

*Investing in
Portland's Future*



This document constitutes the official meeting record of the June 23, 2010, Portland Development Commission Board of Commissioner's meeting held at 222 NW Fifth Ave., Portland, OR 97209.

I. CALL TO ORDER AND ROLL CALL

Chair Scott Andrews called the meeting to order at approximately 8:08 a.m.

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

J. Scott Andrews
Commission Chair

Chair Scott Andrews	PRESENT
Commissioner Bertha Ferran	PRESENT
Commissioner John Mohlis	PRESENT
Commissioner Steven Straus	PRESENT
Commissioner Charles Wilhoite	PRESENT

Bertha Ferrán
Commissioner

John C. Mohlis
Commissioner

II. MEETING MINUTES

Chair Andrews asked for a motion to adopt the meeting minutes of May 12, 2010; May 26, 2010; and June 9, 2010.

Steven Straus
Commissioner

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

Charles A. Wilhoite
Commissioner

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

Sam Adams
Mayor

III. EXECUTIVE DIRECTORS REPORT

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

Bruce A. Warner
Executive Director

- Discussions on planning for strategic summit this fall, October 2010. The intent is to make sure we moving in the right way for strategic plan in relation to business and the next budget cycle of FY 2011-12. Staff has ideas and will be speaking more to the commissioners regarding agenda items.

- He attended the Portland Business Alliance Forum, titled, "Portland's Region's Economy, the Good, the Bad and the Future. He said the event featured Tim Dewey from the University of Oregon, Tom Potiowsky from the State of Oregon Economist, and John Tapogna from EcoNorthwest. They agreed that the recession has ended. However, due to the job loss it will take Oregon much longer to recover. They've said 2011 will be a much better year.

- Main Streets Program: working with the national trust main street program to help commercial small business districts to create new vibrancy. They also help them get organized, work together with the local government. PDC did a competition for selection of main streets. Of Twelve applications received, the winners were Alberta Street in North Portland, St. Johns and Multnomah Village.



www.pdc.us

222 Northwest
Fifth Avenue
Portland, OR
97209-3859

tel: 503.823.3200

fax: 503.823.3368

TTY: 503.823.3366



- Greater Greenlight of Portland Regional Summit. He said the summit is the private sector's opportunity to talk about the local economy. This year's topic was manufacturing.

IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

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

V. CONSENT AGENDA

Chair Andrews requested a motion to approve the consent agenda:

Resolution No. 6804, titled, "Appoint Ms. Cora Potter to the Lents Town Center Urban Renewal Advisory Committee."

Resolution No. 6805, titled, "Approve Subrecipient Contract for Implementation of the Economic Opportunity Initiative."

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

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

VI. FY 2009-10 REVISED BUDGET #3

Ms. Julie Cody and Mr. Tony Barnes presented Report No. 10-63, titled, "FY 2009-10 Revised Budget #3.

Mr. Barnes explained the action would formally amend the current fiscal year (FY) 2009-10 Adopted Budget for the third time this year, in the following ways,

- (1) Amends the River District Budget to transfer cash resources to Downtown Waterfront and South Park Blocks URAs in exchange for property owned and moved into the River District URA via the amended and restated River District plan amendment.
- (2) Budget adjustments required for the acquisition and loan payoff of the Grove Hotel.
- (3) Specific adjustments to URA projects and programs based on project timing to recognize updated project and program timing and cost based on the FY 2010-11 draft budget and forecast.
- (4) Final appropriation adjustments to advert any appropriation over-expenditures and re-categorization of actual expenditures.

Mr. Barnes said, in sum, FY 2009-10 Budget Amendment No. 3 increases the total PDC budget from \$311,890,156 in the FY 2009-10 Revised 2 Budget to \$321,727,312 including Transfers, Contingency and Reserves. Excluding Transfers and Contingency total budgeted expenditures increase from \$226,429,441 to \$228,027,943.

Commissioner Wilhoite moved and Commissioner Ferran moved to adopt Resolution No. 6806, titled, "Adopting Budget Amendment No. 3 for the Fiscal Year Beginning July 1, 2010 and Ending June 30, 2010; and Making Appropriations."

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite

NAYS: None

Chair Andrews adjourned the PDC Commission meeting at 8:34 a.m.

VII. TAX SUPERVISING AND CONSERVATION COMMISSION

The Tax Supervising and Conservation Commission (TSCC) convened a public hearing on PDC's Approved Budget at 8:34 a.m. The hearing is required in accordance with ORS 294.430 where the Tax Supervising and Conservation Commission must hold a public hearing prior to the Approved Budget being adopted by the governing body.

General Operations / Organization

1. The Commission recently made the decision to continue leasing this building as its headquarters rather than committing to moving to a new building downtown. A move could have jumpstarted the construction of the Park Avenue West building that has been nothing but a hole in the ground for more than a year as financing for the project dried up. That must have been a difficult decision, with enormous political pressure on both sides. What ultimately made the difference in deciding to stay in Old Town? (Link: *PDC will keep headquarters in Old Town*, The Oregonian, May 13, 2010)

Chair Andrews stated the final decision to stay at our current location was based on the total financial impact to PDC for a 10 year lease and uncertainty regarding the ability of Park Avenue West to be constructed within the timeframe that would meet PDC's needs. After final review and analysis, remaining at our current location in Old Town was the least cost option and offered us 100% certainty.

2. The move of housing programs and staff from PDC to the City's Housing Bureau has been completed. Was the transition a smooth one and are there any issues to be ironed out?

Commissioner Ferran answered the transition took over a year as critical issues with systems, assets, liabilities and processes were identified and resolved. There certainly were bumps in the road in figuring out how to make certain things work, but over the last several months, key issues concerning loan systems, policies and reimbursement procedures were finalized. IGAs consummating the transition have been approved by City Council and we will be taking action on the agreements today. No critical issues remain unresolved at this point, and PDC and PHB are committed to work together to quickly resolve any new issues that might arise.

3. From a strictly budgetary standpoint the flow of tax increment backed debt to PDC and then back to Portland for housing programs is fairly straightforward. The real question is, who

now makes the decisions on how that money is spent and how is that different than it has been in the past?

Commissioner Ferran said moving forward, budgets will be developed by PHB in coordination with urban renewal advisory committees, other stakeholders and PDC support. Investment decisions will be made by a PHB loan committee that will include representation from PDC and the City of Portland's Office of Management and Finance, and in certain cases by City Council. Previously, Housing investments were budgeted by PDC with urban renewal advisory committee input, and investment decisions were made by the PDC loan committee and board.

4. The Housing Set-Aside policy that requires 30% of urban renewal funds in most plan areas be spent on housing for low income populations is due to expire next year. Will that be renewed and will there be any changes to the policy given the new organizational structure of the Portland Housing Bureau?

Commissioner Wilhoite stated the calculation of the set-aside will not change until the end of the first five-year period, which will be June 30, 2011.

Until then, PHB and PDC will work together to confirm assumptions and report results. Some issues that could be revisited in preparing for renewal of the set-aside policy might be policy targets for income level bands within the set-aside; treatment of program income for set-aside investments; and explicit mechanisms for allocating set-aside funds within mixed-income projects that meet both revitalization and affordability targets.

Currently, the PHB and PDC five-year forecasts assume a continuation of the existing methodology for calculating, which targets the cumulative 30% set aside percentage of investment of direct project expenditures through FY 2014-15.

5. In looking at all of the projects to be funded in this budget there appears to be a glaring lack of projects with significant private investment involved. Are we reading things correctly and if so, when would you anticipate the economy and credit markets turning around for private investors?

Commissioner Mohlis stated many key revitalization projects have been slowed due to the current status of the credit market and overall economic conditions. In certain cases, PDC has granted extensions to existing development agreements to provide more time for the economy to strengthen. In the meantime, there has been a focus on evaluating the types of financial products PDC offers and creating new or updated products to implement PDC's economic development strategy and assist targeted industry development and small businesses.

6. Most of the projects to receive significant amounts of urban renewal funding next year seem to be housing projects. Is that due to a conscious effort to concentrate on housing or is it more due to the nature of publicly funded low income housing projects being the only game in town right now?

Commissioner Mohlis replied it is a combination of events – many of the projects underway this year and next year have been in the pipeline for quite a while and have secured financing, for example, the Resource Access Center and Pearl Family Housing. Some URAs are in some

cases “spending ahead” on the housing set-aside due to timing of the projects, and as a result, there will be fewer housing projects in the next five-years in some areas. Meanwhile, many of the planned development projects have slowed due to economic conditions.

Urban Renewal Plan Area Amendments –

7. Under a broad initiative called the Future of Urban Renewal all of the urban renewal areas are being studied for possible action by the PDC Commission and the City Council. So far action has been taken on four areas: Lents, River District, Downtown Waterfront and South Park Blocks. The Commission is set to soon make adjustments to two other URA's: Interstate Corridor and Convention Center. That leaves five other areas to be studied: Central Eastside, Gateway Regional, North Macadam, Airport Way and Willamette Industrial. What is the schedule for reviewing these remaining plan areas?

Commissioner Wilhoite replied Airport Way URA was reviewed in spring 2010. The study concluded with the removal of approximately 870 acres from the district. Currently, there are discussions about beginning a study of the Gateway Regional URA around summer of 2011. To date, discussions have not occurred on a timeline for studying the remaining three districts.

8. Recommendations from the North / Northeast Economic Development Initiative to study the Convention Center and Interstate Corridor URA's are currently under consideration. When will action be taken to adopt those recommendations?

Commissioner Wilhoite said the N/NE Community Advisory Committee voted on May 19, 2010 to approve eight recommendations regarding policy issues and boundary adjustments for the Interstate Corridor Urban Renewal Area (ICURA) and Oregon Convention Center Urban Renewal Area (OCC URA). Mayor Adams asked the CAC to delay making any recommendations with regard to the Rose Quarter until after the conclusion of the Rose Quarter Development Project. PDC anticipates this process to be complete by November/December 2010. At this time, the N/NE CAC will reconvene to make a recommendation on whether or not to move a portion of the Rose Quarter into the ICURA and to make a recommendation on funding for the potential Rose Quarter development. PDC will then present both N/NE CAC and Rose Quarter Stakeholder Advisory Committee recommendations to the PDC Board, who will direct staff on whether or not to move forward with amendments to the two URAs. If directed to move forward with amendments, the anticipated timeline for adoption is March 2011.

9. Are there possibilities of extending the expiration date or increasing the maximum debt allowed in either of these plans areas?

Chair Andrews stated the N/NE Community Advisory Committee did not recommend extending the last date to issue debt or increasing maximum indebtedness in Interstate Corridor at this time. They did, however, recommend that the Interstate Corridor maximum indebtedness be reviewed if additional property were added following their recommendations.

The last date to issue debt and maximum indebtedness of the Oregon Convention Center URA cannot be changed because it is an Option 3 district. If these were changed, the URA would lose its Special Levy allocation and jeopardize ability to pay for outstanding bonds.

10. The recommendations include transferring some land from Convention Center and transferring it to Interstate Corridor in anticipation of the expiration of Convention Center in 2013. What do you hope to accomplish within the Convention Center URA in the three years left?

Commissioner Wilhoite stated key projects include:

- *Rose Quarter Development Project*
- *Mixed use development on Blocks 47/49*
- *Feasibility study and beginning implementation of the Lloyd Eco-district*
- *Streetcar Loop*
- *Martin Luther King Jr. Blvd Gateway and Heritage markers*
- *King/Parks and Grant Warehouse housing projects*

11. The Interstate URA will be expanded by 425 acres. Already the largest URA, this would create an urban renewal area that stretches from the Rose Quarter to the Expo Center and west to St. Johns. Does this pose any problems in terms of seeking community input or assigning priorities for spending in such a far flung, diverse plan area?

Commissioner Wilhoite stated during the N/NE Study, we met with numerous stakeholders and community members who represented the expansion areas. Representatives of these areas also participated on the Community Advisory Committee and gave input throughout the entire process. We do not anticipate any challenges in receiving community input regarding the expansion of the URA. As always, agency policy on public participation will be utilized. Priorities for this area will be developed during the annual budgeting process with the neighborhood input.

12. This probably isn't a fair question, but what would be the top three goals you hope to achieve with this expansion?

Commissioner Straus replied job creation, community economic development/small business assistance, homeownership and retention.

13. There is also talk of creating a new urban renewal plan area that would include part of downtown Portland, PSU, Goose Hollow and Northwest Portland:

- How many acres would be included in this new URA?

Commissioner Straus replied a draft proposal is currently being developed and will be presented to the Evaluation Committee at their next meeting on July 13. We are currently looking at approximately 300-400 acres.

- What will be the maximum debt allowed to be issued?

Commissioner Straus stated based on 2009 legislation (HB 3056); maximum indebtedness for a new district is calculated based on the assessed value of the district. The formula specifies that for the first \$150 million in assessed value, maximum indebtedness is set at \$100 million. The remaining maximum indebtedness is calculated by multiplying the remaining assessed value by 35%.

- What is the time frame for adopting the plan?

Commissioner Straus said if there is a decision to proceed, adoption is anticipated by the end of November, 2010.

14. Again, it probably isn't a fair question, but if you had to narrow the objectives for this new URA down to just three, what would those be?

Commissioner Straus said job creation, leveraging private investment, neighborhood livability and connectivity, range of housing, sustainability and partnership with overlapping taxing jurisdictions

15. Amendments to the River District URA have been finalized after the initial amendments were appealed to the Land Use Board of Appeals (LUBA). Changes were made in a "settlement" with plaintiffs. This was a difficult process for everyone. Given all that transpired, what lessons did you learn that might guide future amendments?

Chair Andrews stated there is an increased awareness of the financial impact of urban renewal on other taxing jurisdictions – specifically Multnomah County and Portland Public Schools. We recognized this issue prior to the Appeal and had developed a cooperative agreement during the River District amendment process. We agree that we must carefully balance selected boundaries to minimize impacts to others while allowing us to apply the urban renewal tool to create jobs, revitalize areas and provide housing. Additionally, a new revenue sharing bill was passed which allows for other taxing jurisdictions to benefit from the increases of tax increment investment. At a more technical level, LUBA ruled that an urban renewal agency must prove blight still exists anytime there is a substantial amendment to an existing urban renewal plan.

16. Another result of the appeal to LUBA was legislation in 2009 (HB 3056) to put restrictions on future new urban renewal areas and to provide mechanisms, some optional, some required, to share excess value with overlapping taxing districts. Not surprisingly, the River District's assessed value will trigger one of the mechanisms this coming year. Are any other plan areas at all close to triggering these new rules?

Commissioner Straus stated revenue sharing is only triggered in existing districts if maximum indebtedness is increased. For all new urban renewal areas, revenue sharing is now required. Because of its success, the River District was called out specifically in the legislation to share future revenues.

17. Another provision of HB 3056 requires the River District URA to provide a "direct economic benefit" to Multnomah County based on a percentage of the increase in maximum debt

included in any amendment after June 1, 2008, up to a maximum of \$35 million. The first amount of \$10 million is due no later than June 30, 2014. This unusual provision compensates Multnomah County for removing provisions from the original River District amendment which would have assisted Multnomah County in consolidating office space downtown. How much does this provision require PDC to provide Multnomah County and have you determined yet how this economic benefit will be provided?

Commissioner Mohlis said while this provision appeared in HB 3056, it originated in the City Council action to amend the River District Urban Renewal Plan back in 2008. As part of an increase in maximum indebtedness the City and PDC agreed to assist the County with a priority project in the River District urban renewal area. An improved health care/social service facility was identified. Over the next four years PDC will work with County staff to develop a tax increment eligible project in the River District of which PDC will invest \$10 million dollars.

Plan Area Projects

18. Perhaps the largest single budgeted project is the Resource Access Center in the River District at \$13.5 million. This project will combine a men’s shelter facility with low income housing as well as supportive services. What is the total cost of this project and what are the sources of funding?

Commissioner Mohlis said total project cost is \$47 million. The funding sources include \$29.5 million provided through River District TIF proceeds, \$11.7 million in tax credits, \$2 million in equity from HAP and \$3.3 million in federal stimulus funds.

In addition to the funding sources listed above, PDC contributed the land to the project, performed substantial environmental remediation at the site, and provided a predevelopment grant to HAP. Together these are additional TIF funded project expenditures are approximately \$3 million dollars.

19. The North Macadam URA is budgeted to spend over \$12 million for the Veterans Affordable Housing project, finally fulfilling a promise to provide low and moderate income housing is South Waterfront.

- What is the total cost of the project and what are the sources of funding?

Commissioner Ferran stated the total cost is \$49.8 million. Primary sources are tax increment funds (\$30 million), followed by tax credits (\$8.3 million) and tax-exempt housing bonds (\$7.33 million). Additional resources are from HUD, deferring the developer fee and system development fee waivers.

Uses	(\$ Million)	Sources	(\$ Million)
Land	5.00	Tax-Exempt Bonds	7.33
Construction	30.20	Tax Credits	8.31
Contingency	1.71	PDC/PHB	30.00
Soft Cost	6.19	Deferred Developer Fee	1.59
Financing	2.59	BETC & ETO	
		Incentives	0.21

Commercial Leasing & TIs	0.80	HUD EDI Grant	0.84
Developer Fee	0.00	HUD VET Grant	0.37
Cash	1.77	SDC Waivers	1.15
Deferred	1.59	Bond Interest Earnings	0.04
Total Development Cost	49.84	Total Sources	49.84

- How many units will be built and how many of those will be larger than one bedroom, suitable for families?

Commissioner Ferran further stated 209 units will be built, 30 of the units will be two bedroom

Unit Type	Number	% Total
Studios	56	26.8%
1-Bedroom	122	58.4%
2-Bedroom	30	14.4%
Manager's Unit	1	0.5%
Total	209	100.0%

- Who will own and operate the building once it is completed?

Commissioner Ferran said the project will be owned by a Low-Income Housing Tax Credit limited partnership, whose general partner will be a nonprofit affordable housing development organization. The nonprofit general partner will either self-manage the project or contract with a third-party property manager for the day-to-day management of the project. The nonprofit general partner will provide on-site resident services coordination. The VA Medical Center will provide a full-time case manager to support the 42 veteran residents. The case manager will:

- *Work with residents to resolve financial and legal issues that impair their ability to become fully self-sufficient through gainful employment and access to affordable housing.*
- *Provide financial literacy training and support around activities of daily living skills required in managing one's home responsibly.*
- *Assist residents in accessing VA Medical Center mental health, addictions treatment and primary care services, should those needs arise.*

20. In the Interstate Corridor URA the Killingsworth Block project will use over \$5 million of urban renewal funds for a mixed use project, including 54 condominiums. It seems odd in this real estate market that a developer would be building condominiums. How big are the units and what will they be selling for?

Commissioner Mohlis said the project will have 34 units affordable at 80% of MFI (all one-bedroom) and 23 market-rate units (20 one-bedroom and 3 two-bedroom). The average market-rate unit affordability will be 104% of MFI. The overall project affordability will be 90% of MFI.

Component	# of			Sales	First	Down	PDC	Total	Affordability
Unit Type	Units	Sq Ft	\$/Sq Ft	Price	Mortgage	Payment	DPAL	Financing	% MFI
Commercial Interstate		8,950	190.00						
1-Bedroom	3	564	289.54	163,300	141,599	4,899	16,802	163,300	80%
	3	574	286.24	164,300	142,466	4,929		164,300	86%
	18	597	279.06	166,600	144,461	4,998	17,141	166,600	80%
	1	621	289.86	180,000	145,085	5,400	29,515	180,000	80%
	2	621	289.86	180,000	156,080	5,400		180,000	92%
	2	670	282.09	189,000	145,085	5,670	38,245	189,000	80%
	1	670	280.90	188,200	163,190	5,646		188,200	96%
	3	736	286.41	210,800	182,787	6,324		210,800	106%
	3	733	287.18	210,500	182,527	6,315		210,500	106%
Killingsworth									
1-Bedroom	6	597	289.11	172,600	145,085	5,178	22,337	172,600	80%
	2	623	303.37	189,000	145,085	5,670	38,245	189,000	80%
	1	623	304.17	189,500	164,317	5,685		189,500	97%
	3	653	310.11	202,500	175,590	6,075		202,500	102%
	3	678	302.36	205,000	177,758	6,150		205,000	103%
	2	687	275.11	189,000	145,085	5,670	38,245	189,000	80%
	1	687	285.15	195,900	169,867	5,877		195,900	99%
2-Bedroom	3	1,062	263.65	280,000	242,791	8,400		280,000	134%
Total/Average	57	651	285.24	185,811					90%

21. The Interstate Corridor URA has \$2.5 million and the Convention Center URA has another \$200,000 budgeted for the Clean Energy programs to provide financing for energy efficient retrofits to single-family residential properties.

- Is this a new program and where does the money come from?

Chair Andrews said these funds have been committed to a City of Portland program called Clean Energy Works. (CEW). CEW provides long term financing for residential and commercial energy efficiency improvements. Loans are made to property owners and repaid as part of monthly utility bill payments using the savings achieved as a result of the improvements. PDC's commitment will help match a \$20 million commitment from the Federal government.

- Who administers the program?

The program is sponsored by the city but administered by Shorebank Enterprise Cascadia, a non-profit lending organization with significant experience managing innovative loan programs.

- Are there income guidelines to be eligible?

No – any property owner is eligible to apply. The program will be marketed to neighborhoods with limited access to home equity financing. In addition, the program refers homeowners below certain income levels to a grant program run by Multnomah County to pay for the same improvements.

22. The Budget Message notes that plans for the Convention Center URA “contemplates HQ Hotel” and the budget projections call for \$4.1 million to be spent on this project in 2011-12. We thought it had been decided to not move forward with the Convention Center Headquarters Hotel. What plans do you have for this controversial project?

Chair Andrews answered they are correct. The plan to construct a publically-financed headquarters hotel on PDC-owned parcels immediately to the east of the Convention Center was ended by a joint decision of the city, Metro and County. However, since then a private developer – Starterra – has approached PDC about their interest in developing privately-financed headquarters hotel on a parcel immediately to the north of the Convention Center. On May 11, PDC entered into a Memorandum of Understanding with Starterra to give them 6 months to flesh out their proposal. The \$4.1 million in the OCC budget is being held until at least the end of six months of pre-development. At that time a decision will be made by the Commission on whether to proceed with this version of the headquarters hotel and what to do with the \$4.1 million.

23. The Lents URA’s budget includes \$2,415,000 to rehabilitate 11 “scattered site” homes and to provide subsidies to re-sell the home to low income, first-time homebuyers. Who owns the homes before the rehabilitation, who administers the program and what is the extent of the subsidy provided the buyers?

Commissioner Ferran said PHB will release an RFP in July seeking proposals for the purchase of the eleven homes by nonprofits and other developers for renovation and resale to income-eligible, first-time homebuyers. PDC will hold title until the homes are sold to the selected developers for renovation. Over the next two years, there will be net revenue to the Lents URA budget based on estimated renovation expenses and projected sales prices both to the developer and to the homebuyer. Net income to the Lents URA budget over the next two fiscal years is expected to be \$634,000. The extent of the subsidy per home over the next two years is expected to be approximately \$55,000. Because these home will have resale restrictions that limit the resale price and incomes of future buyers; the subsidy stays with the home and benefits future buyers in addition to the first buyer. The extent of the public subsidy for the project overall budget years is much higher than \$55,000 per home given initial acquisition costs and interim holding expenses.

24. Last year we talked about the exciting plans for the Oregon Sustainability Center in the South Park Blocks URA. Can you give us an update on plans for this project?

Commissioner Straus stated construction of the Oregon Sustainability Center continues to be a major goal of Portland's efforts to create jobs in the "green building" industry. Over the last year, The partners in the Oregon sustainability Center – the City, OUS and the Oregon Living Building Initiative – have been obtaining commitments to actually occupy the new building and creating a financing plan. These discussions have resulted in reducing the overall size of the building from 200,000 SF to about 150,000 SF. This process is anticipated to conclude in July when the City will make its decision on whether the Bureau of Planning and Sustainability should become an occupant in the OSC. If that decision is positive, schematic design will begin forthwith, creating a final design and more reliable costs by the year's end. At that point the City and OUS will decide whether to execute a construction contract. Construction is estimated to take 18 months. The OSC could be open by mid-2012 at which point we believe it will be the largest, urban, triple-net-zero, or "living" building in the world. Triple-net-zero means simply that the building will generate all of its energy needs on site, will use only water that falls on its site and will handle all of its own wastewater on-site.

The Tax Supervising and Conservation Commission moved and adopted acceptance of the PDC FY 2010-11 Budget.

Chair Andrews reconvened the PDC Commission Meeting at 9:30 a.m.

VIII. PDC FY 2010-11 BUDGET ADOPTION

Ms. Julie Cody and Mr. Tony Barnes presented Report No. 10-65, titled, "PDC FY 2010-11 Budget Adoption.

Mr. Barnes stated the action would formally adopt and appropriate resources set forth in PDC's FY 2010-11 Budget, effective July 1, 2010. Adoption by the PDC Board of the FY 2010-11 Budget represents the final phase of the FY 2010-11 budget process, which began last December.

Mr. Barnes said the Portland City Council, acting as PDC's Budget Committee "approved" PDC's budget on May 26, 2010 ("the Approved Budget"). The Executive Director and Chief Financial Officer are now submitting the Approved Budget with recommended changes to the Commission to be "adopted" as required by Local Budget Law ("the Adopted Budget"). The Adopted Budget contains minor technical variations from the Approved Budget, which variations are permitted by Local Budget Law. The recommended changes from the FY 2010-11 Approved Budget to the FY 2010-11 Adopted Budget consist primarily of technical adjustments, and the final carry forward requests for on-going development projects and other commitments that were not originally anticipated in development of the PDC FY 2010-11 budget at the inception of the FY 2010-11 budget process. Technical adjustments are primarily updated staffing and indirect allocation estimates to various funding sources based on updated estimates of planned activity. Other technical adjustments include removing Housing URA program income and reducing Housing URA projects by an equal amount per the proposed PHB-PDC IGA.

Mr. Barnes further stated with the recommended changes, the total PDC budget will increase from \$228,433,267 in PDC's FY 2010-11 Approved Budget to \$230,217,969 in the FY 2010-11 Adopted Budget, including Transfers and Contingency. Budgeted expenditures increase slightly from \$188,762,352 to \$191,003,390. Contingency decreases a net \$456,000 based on projected unused cash resources that will carry over to FY 2010-11.

Commissioner Straus stated he is still not satisfied with the amount of Administrative Costs and asked staff to continue due diligence to reduce the number.

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6807, titled, "Adopting the Annual Budget of the Portland Development Commission for the Fiscal Year Beginning July 1, 2010 and Ending June 30, 2011; and Making Appropriations."

AYES: Andrews, Ferran, Mohlis, Wilhoite

NAYS: Straus

IX. INTERGOVERNMENTAL AGREEMENT WITH PORTLAND HOUSING BUREAU FOR URBAN RENEWAL HOUSING IMPLEMENTATION

Ms. Julie Cody and Ms. Margaret Van Vliet presented Report No. 10-66, titled, "Intergovernmental Agreement with Portland Housing Bureau for Urban Renewal Housing Implementation."

Ms. Julie Cody explained the City Council unanimously adopted City Ordinance #182465 on January 7, 2009 authorizing the creation of the Portland Housing Bureau and the transfer of all PDC housing functions and Bureau of Housing and Community Development housing and operational functions to the Portland Housing Bureau. The Ordinance stated that the creation of this new Bureau will strengthen Portland's capacity to meet the housing needs of the current and future residents of our City. It further stated that by transitioning appropriate functions and staff from BHCD and PDC, Portland will enhance its ability to end chronic homelessness, protect our most vulnerable residents, preserve and expand our affordable housing supply, assure housing stability, promote homeownership and connect our investments in housing to other strategies that support families and schools in vibrant, equitable neighborhoods.

Ms. Margaret Van Vliet stated the action would authorize the Executive Director to execute multiple inter-governmental agreements that will transfer housing staff, programs, and assets as well as outlining certain services provided to the Portland Housing Bureau (PHB) by PDC staff beginning July 1, 2010. She directed the Board members to the exhibits attached to the Resolution:

- 1) Exhibit A: Housing Rehabilitation, Finance and Development Agreement: transfers responsibility for housing rehabilitation, finance and development activities in the City of Portland, utilizing both urban renewal and non-urban renewal resources, to PHB. Consistent with the City's Affordable Housing Set Aside Policy, this agreement establishes FY 2010-11 budget for the implementation of urban renewal housing activities to be funded through urban renewal resources and provide for payment of those resources to PHB on an expense reimbursement basis. The agreement requires, as part of the reimbursement process, certification from PHB that the costs incurred are eligible urban renewal expenditures.
- 2) Exhibit B: Assignment and Assumption Agreement: assigns PDC's rights and delegates its duties under designated housing related agreements (under which performance has not been completed) to PHB, including but not limited to loan agreements, disposition and development agreements, regulatory agreements, etc. The agreement also transfers PDC's real property assets that are related to housing activity to PHB.

- 3) Exhibit C: Housing Support Services Agreement: provides for PDC's delivery of services to PHB to support PHB's urban renewal and non-urban renewal housing activities including certain property management services, information technology services, construction and environmental services, records management, relocation services and prevailing wage services.
- 4) Exhibit D: Intergovernmental Agreement for the Transfer of Employees: provides for the transfer of PDC employees performing certain housing functions to employment with the City of Portland in accordance with applicable transfer statute.

Chair Andrews expressed his thanks to Julie Cody, Margaret Van Vliet and their staff for their hard work over the past year.

Commissioner Straus expressed concern over the amount of administrative costs and asked Ms. Van Vliet how she will reduce them over time.

Ms. Van Vliet stated due to the high amount of TIF coming to PHB during their first year of the IGA, they will have to take a hard look at administrative costs because her funding will be limited in the later budget cycle.

Commissioner Ferran expressed her thanks to staff for their hard work.

Commissioner Mohlis also expressed his thanks to staff.

Commissioner Ferran moved and Commissioner Straus seconded the motion to adopt Resolution No. 6803, titled, "Authorizing Intergovernmental Agreements between the Portland Development Commission and the City of Portland to Transfer Housing Programs and Employees and to Provide Support Services to the Portland Housing Bureau."

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

Executive Director Bruce Warner asked the Board to reconsider their motion on Resolution No. 6807, titled, "Adopting the Annual Budget of the Portland Development Commission for the Fiscal Year Beginning July 1, 2010 and Ending June 30, 2011; and Making Appropriations." He explained with the no vote from Commissioner Straus, it delayed the effective date of the resolution thirty days due to City Charter Policy. He said the effective date would halt PDC business July 1 until the effective date of July 23rd. He committed to addressing the concerns of Commissioner Straus over the next couple of months.

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to reconsider Resolution No. 6807.

Commissioner Straus stated he would be happy to change his vote to move the PDC budget forward. He stated he remains passionate about controlling administrative costs and would be working with Mr. Warner to reduce the costs to a level more appropriate.

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

X. RECOGNITION OF DEB BARR

Mr. Warner stated Deb Barr, assistant to Tracey Gemma and Renee Castilla, has been a dedicated employee and of great assistance to the Board Members. He said Deb Barr was affected recently by the layoffs and they wanted to take a moment to recognize her outstanding dedication. He presented Resolution No. 6808, titled, "Resolution of Commendation and Appreciation to Deb Barr for Distinguished Service and Outstanding Dedication to the Portland Development Commission."

Commissioner Ferran moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6808.

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

XI. RECOGNITION OF BERTHA FERRAN

Chair Andrews presented Resolution No. 6809, titled, "Resolution of Commendation and of Appreciation to Bertha Ferran for Distinguished Service and Outstanding Dedication to the Portland Development Commission." Chair Andrews explained after five years of service to the Portland Development Commission, Bertha Ferran's term had expired. He thanked her for her dedication and continued service.

Commissioner Wilhoite moved and Commissioner Straus seconded the motion to adopt Resolution No. 6809.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite
NAYS: None
XII. REMARKS – COMMISSIONER BERTHA FERRAN

Commissioner Ferran stated:

Thank you for the opportunity to say a few words about my time here at the PDC. These last five years have gone by so fast. It feels like just yesterday that I was sitting here as a new commissioner in my first official meeting.

My personal background has always fueled my strong passion for homeownership and ability to create wealth for families of all income levels.

Many of you have heard me comment many times on achieving the American Dream – yes it is possible...and only in America can a 13-year old girl arrive as a refugee from a Communist country, work hard, and eventually have an opportunity to be in service to her community by governing the premier Economic Development arm of a city. And because I had the change to implement policies and programs that helped make this a reality, this has been the opportunity of a lifetime for me.

When I first joined the PDC, the agency was in the midst of transition and other challenging times. Despite this, I noticed my colleagues on the commission and agency staff continued to produce high quality work despite this environment. I remember admiring their resiliency and professionalism, and my impression then is still true today...that PDC employees are truly the economic innovators of this city. They are among the most professional, brightest and

dedicated folks I have ever known and it has been one of the highlights of my career to have had the chance to not only work with them, but to learn from them. In particular, I want to acknowledge our collaboration in bring the Mortgage Credit Certificate Program from concept to reality.

In the last 3 years this program has helped more than 140 families realize their dreams of owning their very first home. And now, the new Portland Housing Bureau has received an additional \$35 million in bonding capacity by the State to assist just as many families in the future. I have no doubt this was possible in part because of the visionary leadership of this Commission, and our creative employees.

This is an exciting new time for the agency and the City, and I'm proud of the work we've created together. And while I'm sad to leave, I have confidence that the good work that began at PDC will continue to grow and blossom at the Portland Housing Bureau. My hope that the bureau will continue to create a path from rental housing to homeownership, because everyone is entitled to their shot at the American Dream in Portland.

I'd like to acknowledge all my past and present colleagues during my time here:

- *Matt Hennesse, Eric Parsons, Mark Rosenbaum, Charles Wilhoite, Scott Andrews, Sal Kadri, Doug Blomberg, John Mohlis, Janice Wilson, Steve Straus, Bruce Warner, John Jackley, the PDC employees for their high quality service to the community, and especially former Mayor Tom Potter for his confidence in me, and in my American dream, when he appointed me as a PDC Commissioner.*

To each of you I say thank you – for your wisdom, your creativity, your challenging ideas and your dedication to ensuring Portland continues to become the thriving, world-class city it is meant to be.

It has truly been my great honor to work with you in serving the people of Portland over these five years. You each have a very special place in my heart and I wish you a very successful and bright future.

Chair Andrews and the Board expressed their thanks and appreciation for Commissioner Ferran and her service.

XIII. ELECTION OF OFFICERS

Commissioner Straus moved and Commissioner Ferran seconded the motion to elect Scott Andrews as Chair, John Mohlis as Secretary and Charles Wilhoite as Acting Secretary.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite

NAYS: None

XIV. ADJOURNMENT

There being no further business, Chair Andrews adjourned the meeting at 10:38 a.m.