501,698</u> | <u>\$ 220,482,193</u> | <u>\$ 284,731,746</u> |

**PORTLAND DEVELOPMENT COMMISSION**  
**A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Unaudited)**

|   | Fiscal Year              |                        |                        |                      |                           |                            |                      |                     |                        |                      |
|---|--------------------------|------------------------|------------------------|----------------------|---------------------------|----------------------------|----------------------|---------------------|------------------------|----------------------|
|   | 2002-03<br>(as restated) | 2003-04                | 2004-05                | 2005-06              | 2006-07                   | 2007-08<br>(as restated)   | 2008-09              | 2009-10             | 2010-11                | 2011-12              |
| <b>Revenues</b>   |                          |                        |                        |                      |                           |                            |                      |                     |                        |                      |
| Intergovernmental revenues  | \$ 4,698,443             | \$ 9,935,888           | \$ 14,481,639          | \$ 16,386,221        | \$ 8,669,663              | \$ 12,007,140              | \$ 9,537,786         | \$ 17,538,107       | \$ 7,262,870           | \$ 7,170,821         |
| Charges for services  | 1,770,616                | 1,517,374              | 3,064,571              | 3,304,810            | 2,153,263                 | 2,206,948                  | 1,525,351            | 1,914,924           | 1,764,096              | 1,658,729            |
| Loan collections  | 4,542,297                | 4,226,734              | 3,893,137              | 5,838,036            | 3,539,448                 | 3,115,103                  | 3,084,226            | 3,508,841           | 1,010,555              | 1,238,233            |
| Interest on investments   | 2,436,580                | 1,470,370              | 2,004,595              | 2,881,904            | 3,468,091                 | 2,471,816                  | 2,861,153            | 1,186,801           | 662,945                | 523,907              |
| Miscellaneous   | 2,941,489                | 6,768,486              | 2,707,265              | 8,911,725            | 8,458,224                 | 2,627,865                  | 7,920,829            | 14,100,415          | 6,644,825              | 14,083,247           |
| Tax-increment debt proceeds<br>(in lieu of tax-increment revenue) | 64,390,903               | 36,906,756             | 43,671,683             | 82,974,088           | 91,878,764 <sup>(2)</sup> | 105,929,455 <sup>(3)</sup> | 105,254,573          | 89,778,162          | 85,287,185             | 133,787,307          |
| <b>Total revenues</b>   | <b>80,780,328</b>        | <b>60,825,608</b>      | <b>69,822,890</b>      | <b>120,296,784</b>   | <b>118,167,453</b>        | <b>128,358,327</b>         | <b>130,183,918</b>   | <b>128,027,250</b>  | <b>102,632,476</b>     | <b>158,462,244</b>   |
| <b>Expenditures</b>   |                          |                        |                        |                      |                           |                            |                      |                     |                        |                      |
| Community development   | 24,143,208               | 26,242,691             | 32,096,129             | 29,618,462           | 63,600,425                | 38,092,378                 | 37,508,986           | 42,361,435          | 63,899,297             | 61,122,362           |
| Capital outlay  | 15,288,758               | 13,492,269             | 30,724,590             | 42,727,841           | 17,090,870                | 25,019,143                 | 36,518,711           | 35,237,650          | 45,311,997             | 17,166,817           |
| Financial assistance  | 18,274,514               | 36,677,660             | 37,608,692             | 27,663,186           | 34,835,459                | 33,887,263                 | 28,597,158           | 49,840,026          | 45,947,640             | 16,871,782           |
| Debt service -<br>Interest  | -                        | 2,356                  | 14,330                 | -                    | -                         | 89,250                     | -                    | 38,927              | 727,463                | -                    |
| <b>Total expenditures</b>   | <b>57,706,480</b>        | <b>76,414,976</b>      | <b>100,443,741</b>     | <b>100,009,489</b>   | <b>115,526,754</b>        | <b>97,088,034</b>          | <b>102,624,855</b>   | <b>127,478,038</b>  | <b>155,886,397</b>     | <b>95,160,961</b>    |
| Excess of revenues<br>over (under) expenditures                   | 23,073,848               | (15,589,368)           | (30,620,851)           | 20,287,295           | 2,640,699                 | 31,270,293                 | 27,559,063           | 549,212             | (53,253,921)           | 63,301,283           |
| <b>Other financing sources (uses)</b>                             |                          |                        |                        |                      |                           |                            |                      |                     |                        |                      |
| Internal service reimbursements                                   | -                        | -                      | -                      | -                    | -                         | -                          | -                    | 569,901             | -                      | -                    |
| Transfers in  | 727,944                  | 491,511                | 804,960                | 3,971,121            | 1,937,319                 | 4,581,453                  | 19,923,389           | 16,001,799          | 50,000 <sup>(4)</sup>  | 135,000              |
| Transfers out   | (294,374)                | (478,048)              | (796,009)              | (4,685,416)          | (2,048,155)               | (4,719,195)                | (19,886,389)         | (14,225,485)        | - <sup>(4)</sup>       | (195,000)            |
| <b>Total other financing sources (uses)</b>                       | <b>433,570</b>           | <b>13,463</b>          | <b>8,951</b>           | <b>(714,295)</b>     | <b>(110,836)</b>          | <b>(137,742)</b>           | <b>37,000</b>        | <b>2,346,215</b>    | <b>50,000</b>          | <b>(60,000)</b>      |
| Special Item - Cascade Station lease rights                       | -                        | -                      | -                      | -                    | 14,550,302                | -                          | -                    | -                   | -                      | -                    |
| <b>Net change in fund balances</b>                                | <b>\$ 23,507,418</b>     | <b>\$ (15,575,905)</b> | <b>\$ (30,611,900)</b> | <b>\$ 19,573,000</b> | <b>\$ 17,080,165</b>      | <b>\$ 31,132,551</b>       | <b>\$ 27,596,063</b> | <b>\$ 2,895,427</b> | <b>\$ (53,203,921)</b> | <b>\$ 63,241,283</b> |

(1) Increase is due to bonds issued for River District urban renewal area.

(2) Increase is due to City of Portland Line of Credit reimbursements received for capital outlay.

(3) Increase is due to issuance of bonds for Downtown Waterfront urban renewal area

(4) Decrease in transfers is due to the elimination of major federal grant programs and related required transfers with the transition of housing to the Portland Housing Bureau.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GENERAL GOVERNMENT REVENUES  
For The Last Ten Fiscal Years  
(Unaudited)**

| Fiscal<br>Year | Inter-<br>Governmental<br>Revenues | Charges<br>for<br>Services | Loan<br>Collections <sup>(1)</sup> | Investment<br>Income | Miscellaneous | Service<br>Reimbursements | Tax-increment<br>Debt Proceeds<br>(in lieu of<br>tax-increment<br>revenue) <sup>(2)</sup> | Total                         |
|----------------|------------------------------------|----------------------------|------------------------------------|----------------------|---------------|---------------------------|---|-------------------------------|
| 2002-03        | \$ 5,328,175                       | \$ 2,236,099               | \$ 14,430,643                      | \$ 2,597,430         | \$ 6,923,527  | \$ 11,305,170             | \$ 64,390,903   | \$ 107,211,947 <sup>(3)</sup> |
| 2003-04        | 13,423,445                         | 1,629,205                  | 14,728,499                         | 1,547,852            | 16,865,270    | 14,617,997                | 36,906,756  | 99,719,024 <sup>(4)</sup>     |
| 2004-05        | 15,614,350                         | 3,128,250                  | 13,857,498                         | 2,088,352            | 4,769,740     | 22,238,125                | 43,671,683  | 105,367,998 <sup>(5)</sup>    |
| 2005-06        | 16,386,221                         | 3,470,247                  | 25,053,209                         | 2,993,474            | 5,006,640     | 23,126,825                | 82,974,088  | 159,010,704 <sup>(6)</sup>    |
| 2006-07        | 8,808,477                          | 2,471,383                  | 14,432,249                         | 3,678,696            | 8,088,537     | 26,533,745                | 91,878,764  | 155,891,851                   |
| 2007-08        | 18,372,659                         | 3,369,928                  | 16,939,460                         | 2,648,707            | 5,748,141     | 29,660,046                | 105,929,455   | 182,668,396 <sup>(7)</sup>    |
| 2008-09        | 16,378,576                         | 1,695,463                  | 20,243,983                         | 2,976,453            | 6,881,900     | 32,987,672                | 105,254,573   | 186,418,620                   |
| 2009-10        | 24,285,794                         | 3,051,256                  | 19,965,068                         | 1,236,665            | 9,968,223     | -                         | 89,778,162  | 148,285,168 <sup>(8)</sup>    |
| 2010-11        | 4,159,959                          | 2,574,277                  | 4,321,335                          | 678,974              | 11,124,848    | -                         | 85,287,185  | 108,146,578                   |
| 2011-12        | 7,370,821                          | 2,636,662                  | 5,398,916                          | 533,046              | 7,038,089     | -                         | 133,787,307   | 156,764,841                   |

Source: Portland Development Commission records on a budgetary basis for all funds.

- (1) Interest earned on loans is included in Loan Collections.
- (2) Through fiscal year 1996-97, transfers from City of Portland Debt Service Funds were included in Miscellaneous. Beginning with fiscal year 1997-98, transfers from City of Portland Debt Service Funds are included in tax-increment Debt Proceeds (in lieu of tax increment revenue).
- (3) Increase is due to bonds issued for River District urban renewal area and for overhead charges budgeted as service reimbursements. In prior years, Service Reimbursements were budgeted as Interfund Transfers.
- (4) Increase in Home and CDBG grant revenues and revenues received from the sale of property held for sale has increased the intergovernmental and miscellaneous revenues. No bonds were issued during the fiscal year, thereby the reduction of the tax-increment debt proceeds.
- (5) Increase in Service Reimbursements is due to the change in methodology of Personal Services beginning Fiscal Year 2004-05. In prior years Personal Services were expended directly to individual funds.
- (6) Increase in tax-increment Debt Proceeds was due to City of Portland Line of Credit reimbursements for Capital Outlay.
- (7) Increase was due to bonds issued for Downtown Waterfront urban renewal area.
- (8) Internal service reimbursements were reclassified to a transfer.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GENERAL GOVERNMENT EXPENDITURES  
For The Last Ten Fiscal Years  
(Unaudited)**

| <u>Fiscal Year</u> | <u>Personal Services</u> | <u>Materials and Services</u> | <u>Capital Outlay</u>     | <u>Financial Assistance</u> | <u>Debt Service</u> | <u>Total</u>  |
|--------------------|--------------------------|-------------------------------|---------------------------|-----------------------------|---------------------|---------------|
| 2002-03            | \$ 12,797,482            | \$ 22,306,881 <sup>(1)</sup>  | \$ 26,293,552             | \$ 27,808,001               | \$ 2,867,083        | \$ 92,072,999 |
| 2003-04            | 15,089,965               | 25,926,709                    | 37,335,990 <sup>(2)</sup> | 43,957,311 <sup>(2)</sup>   | 2,738,977           | 125,048,952   |
| 2004-05            | 20,501,767               | 31,805,745                    | 35,920,409                | 50,698,697                  | 3,299,652           | 142,226,270   |
| 2005-06            | 22,373,756               | 27,902,737                    | 61,417,936 <sup>(3)</sup> | 51,208,537                  | 1,522,868           | 164,425,834   |
| 2006-07            | 24,601,713               | 63,212,456 <sup>(4)</sup>     | 26,616,600                | 57,005,317                  | 1,062,549           | 172,498,635   |
| 2007-08            | 27,904,908               | 40,464,287                    | 40,139,330                | 49,894,489                  | 2,868,011           | 161,271,025   |
| 2008-09            | 28,520,035               | 42,124,266                    | 35,660,038                | 52,267,819                  | 8,315,206           | 166,887,364   |
| 2009-10            | 22,175,426               | 22,981,345 <sup>(5)</sup>     | 36,771,943                | 66,245,765                  | 8,467,384           | 156,641,863   |
| 2010-11            | 17,904,488               | 49,598,814 <sup>(6)</sup>     | 27,269,642                | 32,918,717                  | 3,016,545           | 130,708,206   |
| 2011-12            | 15,440,575               | 52,000,490                    | 14,186,295                | 12,576,846                  | -                   | 94,204,206    |

Source: Portland Development Commission records on a budgetary basis for all funds.

- (1) In fiscal year 2002-03, due to a change in Budget presentation, Service Reimbursements were budgeted as Materials and Services. In prior years, they were budgeted as Interfund Transfers.
- (2) Increase due to the acquisition of \$16.6 million in property held for sale in the River District Urban Renewal Area.
- (3) Increase due to added infrastructure and transportation in the Gateway and Lents Urban Renewal Areas and the acquisition of the Headquarters Hotel property held for sale in the Convention Center Urban Renewal Area.
- (4) Increase is due to added infrastructure and transportation for the Light Rail Expansion, Portland Aerial Tram, and the Portland Streetcar.
- (5) Decrease due to reclass of internal service charges being classified as interfund transfer.
- (6) Increase due principally to reimbursement payments to Portland Housing Bureau

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**URBAN RENEWAL AREA CONSOLIDATED TAX RATES  
For The Last Ten Fiscal Years  
(Unaudited)**

Districts Common to All Areas

| Fiscal Year | Multnomah County | City of Portland | Port of Portland | Metro Service District | Tri-County Metropolitan Transportation District | Multnomah County ESD | Subtotal   | City of Portland Urban Renewal <sup>(1)</sup> |
|-------------|------------------|------------------|------------------|------------------------|---|----------------------|------------|---|
| 2002-03     | \$ 5.2719        | \$ 8.1893        | \$ 0.0701        | \$ 0.2900              | \$ 0.1080                                       | \$ 0.4576            | \$ 14.3869 | \$ 0.4039                                     |
| 2003-04     | 5.2785           | 7.9791           | 0.0701           | 0.2838                 | 0.1104  | 0.4576               | 14.1795    | 0.3897  |
| 2004-05     | 5.3065           | 7.9181           | 0.0701           | 0.2841                 | 0.1191  | 0.4576               | 14.1555    | 0.3754  |
| 2005-06     | 5.2949           | 7.8128           | 0.0701           | 0.2782                 | 0.0973  | 0.4576               | 14.0109    | 0.3588  |
| 2006-07     | 5.4171           | 7.9024           | 0.0701           | 0.4289                 | 0.0856  | 0.4576               | 14.3617    | 0.4250  |
| 2007-08     | 5.3936           | 7.3924           | 0.0701           | 0.3984                 | 0.0803  | 0.4576               | 13.7924    | 0.3235  |
| 2008-09     | 5.4026           | 7.8235           | 0.0701           | 0.4368                 | 0.0863  | 0.4576               | 14.2769    | 0.3100  |
| 2009-10     | 5.4026           | 7.8235           | 0.0701           | 0.4368                 | 0.0863  | 0.4576               | 14.2769    | 0.3100  |
| 2010-11     | 5.3846           | 7.8077           | 0.0701           | 0.4088                 | 0.0878  | 0.4576               | 14.2166    | 0.3009  |
| 2011-12     | 5.4403           | 7.9806           | 0.0701           | 0.3154                 | 0.0583  | 0.4576               | 14.3223    | 0.2926  |

Tax rates are expressed in terms of dollars and cents per \$1,000 of assessed value. Multnomah County collects all property taxes and distributes the taxes collected to each taxing district at least monthly. No charges are made to the taxing districts for these services. The sequestered tax increment revenue property taxes are recorded in the debt service funds of the City of Portland and are disclosed in the City's annual financial report.

- (1) Special levy applied only to Option 3 urban renewal areas: Oregon Convention Center, South Park Blocks, Downtown Waterfront, and Airport Way.
- (2) Applies to all areas except Gateway Regional Center Urban Renewal Area with the exception of a small number of properties.
- (3) Applies to Gateway Regional Center and Airport Way urban renewal areas
- (4) Applies only to the Airport Way Urban Renewal Area.
- (5) Applies to the following urban renewal areas: Lents Town Center, Gateway Regional Center, Interstate Corridor, Willamette Industrial, Airport Way, Oregon Convention Center, and Central Eastside
- (6) Applies to the following urban renewal areas: River District, North Macadam, South Park Blocks, and Downtown Waterfront.
- (7) Applies to the Lents Town Center, Gateway Regional Center, and Airport Way urban renewal areas.
- (8) Applies to Lents Town Center, and Gateway Regional Center urban renewal areas.

Source: Multnomah County Tax Supervising and Conservation Commission Annual Reports.

| <b>Portland<br/>Public School<br/>District #1 <sup>(2)</sup></b> | <b>Parkrose<br/>School<br/>District #3 <sup>(3)</sup></b> | <b>Reynolds<br/>School<br/>District #7 <sup>(4)</sup></b> | <b>David<br/>Douglas<br/>School<br/>District #40 <sup>(8)</sup></b> | <b>East<br/>Multnomah<br/>County Soil<br/>&amp; Water<br/>Conservation<br/>District <sup>(5)</sup></b> | <b>West<br/>Multnomah<br/>County Soil &amp;<br/>Water<br/>Conservation<br/>District <sup>(6)</sup></b> | <b>Portland<br/>Community<br/>College <sup>(2)</sup></b> | <b>Mt. Hood<br/>Community<br/>College <sup>(7)</sup></b> |
|--|---|---|---|--|--|--|--|
| \$ 7.1160  | \$ 6.9056   | \$ 6.0259   | \$ 6.6373   | \$ -   | \$ -   | \$ 0.5118  | \$ 0.5137  |
| 7.1792   | 6.6952  | 6.0431  | 6.5923  | -  | -  | 0.5099   | 0.4981   |
| 4.7743   | 6.3294  | 6.0151  | 6.5495  | 0.0413   | -  | 0.4950   | 0.4917   |
| 5.2781   | 6.2635  | 5.9497  | 6.8335  | 0.0326   | -  | 0.4889   | 0.4917   |
| 6.5281   | 5.9247  | 5.8339  | 6.8590  | 0.0715   | 0.0378   | 0.5051   | 0.4917   |
| 6.5281   | 5.8887  | 5.8147  | 6.8731  | 0.0877   | 0.0369   | 0.5031   | 0.4917   |
| 6.5281   | 6.1391  | 5.6033  | 6.5048  | 0.1000   | 0.0391   | 0.6325   | 0.4917   |
| 6.5281   | 6.1391  | 5.6033  | 6.5048  | 0.1000   | 0.0391   | 0.6325   | 0.4917   |
| 6.5281   | 6.0049  | 5.5958  | 6.4276  | 0.1000   | 0.0469   | 0.6359   | 0.4917   |
| 7.2681   | 5.8923  | 5.7789  | 6.3955  | 0.1000   | 0.0732   | 0.5981   | 0.4917   |



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**URBAN RENEWAL AND REDEVELOPMENT BONDS  
FUTURE BOND PRINCIPAL REQUIREMENTS**

As of June 30, 2012  
(Unaudited)

| Fiscal Year | Airport Way<br>Urban Renewal<br>Bonds | Downtown<br>Waterfront<br>Urban Renewal<br>Bonds | Downtown<br>Waterfront<br>Urban Renewal<br>Bonds | Downtown<br>Waterfront<br>Urban<br>Renewal<br>Bonds | Interstate<br>Corridor Urban<br>Renewal Bonds | Interstate<br>Corridor Urban<br>Renewal Bonds | Convention<br>Center Urban<br>Renewal Bonds |
|-------------|---------------------------------------|--|--|---|---|---|---|
|             | 2005<br>Series A & B                  | 2000<br>Series A & B                             | 2008<br>Series A & B                             | 2011<br>Series A & B                                | 2004<br>Series A                              | 2011<br>Series A & B                          | 2011<br>Series A                            |
|             | 2012-13                               | \$ 3,815,000                                     | \$ 3,525,000                                     | \$ 1,870,000  | \$ 175,000                                    | \$ 1,380,000                                  | \$ 1,515,000                                |
| 2013-14     | 4,010,000                             | -  | 1,960,000  | 3,845,000   | 1,435,000                                     | 1,555,000                                     | 3,260,000                                   |
| 2014-15     | 4,210,000                             | -  | 2,050,000  | 3,970,000   | 1,490,000                                     | 1,600,000                                     | 3,785,000                                   |
| 2015-16     | 4,420,000                             | -  | 2,160,000  | 4,090,000   | 1,550,000                                     | 1,655,000                                     | 3,935,000                                   |
| 2016-17     | 4,640,000                             | -  | 2,275,000  | 4,255,000   | 1,625,000                                     | 1,715,000                                     | 4,130,000                                   |
| 2017-18     | 4,875,000                             | -  | 2,390,000  | 4,430,000   | 1,710,000                                     | 1,790,000                                     | 4,335,000                                   |
| 2018-19     | 5,120,000                             | -  | 2,520,000  | 4,645,000   | 1,800,000                                     | 1,875,000                                     | 4,550,000                                   |
| 2019-20     | 5,375,000                             | -  | 2,680,000  | 4,880,000   | 1,890,000                                     | 1,965,000                                     | 4,780,000                                   |
| 2020-21     | -                                     | -  | 5,415,000  | -   | 1,990,000                                     | 2,065,000                                     | -   |
| 2021-22     | -                                     | -  | 5,760,000  | -   | 2,095,000                                     | 2,175,000                                     | -   |
| 2022-23     | -                                     | -  | 6,120,000  | -   | 2,190,000                                     | 2,315,000                                     | -   |
| 2023-24     | -                                     | -  | 7,000,000  | -   | 2,295,000                                     | 2,460,000                                     | -   |
| 2024-25     | -                                     | -  | -  | -   | 2,410,000                                     | 2,615,000                                     | -   |
| 2025-26     | -                                     | -  | -  | -   | -   | 2,780,000                                     | -   |
| 2026-27     | -                                     | -  | -  | -   | -   | 2,940,000                                     | -   |
| 2027-28     | -                                     | -  | -  | -   | -   | 3,085,000                                     | -   |
| 2028-29     | -                                     | -  | -  | -   | -   | 3,230,000                                     | -   |
| 2029-30     | -                                     | -  | -  | -   | -   | 3,390,000                                     | -   |
| 2030-31     | -                                     | -  | -  | -   | -   | 3,560,000                                     | -   |
| 2031-32     | -                                     | -  | -  | -   | -   | -   | -   |
| Total       | <u>\$ 36,465,000</u>                  | <u>\$ 3,525,000</u>                              | <u>\$ 42,200,000</u>                             | <u>\$ 30,290,000</u>                                | <u>\$ 23,860,000</u>                          | <u>\$ 44,285,000</u>                          | <u>\$ 32,900,000</u>                        |

Source: Amortization schedule for each bond.

Note 1: Bonds are debt of the City of Portland and are disclosed in the City's Comprehensive Annual Financial Report. This information is included in this report to assist the reader in determining future financing capacity.

| Convention<br>Center Urban<br>Renewal Bonds | River District<br>Urban Renewal<br>Bonds | River District<br>Urban Renewal<br>Bonds | South<br>ParkBlocks<br>Urban Renewal<br>Bonds | South<br>ParkBlocks<br>Urban Renewal<br>Bonds | Lents Town<br>Center Urban<br>Renewal Bonds | Central<br>Eastside Urban<br>Renewal Bonds | North Macadam<br>Urban Renewal<br>Bonds |
|---|--|--|---|---|---|--|---|
| 2012<br>Series A                            | 2003<br>Series B                         | 2012<br>Series A, B & C                  | 2008<br>Series A & B                          | 2011<br>Series A                              | 2010<br>Series A & B                        | 2011<br>Series A & B                       | 2010<br>Series A & B                    |
| \$ -  | \$ 2,855,000                             | \$ 1,480,000                             | \$ 3,485,000                                  | \$ 210,000                                    | \$ 1,190,000                                | \$ 985,000                                 | \$ 2,220,000                            |
| -   | 2,970,000                                | 1,460,000                                | 4,015,000                                     | -   | 1,235,000                                   | 1,015,000                                  | 2,290,000                               |
| -   | 655,000                                  | 3,920,000                                | 4,250,000                                     | -   | 1,290,000                                   | 1,050,000                                  | 2,370,000                               |
| -   | -  | 4,700,000                                | 4,510,000                                     | -   | 1,350,000                                   | 1,095,000                                  | 2,465,000                               |
| -   | -  | 4,865,000                                | 4,780,000                                     | -   | 1,425,000                                   | 1,145,000                                  | 2,600,000                               |
| -   | -  | 5,070,000                                | 5,070,000                                     | -   | 1,510,000                                   | 1,205,000                                  | 2,740,000                               |
| -   | -  | 5,290,000                                | 8,690,000                                     | -   | 1,595,000                                   | 1,270,000                                  | 2,885,000                               |
| 500,000                                     | -  | 5,490,000                                | 5,845,000                                     | -   | 1,690,000                                   | 1,345,000                                  | 3,040,000                               |
| 14,075,000                                  | -  | 5,735,000                                | 4,060,000                                     | -   | 1,785,000                                   | 1,425,000                                  | 3,205,000                               |
| 14,600,000                                  | -  | 5,965,000                                | 4,265,000                                     | -   | 1,900,000                                   | 1,490,000                                  | 3,380,000                               |
| 15,165,000                                  | -  | 6,235,000                                | 4,480,000                                     | -   | 2,015,000                                   | 1,555,000                                  | 3,525,000                               |
| 15,775,000                                  | -  | 2,165,000                                | 8,040,000                                     | -   | 2,145,000                                   | 1,625,000                                  | 3,655,000                               |
| 9,645,000                                   | -  | 2,255,000                                | -   | -   | 2,275,000                                   | 1,700,000                                  | 3,840,000                               |
| -   | -  | 2,350,000                                | -   | -   | 2,390,000                                   | 1,780,000                                  | 3,995,000                               |
| -   | -  | 2,465,000                                | -   | -   | 2,500,000                                   | 1,870,000                                  | 4,150,000                               |
| -   | -  | 2,570,000                                | -   | -   | 2,625,000                                   | 1,960,000                                  | 4,320,000                               |
| -   | -  | 2,700,000                                | -   | -   | 2,755,000                                   | 2,060,000                                  | 4,500,000                               |
| -   | -  | 2,835,000                                | -   | -   | 2,885,000                                   | 2,165,000                                  | 4,725,000                               |
| -   | -  | 2,985,000                                | -   | -   | -   | 2,280,000                                  | -                                       |
| -   | -  | 3,130,000                                | -   | -   | -   | -  | -                                       |
| <u>\$ 69,760,000</u>                        | <u>\$ 6,480,000</u>                      | <u>\$ 73,665,000</u>                     | <u>\$ 61,490,000</u>                          | <u>\$ 210,000</u>                             | <u>\$ 34,560,000</u>                        | <u>\$ 29,020,000</u>                       | <u>\$ 59,905,000</u>                    |

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**URBAN RENEWAL AND REDEVELOPMENT BONDS  
FUTURE BOND INTEREST REQUIREMENTS**

**As of June 30, 2012  
(Unaudited)**

| Fiscal Year | Airport Way<br>Urban Renewal<br>Bonds | Downtown<br>Waterfront<br>Urban Renewal<br>Bonds | Downtown<br>Waterfront<br>Urban Renewal<br>Bonds | Downtown<br>Waterfront<br>Urban<br>Renewal<br>Bonds | Interstate<br>Corridor Urban<br>Renewal Bonds | Interstate<br>Corridor Urban<br>Renewal Bonds | Convention<br>Center Urban<br>Renewal Bonds |
|-------------|---------------------------------------|--|--|---|---|---|---|
|             | 2005<br>Series A & B                  | 2000<br>Series A & B                             | 2008<br>Series A & B                             | 2011<br>Series A & B                                | 2004<br>Series A                              | 2011<br>Series A & B                          | 2011<br>Series A                            |
|             |                                       |  |  |   |   |   |   |
| 2012-13     | \$ 1,769,500                          | \$ 255,915                                       | \$ 2,508,928                                     | \$ 1,258,000  | \$ 1,155,331                                  | \$ 2,222,859                                  | \$ 1,466,115                                |
| 2013-14     | 1,578,750                             | -  | 2,421,599  | 1,254,500   | 1,100,131                                     | 2,184,560                                     | 1,368,300                                   |
| 2014-15     | 1,378,250                             | -  | 2,324,383  | 1,139,150   | 1,042,731                                     | 2,138,610                                     | 1,237,900                                   |
| 2015-16     | 1,167,750                             | -  | 2,219,628  | 1,020,050   | 983,131                                       | 2,085,282                                     | 1,086,500                                   |
| 2016-17     | 946,750                               | -  | 2,107,092  | 856,450   | 905,631                                       | 2,022,673                                     | 889,750                                     |
| 2017-18     | 714,750                               | -  | 1,986,289  | 686,250   | 824,381                                       | 1,948,517                                     | 683,250                                     |
| 2018-19     | 471,000                               | -  | 1,858,185  | 464,750   | 734,606                                       | 1,865,747                                     | 466,500                                     |
| 2019-20     | 215,000                               | -  | 1,699,425  | 232,500   | 640,106                                       | 1,772,484                                     | 239,000                                     |
| 2020-21     | -                                     | -  | 1,530,585  | -   | 540,881                                       | 1,670,815                                     | -   |
| 2021-22     | -                                     | -  | 1,189,440  | -   | 436,406                                       | 1,560,875                                     | -   |
| 2022-23     | -                                     | -  | 826,560  | -   | 344,750                                       | 1,423,980                                     | -   |
| 2023-24     | -                                     | -  | 441,000  | -   | 235,250                                       | 1,278,274                                     | -   |
| 2024-25     | -                                     | -  | -  | -   | 120,500                                       | 1,123,442                                     | -   |
| 2025-26     | -                                     | -  | -  | -   | -   | 958,854                                       | -   |
| 2026-27     | -                                     | -  | -  | -   | -   | 802,538                                       | -   |
| 2027-28     | -                                     | -  | -  | -   | -   | 655,538                                       | -   |
| 2028-29     | -                                     | -  | -  | -   | -   | 509,000                                       | -   |
| 2029-30     | -                                     | -  | -  | -   | -   | 347,500                                       | -   |
| 2030-31     | -                                     | -  | -  | -   | -   | 178,000                                       | -   |
| 2031-32     | -                                     | -  | -  | -   | -   | -   | -   |
| Total       | <u>\$ 8,241,750</u>                   | <u>\$ 255,915</u>                                | <u>\$ 21,113,114</u>                             | <u>\$ 6,911,650</u>                                 | <u>\$ 9,063,838</u>                           | <u>\$ 26,749,548</u>                          | <u>\$ 7,437,315</u>                         |

Source: Amortization schedule for each bond.

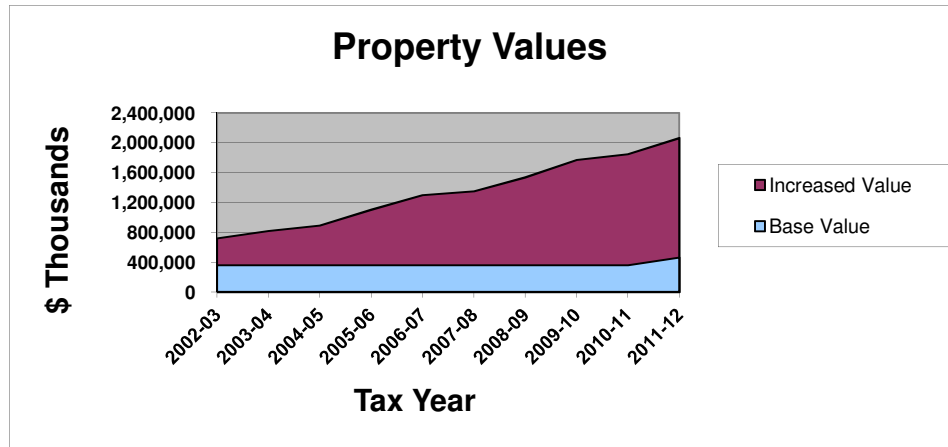
Note 1: Bonds are debt of the City of Portland and are disclosed in the City's Comprehensive Annual Financial Report. This information is included in this report to assist the reader in determining future financing capacity.

| Convention<br>Center Urban<br>Renewal Bonds | River District<br>Urban Renewal<br>Bonds | River District<br>Urban Renewal<br>Bonds | South<br>ParkBlocks<br>Urban Renewal<br>Bonds | South<br>ParkBlocks<br>Urban Renewal<br>Bonds | Lents Town<br>Center Urban<br>Renewal Bonds | Central<br>Eastside Urban<br>Renewal Bonds | North Macadam<br>Urban Renewal<br>Bonds |
|---|--|--|---|---|---|--|---|
| 2012<br>Series A                            | 2003<br>Series B                         | 2012<br>Series A, B & C                  | 2008<br>Series A & B                          | 2011<br>Series A                              | 2010<br>Series A & B                        | 2011<br>Series A & B                       | 2010<br>Series A & B                    |
| \$ 3,010,144                                | \$ 258,165                               | \$ 2,845,888                             | \$ 3,353,565                                  | \$ 4,620                                      | \$ 1,838,784                                | \$ 1,418,815                               | \$ 2,744,770                            |
| 2,792,917                                   | 146,249                                  | 3,039,723                                | 3,169,835                                     | -   | 1,793,850                                   | 1,388,693                                  | 2,673,730                               |
| 2,792,917                                   | 26,855                                   | 3,016,144                                | 2,927,691                                     | -   | 1,741,326                                   | 1,351,828                                  | 2,591,061                               |
| 2,792,917                                   | -  | 2,916,278                                | 2,671,373                                     | -   | 1,682,592                                   | 1,308,253                                  | 2,497,209                               |
| 2,792,917                                   | -  | 2,751,983                                | 2,399,375                                     | -   | 1,604,508                                   | 1,257,883                                  | 2,364,740                               |
| 2,792,917                                   | -  | 2,546,720                                | 2,111,093                                     | -   | 1,522,086                                   | 1,199,660                                  | 2,225,016                               |
| 2,792,917                                   | -  | 2,325,793                                | 1,805,322                                     | -   | 1,434,747                                   | 1,132,963                                  | 2,077,769                               |
| 2,792,917                                   | -  | 2,125,132                                | 1,334,500                                     | -   | 1,342,493                                   | 1,059,989                                  | 1,922,729                               |
| 2,774,802                                   | -  | 1,878,047                                | 1,042,250                                     | -   | 1,244,743                                   | 978,671                                    | 1,759,359                               |
| 2,250,790                                   | -  | 1,653,858                                | 839,250                                       | -   | 1,132,574                                   | 912,125                                    | 1,580,712                               |
| 1,685,332                                   | -  | 1,380,069                                | 626,000                                       | -   | 1,013,178                                   | 848,800                                    | 1,439,188                               |
| 1,075,244                                   | -  | 1,089,535                                | 402,000                                       | -   | 886,555                                     | 780,769                                    | 1,307,000                               |
| 416,953                                     | -  | 1,000,121                                | -   | -   | 756,238                                     | 705,613                                    | 1,124,250                               |
| -   | -  | 903,607                                  | -   | -   | 642,488                                     | 624,863                                    | 970,650                                 |
| -   | -  | 788,700                                  | -   | -   | 527,738                                     | 535,863                                    | 810,850                                 |
| -   | -  | 677,950                                  | -   | -   | 402,738                                     | 442,363                                    | 644,850                                 |
| -   | -  | 549,450                                  | -   | -   | 275,113                                     | 344,363                                    | 461,250                                 |
| -   | -  | 414,450                                  | -   | -   | 144,250                                     | 236,213                                    | 236,250                                 |
| -   | -  | 272,700                                  | -   | -   | -   | 122,550                                    | -                                       |
| -   | -  | 125,200                                  | -   | -   | -   | -  | -                                       |
| <u>\$ 30,763,687</u>                        | <u>\$ 431,269</u>                        | <u>\$ 32,301,348</u>                     | <u>\$ 22,682,254</u>                          | <u>\$ 4,620</u>                               | <u>\$ 19,986,001</u>                        | <u>\$ 16,650,275</u>                       | <u>\$ 29,431,383</u>                    |

**PDC** | PORTLAND  
DEVELOPMENT  
COMMISSION  
[www.pdc.us](http://www.pdc.us)

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RIVER DISTRICT URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| <u>Tax Year</u> | <u>Tax Rate <sup>(1)</sup></u> | <u>Base Value</u> | <u>Increased Value</u> | <u>Tax Revenue for Urban Renewal Debt <sup>(1)</sup></u> |
|-----------------|--------------------------------|-------------------|------------------------|--|
| 2002-03         | \$ 19.71                       | \$ 358,684,364    | \$ 360,419,813         | \$ 7,103,606   |
| 2003-04         | 20.36                          | 358,684,364       | 460,215,910            | 9,369,834  |
| 2004-05         | 20.45                          | 358,684,364       | 532,780,808            | 10,893,010   |
| 2005-06         | 18.50                          | 358,684,364       | 744,785,705            | 13,775,847   |
| 2006-07         | 18.96                          | 358,684,364       | 940,187,466            | 17,822,132   |
| 2007-08         | 20.43                          | 358,684,364       | 991,749,182            | 20,265,457   |
| 2008-09         | 19.94                          | 358,684,364       | 1,177,770,363          | 23,482,535   |
| 2009-10         | 20.38                          | 358,684,364       | 1,411,486,318          | 28,760,647   |
| 2010-11         | 20.08                          | 358,684,364       | 1,488,594,879          | 29,883,737   |
| 2011-12         | 19.83                          | 461,577,974       | 1,602,807,681          | 31,571,279   |

Source: Multnomah County Division of Assessment and Taxation

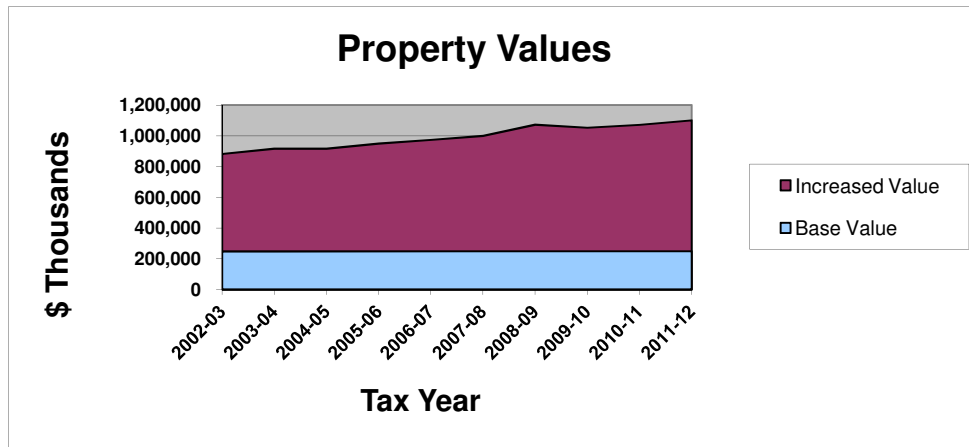
|                               | <u>URA</u>          |                       | <u>Portland</u>     |                       |
|-------------------------------|---------------------|-----------------------|---------------------|-----------------------|
|                               | <u>Current 2010</u> | <u>Projected 2015</u> | <u>Current 2010</u> | <u>Projected 2015</u> |
| Population                    | 5,654               | 6,843                 | 582,051             | 619,141               |
| Per Capita Income             | \$ 35,636           | \$ 43,896             | \$ 29,282           | \$ 33,577             |
| Total Housing Units           | 4,069               | 5,074                 | 266,332             | 284,555               |
| Owner Occupied Housing Units  | 1,043               | 1,323                 | 136,959             | 145,384               |
| Renter Occupied Housing Units | 2,454               | 3,042                 | 110,429             | 118,355               |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. *PDC GIS*

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CONVENTION CENTER URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value     | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|----------------|-----------------|---|
| 2002-03  | \$ 20.70                | \$ 247,728,838 | \$ 634,324,294  | \$ 5,439,991                                      |
| 2003-04  | 21.91                   | 247,728,838    | 669,453,106     | 5,304,200   |
| 2004-05  | 21.73                   | 247,728,838    | 668,865,098     | 5,348,082   |
| 2005-06  | 19.33                   | 248,214,131    | 701,773,824     | 5,441,875   |
| 2006-07  | 19.68                   | 248,689,281    | 725,955,191     | 5,475,275   |
| 2007-08  | 21.30                   | 248,689,281    | 751,940,292     | 5,438,655   |
| 2008-09  | 20.76                   | 248,689,281    | 824,599,717     | 5,454,893   |
| 2009-10  | 21.41                   | 248,951,143    | 804,685,182     | 5,419,374   |
| 2010-11  | 21.31                   | 248,951,143    | 822,947,836     | 5,346,748   |
| 2011-12  | 21.79                   | 248,951,143    | 852,646,229     | 5,141,484   |

Source: Multnomah County Division of Assessment and Taxation

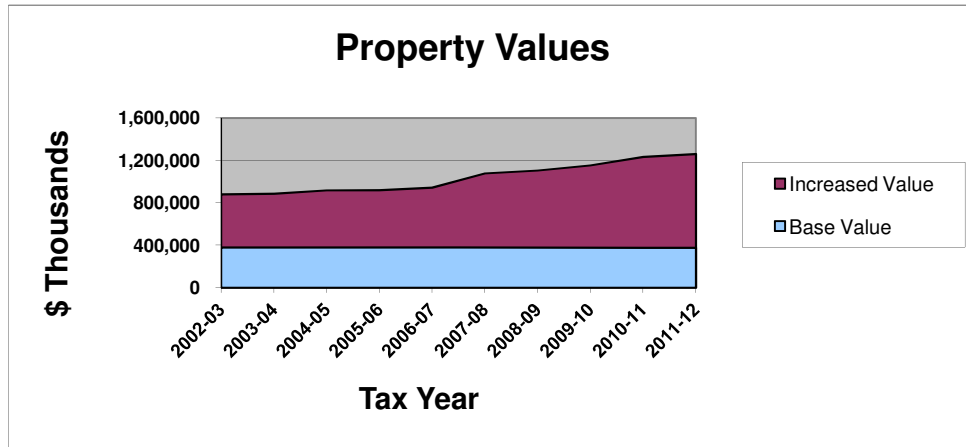
|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 1,366        | 1,515          | 582,051      | 619,141        |
| Per Capita Income             | \$ 35,300    | \$ 41,436      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 1,140        | 1,264          | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 212          | 236            | 136,959      | 145,384        |
| Renter Occupied Housing Units | 733          | 814            | 110,429      | 118,355        |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. *PDC GIS*

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SOUTH PARK BLOCKS URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value     | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|----------------|-----------------|---|
| 2002-03  | \$ 20.67                | \$ 378,055,680 | \$ 502,592,163  | \$ 5,356,909                                      |
| 2003-04  | 21.91                   | 378,055,680    | 508,799,241     | 5,231,174   |
| 2004-05  | 21.76                   | 378,055,680    | 540,333,579     | 5,280,064   |
| 2005-06  | 19.31                   | 378,055,680    | 540,982,035     | 5,370,006   |
| 2006-07  | 19.66                   | 378,055,680    | 566,120,167     | 5,403,278   |
| 2007-08  | 21.32                   | 378,055,680    | 700,363,924     | 5,376,221   |
| 2008-09  | 20.72                   | 378,055,680    | 727,733,672     | 5,381,549   |
| 2009-10  | 21.33                   | 376,066,574    | 778,265,484     | 5,341,041   |
| 2010-11  | 21.30                   | 376,066,574    | 858,446,906     | 5,281,167   |
| 2011-12  | 21.77                   | 376,066,574    | 885,549,998     | 5,072,867   |

Source: Multnomah County Division of Assessment and Taxation

|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 3,005        | 3,310          | 582,051      | 619,141        |
| Per Capita Income             | \$ 18,516    | \$ 20,948      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 2,318        | 2,602          | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 55           | 63             | 136,959      | 145,384        |
| Renter Occupied Housing Units | 2,051        | 2,304          | 110,429      | 118,355        |

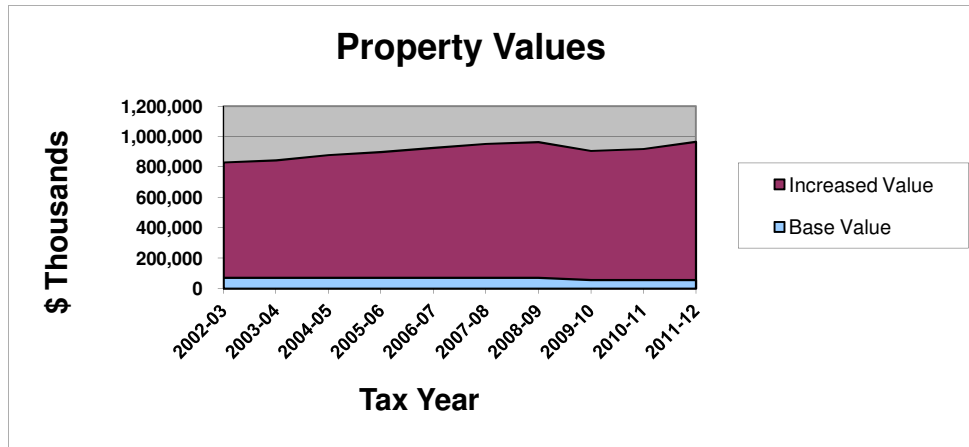
Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. *PDC GIS*

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**DOWNTOWN WATERFRONT URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value    | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|---------------|-----------------|---|
| 2002-03  | \$ 20.75                | \$ 70,866,644 | \$ 759,787,319  | \$ 7,323,468                                      |
| 2003-04  | 22.44                   | 70,866,644    | 772,959,655     | 7,310,380   |
| 2004-05  | 21.58                   | 70,866,644    | 807,467,176     | 7,128,198   |
| 2005-06  | 19.02                   | 70,866,644    | 828,313,148     | 7,199,233   |
| 2006-07  | 19.57                   | 70,866,644    | 854,990,000     | 7,322,396   |
| 2007-08  | 21.46                   | 70,866,644    | 881,338,267     | 7,373,237   |
| 2008-09  | 20.68                   | 70,866,644    | 893,495,927     | 7,315,259   |
| 2009-10  | 21.53                   | 55,674,313    | 850,698,640     | 7,344,233   |
| 2010-11  | 21.56                   | 55,674,313    | 863,116,698     | 7,288,146   |
| 2011-12  | 21.83                   | 55,674,313    | 910,075,667     | 6,925,883   |

Source: Multnomah County Division of Assessment and Taxation

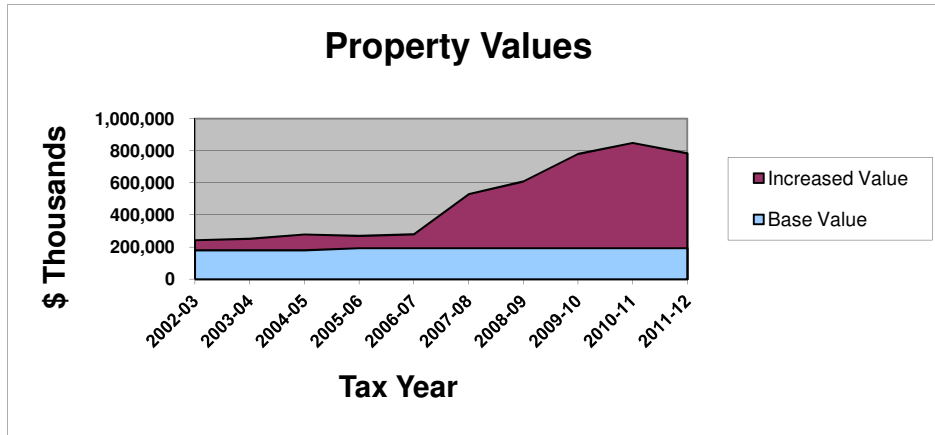
|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 3,185        | 3,722          | 582,051      | 619,141        |
| Per Capita Income             | \$ 31,707    | \$ 39,038      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 2,691        | 3,225          | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 520          | 649            | 136,959      | 145,384        |
| Renter Occupied Housing Units | 1,718        | 2,023          | 110,429      | 118,355        |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. *PDC GIS*

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**NORTH MACADAM URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value     | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|----------------|-----------------|---|
| 2002-03  | \$ 20.36                | \$ 180,450,967 | \$ 62,791,415   | \$ 1,217,321                                      |
| 2003-04  | 21.53                   | 180,450,967    | 71,592,763      | 1,432,961   |
| 2004-05  | 21.46                   | 180,450,967    | 98,624,297      | 1,984,570   |
| 2005-06  | 18.94                   | 192,609,397    | 77,592,382      | 1,403,366   |
| 2006-07  | 19.51                   | 192,609,397    | 86,887,411      | 1,627,714   |
| 2007-08  | 21.35                   | 192,609,397    | 336,699,090     | 6,862,754   |
| 2008-09  | 20.78                   | 192,609,397    | 415,675,637     | 8,269,705   |
| 2009-10  | 21.39                   | 192,609,397    | 587,134,026     | 11,932,266  |
| 2010-11  | 21.35                   | 192,609,397    | 655,671,677     | 13,139,779  |
| 2011-12  | 21.90                   | 192,609,397    | 590,963,588     | 11,699,128  |

Source: Multnomah County Division of Assessment and Taxation

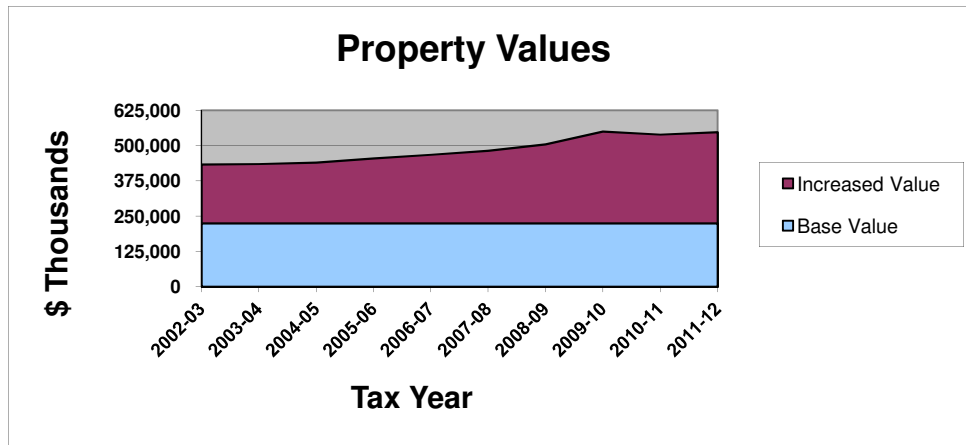
|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 2,011        | 2,269          | 582,051      | 619,141        |
| Per Capita Income             | \$ 58,949    | \$ 68,437      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 1,597        | 1,789          | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 490          | 551            | 136,959      | 145,384        |
| Renter Occupied Housing Units | 839          | 944            | 110,429      | 118,355        |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. *PDC GIS*

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**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CENTRAL EASTSIDE URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value     | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|----------------|-----------------|---|
| 2002-03  | \$ 20.64                | \$ 224,605,349 | \$ 208,600,216  | \$ 4,098,740                                      |
| 2003-04  | 20.33                   | 224,605,349    | 210,497,285     | 4,063,491   |
| 2004-05  | 20.21                   | 224,605,349    | 215,708,847     | 4,164,087   |
| 2005-06  | 17.78                   | 224,605,349    | 230,380,503     | 3,973,027   |
| 2006-07  | 18.14                   | 224,605,349    | 243,532,862     | 4,296,871   |
| 2007-08  | 18.24                   | 224,605,349    | 257,850,367     | 4,578,234   |
| 2008-09  | 18.51                   | 224,605,349    | 279,998,617     | 5,030,994   |
| 2009-10  | 18.51                   | 224,605,349    | 325,868,916     | 5,843,346   |
| 2010-11  | 18.00                   | 224,605,349    | 314,667,331     | 5,460,067   |
| 2011-12  | 17.76                   | 224,626,739    | 323,222,477     | 5,472,135   |

Source: Multnomah County Division of Assessment and Taxation

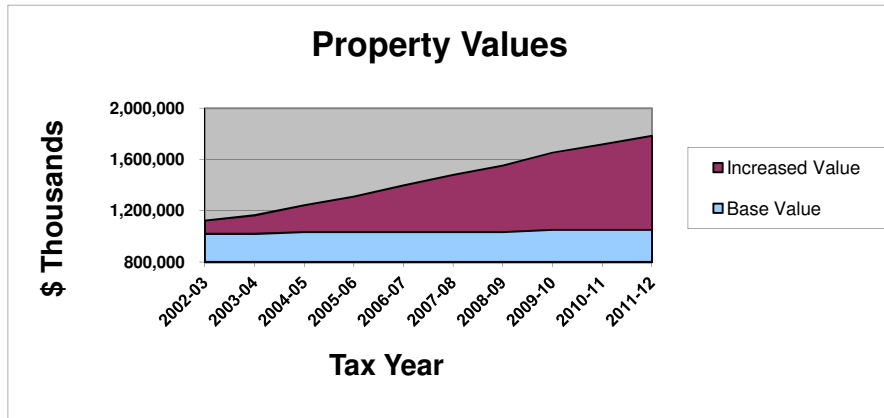
|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 1,714        | 1,757          | 582,051      | 619,141        |
| Per Capita Income             | \$ 25,963    | \$ 30,479      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 960          | 986            | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 137          | 143            | 136,959      | 145,384        |
| Renter Occupied Housing Units | 713          | 732            | 110,429      | 118,355        |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. *PDC GIS*

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**INTERSTATE CORRIDOR URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value       | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|------------------|-----------------|---|
| 2002-03  | \$ 20.54                | \$ 1,019,794,975 | \$ 104,464,625  | \$ 2,042,785                                      |
| 2003-04  | 21.74                   | 1,019,794,975    | 144,893,801     | 2,925,355   |
| 2004-05  | 21.70                   | 1,033,372,876    | 209,114,965     | 4,253,560   |
| 2005-06  | 19.30                   | 1,033,372,876    | 276,592,476     | 5,096,500   |
| 2006-07  | 19.73                   | 1,033,372,876    | 363,829,663     | 6,890,757   |
| 2007-08  | 21.38                   | 1,033,372,876    | 447,042,428     | 9,124,210   |
| 2008-09  | 20.86                   | 1,033,372,876    | 520,098,507     | 10,382,389  |
| 2009-10  | 21.48                   | 1,051,408,349    | 603,067,607     | 12,307,811  |
| 2010-11  | 21.39                   | 1,051,408,349    | 667,154,843     | 13,395,188  |
| 2011-12  | 21.93                   | 1,051,408,349    | 732,982,715     | 14,532,562  |

Source: Multnomah County Division of Assessment and Taxation

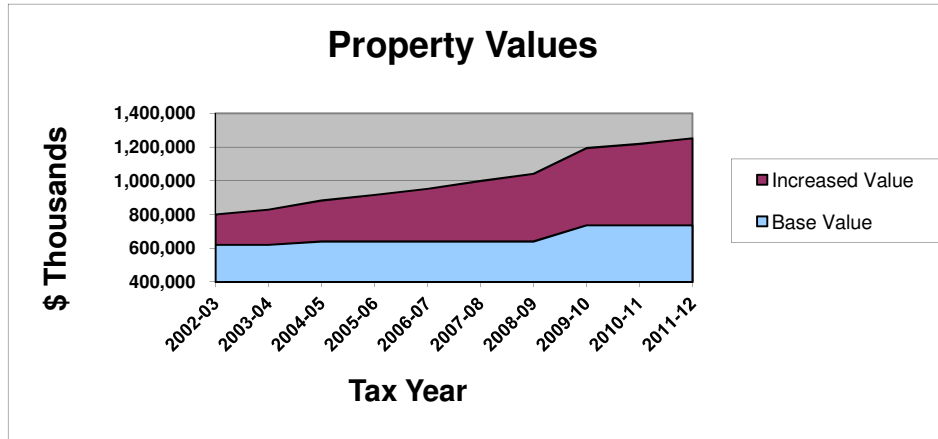
|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 34,780       | 37,332         | 582,051      | 619,141        |
| Per Capita Income             | \$ 20,137    | \$ 23,031      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 14,437       | 15,479         | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 6,965        | 7,478          | 136,959      | 145,384        |
| Renter Occupied Housing Units | 6,176        | 6,607          | 110,429      | 118,355        |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. *PDC GIS*

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**LENTS TOWN CENTER URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value     | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|----------------|-----------------|---|
| 2002-03  | \$ 20.45                | \$ 620,720,135 | \$ 179,595,927  | \$ 3,510,832                                      |
| 2003-04  | 21.66                   | 620,720,135    | 208,029,051     | 4,205,914   |
| 2004-05  | 21.52                   | 640,177,922    | 243,212,853     | 4,929,404   |
| 2005-06  | 19.91                   | 640,177,922    | 275,822,211     | 5,249,632   |
| 2006-07  | 20.24                   | 640,177,922    | 312,317,448     | 6,077,743   |
| 2007-08  | 21.44                   | 640,177,922    | 358,801,970     | 7,375,650   |
| 2008-09  | 20.91                   | 640,177,922    | 400,982,105     | 8,056,078   |
| 2009-10  | 21.40                   | 736,224,033    | 457,950,622     | 9,344,988   |
| 2010-11  | 21.30                   | 736,224,033    | 482,455,121     | 9,685,618   |
| 2011-12  | 21.58                   | 736,224,033    | 515,771,987     | 10,098,006  |

Source: Multnomah County Division of Assessment and Taxation

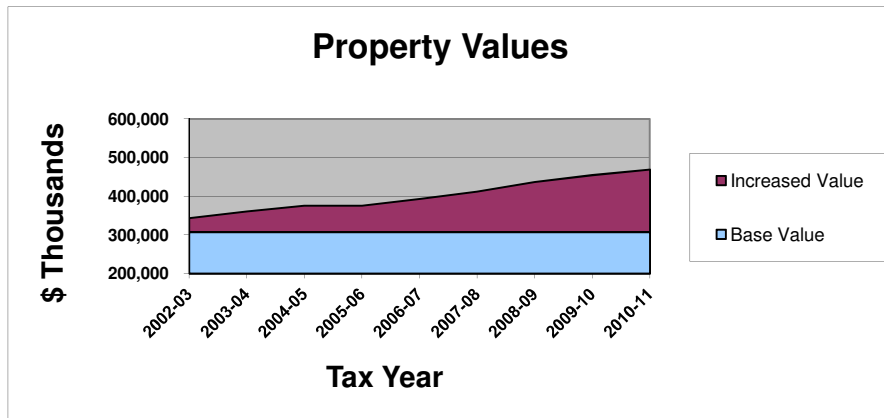
|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 26,968       | 28,687         | 582,051      | 619,141        |
| Per Capita Income             | \$ 19,965    | \$ 22,362      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 10,728       | 11,426         | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 5,657        | 5,952          | 136,959      | 145,384        |
| Renter Occupied Housing Units | 4,210        | 4,541          | 110,429      | 118,355        |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GATEWAY REGIONAL CENTER URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value     | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|----------------|-----------------|---|
| 2002-03  | \$ 19.70                | \$ 307,174,681 | \$ 35,847,381   | \$ 681,489  |
| 2003-04  | 20.96                   | 307,174,681    | 53,283,385      | 1,053,666   |
| 2004-05  | 20.86                   | 307,174,681    | 68,476,163      | 1,356,824   |
| 2005-06  | 20.85                   | 307,174,681    | 68,766,041      | 1,375,408   |
| 2006-07  | 21.07                   | 307,174,681    | 86,192,591      | 1,751,370   |
| 2007-08  | 21.44                   | 307,174,681    | 105,057,959     | 2,174,962   |
| 2008-09  | 20.91                   | 307,174,681    | 129,631,176     | 2,623,998   |
| 2009-10  | 21.15                   | 307,174,681    | 147,626,654     | 3,001,090   |
| 2010-11  | 20.97                   | 307,174,681    | 162,221,215     | 3,228,472   |
| 2011-12  | 20.77                   | 307,174,681    | 165,778,737     | 3,149,978   |

Source: Multnomah County Division of Assessment and Taxation

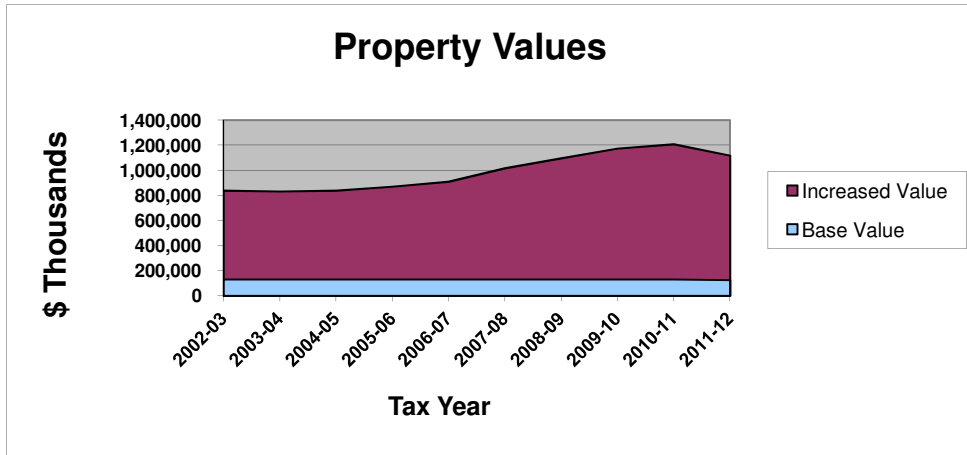
|                               | URA          |                | Portland     |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | Current 2010 | Projected 2015 | Current 2010 | Projected 2015 |
| Population                    | 6,390        | 7,091          | 582,051      | 619,141        |
| Per Capita Income             | \$ 22,321    | \$ 25,476      | \$ 29,282    | \$ 33,577      |
| Total Housing Units           | 2,852        | 3,165          | 266,332      | 284,555        |
| Owner Occupied Housing Units  | 1,047        | 1,143          | 136,959      | 145,384        |
| Renter Occupied Housing Units | 1,529        | 1,714          | 110,429      | 118,355        |

Source: The 2010/2015 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2010 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2010. This change is then extrapolated five years to 2015. The 2010 update represents current events; the 2015 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**AIRPORT WAY URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| Tax Year | Tax Rate <sup>(1)</sup> | Base Value     | Increased Value | Tax Revenue for Urban Renewal Debt <sup>(1)</sup> |
|----------|-------------------------|----------------|-----------------|---|
| 2002-03  | \$ 19.94                | \$ 129,701,177 | \$ 708,692,948  | \$ 2,392,481                                      |
| 2003-04  | 21.38                   | 129,701,177    | 701,262,923     | 2,328,250   |
| 2004-05  | 21.02                   | 129,701,177    | 708,712,135     | 2,347,588   |
| 2005-06  | 20.45                   | 129,701,177    | 739,905,461     | 2,373,451   |
| 2006-07  | 20.33                   | 129,701,177    | 779,770,869     | 2,389,518   |
| 2007-08  | 20.59                   | 129,701,177    | 886,308,606     | 2,386,745   |
| 2008-09  | 19.99                   | 129,701,177    | 965,779,764     | 2,390,141   |
| 2009-10  | 20.55                   | 129,701,177    | 1,043,109,736   | 2,374,741   |
| 2010-11  | 20.34                   | 129,701,177    | 1,077,899,700   | 2,340,489   |
| 2011-12  | 20.22                   | 124,710,301    | 992,524,455     | 2,276,718   |

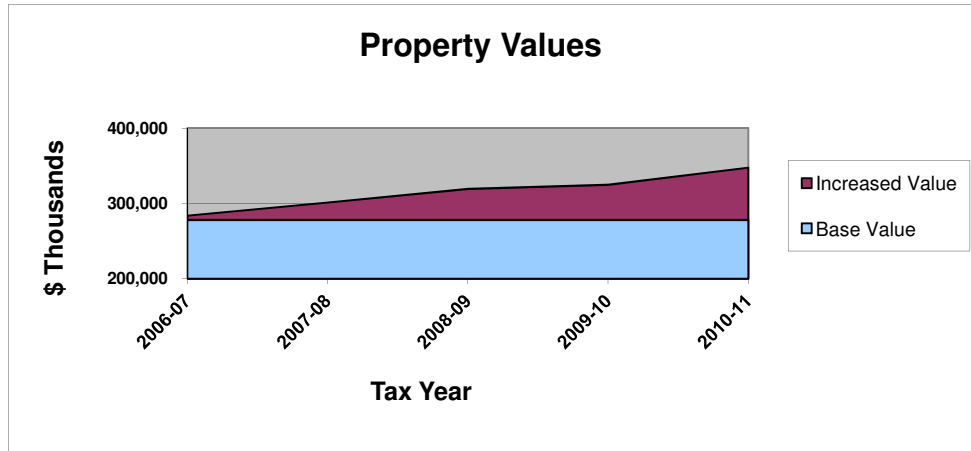
Source: Multnomah County Division of Assessment and Taxation

Population and housing data are not included for Airport Way Urban Renewal Area because it is primarily an industrial area.

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**WILLAMETTE INDUSTRIAL URBAN RENEWAL FUND  
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS  
For The Last Ten Fiscal Years Or Since Inception  
(Unaudited)**



| <b>Tax Year</b> | <b>Tax Rate <sup>(1)</sup></b> | <b>Base Value</b> | <b>Increased Value</b> | <b>Tax Revenue for Urban Renewal Debt <sup>(1)</sup></b> |
|-----------------|--------------------------------|-------------------|------------------------|--|
| 2005-06         | \$ 0.00                        | \$ 278,034,345    | \$ -                   | \$ -   |
| 2006-07         | 15.15                          | 278,034,345       | 5,655,915              | 85,706   |
| 2007-08         | 16.84                          | 278,034,345       | 23,273,744             | 391,905  |
| 2008-09         | 17.92                          | 278,034,345       | 41,284,536             | 739,979  |
| 2009-10         | 18.03                          | 278,034,345       | 46,707,594             | 842,243  |
| 2010-11         | 17.63                          | 278,034,345       | 69,552,044             | 1,226,407  |
| 2011-12         | 17.13                          | 278,034,345       | 46,606,563             | 798,540  |

Willamette Industrial URA consists of Multnomah County tax districts 730 and 731. Only data for tax district 731 is shown. Tax district 730 has a frozen tax base of \$203,408,790, and assessed property values for this district decreased by \$122,340,860 from fiscal year 2005-06 through 2011-12.

Source: Multnomah County Division of Assessment and Taxation

Population and housing data are not included for Willamette Industrial Urban Renewal Area because it is primarily an industrial area.

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.



**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**Financial Assistance  
For The Last Ten Fiscal Years  
(Unaudited)**

| <u>Fiscal Year</u> | <u>Business Financial Assistance</u>      |                          |
|--------------------|---|--------------------------|
|                    | <u>Number<br/>of loans<br/>and grants</u> | <u>Dollar<br/>Amount</u> |
| 2002-03            | 25  | \$ 5,767,290             |
| 2003-04            | 42  | 7,148,345                |
| 2004-05            | 52  | 10,590,559               |
| 2005-06            | 59  | 14,505,900               |
| 2006-07            | 54  | 12,466,365               |
| 2007-08            | 47  | 5,499,620                |
| 2008-09            | 258                                       | 15,391,215               |
| 2009-10            | 269                                       | 10,631,493               |
| 2010-11            | 264                                       | 33,764,995               |
| 2011-12            | 236                                       | 7,547,956                |

Source: Commission loan system.

Notes: Financial assistance may include assistance for building repair, facility expansion, new equipment, storefront improvements, or working capital as well as a myriad of other small assistance programs.

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**TOTAL PERSONAL INCOME, PER CAPITA INCOME,  
POPULATION TRENDS, AND UNEMPLOYMENT RATES  
PORTLAND/VANCOUVER/BEAVERTON MSA, OREGON, AND THE UNITED STATES  
(Unaudited)**

| Year | Personal Income (Thousands)              |         |               | Per Capita Income                        |        |               |
|------|--|---------|---------------|--|--------|---------------|
|      | Portland/<br>Vancouver/<br>Beaverton MSA | Oregon  | U.S.<br>Total | Portland/<br>Vancouver/<br>Beaverton MSA | Oregon | U.S.<br>Total |
| 2002 | 64,909                                   | 101,882 | 8,872,871     | 32,255                                   | 28,924 | 30,810        |
| 2003 | 65,959                                   | 103,890 | 9,157,257     | 32,328                                   | 29,161 | 31,484        |
| 2004 | 69,853                                   | 109,757 | 9,705,504     | 33,875                                   | 30,561 | 33,050        |
| 2005 | 73,806                                   | 116,889 | 10,251,639    | 35,215                                   | 32,103 | 34,586        |
| 2006 | 79,399                                   | 124,589 | 10,870,319    | 37,145                                   | 33,666 | 36,307        |
| 2007 | 83,765                                   | 133,871 | 11,652,339    | 38,511                                   | 35,027 | 38,632        |
| 2008 | 87,053                                   | 136,277 | 12,086,534    | 39,436                                   | 35,956 | 39,751        |
| 2009 | 86,822                                   | 133,907 | 11,852,715    | 39,443                                   | 35,159 | 38,637        |
| 2010 | 88,965                                   | 137,820 | 12,308,496    | 39,843                                   | 35,906 | 39,791        |
| 2011 | 93,449                                   | 145,300 | 12,949,905    | 41,302                                   | 37,527 | 41,560        |

Sources: U.S. Department of Commerce, Bureau of Economic Analysis as of 9/30/10  
Oregon Office of Economic Analysis

| Year | POPULATION TRENDS       |   |                       |                              | UNEMPLOYMENT RATES                                |  |
|------|-------------------------|---|-----------------------|------------------------------|---|--|
|      | Portland <sup>(1)</sup> | Portland/<br>Vancouver/<br>Beaverton MSA <sup>(1)</sup> | Oregon <sup>(1)</sup> | U.S.<br>Total <sup>(1)</sup> | Portland<br>Unemployment<br>% Rate <sup>(2)</sup> | Oregon<br>Unemployment<br>%Rate <sup>(2)</sup> |
| 2002 | 538,095                 | 1,989,550   | 3,523,529             | 288,125,973                  | 7.8   | 7.5  |
| 2003 | 538,843                 | 2,019,250   | 3,561,155             | 290,796,023                  | 9.0   | 8.5  |
| 2004 | 532,742                 | 2,050,650   | 3,589,168             | 293,638,158                  | 7.2   | 7.4  |
| 2005 | 533,467                 | 2,082,240   | 3,638,871             | 296,507,061                  | 6.1   | 6.4  |
| 2006 | 537,081                 | 2,137,540   | 3,700,758             | 299,398,484                  | 5.2   | 5.3  |
| 2007 | 568,380                 | 2,159,720   | 3,745,455             | 301,621,157                  | 4.9   | 5.2  |
| 2008 | 557,706                 | 2,207,462   | 3,790,060             | 304,059,724                  | 5.8   | 5.4  |
| 2009 | 582,130                 | 2,241,841   | 3,808,600             | 309,771,529                  | 11.0  | 11.6   |
| 2010 | 581,484                 | 2,235,580   | 3,831,074             | 309,330,219 <sup>(3)</sup>   | 10.5  | 10.8   |
| 2011 | 583,546                 | 2,246,083   | 3,857,625             | 311,591,917                  | 9.1   | 9.5  |

Source: <sup>(1)</sup> U.S. Department of Commerce, Bureau of Economic Analysis as of 9/30/10  
Oregon Office of Economic Analysis

<sup>(2)</sup> Oregon Employment Department

<sup>(3)</sup> US Census 2011

**Board of Commissioners**

**Executive Director**  
135.3 Total FTE / 3.0 Total LTE

**STRATEGY AND OPERATIONS**

2 FTE

Operations  
Strategy

**BUSINESS AND SOCIAL EQUITY**

2 FTE

MWESB  
Workforce Diversity

**LEGAL**

6 FTE

General Counsel

**FINANCE & BUSINESS OPERATIONS**

58 FTE / 2 LTE

Business Operations  
Finance & Accounting  
Human Resources  
Information Technology

**GOVERNMENT RELATIONS / PUBLIC AFFAIRS**

9 FTE / 1 LTE

Community Relations  
Public Affairs  
Resource Development / URA Planning

**URBAN DEVELOPMENT DEPARTMENT**

58.3 FTE

Business & Industry  
Central City  
Neighborhood

**PORTLAND DEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**MISCELLANEOUS STATISTICS  
As of June 30, 2012  
(Unaudited)**

Date of Charter Amendment creating agency

May 16, 1958

Form of Government

Commission, Appointed by City Mayor  
Approved by City Council

Number of Employees:

| As of June 30                    | FY2007-08    |                    | FY2008-09    |            | FY2009-10    |                    | FY2010-11    |                    | FY2011-12    |            |
|----------------------------------|--------------|--------------------|--------------|------------|--------------|--------------------|--------------|--------------------|--------------|------------|
|                                  | FTE          | LTE                | FTE          | LTE        | FTE          | LTE                | FTE          | LTE                | FTE          | LTE        |
| Development                      | 42.5         | 1.0                | 42.5         | 1.0        | 0.0          | 0.0                | 0.0          | 0.0                | 0.0          | 0.0        |
| Urban Development                | 0.0          | 0.0                | 0.0          | 0.0        | 71.1         | 3.0 <sup>(2)</sup> | 58.3         | 0.0                | 58.3         | 0.0        |
| Economic Development             | 26.0         | 0.0                | 30.0         | 0.0        | 0.0          | 0.0                | 0.0          | 0.0                | 0.0          | 0.0        |
| Housing                          | 42.0         | 1.0                | 42.0         | 1.0        | 37.0         | 1.0                | 0.0          | 0.0 <sup>(3)</sup> | 0.0          | 0.0        |
| Executive                        | 42.0         | 0.0 <sup>(1)</sup> | 42.0         | 0.0        | 42.0         | 2.0                | 19.0         | 1.0                | 19.0         | 1.0        |
| Central Services                 | 60.0         | 0.0 <sup>(1)</sup> | 66.0         | 0.0        | 63.0         | 0.0                | 0.0          | 0.0                | 0.0          | 0.0        |
| Finance &<br>Business Operations | 0.0          | 0.0                | 0.0          | 0.0        | 0.0          | 0.0                | 58.0         | 2.0 <sup>(3)</sup> | 58.0         | 2.0        |
| <b>Total</b>                     | <b>212.5</b> | <b>2.0</b>         | <b>222.5</b> | <b>2.0</b> | <b>213.1</b> | <b>6.0</b>         | <b>135.3</b> | <b>3.0</b>         | <b>135.3</b> | <b>3.0</b> |

- (1) In FY2007-08 Department reorganization resulted in staffing redistribution between Executive and Central Services of the former People & Technology and Community Relations & Business Equity Departments.
- (2) In FY 2009-10 the previously named Development and Economic Development Departments were merged into the Urban Development Department.
- (3) In FY 2010-11 the Housing function was transferred to the Portland Housing Bureau, the Central Service Department was renamed Finance & Business Operations, and the former Executive Department was split into the Government Relations & Public Affairs, Strategy & Operations, Business & Social Equity, and Legal Departments.

**Urban Renewal District Land Area and Base Values  
As of June 30, 2012**

| District                                  | Acres           | Base Value            |
|---|-----------------|-----------------------|
| 42nd Avenue <sup>(1)</sup>                | 136.2           | 81,011,867            |
| 82nd Avenue and Division <sup>(1)</sup>   | 108.8           | 81,523,638            |
| Airport Way                               | 1,841.4         | 124,710,301           |
| Central Eastside                          | 692.3           | 224,626,739           |
| Cully Blvd <sup>(1)</sup>                 | 164.6           | 81,000,273            |
| Division-Midway <sup>(1)</sup>            | 115.9           | 80,201,117            |
| Downtown Waterfront                       | 233.1           | 55,674,313            |
| Education District <sup>(1)</sup>         | 144.0           | 620,993,235           |
| Gateway Regional Center                   | 658.5           | 307,174,681           |
| Interstate Corridor <sup>(2)</sup>        | 3,990.0         | 1,051,408,349         |
| Lents Town Center                         | 2,846.3         | 736,224,033           |
| North Macadam                             | 401.9           | 192,609,397           |
| Oregon Convention Center <sup>(2)</sup>   | 410.0           | 248,951,143           |
| Parkrose <sup>(1)</sup>                   | 142.6           | 80,493,774            |
| River District                            | 351.2           | 461,577,974           |
| Rosewood <sup>(1)</sup>                   | 135.6           | 78,774,383            |
| South Park Blocks <sup>(3)</sup>          | 97.9            | 376,066,574           |
| Willamette Industrial                     | 755.5           | 481,443,135           |
| <b>Total URA Land Data</b>                | <b>13,225.8</b> | <b>5,364,464,926</b>  |
| <b>Total City Land Data<sup>(4)</sup></b> | <b>92,773</b>   | <b>42,375,411,465</b> |
|   | 14.3%           | 12.7%                 |

- (1) For newly created urban renewal areas, frozen base reflects the value from fiscal year 2011-12 and could be adjusted to include additional utility and personal property values.
- (2) Amendments occurred in FY11/12 and revised base values will not be reflected until FY12/13
- (3) Amendment occurred in FY11/12 and revised base value will not be reflected until FY13/14
- (4) City land data from 11/12 TSCC report

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# Audit Comments and Disclosures\_\_\_\_\_

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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.**

Board of Commissioners, Portland Development Commission  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Portland Development Commission (a Component Unit of the City of Portland Oregon) (the Commission) as of and for the year ended June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statements for the General Fund, and the Housing and Community Development Contract Fund, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting as items 2012-01, 2012-02, 2012-03, 2012-04 and 2012-05. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's responses to the findings identified in our audit are described in a separate letter that we did not audit and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, state agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Eugene, Oregon  
November 21, 2012

**PORTLAND DEVELOPMENT COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**FINDING 2012-01 – Revenue/Expense Recognition – Governmental Funds – Significant Deficiency in Controls**

**Criteria:** Per GASB 33, nonexchange transaction revenues should be recognized in the period when use of the resources is required or first permitted, and the resources have been received. Expenditures should be recorded when goods and services have been received and a related liability incurred.

**Condition:** During our revenue confirmation testing procedures, PDC management found that it had not recorded revenues for Tax Increment Financing (TIF) proceeds and related expenditures totaling \$13.5 million.

**Context:** PDC received TIF revenue totaling \$134 million during the fiscal year ended June 30, 2012 recorded within its various urban renewal district funds.

**Cause:** In December 2011, PDC requested, and the City processed, TIF proceeds from a line of credit draw in the amount of \$13.5 million for a project. The draw was for approved invoices and was used to discharge a 2009 bond obligation for the project. The City deposited the proceeds into a City holding account that it also used to pay the approved invoices.

The cash transaction normally prompts the recording of the transactions in PDC's financial system. The timing of the transaction caused the cash to sit in a holding account over the New Year's weekend. By recording the receipt and disbursement through the City's holding account, the City's financial system netted the cash entries, resulting in no transactions hitting PDC's cash account. Since the cash transactions would ordinarily have triggered PDC to record the transactions, no transactions were recorded.

In prior years, PDC had a control in place to reconcile TIF revenues against tax increment debt issuances recorded by the City, State limits for each urban renewal district, TIF proceeds transferred to PDC, and against TIF revenues recorded in PDC's general ledger. This control has not been followed by PDC staff for some time, and therefore did not catch the under-reported TIF revenues and related expenditures in the transaction noted above.

**Effect:** An adjustment was made to record the transaction before the financial statements were completed. Although the net effect of the adjustment to fund balance and net assets was \$0, prior to the adjustment, revenues and expenditures were understated by \$13.5 million.

**Recommendation:** We suggest that management work with the City of Portland to record two separate entries, one to record the draw receipt into PDC's cash account and a second one to record disbursements. Further, we recommend that PDC re-institute the procedure to review TIF revenues against TIF debt issuances by the City, TIF proceeds transferred to PDC, State debt limits for each urban renewal district, and TIF revenues recorded in PDC's general ledger.

**Management Response:** Management responses will be included in a separately issued 'Management's Responses' document.

**FINDING 2012-02 – Write-down of Property Held For Sale – Governmental Funds – Significant Deficiency in Controls**

**Criteria:** Accounting principles applicable to property held for resale require recording the property at the lower of original cost or fair value.

**Condition:** During our testing procedures on property held for resale, we identified two properties whose fair values had dropped below historical cost as evidenced by real estate appraisals PDC had obtained during the year. However, PDC did not reduce the recorded values pursuant to their policies and applicable accounting standards. The first property's value declined by \$2.6 million and the second property's value declined by \$.4 million.

**Context:** The Commission has a portfolio of properties held for resale with recorded costs or values totaling approximately \$95.5 million.

**Cause:** Management has controls and procedures in place to evaluate properties whose values have potentially declined below historical or recorded costs at various times during the year, and at year-end. Such procedures include a review against assessed values according to County Assessor records, obtaining periodic real estate appraisals, and a review of possible changes in intended future use or zoning. The two properties noted above had recent appraisals that PDC had received that indicated a decline in value as noted above. However, our inquiries revealed that a decision was made not to adjust to the lower appraised value because the properties involved were in the process of being advertised for sale and development. The decision not to adjust was inconsistent with PDC's policies and generally accepted accounting principles (GAAP).

**Effect:** Management did make the adjustment before completing the financial statements. However, prior to posting that adjustment, property held for sale was overstated by a total of \$3 million.

**Recommendation:** PDC should consider providing training to staff involved in the accounting for property held for resale to ensure they are fully aware of policies and procedures. In addition, the review and oversight control should be reviewed to ensure the review and approval for final values is conducted by appropriate finance management staff sufficient to identify if a property is not properly valued.

**Management Response:** Management responses will be included in a separately issued 'Management's Responses' document.

**FINDING 2012-03 – Liability Recognition – Governmental Funds – Significant Deficiency in Controls**

**Criteria:** GAAP require that the values of property held for resale be reduced, a liability recognized, or both, by the discounted value of estimated future outflows of resources deemed necessary to meet obligations included in property purchase contracts or other related agreements.

**Condition:** During the financial close and reporting process, management identified that it was subject to, and making monthly payments for, a contractual provision in a property purchase and related agreements. The agreements had provisions requiring PDC to cover the cost of a fixed number of parking spaces, should PDC demolish or otherwise remove parking spaces from a specific property PDC owns. The agreement has a 99-year term, with two 99-year renewal options. PDC demolished the parking structure on the subject property, thereby triggering a requirement to make the monthly payments to reimburse a third party for the cost of replacing the parking spaces. Management had not reduced the recorded value of the subject property, nor had they recognized a liability, for the estimated present value of providing reimbursements for the cost of the parking spaces.

**Context:** The current value of providing the parking spaces is approximately \$5,000 per month. The estimated cost of constructing a parking structure on the subject property is estimated by PDC to approximate \$2.8 million. The present value of the first 99-year term of the obligation to cover the cost of the parking spaces is \$9.4 million. Management recorded an audit adjustment to recognize a liability in the amount of approximately \$3.2 million. The adjustment covers management's estimate of the cost of building a replacement parking structure plus the cost of providing the monthly reimbursements until the structure could be built.

**Cause:** There is an apparent lack of communication of contractual obligations associated with property purchase and or related agreements between staff responsible for development projects and finance. As a result, finance staff were unaware an obligation with accounting and reporting significance existed.

**Effect:** A liability with an estimated present value of \$3.2 million was not recognized in the financial statements.

**Recommendation:** Management should provide training to staff responsible for development projects on the need to share agreement provisions with potential accounting and reporting implications. In addition, controls should be reviewed and revised as appropriate to ensure finance staff become aware of contractual provisions with reporting significance.

**Management Response:** Management responses will be included in a separately issued 'Management's Responses' document.

**FINDING 2012-04 – Accounts Payable Cut-off – Governmental Funds – Significant Deficiency in Controls**

**Criteria:** Generally accepted accounting principles (GAAP) require expenses to be recognized in the same period when goods and/or services are received.

**Condition:** During our search for unrecorded liabilities, we identified four transactions recorded in fiscal year 2013 that should have been recorded in fiscal year 2012 totaling \$.9 million.

**Context:** Total recorded current liabilities at year end in the governmental funds totaled \$5.8 million.

**Cause:** As a result of automated system changes, the invoices were entered into the accounting records later than in previous years. In addition, although PDC staff are aware of GAAP, they failed to recognize that these invoices required recording as of year-end.

**Effect:** Expenses and accounts payable were understated by \$.9 million.

**Recommendation:** We suggest that management continue to emphasize the need by PDC staff to scrutinize invoices as necessary to make a correct determination on the period the expense and related liability were incurred. If there are software changes or other disruptions to the normal procedures around year end, or in addition to routine procedures, an additional review procedure could be considered of checks issued subsequent to year end looking for possible unrecorded liabilities.

**Management Response:** Management responses will be included in a separately issued 'Management's Responses' document.

**FINDING 2012-05 – Net Asset Classification – Government Wide Financial Statements – Significant Deficiency in Controls**

**Criteria:** GASB 34 requires reporting net assets by level of constraint. Restricted net assets are defined as unspent resources containing restrictions from third parties like grantor agencies or due to provisions of enabling legislation. Unassigned net assets are defined as spendable resources that do not carry any associated constraints.

**Condition:** During our testing of net asset classifications, we identified two items that were classified incorrectly. At the fund level, certain resources were reported as assigned to use for ensuing year's expenditures. In addition, there were certain liabilities that were not includable in the fund statements but recognized only at the government wide statement level that will be payable from restricted resources if and when paid that were incorrectly offset against unrestricted net assets.

**Context:** Total net assets as reported are comprised of \$8.9 million of invested in capital assets, \$279.6 million of restricted, and \$.9 million unrestricted.

**Cause:** There was an apparent misunderstanding of where the items noted above would be reported in the government wide statements to meet requirements of the applicable accounting standards.

**Effect:** The impact of the two issues is an overstatement of restricted net assets and an understatement of unrestricted net assets by \$5.6 million.

**Recommendation:** Finance staff responsible for the drafting of the government wide financial statements should consider a thorough review of GASB 34 requirements. Alternatively, or in addition, PDC could consider appropriate continuing education courses that would facilitate a better understanding of the net asset classification definitions.

**Management Response:** Management responses will be included in a separately issued 'Management's Responses' document.

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *OREGON AUDITING STANDARDS***

Board of Commissioners, Portland Development Commission  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland)

We have audited the basic financial statements of the Portland Development Commission (a Component Unit of the City of Portland Oregon) (the Commission), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

### **Compliance**

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2012 and 2013.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH OREGON AUDITING STANDARDS – (continued)**

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance other than the following that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except as noted below.

As described in Note II, Stewardship, Compliance, and Accountability, the results of our testing indicated instances of non-compliance related to excess expenditures over appropriations in the Housing and Community Development Contract, Home Grant, and Enterprise Loan funds.

**Internal Control Over Financial Reporting**

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Responses accompanying the Government Auditing Standards report on internal controls and compliance that we



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consider to be significant deficiencies in internal control over financial reporting. See finding numbers 2012-01, 2012-02, 2012-03, 2012-04 and 2012-05. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted certain matters that we reported to management of the Commission in a separate letter dated November 21, 2012.

This report is intended solely for the information of the Board of Commissioners, management, and the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "James C. Lanzarotta". The signature is written in a cursive style with a large, prominent initial "J".

James C. Lanzarotta, Partner  
for Moss Adams LLP  
Eugene, Oregon  
November 21, 2012



222 NW FIFTH AVENUE • PORTLAND, OR 97209



To the Audit Committee of the  
Portland Development Commission, Portland Oregon  
(A Component Unit of the City of Portland), and  
LaVonne Griffin-Valade, Auditor, City of Portland

We have audited the financial statements of the Portland Development Commission (a Component Unit of the City of Portland, Oregon) (the “Commission”), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. Professional standards require that we provide you with the following information related to our audit.

#### **OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

As stated in our audit contract dated May 9, 2012, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we considered the Commission’s internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

Our responsibility for other information in the financial statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

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### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We performed the audit according to the planned scope and timing previously communicated to you in our planning meeting held with you on September 5, 2012.

### **SIGNIFICANT AUDIT FINDINGS**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2012 except for the following: as described in Note 1.10 to the financial statements, the Commission implemented several new accounting standards of the Governmental Accounting Standards Board (GASB):

- GASB 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;
- GASB 64 – Derivative Instruments – Termination Provisions.

Management performed an assessment of these pronouncements and determined there was minimal effect to the Commission and has incorporated these pronouncements into the current year Comprehensive Annual Financial Report.

We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### **Significant Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements are:

- the determination of the allowance for discounts and uncollectible loans and other receivables,
- useful lives of property and equipment,
- claims liability,
- employee benefit plan accruals,
- overhead allocations, and
- pollution remediation costs.

Based upon our audit procedures, we concur with the significant estimates and assumptions made by management in the preparation of the financial statements.

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### **Financial Statement Disclosures**

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the loans receivable and related allowances, properties held for sale, employee pension plan disclosures, contingent liabilities, and the Commission's environmental liability.

### **Significant Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We identified four misstatements, two of which were corrected by management, and management identified one misstatement which it corrected as summarized below.

We found that two properties held for sale had declined in value as evidenced by real estate appraisals obtained by PDC during the year, but the recorded value had not been adjusted prior to identification of the issue during our audit testing. Management made the adjustment resulting in a reduction in the recorded values of \$3 million.

As a result of our confirmation procedures of Tax Increment Financing (TIF) revenues, we identified a \$13.5 million TIF revenue transaction and related expenditure that was not initially recorded by PDC. Management made the adjustment to record \$13.5 million in TIF revenue and the offsetting \$13.5 in expenditure which resulted in no change to the net fund balance.

In our search for possible unrecorded liabilities, we identified four invoices totaling \$.9 million that were related to goods and services received prior to June 30, 2012, but were not included in accounts payable as of that date. Management has decided to pass on making an adjustment for these invoices because they are not material to the opinion units involved, and we concur with that decision.

From our testing of net asset classifications and reported balances, we found that unrestricted net assets were understated and restricted net assets are overstated by \$5.6 million due to a misunderstanding of how assigned amounts at the fund level, and liabilities recognized at the government-wide level only, are classified. Management has decided to pass on making an adjustment because it is not material to the government-wide financial statements, and there is no change to total net assets.

Management identified that PDC was making payments on, and honoring provisions in, a property purchase and related agreements. An event had taken place in a prior year obligating PDC to make certain payments to a third party that had not been reflected as either a reduction in the value of the underlying property, or a liability for the present value of an estimate of the payments required, under these agreements. As the amount is immaterial, Management recognized both the expense and liability in the current year for \$3.2 million as opposed to posting a prior period adjustment, and we concur with that decision.

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### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 21, 2012.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Significant Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as PDC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We issued a 'Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*'. That report disclosed five significant deficiencies, noted as item 2012-01, 2012-02, 2012-03, 2012-04 and 2012-05. The Schedule of Findings and Questioned Costs within the Commission's financial statements reports these significant deficiencies in detail.

This information is intended solely for the use of the audit committee and management of PDC, is not intended to be, and should not be used by anyone other than these specified parties.

*Moss Adams, LLP*

Eugene, Oregon  
November 21, 2012

## Responses to Moss Adams Management Letter for Audit Committee

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*' disclosed five significant deficiencies identified in the Schedule of Findings and Questioned Costs, these findings are also listed in the Moss Adams Management Letter and the PDC staff responses are as follows.

### **Corrected and Uncorrected Misstatements**

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We identified four misstatements, two of which were corrected by management, and management identified one misstatement which it corrected as summarized below;

***Audit Adjustments Corrected:*** We found that two properties held for sale had declined in value as evidenced by real estate appraisals obtained by PDC during the year, but the recorded value had not been adjusted prior to identification of the issue during our audit testing. Management made the adjustment resulting in a reduction in the recorded values of \$3 million.

***Recommendation:*** PDC should consider providing training to staff involved in the accounting for property held for resale to ensure they are fully aware of policies and procedures. In addition, the review and oversight control should be reviewed to ensure the review and approval for final values is conducted by appropriate finance management staff sufficient to identify if a property is not properly valued.

***Management Response:*** Management agrees that the properties should have been written down to their appraised value regardless of pending disposition and have provided training to staff and strengthened our Year-End Property Evaluation procedures to include recording a write down of the value of a property as applicable whenever a current appraisal is available.

***Audit Adjustments Corrected:*** As a result of our confirmation procedures of Tax Increment Financing (TIF) revenues, we identified a \$13.5 million TIF revenue transaction and related expenditure that was not initially recorded by PDC. Management made the adjustment to record \$13.5 million in TIF revenue and the offsetting \$13.5 in expenditure which resulted in no change to the net fund balance.

***Recommendation:*** We suggest that management work with the City of Portland to record two separate entries, one to record the draw receipt into PDC's cash

account and a second one to record disbursements. Further, we recommend that PDC re-institute the procedure to review TIF revenues against TIF debt issuances by the City, TIF proceeds transferred to PDC, State debt limits for each urban renewal district, and TIF revenues recorded in PDC's general ledger.

**Management Response:** Management agrees that an error occurred in the recording of the RAC LOC draw and expenditure. This was caused by an extraordinary sequence of events. Procedures with the City of Portland to record transactions such as these have been updated to record the receipt and expenditures in separate journal entries to ensure that the system does not net them together should this occur in the future. In addition PDC processes to verify TIF Revenues have been updated to include the reconciliation of TIF with the City and the reconciliation with General Ledger recorded transactions.

**Audit Adjustments Uncorrected:** In our search for possible unrecorded liabilities, we identified four invoices totaling \$.9 million that were related to goods and services received prior to June 30, 2012, but were not included in accounts payable as of that date. Management has decided to pass on making an adjustment for these invoices because they are not material to the opinion units involved, and we concur with that decision.

**Recommendation:** We suggest that management continue to emphasize the need by PDC staff to scrutinize invoices as necessary to make a correct determination on the period the expense and related liability were incurred. If there are software changes or other disruptions to the normal procedures around year end, or in addition to routine procedures, an additional review procedure could be considered of checks issued subsequent to year end looking for possible unrecorded liabilities.

**Management Response:** Management recognizes the importance of scrutinizing subsequent transactions for reporting in the proper accounting period and has strengthened procedures and review of expenditures occurring around the fiscal year end to ensure all unrecorded liabilities have been accounted for.

**Audit Adjustments Uncorrected:** From our testing of net asset classifications and reported balances, we found that unrestricted net assets were understated and restricted net assets are overstated by \$5.6 million due to a misunderstanding of how assigned amounts at the fund level, and liabilities recognized at the government-wide level only, are classified. Management has decided to pass on making an adjustment because it is not material to the government-wide financial statements, and there is no change to total net assets.

**Recommendation:** Finance staff responsible for the drafting of the government wide financial statements should consider a thorough review of GASB 34 requirements. Alternatively, or in addition, PDC could consider appropriate



continuing education courses that would facilitate a better understanding of the net asset classification definitions.

**Management Response:** Management agrees that there were incorrect net asset classifications and recognizes the importance of reviewing the source available for the satisfaction of subsequent liabilities in order to properly classify their inclusion in the Government Wide Financial Statements. Finance staff will review the requirements of GASB 34 and update procedures as needed to ensure the appropriate classification of net assets.

**Audit Adjustments Uncorrected:** Management identified that PDC was making payments on, and honoring provisions in, a property purchase and related agreements. An event had taken place in a prior year obligating PDC to make certain payments to a third party that had not been reflected as either a reduction in the value of the underlying property, or a liability for the present value of an estimate of the payments required, under these agreements. As the amount is immaterial, Management recognized both the expense and liability in the current year for \$3.2 million as opposed to posting a prior period adjustment, and we concur with that decision.

**Recommendation:** Management should provide training to staff responsible for development projects on the need to share agreement provisions with potential accounting and reporting implications. In addition, controls should be reviewed and revised as appropriate to ensure finance staff become aware of contractual provisions with reporting significance.

**Management Response:** Management agrees that such contractual obligations need to be recognized as soon as triggering events occur and have recorded both the expense and liability in the current year as opposed to posting a prior period adjustment. Procedures for the review of contracts and agreements with contingent financial implications have been strengthened and the staff responsible for the negotiation of such contingent liabilities will be trained on when to include the finance staff on future transactions.

## **Conclusion**

In closing, the comments and suggestions provided by the external auditor each year are highly appreciated by management. We continue to find value in this feedback and will endeavor to implement appropriate policies and procedures in response. Finally, we welcome additional feedback and guidance from the PDC Audit Committee on these and other issues.

**RESOLUTION NO. 6990**

**RESOLUTION TITLE:**

ACCEPTING AND APPROVING COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2011-12 AS REQUIRED BY OREGON REVISED STATUTE 297.425, PORTLAND CITY CHARTER CHAPTER 15-104, AND PDC RESOLUTION NO. 6112


Adopted by the Portland Development Commission on January 9, 2013

| PRESENT FOR VOTE                        | COMMISSIONERS                 | VOTE   |                          |                          |
|---|-------------------------------|--|--------------------------|--------------------------|
|   |                               | Yea  | Nay                      | Abstain                  |
| <input checked="" type="checkbox"/>     | Chair Scott Andrews           | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input checked="" type="checkbox"/>     | Commissioner Aneshka Dickson  | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input checked="" type="checkbox"/>     | Commissioner John Mohlis      | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/>                | Commissioner Steven Straus    | <input type="checkbox"/>                           | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/>                | Commissioner Charles Wilhoite | <input type="checkbox"/>                           | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Consent Agenda |                               | <input checked="" type="checkbox"/> Regular Agenda |                          |                          |

**CERTIFICATION**

**The undersigned hereby certifies that:**

*The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and as duly recorded in the official minutes of the meeting.*

|   |   |
|---|---|
|  | <p><b>Date:</b></p> <p>January 24, 2013</p> |
| <p><b>Gina Wiedrick, Recording Secretary</b></p>                                    |   |