

**AUDIT COMMITTEE OF THE
PORTLAND DEVELOPMENT COMMISSION**
Portland, Oregon

RESOLUTION NO. 6662

**ACCEPT AND APPROVE COMPREHENSIVE ANNUAL
FINANCIAL REPORT FOR FISCAL YEAR 2007-2008 AS
REQUIRED BY PORTLAND CITY CHARTER CHAPTER 15-104
AND PDC RESOLUTION NO. 6112.**

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, authority has been delegated by the Portland Development Commission Board of Commissioners (“Board”) to the Audit Committee of the Portland Development Commission (“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 2007-08;

WHEREAS, based upon the independent audit, Moss Adams has audited a Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008 (“2007-08 CAFR”), and prepared a letter discussing significant matters of interest noted during the course of the annual fiscal year end audit for fiscal year 2007-08 (“Management Letter”); and

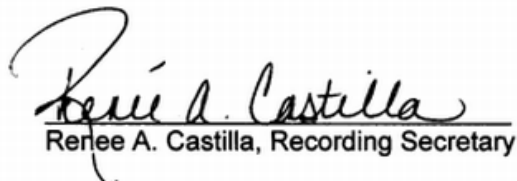
WHEREAS, management has prepared responses to the Management Letter (“PDC Management Responses”);

NOW, THEREFORE, BE IT RESOLVED that the PDC Board of Commissioners, acting as the PDC Audit Committee, hereby accepts and approves the 2007-08 CAFR in substantially the form attached hereto as Exhibit A 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 attached hereto as Exhibit B and C, respectively; and

BE IT FURTHER RESOLVED that this resolution shall become effective immediately upon its adoption.

Adopted by the Portland Development Commission on January 14, 2009.


Renee A. Castilla, Recording Secretary

Portland Development Commission

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Investing in Portland's Future

PDC

PORTLAND DEVELOPMENT COMMISSION

A Component Unit of the City of Portland, Oregon



Cover Photo:
Children enjoy the new play structure at
Interstate Corridor Urban Renewal Area's
Patton Square Park.

PORTLAND DEVELOPMENT COMMISSION

A Component Unit of the City of Portland, Oregon

Comprehensive Annual Financial Report

**Prepared by the Portland Development Commission
Central Services Department**

Bruce A. Warner, Executive Director
Julie V. Cody, Chief Financial Officer

For the fiscal year ended June 30, 2008

About PDC



Where We've Been...

Where We're Headed...

Created by Portland voters in 1958, the Portland Development Commission (the "Commission" or "PDC") has played a major role in keeping Portland one of America's most livable cities. During the past 50 years, PDC has taken forward 20 urban renewal plans that have helped change the face of the city—making it a better place to live for all Portlanders. Specifically, the Commission is the City agency that helps provide sustained livability for our City and region.

PDC's Mission

Our Mission is to bring together resources to achieve Portland's vision of a diverse, sustainable community with healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all.

PDC's Vision

The Portland Development Commission's vision is to be a catalyst for positive change in the creation of a world-class 21st Century city; a city in which economic prosperity, quality housing, and employment opportunities are available to all.

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

December 11, 2008

Charles A. Wilhoite
Commission Chair

Bertha Ferrán
Commissioner

John C. Mohlis
Commissioner

J. Scott Andrews
Commissioner

Position 5 (vacant)
Commissioner

Tom Potter
Mayor

Bruce A. Warner
Executive Director

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 Central Services Department and I are pleased to submit the Portland Development Commission ("PDC" or "Commission")'s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. 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 (the 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.



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PDC's 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 2007-08 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, 2008, 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.



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. PDC conducts its business under the name “Portland Development Commission”, though it is officially titled the Department of Development and Civic Promotion in the City of Portland’s charter. PDC’s principal activities are business retention, employment creation, financial assistance for rehabilitation and restoration of properties, 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 bring together community resources to achieve Portland’s vision of 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 set PDC apart and assures that true efficiencies are achieved. In carrying out city policy for the past 50 years, 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 (URAs) scattered geographically throughout the City of Portland, and works extensively in Portland’s neighborhoods to deliver a broad range of housing and 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 project and program activities at the departmental 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. The City Council then sends the approved annual budget to the 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 department.

Relevant Financial Policies

PDC’s charter prescribes that it maintains 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 department 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. PDC's charter requires its 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 20% of local jobs.

The Portland metropolitan area population growth trend at 1.8% is running slightly ahead of the State of Oregon rate of 1.6% for the year ending July 1, 2007, which includes the most recently published data. Although Oregon's annual growth rate has continually increased from 2001 to 2006, rates have not been as high as seen in the early and mid 1990's. The area is expected to continue to absorb a proportionate percentage of state job growth over the next ten years. The Portland Metropolitan Area ended June 2008 with 5.2% unemployment which is lower than both the national level and the State of Oregon rate of 5.5%. Oregon's Employment Department states in their Oregon Labor Market Information System (OLMIS) August 2008 report that Portland continued to add jobs but at a much slower pace over the past year. Average job growth is 1.3% annually.

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. The aggregate amount of certified assessed value in the eleven urban renewal areas is approximately 9.5% of the City of Portland's total overall assessed value and 14.1% of overall acreage for the City. Each of the eleven URA's are currently projected to have adequate funding capability to pursue established plans.

Long-term Financial Planning

The long-term forecast for PDC is stable. 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 into the foreseeable future.

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.

Future of Urban Renewal Initiative

The work of PDC is made possible for the most part by tax-increment financing. Tax-increment financing (TIF) is borrowing against future tax revenues. With many of our urban renewal areas approaching critical junctures such as plan expiration or reaching the maximum indebtedness, PDC began a study to re-evaluate and update existing urban renewal plans. The Future of Urban Renewal Initiative (FOUR), launched in May of 2007, brings together representatives of PDC, the Portland City Council, other local taxing jurisdictions, and city-wide taxpayers and community representatives.

The first two projects undertaken by this initiative are the Westside Study and the Lents Town Center (LTC) Plan Amendment Study. The Westside Study considered the future of Portland's downtown URA's, Downtown Waterfront (DTWF), South Park Blocks (SPB), and the River District (RD). Two of the URA's, DTWF and SPB, still have important projects to complete but are expiring and can no longer issue debt. An Urban Renewal Advisory Group formed and tasked with making recommendations regarding the future of these URA's. The group concluded that the two aging districts should close and that the River District boundaries should be amended to include certain unfinished downtown projects. Their recommendations were approved by the PDC Board of Commissioners in May 2008 and the Portland City Council in June 2008, to be effective in fiscal year 2009.

On July 15th, the Friends of Urban Renewal¹ appealed two of the River District plan amendments to the State of Oregon Land Use Board of Appeals (LUBA).

The LTC Plan Amendment Study was a more neighborhood-based review involving an aggressive outreach and public involvement strategy to collect local input from residents and local business owners on PDC's efforts in the district. The Lents Urban Renewal Advisory Committee considered whether or not to amend the boundaries and increase the maximum indebtedness. Their recommendation was presented to the PDC Board of Commissioners in May 2008 and to the Portland City Council in June resulting in the First Amendment to the LTC URA which expands its boundaries by 140.05 acres, increases maximum indebtedness by \$170 million and will extend the expiration date to June, 2012. The amendment takes effect in July 2008 for fiscal year 2009.

¹ Friends of Urban Renewal is a private group of citizens and property owners in River District and elsewhere who are opposed to the specific urban renewal plan amendments.

Over the next two years, PDC will update the urban renewal plans for many of the URA's. We are asking the community to help us set new investment plans that create jobs, assist large and small business, expand housing options, and produce neighborhood improvements that benefit local residents and citizens throughout the City of Portland.

Major Initiatives

Major initiatives cited in this section are highlights based on budgeted project dollars for the fiscal year ending in June 2009. The largest dollar projects are proposed to occur in the River District URA: \$8 million for the One Waterfront project to fund agency design and construction of a pedestrian bridge and other public infrastructure as well as a loan for the parking garage; \$3.5 million to the City of Portland Parks Department for the design and construction of the Neighborhood Park at NW 9th and Naito Parkway; \$2.15 million for critical Union Station Improvements, and \$8 million for renovation or redevelopment of the city-owned 10th & Yamhill Garage to improve retail, transit, the pedestrian environment and potentially add housing or other uses.

In the North Macadam URA, the highest profile projects will be: \$3.5 million for Central District Greenway design and construction of the Phase I design project begun in Fall 2007, along with \$3.4 million for the South Waterfront Neighborhood Park. Both are scheduled for completion in 2009. Another \$8 million will be expended for the development of approximately 200 units of rental housing. In the Central Eastside URA, \$3.6 million public investment will be expended in the engineering and construction of the Eastside Burnside/Couch Couplet along with \$6.4 million in the continued development activities associated with the related Burnside Bridgehead project.

The South Park Blocks URA will expend \$2.8 million to build a new park in the Midtown Blocks, approximately \$2.15 million for the preparation and potential remediation of the Jasmine Tree property and final streetcar alignment and \$2 million in the redevelopment of the Portland State University PCAT property. Public improvements totaling \$9.45 million are planned in the Downtown Waterfront URA at Waterfront Park, including under the Burnside Bridge to foster private development and address safety concerns.

PDC has budgeted approximately \$11 million across urban renewal areas for financial assistance through loans or grants (e.g., Quality Jobs Program, Economic Opportunity Funds) to stimulate investment and job growth, leveraging PDC dollars with private and public funds. An increased allocation from the City General Fund in the coming year recognizes our role as a city wide economic development agency allowing work to go beyond URA boundaries.

The Commission has budgeted approximately \$31 million across urban renewal areas for affordable housing preservation. Specific high-profile housing projects will be supported in the SPB URA, including \$7 million for the preservation of

expiring Section 8 projects and \$5.89 million in LTC URA for the preservation of existing rental housing and development of new housing. PDC has also entered into an agreement with the Housing Authority of Portland to acquire 20+ single family homes in the Interstate Corridor and Lents Town Center Urban Renewal Areas. These homes will be rehabilitated and made available for purchase by families earning 80% of MFI and below, with a focus on minority homebuyers.

Awards and Acknowledgements

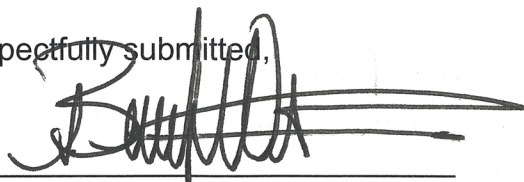
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PDC for its CAFR for the fiscal year ended June 30, 2007. PDC has received a Certificate of Achievement for the last 20 consecutive fiscal years. GFOA's Certificate of Achievement 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 fiscal year only. PDC's management believes that our current report continues to meet with the Certificate of Achievement Program requirements, and we will be submitting it to GFOA to determine its eligibility for another certificate.

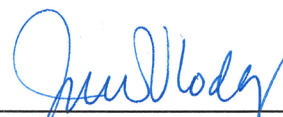
In addition, PDC also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, PDC's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of PDC's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008, would not have been possible without the efficient and dedicated service of the entire staff of the Commission and the Central Services Department. A special thanks to Amy Aragon, Steve Baron, Bethany Bilyeu, Sam Brugato, Barbi Denman, Paul Esch, Michael Gum, Catherine Kaminski, Jane Kingston, Michael Martinez, 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,



Bruce A. Warner, Executive Director



Julie V. Cody, Chief Financial Officer

PDC

PORTLAND
DEVELOPMENT
COMMISSION

Portland Development Commission

A Component Unit of the City of Portland, Oregon



(from left to right Sal Kadri, Charles Wilhoite, Bertha Ferran, Mark Rosenbaum, and John Mohlis)

Governing Board

(As of June 30, 2008)

	Term Expires
Mark Rosenbaum, Chairman <i>Managing Partner</i> Rosenbaum Financial LLC 1675 SW Marlow Avenue, #401 Portland, OR 97225 mark@rosenbaumfinancial.com	July 10, 2008
Bertha Ferran <i>Senior Mortgage Consultant</i> Windermere Mortgage Services 636 NW 21 st Avenue Portland, OR 97209 bferran@windermere.com	July 10, 2010
Sal Kadri <i>President/Owner</i> ValueCAD 2548 SE Ankeny Street Portland, OR 97214 sal@valuecad.com	July 10, 2008
Charles A. Wilhoite <i>Managing Director</i> Willamette Management Associates 111 SW Fifth Ave, Suite 2150 Portland, OR 97204 cawilhoite@willamette.com	June 30, 2009
John Mohlis <i>Executive Secretary-Treasurer</i> Columbia Pacific Building Trades Council 17986 S. Fir Cone Ct Oregon City, OR 97045 john_mohlis@comcast.net	June 30, 2009

Registered Agent

None

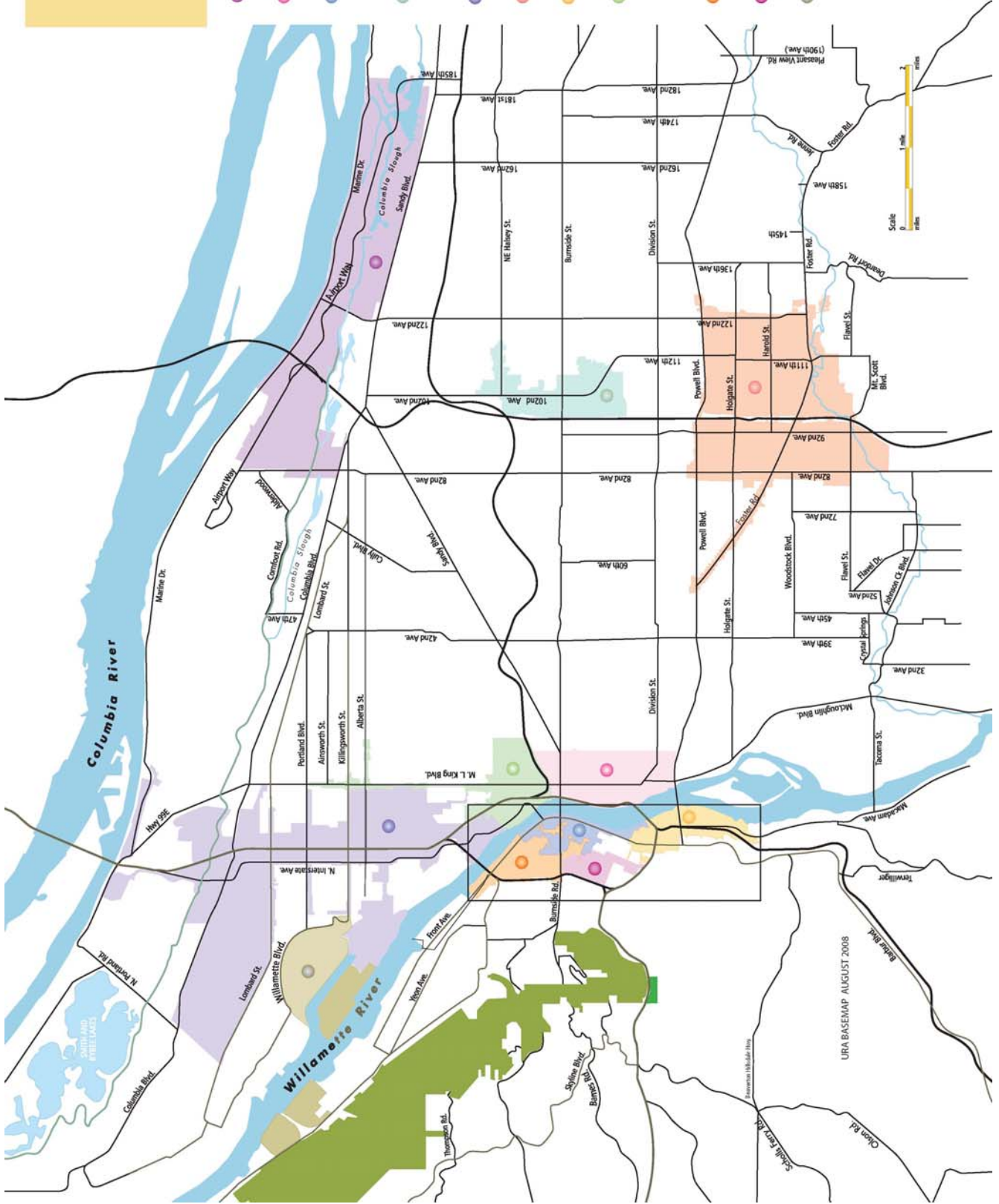
Portland Development Commission

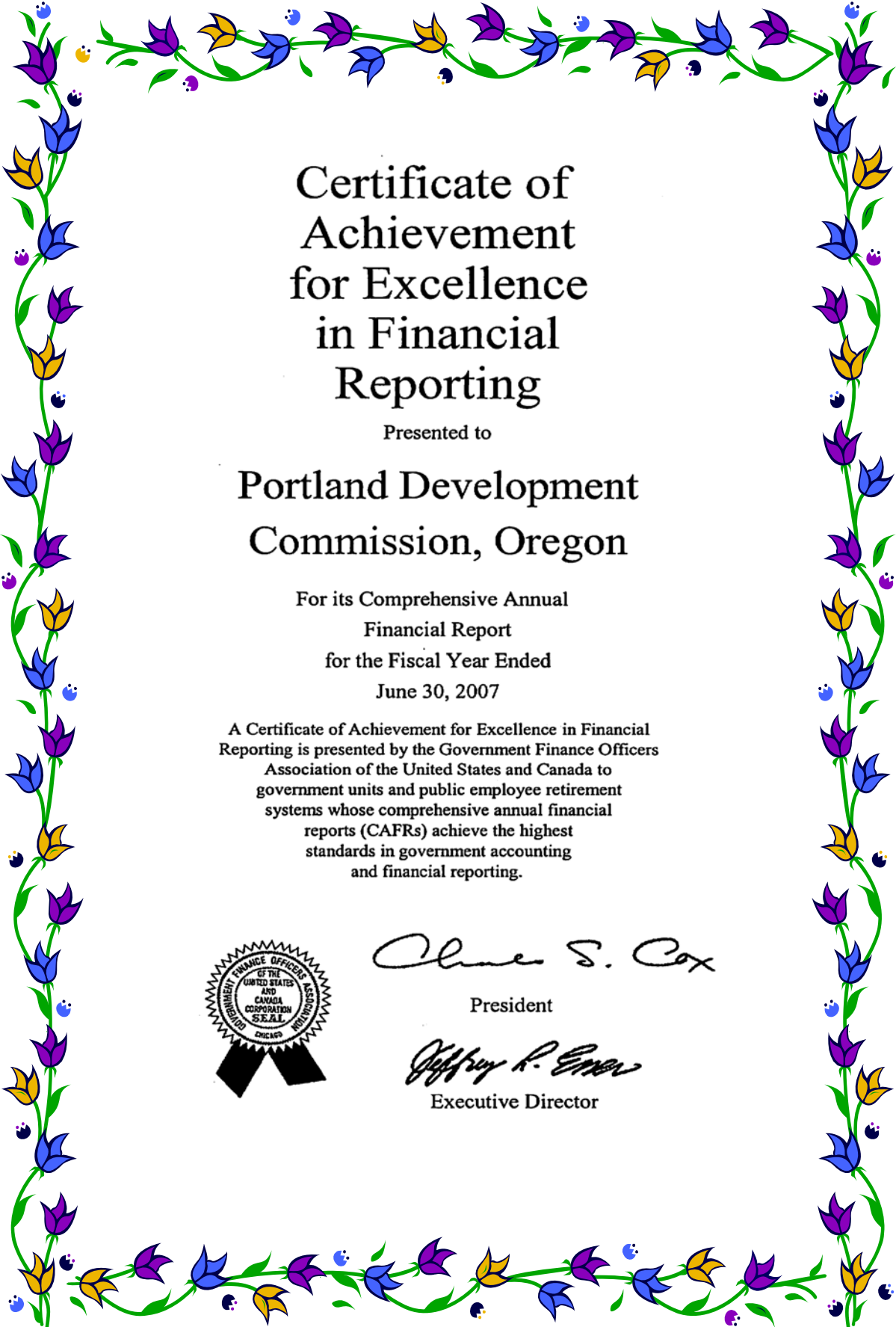
Organizational Chart



URBAN RENEWAL AREAS 2008

- Airport Way
- Central Eastside
- Downtown Waterfront
- Gateway Regional Center
- Interstate Corridor
- Lents Town Center
- North Macadam
- Oregon Convention Center/ Inner Northeast
- River District
- South Park Blocks
- Willamette Industrial





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, 2007

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.



Chloe S. Cox

President

Jeffrey R. Enos

Executive Director

PDC

**PORTLAND
DEVELOPMENT
COMMISSION**

Financial
Section_____

PDC

PORTLAND
DEVELOPMENT
COMMISSION

INDEPENDENT AUDITOR'S REPORT

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, 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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 December 11, 2008, 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.

The management's discussion and analysis on pages 3 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 section, budgetary comparison schedules, combining and individual nonmajor fund financial statements, supplementary data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The budgetary comparison schedules, combining and individual nonmajor fund financial statements, and supplementary data have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



For Moss Adams, LLP
Portland, Oregon
December 11, 2008

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, 2008. 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-vi of this report.

Financial Highlights

- The assets of PDC exceeded the liabilities for the current year ended June 30, 2008 by \$277,319,980 (net assets). Of this amount, \$19,692,457 (unrestricted net assets) may be used to meet PDC's ongoing obligations to citizens and creditors.
- PDC's total net assets increased by \$32,355,311 (13.2%) when compared to the financial statements at June 30, 2007. The net asset increase is primarily attributable to bond proceeds received in the Downtown Waterfront URA and increased General Fund revenue received from the City General Fund for Economic Development activities city-wide.
- As of June 30, 2008, PDC's governmental activities reported combined ending net assets of \$260,910,604, an increase of \$30,614,915 from the prior year. Approximately 1.3% of the net assets, \$3,283,081, is available for spending at PDC's discretion (unrestricted net assets).
- PDC's total long-term debt decreased by \$867,932 (38%) during the fiscal year ended June 30, 2008. Key factors in this decrease include: in the business-type activities for private lender program, a financing payment of \$382,205 required by the debt indentures to Bank of America, plus an additional prepayment of \$750,000; and in the governmental funds, the note payable for the Ashbrook Bakery property acquisition decreased \$117,925 with the early pay off of the note countered by an increase of \$178,827 recorded for net other post-employment benefit obligation.
- Gross loans receivable increased from \$282,163,085 to \$310,920,324 commission-wide, or 10%. The loan loss allowance increased from \$211,015,749 to \$233,051,415, an increase of 10% from the prior year's allowance, resulting in net loans receivable of \$77,868,909.

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 Fund Balance Sheet and the Governmental Fund 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; River District Urban Renewal Fund; Convention Center Urban Renewal Fund; Downtown Waterfront Urban Renewal Fund; North Macadam Urban Renewal Fund; and the Lents Town Center 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, including such major programs as: the Private Lender Program, Bank of America Fund; Neighborhood Housing Loans Fund; and the Housing Investment 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. Original resources for these programs were derived primarily from federal grants from the Economic Development Administration and the U.S. Department of Housing and Urban Development. In addition, resources from the City of Portland are accounted for in the Housing Investment Fund (HIF).

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 34-65 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 67 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 68-99 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 \$277,319,980 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, \$245,268,648 or 88%, 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, increasing only .6% from the proportion of restricted net assets from fiscal year ended June 30, 2007.

Portland Development Commission's Net Assets At June 30

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and						
Other Assets	\$ 278,819,976	\$ 269,669,640	\$ 18,551,901	\$ 17,274,372	\$ 297,371,877	\$ 286,944,012
Capital Assets	12,358,875	12,715,642	-	-	12,358,875	12,715,642
Total Assets	291,178,851	282,385,282	18,551,901	17,274,372	309,730,752	299,659,654
Liabilities						
Other Liabilities	30,089,420	51,971,668	903,804	424,585	30,993,224	52,396,253
Long-term Liabilities	178,827	117,925	1,238,721	2,180,807	1,417,548	2,298,732
Total Liabilities	30,268,247	52,089,593	2,142,525	2,605,392	32,410,772	54,694,985
Net Assets						
Invested in Capital						
Assets	12,358,875	12,715,642	-	-	12,358,875	12,715,642
Restricted	245,268,648	214,919,258	-	-	245,268,648	214,919,258
Unrestricted	3,283,081	2,660,789	16,409,376	14,668,980	19,692,457	17,329,769
Total Net Asset	\$ 260,910,604	\$ 230,295,689	\$ 16,409,376	\$ 14,668,980	\$ 277,319,980	\$ 244,964,669

A small portion of PDC's total net assets (4.5%) 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* (\$19,692,457) may be used to meet PDC's ongoing obligations to citizens and creditors. Most of the unrestricted net assets, 83%, are contained in the business-type activities. Note that unrestricted net assets have increased 14% during fiscal year 2008. The business-type unrestricted net assets increased by 12%, or \$1,740,396, while the governmental segment increased \$622,292, or 23%.

At June 30, 2008, PDC is able to report positive balances in all three categories of net assets, both for the Commission as a whole, as well as for its separate governmental and business-type activities. This is consistent 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 increased \$28,757,239 or 10%, likewise the loan loss allowance also increased by 10% or \$22,035,666 from the prior year. The smaller, current portion of the net portfolio decreased 6% while the non-current portion increased by 11%, reflecting a continuing trend in higher-risk and longer-term lending.

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

	2008	2007	Change	%
				Change
Gross Loans Receivable	\$ 310,920,324	\$ 282,163,085	\$ 28,757,239	10%
Allowance & Discount	(233,051,415)	(211,015,749)	(22,035,666)	10%
Total Net	<u>\$ 77,868,909</u>	<u>\$ 71,147,336</u>	<u>\$ 6,721,573</u>	9%
Current Portion	\$ 5,615,662	\$ 5,992,752	\$ (377,090)	-6%
Non-Current Portion	<u>72,253,247</u>	<u>65,154,584</u>	<u>7,098,663</u>	11%
Total Net	<u>\$ 77,868,909</u>	<u>\$ 71,147,336</u>	<u>\$ 6,721,573</u>	9%

PDC's ending net assets increased by \$32,355,311, or approximately 13%, during the current fiscal year. In general, PDC's overall financial position has improved over the year, due to a \$17,521,434 (15%) increase in revenues over the prior year, coupled with a decrease in expenses by \$12,694,248 (11%).

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

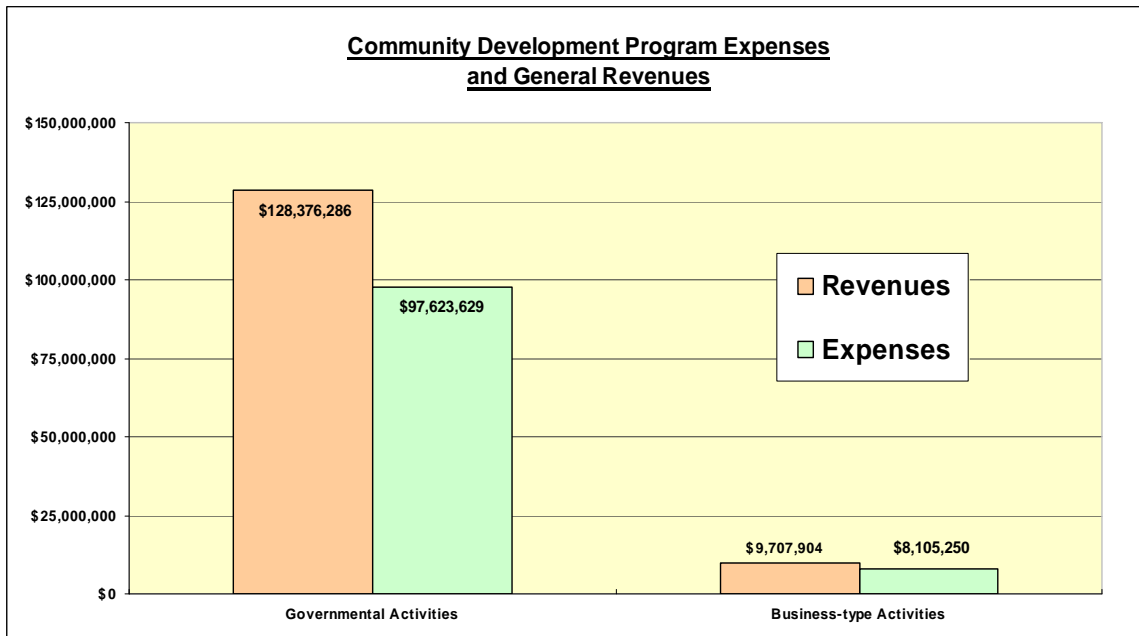
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,322,051	\$ 5,692,711	\$ 3,211,791	\$ 2,037,570	\$ 8,533,842	\$ 7,730,281
Operating Grants and Contributions	12,007,140	8,669,663	6,365,519	138,814	18,372,659	8,808,477
General Revenues:						
Tax-increment Debt Proceeds (in lieu of tax-increment revenue)	105,929,455	91,878,764	-	-	105,929,455	91,878,764
Unrestricted Investment Income	2,489,776	3,491,587	130,594	195,436	2,620,370	3,687,023
Miscellaneous	2,627,864	8,458,224	-	-	2,627,864	8,458,224
Total Revenues	<u>128,376,286</u>	<u>118,190,949</u>	<u>9,707,904</u>	<u>2,371,820</u>	<u>138,084,190</u>	<u>120,562,769</u>
Expenses:						
Community Development	97,623,629	116,101,082	-	-	97,623,629	116,101,082
Enterprise Funds	-	-	8,105,250	2,322,045	8,105,250	2,322,045
Total Expenses	<u>97,623,629</u>	<u>116,101,082</u>	<u>8,105,250</u>	<u>2,322,045</u>	<u>105,728,879</u>	<u>118,423,127</u>
Increase (Decrease) in Net Assets Before Special Item and Transfers	30,752,657	2,089,867	1,602,654	49,775	32,355,311	2,139,642
Special Item - Lease Rights	-	14,550,302	-	-	-	14,550,302
Transfers	(137,742)	(110,836)	137,742	110,836	-	-
Increase (Decrease) in Net Assets	30,614,915	16,529,333	1,740,396	160,611	32,355,311	16,689,944
Beginning Net Assets	230,295,689	213,766,356	14,668,980	14,508,369	244,964,669	228,274,725
Ending Net Assets	<u>\$ 260,910,604</u>	<u>\$ 230,295,689</u>	<u>\$ 16,409,376</u>	<u>\$ 14,668,980</u>	<u>\$ 277,319,980</u>	<u>\$ 244,964,669</u>

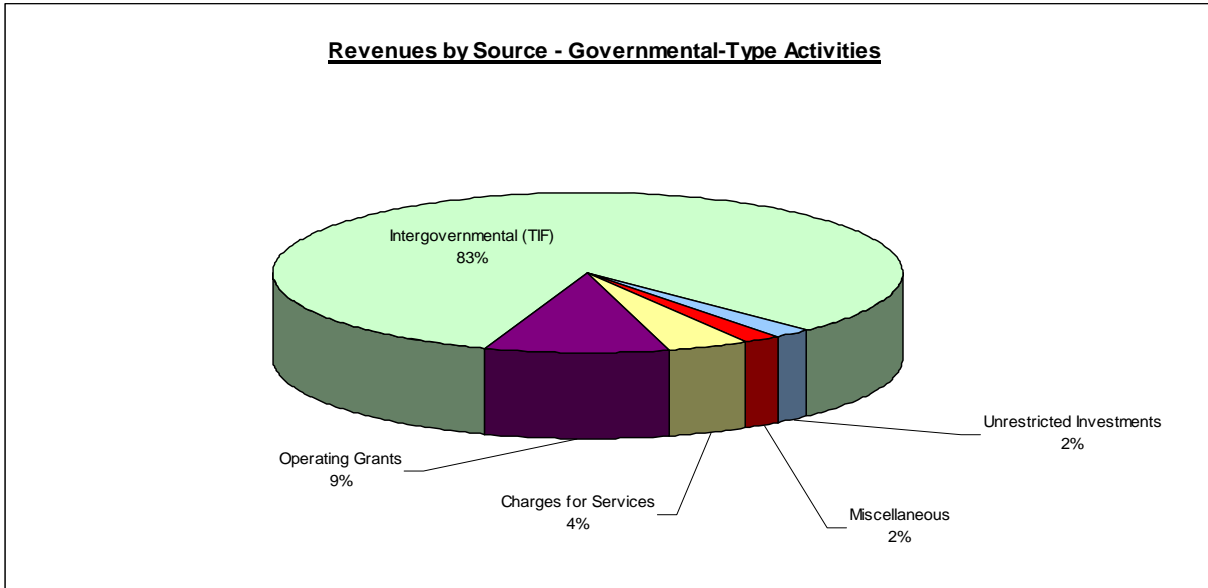
Governmental activities. PDC's ending net assets for governmental activities increased by \$30,614,915, which is roughly proportionate to the 13% increase in total net assets on a government-wide basis. This increase is due primarily by an increases in governmental revenues of \$10,185,337 or 9%, while expenditures decreased by 16% overall, or \$18,477,453.

**Portland Development Commission's
Summary of Changes in Net Assets
For the Fiscal Year Ended June 30, 2008
Compared to the Fiscal Year Ended June 30, 2007**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Change</u>
Revenue Changes			
Increase - Tax-Increment Proceeds (in lieu of tax-increment revenue)	\$ 14,050,691	\$ -	\$ 14,050,691
(Decrease)/ Increase - Charges for Services	(370,660)	1,174,221	803,561
Increase - Operating Grants and Contributions	3,337,477	6,226,705	9,564,182
(Decrease) – Unrestricted Investment Income	(1,001,811)	(64,842)	(1,066,653)
(Decrease) – Miscellaneous	(5,830,360)	-	(5,830,360)
Total Revenue Changes	10,185,337	7,336,084	17,521,421
Prior Year Net Asset Increase	16,529,333	160,611	16,689,944
(Decrease)/Increase in Expenses	18,477,453	(5,783,205)	12,694,248
(Decrease) – Special Item, Cascade Station lease rights	(14,550,302)	-	(14,550,302)
Transfers In/(Out) Change	(26,906)	26,906	-
Change in Net Assets Current Year	\$ 30,614,915	\$ 1,740,396	\$ 32,355,311

A 15% increase in intergovernmental revenues (tax-increment debt proceeds in lieu of tax-increment revenue) accounted for the largest portion of increased governmental revenue. Other forms of intergovernmental revenues decreased except for operating grants and contributions, which increased 38%.





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 2008 is substantially higher than the five year average and any of the prior four years and that the five-year average increased, by \$8,307,710 from \$63,964,439 in fiscal year 2007.

**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>	
2004	\$ 36,906,756			
2005	43,671,683	\$ 6,764,927	18%	5-Year Average
2006	82,974,088	39,302,405	90%	= \$ 72,272,149
2007	91,878,763	8,904,675	11%	
2008	105,929,455	14,050,692	15%	
	<u>\$ 361,360,745</u>			

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 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 tax-increment debt, but may continue spending until its resources are exhausted and will receive tax-increment resources until all outstanding debt is retired. Downtown Waterfront was the only urban renewal area managed by PDC to reach its maximum indebtedness during fiscal year 2008. The Downtown Waterfront Urban Renewal Area expired on April 24th and the South Park Blocks Urban Renewal Area will expire on July 23rd.

Business-type activities. PDC's net assets for business-type activities increased by \$1,740,396 or 12%, for the fiscal year ended June 30, 2008. The key elements of this increase is volume of activity seen through the Housing Line of Credit and Net Revenues received by the Enterprise Management Fund.

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

<u>Expenses</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Personal services	\$ 310,555	\$ 259,851	\$ 50,704
Professional services	368,992	519,272	(150,280)
Loan document costs	280,931	468,195	(187,264)
Housing line of credit	4,431,793	-	4,431,793
Financial assistance	214,918	181,825	33,093
Loan loss provision	1,269,841	406,467	863,374
Interest Expense	915,675	226,959	688,716
Gain on sale of property held for sale	(32,909)	-	(32,909)
Internal service reimbursements	345,454	259,475	85,979
Totals	\$ 8,105,250	\$ 2,322,044	\$ 5,783,206

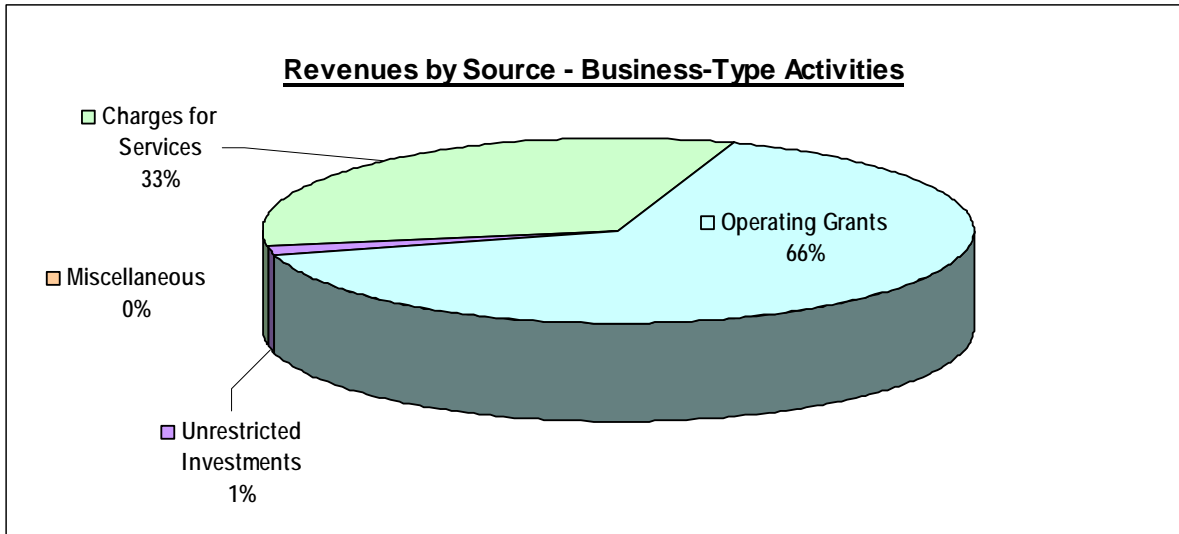
In fiscal year 2008, increased expenses were incurred for: \$4,431,793 in the repayment of the Housing Line of Credit advances; \$80,175 for minority homeownership initiatives; and a \$1,269,841 increase in the Loan loss provision, a result of increased lending activity.

The summary history below illustrates the fluctuating nature of the loan loss allowance. In 2008, the \$1,269,841 increase (3%) in the allowance expense increase might appear inconsistent with the \$680,048 (1.5%) increase in the gross portfolio for the Enterprise Loans Fund. However, there was during this time a shift in the portfolio composition from performing amortizing loans to deferred payment (First Home Buyer Assistance) and cash flow dependent loans.

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

<u>Year</u>	<u>Allowance Expense</u>	<u>Change from Prior year</u>
2003	\$ 8,498,785	
2004	(1,439,452)	\$ (9,938,237)
2005	2,235,185	3,674,637
2006	75,899	(2,159,286)
2007	406,467	330,568
2008	1,269,841	863,374

Business-type revenues overall increased (309%) over the prior year, or \$7,336,084. For the fiscal years 2007 92% and 99% respectively were derived from charges for services and operating grants. With the addition of the Homeownership Line of Credit both of these revenue sources saw a dramatic increase in fiscal year 2008. Charges for services experienced a \$1,174,221, (58%) increase, but operating grants increased \$6,226,705, making it now the largest source of revenue in Business-Type Activities. Only unrestricted investment income experienced a decrease of \$64,842.



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 balance* 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, 2008, PDC's governmental funds reported combined ending fund balances of \$248,316,488, an increase of \$31,132,550, or 14% from the prior year. Approximately 21% of the total amount, \$51,857,781, constitutes *unreserved fund balance*, which is available for spending at the Commission's discretion. Another \$22,284,851 is unreserved but is designated for subsequent year's expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for discretionary spending because it has already been committed for urban renewal programs, \$173,383,607 or for other restricted purposes, \$790,249.

The General Fund, adopted as the Urban Redevelopment Fund, is the primary operating fund of PDC. During the current fiscal year ended June 30, 2008, the fund balance of the General Fund increased from \$2,264,679 to \$3,255,679. Key factors in the \$991,000 increase include:

- Revenues increased by \$1,225,548 primarily due to increase allocations received from the City General Fund for Economic Development efforts city-wide coupled with an increase in reimbursements received from Regional Partners for staff costs.
- Net expenditures decreased \$608,337. Partly due to a loss on the sale of two properties in the prior year, expenditures this year included \$188,782 for the Server Room Upgrade and \$84,857 to the City of Portland for the Farmer's Market Study.
- Transfers out increased \$152,328 and consisted of \$1,947,303 transferred to the Downtown Waterfront Urban Renewal Area as partial repayment of the 2004 PDC office move to Chinatown, a planned reimbursement of \$110,000 to the Enterprise Loans Fund and \$27,750 in Work Force Program penalties transferred to a new special revenue fund aimed at directing assessments to work force training.

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

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

<u>Fund</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Housing and Community Development Contract Fund	\$ (17,074)	\$ (1,606)	\$ (15,468)
River District Urban Renewal Fund	53,253,995	43,108,310	10,145,685
Convention Center Urban Renewal Fund	35,103,646	36,556,333	(1,452,687)
Downtown Waterfront Urban Renewal Fund	53,114,019	28,069,979	25,044,040
North Macadam Urban Renewal Fund	23,256,270	20,209,887	3,046,383
Lents Town Center Urban Renewal Fund	9,765,267	8,354,299	1,410,968
Total Fund Balances	<u>\$ 174,476,123</u>	<u>\$ 136,297,202</u>	<u>\$ 38,178,921</u>

As expected, the Housing and Community Development Contract Fund did not experience a significant change in its fund balance. The small change that did occur can be attributed entirely to an increase in personal services for the year.

In the River District Urban Renewal Area, the \$10,145,685 or 24% net increase in fund balance can be attributed to an overall decrease in revenue of 8% or \$1,459,842, the result of a prior year Line of Credit draw recorded for the Tri-Met Light Rail contribution. The I-205 Light Rail project was also the reason behind a decrease in Community development over last year. Financial Assistance experienced an increase of \$2,167,408 or 380%. Significant transaction included an additional loan of \$3,000,000 to Portland Hotel Developer on the Meier & Frank Hotel Project and \$1,000,000 to Nurture Development, Inc. for a multi-family housing project. In general, due to the success of this Urban Renewal District, revenues continue to exceed expenditures in this fund.

In fiscal year 2008, the Convention Center Urban Renewal Fund experienced a 4% decrease in fund balance, or \$1,452,687. Most significant was a decrease of \$11,933,681 or 79% in tax-increment Debt proceeds (in lieu of tax-increment revenue), the result of no line of credit draws this fiscal year. This was coupled with an overall decrease in expenditures of \$9,713,578 or 64%, attributable to a \$5,742,414 or 87% decrease in Financial Assistance and a \$3,904,402 or 53% decrease in Community Development.

In the Downtown Waterfront Urban Renewal Fund, fund balance increased \$25,044,040 or 89% due to a significant increase in revenue from tax-increment debt proceeds (in lieu of tax-increment revenue) which increased \$44,197,735 or 680%. Miscellaneous revenues decreased by 96% or \$4,416,468 due to the transfer back of proposed Fire Station #1 property which had been included last year. Overall expenditures increased 20% or \$4,932,591. Financial Assistance and Capital Outlay decreased by \$3,510,996 or 50% and \$6,747,495 or 212% respectively. Financial Assistance decreased as the result of large housing projects financed in the prior year. Assistance to Multnomah County in the relocation of the north Hawthorne Bridge ramp totaling \$8,800,000 last year was the major cause for the decrease in Capital Outlay.

The North Macadam Urban Renewal Fund ended the year with a slight increase in ending fund balance of \$3,046,383 or 15%. Intergovernmental Revenues increased 323% or \$1,302,096 with the receipt of several HUD housing grants, while tax-increment debt proceeds (in lieu of tax-increment revenue) decreased by \$17,872,445 or 68% for an overall decrease in revenue of \$16,551,825 or 60%. Overall expenditures also decreased from \$14,378,903 in the prior year to \$8,000,004 in the current year, a decrease of \$6,378,899 or 44%. Significant decreases occurred in the area of financial assistance where \$6,545,677 had been expended in 2007 for the Riverplace Parking Association compared to \$1,644,233 to Williams & Dane for the development of Block 49 in 2008, a decrease of \$4,901,444. Community development decreased \$2,628,432 or 41% primarily due to a prior year TIF investment to OHSU in the amount of \$3,400,000.

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

<u>Capital Projects Urban Renewal Funds</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
River District	\$ 13,992,590	\$ 15,534,557	\$ (1,541,967)
Convention Center	3,233,128	15,166,809	(11,933,681)
Downtown Waterfront	50,698,182	6,500,447	44,197,735
North Macadam	8,402,150	26,274,595	(17,872,445)
Lents Town Center	6,786,255	10,526,129	(3,739,874)
Other Governmental Funds	22,817,150	14,258,761	8,558,389
Total TIF Allocation	\$ 105,929,455	\$ 88,261,298	\$ 17,668,157

An overall \$1,410,968 decrease in fund balance or 17% was experienced in the Lents Town Center Urban Renewal Fund caused by decrease in both revenues and expenditures. The decrease in revenue of \$3,944,407 or 36% was due primarily to the receipt of a line of credit draw from the City of Portland for the Tri-Met Light Rail expenditures recorded the year before, this contribution to the I-205 Light Rail Project was a major factor in the decrease in expenditures as well. Capital outlay also decreased by 51% or \$1,140,116.

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 \$1,618,278 during the fiscal year ended June 30, 2008. 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, added for activity related to non-URA property operation and maintenance, had an increase in Net assets of \$122,118 or 133%. At present this fund is comprised primarily of revenues: charges for services of \$909,106 and \$7,656 of investment interest. Expenditures stem from the line of credit interest expense paid to the City of Portland.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget amounted to a \$1,824,793 increase in appropriations. The major differences are summarized as follows:

- Budgeted revenue increased a net \$1.8 million primarily due to higher than expected beginning fund balances in three of the four sub-funds that make up the General Fund.
- Expenditures in the General Fund for Development and Economic Development increased as the result of City of Portland General Fund appropriations not included in the adopted budget and carried over from prior year respectively.
- Increases and decreases for the administrative departments reflect the implementation of the reorganization of those departments which occurred in June 2007 but too late for inclusion in the FY 2007-2008 Adopted Budget. Changes included the shift of some functions from Central Services and Community Relations and Business Equity to Executive and from Central Services to Community Relations and Business Equity as well as the merge of the Communication and Business Equity functions.

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, 2008, capital assets amount to \$12,358,875 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, furniture, vehicles, and equipment. The total decrease in PDC's investment in capital assets for the fiscal year ended June 30, 2008 was \$356,767, or 2.8%.

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

<u>Asset Type</u>	Governmental Activities		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 8,438,819	\$ 8,434,625	\$ 4,194
Buildings	1,624,466	1,678,615	(54,149)
Leasehold Improvements	1,911,107	2,340,748	(429,641)
Furniture, Vehicles, & Equipment	384,483	261,654	122,829
Total Assets	\$ 12,358,875	\$ 12,715,642	\$ (356,767)

There were no major capital asset transactions during the year. All other types of capitalized assets decreased in value during the fiscal year except for the purchase of new equipment with a value of \$210,476. Additional information on PDC's capital assets can be found in note III - E. on page 51 of this report, and in the Supplementary Data on pages 100-105.

Property Held for Sale. Expenditures for acquisition and improvements of real properties intended for sale to appropriate developers or homeowners are referred to herein 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, 2008.

**Portland Development Commission's
Real Property Held for Sale
For the Fiscal Year Ended June 30, 2008**

Funding Source	Balance July 1, 2007	Additions	Disposal/ Adjustments	Balance June 30, 2008
General Fund	\$ 146,754	\$ -	\$ -	\$ 146,754
Housing and Community Development Contract Fund	251,456	-	-	251,456
River District Urban Renewal Fund	18,161,983	2,667,989	(646,269)	20,183,703
Convention Center Urban Renewal Fund	21,265,370	441,924	-	21,707,294
Downtown Waterfront Urban Renewal Fund	11,124,744	4,348,690	(4,312,978)	11,160,456
North Macadam Urban Renewal Fund	22,108,277	369,457	(529,552)	21,948,182
Lents Town Center Urban Renewal Fund	2,254,347	1,856,059	-	4,110,406
Other Governmental Funds	45,860,116	852,742	(2,486,542)	44,226,316
Total Property Held for Sale	<u>\$ 121,173,047</u>	<u>\$ 10,536,861</u>	<u>\$ (7,975,341)</u>	<u>\$ 123,734,567</u>

In the River District Urban Renewal Area, work in process was recorded for the escrow deposit made for the US Post Office for \$2,000,000. Station Place Lot 2 was sold to develop the international headquarters for Ziba Design Inc., an internationally recognized design consultant.

In the Downtown Waterfront Urban Renewal Area, the Skidmore Fountain site was acquired and sold to Mercy Corps to rehabilitate for its new world headquarters.

In the Lents Town Center Urban Renewal Fund, two properties were purchased for \$1,791,389. Acquisition of these properties will further facilitate implementation of the Lents Town Center revitalization plan.

In both North Macadam Urban and Airport Way Urban Renewal areas, \$716,104 was booked in amortization of the Air Rights on Block 33 and the Lease Rights of 34 commercial acres at Cascade Station, respectively.

Additional information on PDC's real property held for sale can be found in note III - D. on page 51 of this report, and in the Supplementary Data on pages 104-105.

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

A promissory note for \$385,000 was issued in January 2004 to purchase the Ashbrook Bakery. The balance of this note \$117,925 was paid in April 2008.

PDC has entered into a private lender program financing agreement with the Bank of America. PDC loans the borrowed funds to homeowners and investors for acquisition and rehabilitation of residential properties. Transactions relating to this agreement are recorded in the Enterprise Loans Fund.

**Portland Development Commission's
Private Lender Program Debt:
Comparison of Balances
At June 30**

<u>Program</u>	<u>Enterprise Loans Fund Debt Balances</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Private Lender - Bank of America			
Current	\$ 192,079	\$ 382,198	\$ (190,119)
Non-Current	1,238,721	2,180,807	(942,086)
Total Program Notes Payable	<u>\$ 1,430,800</u>	<u>\$ 2,563,005</u>	<u>\$ (1,132,205)</u>

Additional information regarding PDC's Private Lender Program financing debt can be found in note III - G. on page 52-54 of this report.

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 2008 was 5.2%, and July 2008 was 5.4%. This is up slightly from the rate of 4.8% a year ago in June. The unemployment rate for the United States as a whole for June 2008 was 5.5%. Job growth is slowing and employment analysts speculate that rising oil prices, increasing interest rates, and continued global unrest contribute to consumers and business reluctance to spend and hire. Portland's total non-farm wage and salary employment has grown to \$1,044,200 at a rate of .8% over the last fiscal year.
- The Portland area office market is slowing. Vacancy is up slightly to 11.6% with modest construction deliveries in recent months and anemic, yet positive demand. Net absorption continues modestly as well, with 237,000 square feet of office space delivered and absorption of just under 50,000 square feet. More than 1.7 million square feet of new construction is underway and delivering over the next few years..
- The industrial market saw vacancy actually drop in the Portland area over recent quarters. With minimal amounts of new construction underway, the market is now working through existing inventory. Portland's industrial market is well-positioned to weather the economic slowdown over the next 12 to 18 months. While demand is likely to stagnate in the coming months, little change is expected in vacancy because of a waning construction pipeline.
- Inflation rate trends for the Portland metropolitan area compare slightly less favorably to national indices, which are projected to be 3.3% and 3.5% for 2008, respectively.

- All of the above positive 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, 2009.

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 242,675	\$ -	\$ 242,675
Cash with City of Portland investment pool	85,905,323	2,192,946	88,098,269
Receivables:			
Due from City of Portland	3,350,414	1,658,768	5,009,182
Due from other entities	897,984	647,565	1,545,549
Internal balances	2,783,998	(2,783,998)	-
Loans, net	3,115,103	2,500,559	5,615,662
Interest	437,152	23,021	460,173
Prepays	212,554	-	212,554
Property held for sale	123,734,567	-	123,734,567
Total current assets	220,679,770	4,238,861	224,918,631
Noncurrent assets:			
Restricted cash-			
City of Portland investment pool	-	200,000	200,000
Loans receivable, net	58,140,206	14,113,040	72,253,246
Capital assets not being depreciated:			
Land	8,438,819	-	8,438,819
Capital assets net of accumulated depreciation:			
Buildings and improvements	1,624,466	-	1,624,466
Leasehold improvements	1,911,107	-	1,911,107
Furniture, vehicles and equipment	384,483	-	384,483
Total noncurrent assets	70,499,081	14,313,040	84,812,121
Total assets	\$ 291,178,851	\$ 18,551,901	\$ 309,730,752
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,301,803	\$ 22,930	\$ 1,324,733
Accrued liabilities	2,507,426	41,984	2,549,410
Due to City of Portland	25,820,498	646,811	26,467,309
Deposits payable	459,693	-	459,693
Notes payable due within one year	-	192,079	192,079
Total current liabilities	30,089,420	903,804	30,993,224
Noncurrent liabilities:			
Notes payable due in more than one year	-	1,238,721	1,238,721
Net other post-employment benefits obligation	178,827	-	178,827
Total noncurrent liabilities	178,827	1,238,721	1,417,548
Total liabilities	30,268,247	2,142,525	32,410,772
NET ASSETS			
Invested in capital assets	12,358,875	-	12,358,875
Restricted for:			
Urban renewal	244,309,143	-	244,309,143
Other	959,505	-	959,505
Unrestricted	3,283,081	16,409,376	19,692,457
Total net assets	260,910,604	16,409,376	277,319,980
Total liabilities and net assets	\$ 291,178,851	\$ 18,551,901	\$ 309,730,752

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, 2008**

Functions/Programs	Expenses	Program Revenues		Net Expense
		Charges for	Operating	Governmental
		Services	Grants	Activities
Governmental activities:				
Community development	\$ 97,623,629	\$ 5,322,051	\$ 12,007,140	\$ (80,294,438)
Business-type activities:				
Enterprise fund	8,105,250	3,211,791	6,365,519	-
Total	\$ 105,728,879	\$ 8,533,842	\$ 18,372,659	(80,294,438)

General Revenues:

Tax-increment debt proceeds (in lieu of tax-increment revenue) - intergovernmental revenues, unrestricted	105,929,455
Unrestricted investment income	2,489,776
Miscellaneous revenues (primarily sale of property held for sale)	2,627,864
Transfers	(137,742)
Total general revenues and transfers	110,909,353
Change in net assets	30,614,915
Net assets - July 1, 2007	230,295,689
Net assets - June 30, 2008	\$ 260,910,604

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

and Changes in Net Assets

<u>Business-type</u>		
<u>Activities</u>		<u>Total</u>
\$	-	\$ (80,294,438)
	<u>1,472,060</u>	<u>1,472,060</u>
	<u>1,472,060</u>	<u>(78,822,378)</u>
	-	105,929,455
	130,594	2,620,370
	-	2,627,864
	<u>137,742</u>	<u>-</u>
	<u>268,336</u>	<u>111,177,689</u>
	1,740,396	32,355,311
	<u>14,668,980</u>	<u>244,964,669</u>
\$	<u>16,409,376</u>	\$ <u>277,319,980</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

		Special Revenue Fund			
	General Fund	Housing and Community Development Contract Fund	River District Urban Renewal Fund	Convention Center Urban Renewal Fund	
ASSETS					
Cash and cash equivalents	\$ 242,675	\$ -	\$ -	\$ -	
Cash with City of Portland investment pool	5,676,811	15,917	17,315,499	8,224,238	
Receivables:					
Due from City of Portland	-	1,006,538	-	-	
Accounts	46,305	16,430	25,000	-	
Internal balances	-	4,008,380	-	598,599	
Loans, net	106,867	8,077,125	16,191,000	5,418,729	
Interest	32,262	-	71,802	67,585	
Prepays	212,554	-	-	-	
Property held for sale	146,754	251,456	20,183,703	21,707,294	
Total assets	\$ 6,464,228	\$ 13,375,846	\$ 53,787,004	\$ 36,016,445	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 560,820	\$ 11,818	\$ 117,311	\$ 25,585	
Accrued liabilities	2,341,630	14,713	22,791	21,701	
Due to City of Portland	215,030	12,202,917	392,907	865,513	
Deposits payable	91,069	133,472	-	-	
Internal balances	-	1,030,000	-	-	
Total liabilities	3,208,549	13,392,920	533,009	912,799	
Fund balances:					
Reserved for:					
Prepaid expenditures	212,554	-	-	-	
Loans receivable	106,867	-	16,191,000	5,418,729	
Property held for sale	146,754	-	20,183,703	21,707,294	
Accounts receivable-others	-	-	-	-	
Interfund advances	-	-	-	598,599	
Unreserved, designated for subsequent year's expenditures in:					
General Fund	2,789,504	-	-	-	
Special Revenue Funds	-	-	-	-	
Capital Projects Funds	-	-	4,128,198	1,640,178	
Unreserved, undesignated, reported in:					
Special Revenue Funds	-	(17,074)	-	-	
Capital Projects Funds	-	-	12,751,094	5,738,846	
Total fund balances (deficit)	3,255,679	(17,074)	53,253,995	35,103,646	
Total liabilities and fund balances	\$ 6,464,228	\$ 13,375,846	\$ 53,787,004	\$ 36,016,445	

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

Capital Projects Funds

Downtown Waterfront Urban Renewal Fund	North Macadam Urban Renewal Fund	Lents Town Center Urban Renewal Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 242,675
31,293,133	1,799,602	2,564,315	18,603,976	85,493,491
-	1,538,820	-	805,056	3,350,414
790,249	-	20,000	-	897,984
-	-	-	607,618	5,214,597
11,563,375	3,109,465	3,436,202	13,352,546	61,255,309
169,270	7,113	17,994	68,890	434,916
-	-	-	-	212,554
<u>11,160,456</u>	<u>21,948,182</u>	<u>4,110,406</u>	<u>44,226,316</u>	<u>123,734,567</u>
<u>\$ 54,976,483</u>	<u>\$ 28,403,182</u>	<u>\$ 10,148,917</u>	<u>\$ 77,664,402</u>	<u>\$ 280,836,507</u>
\$ 243,417	\$ 31,438	\$ 116,949	\$ 194,465	\$ 1,301,803
7,014	9,119	20,633	69,825	2,507,426
1,612,033	5,106,355	246,068	5,179,675	25,820,498
-	-	-	235,152	459,693
-	-	-	1,400,599	2,430,599
<u>1,862,464</u>	<u>5,146,912</u>	<u>383,650</u>	<u>7,079,716</u>	<u>32,520,019</u>
-	-	-	-	212,554
11,563,375	3,109,465	3,436,202	9,862,304	49,687,942
11,160,456	21,948,182	4,110,406	44,226,316	123,483,111
790,249	-	-	-	790,249
-	-	-	-	598,599
-	-	-	-	2,789,504
-	-	-	7,066	7,066
6,534,777	-	2,097,354	4,489,175	18,889,682
-	-	-	757,272	740,198
<u>23,065,162</u>	<u>(1,801,377)</u>	<u>121,305</u>	<u>11,242,553</u>	<u>51,117,583</u>
<u>53,114,019</u>	<u>23,256,270</u>	<u>9,765,267</u>	<u>70,584,686</u>	<u>248,316,488</u>
<u>\$ 54,976,483</u>	<u>\$ 28,403,182</u>	<u>\$ 10,148,917</u>	<u>\$ 77,664,402</u>	<u>\$ 280,836,507</u>

PDC

PORTLAND
DEVELOPMENT
COMMISSION

**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, 2008**

Fund balances - total governmental funds	\$ 248,316,488
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	12,358,875
Net other post-employment benefit obligation	(178,827)
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	<u>414,068</u>
Net assets of governmental activities	\$ <u><u>260,910,604</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**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2008**

		Special Revenue Fund		
	General Fund	Housing and Community Development Contract Fund	River District Urban Renewal Fund	Convention Center Urban Renewal Fund
REVENUES				
Intergovernmental revenues	\$ 2,873,104	\$ 3,104,866	\$ -	\$ -
Charges for services	79,492	9,428	451,169	243,243
Loan collections	4,627	1,014,316	617,002	102,943
Interest on investments	244,458	-	485,442	370,615
Miscellaneous	912,344	58,388	631,236	70,895
Contra program income	-	(5,235)	-	-
Tax-increment debt proceeds (in lieu of tax-increment revenue)	-	-	13,992,590	3,233,128
Total revenues	4,114,025	4,181,763	16,177,439	4,020,824
EXPENDITURES				
Current-				
Community development	122,736	1,927,061	2,948,481	3,476,157
Capital outlay	542,608	11,586	345,089	1,212,691
Financial assistance	372,628	2,258,592	2,738,184	857,454
Debt service-				
Interest	-	-	-	-
Total expenditures	1,037,972	4,197,239	6,031,754	5,546,302
Excess (deficiency) of revenues over (under) expenditures	3,076,053	(15,476)	10,145,685	(1,525,478)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,419,008	-	72,790
Transfers out	(2,085,053)	(2,419,000)	-	-
Total other financing sources (uses)	(2,085,053)	8	-	72,790
Net change in fund balances	991,000	(15,468)	10,145,685	(1,452,688)
FUND BALANCES (deficit) - July 1, 2007	2,264,679	(1,606)	43,108,310	36,556,334
FUND BALANCES (deficit) - June 30, 2008	\$ 3,255,679	\$ (17,074)	\$ 53,253,995	\$ 35,103,646

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

Capital Projects Funds

Downtown Waterfront Urban Renewal Fund	North Macadam Urban Renewal Fund	Lents Town Center Urban Renewal Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,704,820	\$ -	\$ 4,324,350	\$ 12,007,140
572,738	350,173	19,091	481,614	2,206,948
339,306	8,328	95,855	932,726	3,115,103
327,808	32,747	126,159	884,588	2,471,817
207,481	548,169	8,301	609,386	3,046,200
-	-	-	(413,101)	(418,336)
<u>50,698,182</u>	<u>8,402,150</u>	<u>6,786,255</u>	<u>22,817,150</u>	<u>105,929,455</u>
<u>52,145,515</u>	<u>11,046,387</u>	<u>7,035,661</u>	<u>29,636,713</u>	<u>128,358,327</u>
8,609,428	3,725,309	2,903,684	14,257,469	37,970,325
9,928,253	3,348,535	1,111,739	8,640,695	25,141,196
10,511,097	836,910	1,609,270	14,703,128	33,887,263
-	89,250	-	-	89,250
<u>29,048,778</u>	<u>8,000,004</u>	<u>5,624,693</u>	<u>37,601,292</u>	<u>97,088,034</u>
<u>23,096,737</u>	<u>3,046,383</u>	<u>1,410,968</u>	<u>(7,964,579)</u>	<u>31,270,293</u>
1,947,303	-	-	142,352	4,581,453
-	-	-	(215,142)	(4,719,195)
<u>1,947,303</u>	<u>-</u>	<u>-</u>	<u>(72,790)</u>	<u>(137,742)</u>
25,044,040	3,046,383	1,410,968	(8,037,369)	31,132,551
<u>28,069,979</u>	<u>20,209,887</u>	<u>8,354,299</u>	<u>78,622,055</u>	<u>217,183,937</u>
\$ <u>53,114,019</u>	\$ <u>23,256,270</u>	\$ <u>9,765,267</u>	\$ <u>70,584,686</u>	\$ <u>248,316,488</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, 2008**

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

Net change in fund balances - total governmental funds	\$		31,132,551
<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	\$	422,030	
Less current year depreciation		<u>(778,798)</u>	(356,768)
Current year expense for net other post-employment benefits obligation			(178,827)
<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>			
			<u>17,959</u>
Change in net assets of governmental activities	\$		<u><u>30,614,915</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues-				
City of Portland, General Fund	\$ 2,773,098	\$ 2,773,098	\$ 2,873,104	\$ 100,006
Charges for services-				
Application fees and charges	-	-	3,021	3,021
Rental income	-	-	11,666	11,666
Contractual service charges	-	-	64,805	64,805
Loan Collections-				
Principal	200,000	200,000	164,123	(35,877)
Interest	10,000	10,000	4,627	(5,373)
Interest on investments	-	50,000	244,458	194,458
Miscellaneous:				
Reimbursements	-	100,000	129,137	29,137
Private grants and donations	-	-	17,500	17,500
Other	-	-	31,466	31,466
Internal service reimbursements	31,872,132	31,932,139	29,660,046	(2,272,093)
Total revenues	34,855,230	35,065,237	33,203,953	(1,861,284)
EXPENDITURES				
Current:				
Community development:				
Development	4,939,250	5,039,978	4,860,118	179,860
Economic Development	4,699,340	5,227,412	3,959,440	1,267,972
Housing	4,043,390	4,043,390	3,798,047	245,343
People & Technology	7,527,512	-	-	-
Central Services	6,442,153	13,240,777	11,597,886	1,642,891
Executive	3,942,530	6,865,678	5,943,887	921,791
Community Relations & Business Equity	1,677,047	-	-	-
Total Community development	33,271,222	34,417,235	30,159,378	4,257,857
Contingency	-	568,780	-	568,780
Total expenditures	33,271,222	34,986,015	30,159,378	4,826,637
Excess (deficiency) of revenues over expenditures	1,584,008	79,222	3,044,575	2,965,353
OTHER FINANCING USES				
Transfers out:				
Williamette Industrial Urban Renewal Fund	(36,705)	(36,705)	-	36,705
Workforce Training/Hiring Fund	(27,750)	(27,750)	(27,750)	-
Downtown Waterfront Urban Renewal Fund	(1,947,303)	(1,947,303)	(1,947,303)	-
Enterprise Loans Fund	-	(110,000)	(110,000)	-
Total transfers out	(2,011,758)	(2,121,758)	(2,085,053)	36,705
Total other financing uses	(2,011,758)	(2,121,758)	(2,085,053)	36,705
Net change in fund balance	(427,750)	(2,042,536)	959,522	3,002,058
FUND BALANCE - July 1, 2007	427,750	2,042,536	2,042,536	-
FUND BALANCE - June 30, 2008	\$ -	\$ -	3,002,058	\$ 3,002,058
Adjustments to generally accepted accounting principles basis-				
Loans receivable, net			106,867	
Property held for sale			146,754	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			\$ 3,255,679	

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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues-				
Housing and Community				
Development contract	\$ 3,964,096	\$ 3,923,571	\$ 3,104,866	\$ (818,705)
Charges for services:				
Application fees and charges	-	-	3,928	3,928
Rental income	-	-	5,500	5,500
Loan Collections:				
Principal	1,100,000	1,100,000	909,497	(190,503)
Interest	100,000	100,000	104,819	4,819
Miscellaneous:				
Reimbursements	-	-	58,388	58,388
Contra program income	-	-	(5,235)	(5,235)
Total revenues	<u>5,164,096</u>	<u>5,123,571</u>	<u>4,181,763</u>	<u>(941,808)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	5,164,096	5,377,964	4,197,239	1,180,725
Total Community development	<u>5,164,096</u>	<u>5,377,964</u>	<u>4,197,239</u>	<u>1,180,725</u>
Total expenditures	<u>5,164,096</u>	<u>5,377,964</u>	<u>4,197,239</u>	<u>1,180,725</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(254,393)</u>	<u>(15,476)</u>	<u>238,917</u>
OTHER FINANCING SOURCES (USES)				
Transfers in-				
Enterprise Loans Fund	-	256,000	3,149,008	2,893,008
Total transfers in	<u>-</u>	<u>256,000</u>	<u>3,149,008</u>	<u>2,893,008</u>
Transfers out-				
Enterprise Loans Fund	(300,000)	(300,000)	(2,419,000)	(2,119,000)
Total transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(2,419,000)</u>	<u>(2,119,000)</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(44,000)</u>	<u>730,008</u>	<u>774,008</u>
Net change in fund balance	<u>(300,000)</u>	<u>(298,393)</u>	<u>714,532</u>	<u>1,012,925</u>
FUND BALANCE - July 1, 2007	<u>300,000</u>	<u>298,393</u>	<u>298,394</u>	<u>1</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012,926</u>	<u>\$ 1,012,926</u>
Adjustments to generally accepted accounting basis-				
Interfund advances			(1,030,000)	
FUND BALANCE (Deficit)- June 30, 2008 (GAAP BASIS)			<u>\$ (17,074)</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 NET ASSETS
PROPRIETARY FUNDS
June 30, 2008**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals	
ASSETS				
Current assets:				
Cash with City of Portland investment pool	\$ 1,980,067	\$ 212,879	2,192,946	\$ 411,832
Receivables:				
Due from City of Portland	1,658,768	-	1,658,768	-
Accounts	647,565	-	647,565	-
Internal balances	1,832,000	-	1,832,000	-
Loans, net	2,500,559	-	2,500,559	-
Interest	21,747	1,274	23,021	2,236
Total current assets	<u>8,640,706</u>	<u>214,153</u>	<u>8,854,859</u>	<u>414,068</u>
Noncurrent assets:				
Restricted cash-				
City of Portland investment pool	200,000	-	200,000	-
Loans receivable, net	14,113,040	-	14,113,040	-
Total noncurrent assets	<u>14,313,040</u>	<u>-</u>	<u>14,313,040</u>	<u>-</u>
Total assets	<u>22,953,746</u>	<u>214,153</u>	<u>23,167,899</u>	<u>414,068</u>
LIABILITIES				
Liabilities:				
Current liabilities:				
Accounts payable	22,930	-	22,930	-
Accrued interest payable	41,984	-	41,984	-
Private Lender Program notes payable	192,079	-	192,079	-
Due to City of Portland	646,811	-	646,811	-
Internal balances	4,615,998	-	4,615,998	-
Total current liabilities	<u>5,519,802</u>	<u>-</u>	<u>5,519,802</u>	<u>-</u>
Noncurrent liabilities:				
Private Lender Program notes payable	1,238,721	-	1,238,721	-
Total noncurrent liabilities	<u>1,238,721</u>	<u>-</u>	<u>1,238,721</u>	<u>-</u>
Total liabilities	<u>6,758,523</u>	<u>-</u>	<u>6,758,523</u>	<u>-</u>
NET ASSETS				
Restricted for rent abatement	-	-	-	207,839
Unrestricted	\$ 16,195,223	\$ 214,153	\$ 16,409,376	\$ 206,229
Total net assets (deficit)	<u>\$ 16,195,223</u>	<u>\$ 214,153</u>	<u>\$ 16,409,376</u>	<u>\$ 414,068</u>
Total liabilities and net assets	<u>\$ 22,953,746</u>	<u>\$ 214,153</u>	<u>\$ 23,167,899</u>	<u>\$ 414,068</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, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Enterprise Loans Fund</u>	<u>Enterprise Management Fund</u>	<u>Totals</u>	
OPERATING REVENUES:				
Charges for services	\$ 253,874	\$ 909,106	\$ 1,162,980	\$ -
Interest on loans	956,272	-	956,272	-
Miscellaneous revenues	1,092,539	-	1,092,539	-
Intergovernmental revenues	<u>6,365,519</u>	<u>-</u>	<u>6,365,519</u>	<u>-</u>
Total operating revenues	<u>8,668,204</u>	<u>909,106</u>	<u>9,577,310</u>	<u>-</u>
OPERATING EXPENSES:				
Personal services	310,555	-	310,555	-
Professional services	368,992	-	368,992	-
Loan document costs	220,805	60,126	280,931	-
Housing line of credit	4,431,793	-	4,431,793	-
Financial assistance	214,918	-	214,918	-
Loan loss provision	1,269,841	-	1,269,841	-
Internal service reimbursements	<u>345,454</u>	<u>-</u>	<u>345,454</u>	<u>-</u>
Total operating expenses	<u>7,162,358</u>	<u>60,126</u>	<u>7,222,484</u>	<u>-</u>
Operating income (loss)	<u>1,505,846</u>	<u>848,980</u>	<u>2,354,826</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSE):				
Interest on investments	122,938	7,656	130,594	17,959
Gain on sale of property held for sale	32,909	-	32,909	-
Interest expense	<u>(181,157)</u>	<u>(734,518)</u>	<u>(915,675)</u>	<u>-</u>
Total non-operating revenues (expense)	<u>(25,310)</u>	<u>(726,862)</u>	<u>(752,172)</u>	<u>17,959</u>
Income before transfers	<u>1,480,536</u>	<u>122,118</u>	<u>1,602,654</u>	<u>17,959</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,944,128	-	2,944,128	-
Transfers out	<u>(2,806,386)</u>	<u>-</u>	<u>(2,806,386)</u>	<u>-</u>
Total other financing sources (uses)	<u>137,742</u>	<u>-</u>	<u>137,742</u>	<u>-</u>
Change in net assets	1,618,278	122,118	1,740,396	17,959
NET ASSETS - July 1, 2007	<u>14,576,945</u>	<u>92,035</u>	<u>14,668,980</u>	<u>396,109</u>
NET ASSETS - June 30, 2008	<u>\$ 16,195,223</u>	<u>\$ 214,153</u>	<u>\$ 16,409,376</u>	<u>\$ 414,068</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, 2008

	<u>Business-type Activities</u>			Governmental Activities- Internal Service Fund
	<u>Enterprise Loans Fund</u>	<u>Enterprise Management Fund</u>	<u>Totals</u>	
Cash flows from operating activities:				
Loan collections from borrowers	\$ 8,581,837	\$ -	\$ 8,581,837	\$ -
Intergovernmental Revenue	1,286,914	-	1,286,914	-
Interest on loans from borrowers	916,716	-	916,716	-
Loan fees from customers	253,873	-	253,873	-
Housing line of credit	5,078,605	-	5,078,605	-
Rent income	-	909,106	909,106	-
Payments to others	(657,846)	-	(657,846)	-
Payments to employees	(310,555)	-	(310,555)	-
Payments to vendors	(4,479,519)	(60,126)	(4,539,645)	-
Payments for interfund services used	(345,454)	-	(345,454)	-
Loans to borrowers	(9,383,247)	-	(9,383,247)	-
Miscellaneous reimbursements	(1,157,687)	-	(1,157,687)	-
Net cash provided (used) by operating activities	<u>(216,363)</u>	<u>848,980</u>	<u>632,617</u>	<u>-</u>
Cash flows from noncapital financing activities:				
Principal paid on notes payable	(1,132,204)	-	(1,132,204)	-
Interest paid on notes payable	(182,857)	(734,518)	(917,375)	-
Transfers from other funds	3,021,626	13	3,021,639	-
Transfers to other funds	(4,338,386)	-	(4,338,386)	-
Net cash provided (used) by noncapital financing activities	<u>(2,631,821)</u>	<u>(734,505)</u>	<u>(3,366,326)</u>	<u>-</u>
Cash flows from investing activities				
Interest received from investing	184,841	6,960	191,801	20,331
Net increase in cash and cash equivalents	(2,663,343)	121,435	(2,541,908)	20,331
Cash and cash equivalents-July 1, 2007	4,812,470	91,444	4,903,914	391,501
Cash and cash equivalents-June 30, 2008	<u>\$ 2,149,127</u>	<u>\$ 212,879</u>	<u>\$ 2,362,006</u>	<u>\$ 411,832</u>
Cash with City of Portland investment pool	\$ 1,980,067	\$ 212,879	\$ -	\$ 411,832
Restricted cash-City of Portland investment pool	200,000	-	-	-
Total	<u>\$ 2,180,067</u>	<u>\$ 212,879</u>	<u>\$ -</u>	<u>\$ 411,832</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ 1,505,846	\$ 848,980	\$ 2,354,826	\$ -
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Increase in due from City of Portland	(1,658,768)	-	(1,658,768)	-
Increase in loans receivable	(70,558)	-	(70,558)	-
Increase in due from other entities	(11,035)	-	(11,035)	-
Decrease in accounts payable	(1,005)	-	(1,005)	-
Decrease in net internal balance payable	19,157	-	19,157	-
Total adjustments	<u>(1,722,209)</u>	<u>-</u>	<u>(1,722,209)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (216,363)</u>	<u>\$ 848,980</u>	<u>\$ 632,617</u>	<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**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2008**

Assets

Cash with City of Portland investment pool	\$	72,140
Interest receivable		<u>370</u>
Total assets	\$	<u><u>72,510</u></u>

Liabilities

Accounts payable	\$	<u><u>72,510</u></u>
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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, 2008

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.

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

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2008

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. Since loans receivable and properties held for sale are not resources available to liquidate current liabilities, they are offset by a reservation of fund balance.

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 Bureau of Housing and Community Development to administer a portion of the City's Community Development Block Grant programs and a related revolving loan fund.

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

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.

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.

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.

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2008

PDC reports the following 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 loans serviced for outside agencies and 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 \$345,454. 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.

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.

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2008

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 and HOME programs are reported as accounts receivable.

Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. For loans funded by Community Development Block Grant proceeds, or other arrangements requiring the proceeds from loan repayments to be maintained or reloaned in accordance with the specific requirements of the program under which the original loan was made, the loans receivable are 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 gives recognition to the economic cost of providing loans at interest rates below market, and 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.

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2008

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.

4. Capital Assets

Capital assets include property, plant, and equipment. 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 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
Office furniture and equipment	5-15
Computer equipment	3

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 a reservation of fund balance, 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

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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. Debt, which financed loans made by PDC, has been reported as Private Lender Participation Agreement notes payable in the Enterprise Loans Fund in the financial statements.

8. Net Other Post-employment Benefits Obligation

PDC implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for fiscal year ending June 30, 2008. PDC used Projected Unit Credit Cost Method to compute its net OPEB obligation. The net OPEB obligation is recognized as a long-term liability in the government-wide financial statements. The liability reflects the present value of expected future payments. The net other post employment benefits liability and expenditure in the governmental fund financial statements are limited to amounts that become due and payable as of the end of the fiscal year.

9. Fund Equity and Net Assets

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

Capital assets, net of related debt. 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.

Reserved. This includes the portion of fund balance related to assets that are not available to liquidate current liabilities such as long term loans receivable, properties held for sale, prepaid expenses, and other long term assets.

Unreserved, designated. This includes tentative plans for utilization of fund balances in future periods for uncompleted construction contracts, commitments related to unperformed contracts for goods and services, and loan commitments not yet disbursed.

Unreserved. This represents fund balances not included in the other categories.

10. 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

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June 30, 2008, and the reported amounts of revenues, expenditures, and expenses for the year then ended. Actual results could differ from those estimates.

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).

Appropriations are made by organizational unit; Development, Economic Development, Housing, Executive, and Finance departments. 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 two supplemental budgets during the fiscal year. Appropriations lapse at each fiscal year-end.

The budget is prepared differently from accounting principles generally accepted in the United States of America. A reconciliation between the budgetary and GAAP basis for the General Fund is as follows:

Revenues – budgetary basis	\$	33,203,953
Accounts receivable revenues		(164,123)
Adjustment to loans receivable		87,671
Elimination of internal service reimbursements		<u>(29,013,476)</u>
Revenues - GAAP basis	\$	<u>4,114,025</u>
Expenditures – budgetary basis	\$	30,159,378
Elimination of internal service reimbursements		(29,013,476)
Book new Loans Receivable		(150,000)
Allowance for Loans Receivable		<u>42,070</u>
Expenditures - GAAP basis	\$	<u>1,037,972</u>

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2008, there were two funds which had expenditures over appropriations. The Lents Town Center Urban Renewal Fund had two departments with excess of expenditures over appropriations. The Executive Department was over by \$23,619 primarily due to cost exceeding original estimates on the charges relating to the boundary notice changes printing and

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mailing. The Development Department was over budget by \$298,081. This was principally due to unanticipated staff and acquisition study costs related to budgeted property acquisitions. The Enterprise Loans Fund was over expenditures in the Central Services department by \$1,200 due to unanticipated costs related to the modification of the PLPA note (Note III.G).

C. Deficit Fund Equity

The Housing and Community Development fund reflects a deficit GAAP fund balance of \$17,074 as of June 30 primarily due to payroll expenditures resulting from the settlement of the union contract and not yet billed to the City of Portland.

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents and Cash with City Of Portland Investment Pool

The City of Portland maintains a cash and investment pool that is available for use by all funds including PDC, its component unit. In general, interest earned from pooled investments is allocated to each City fund, including PDC which appears as a single cash account, based on the 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. Cash and investments are recorded at fair value. As of June 30, 2008, the City of Portland's market value or fair value was \$2,035,884 below the City's net cost for its investments. Fair value is determined by quoted market prices available through nationally recognized financial data and reporting systems and other industry acceptable pricing methodologies.

The City Treasurer performs the investment duties and in his absence, the City's Chief Financial Officer or a designee. The City's investment policy, developed by the Office of Management and Finance in consultation with the City's Investment Advisory Committee (IAC), is adopted annually by the City Council and provided to the Oregon Short Term Fund Board for review.

The City does not invest in any form of derivatives, but does invest in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is not registered with the US Securities and Exchange Commission as an investment company, but is governed by ORS 294.810, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short Term Fund Board. The weighted average maturity of the LGIP as of June 30, 2008 was 3.65 days.

The City does not invest in reverse repurchase agreements and does not leverage its investment portfolio in any manner. The City purchases investments only through member banks of the Federal Reserve System or broker/dealers approved by the City's Chief Administrative Officer or a designee in consultation with the City Treasurer and the IAC.

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

Cash on hand	\$	500
Deposits with financial institutions		242,175
Cash with City of Portland Investment Pool		88,170,409
Restricted Cash		<u>200,000</u>
	\$	<u><u>88,613,084</u></u>

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 242,675	\$ -	\$ -	\$ 242,675
Cash with City of Portland Investment Pool	85,905,323	2,192,946	72,140	88,170,409
Restricted Cash	-	200,000	-	200,000
	<u>\$ 86,147,998</u>	<u>\$ 2,392,946</u>	<u>\$ 72,140</u>	<u>\$ 88,613,084</u>

Per the agreement with the City, \$200,000 has been restricted for the establishment of the Homeownership Line of Credit.

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 Oregon Revised Statutes (ORS) 295.015, all deposits are collateralized with eligible securities in amounts equal to at least 25 percent of the book value of the deposits. The city's deposit policy also requires that all deposits were covered by federal depository insurance and/or were collateralized at no less than 25 percent by securities as required by and in compliance with ORS 294.035. Of PDC's deposits, \$115,000 was covered by federal depository insurance and the remaining \$127,175 was collateralized by securities held by the Federal Home Loan Bank of Seattle.

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, 2008, the weighted maturity of the City's investment portfolio was 0.54 years. 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 two-year maturities and must meet the City's cash flow requirements. Investments with maturities greater than two years may be purchased only with the approval of the City's Investment Advisory Committee.

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 and monitoring their credit quality on an ongoing basis. A portfolio policy stressing a relatively short maturity serves to additionally minimize credit risk.

The City's investments in United States Agency Obligations have a short-term credit rating of P-1 by Moody's Investor Services. The City's investments in FHLMC and FNMA have a short-term credit rating of F1+ by Fitch Ratings. Aaa / AAA / AAA are the highest credit quality ratings issued by Moody's

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Investor Service, Standard & Poor's, and Fitch Ratings respectively. As of June 30, 2008, the LGIP was not rated.

Concentration of Credit Risk

Of the City's total investments as of June 30, 2008, 88.2 percent were United States Agency Debt Obligations or short-term investments (see the table above for the individual distribution). All other investments not explicitly guaranteed by the United States Government were less than three percent 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/shared/cfm/image.cfm?id=197428>.

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. The City's investment policy complies with ORS 294.035 and ORS 294.810 that list acceptable investments. At June 30, 2008, the City has no investments that are 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:

Payable Fund	Receivable Fund				Total
	Housing and Community Development Contract Fund	Other Governmental Funds	Convention Center Urban Renewal Fund	Enterprise Loans Fund	
Enterprise Loans Fund	\$ 4,008,380	\$ 607,618	\$ -	\$ -	\$ 4,615,998
Other Governmental Funds	-	-	598,599	-	598,599
Governmental Fund Receivables					\$ 5,214,597
Housing and Community Development Contract Fund	-	-	-	1,030,000	\$ 1,030,000
Other Governmental Funds	-	-	598,599	802,000	1,400,599
Governmental Fund Liabilities					\$ 2,430,599

As of June 30, 2008, the Enterprise Loans Fund owes the Housing and Community Development Contract Fund and the Other Federal Grants Fund the total amount of \$4,615,998 for loan collateral provided for the Private Lender Participation Agreement loans scheduled for repayment when the PLPA note is paid (Note III. G.). The Housing and Community Development Fund and the Other Federal Grants Fund owe the Enterprise Loans Fund \$1,030,000 and \$802,000 respectively, for short-term Interfund loans for grant expenditures not yet reimbursed by the City of Portland and are repaid in the next accounting period. An interfund loan with a balance of \$598,599 exists between Convention Center Urban Renewal Fund and Other Governmental Funds for the construction of the Vanport residential

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properties and will be paid in full in fiscal year 2008. It is reflected in the Governmental Funds Balance Sheet as Internal Balances but is netted in the Statement of Net Assets.

Interfund transfers made during the year are outlined below.

Transfer Out Fund	Transfer In funds					Total
	Housing and Community Development Contract Fund	Downtown Waterfront Urban Renewal Fund	Convention Center Urban Renewal Fund	Other Governmental Funds	Enterprise Loans Fund	
General Fund	\$ -	\$ 1,947,303	\$ -	\$ -	\$ 137,750	\$ 2,085,053
Housing and Community Development Contract Fund	-	-	-	-	2,419,000	2,419,000
Other Governmental Funds	-	-	72,790	54,352	88,000	215,142
Enterprise Funds	2,419,008	-	-	88,000	299,378	2,806,386
	<u>\$ 2,419,008</u>	<u>\$ 1,947,303</u>	<u>\$ 72,790</u>	<u>\$ 142,352</u>	<u>\$ 2,944,128</u>	<u>\$ 7,525,581</u>

Interfund transfers between the Enterprise Loans Fund, Housing and Community Development Contract Fund and Other Federal Grants Fund are for short-term Interfund loans for grant expenditures not yet reimbursed by the City of Portland and are repaid in the next account period. The General Fund partially reimbursed Downtown Waterfront Urban Renewal Fund for the cost of office relocation and building improvements incurred during fiscal year 2004-2005. Costs were charged to the Downtown Waterfront URA and will be reimbursed by an indirect allocation every year through FY 2008-2009. In addition, the General Fund transferred a planned contribution in the amount of \$110,000 for the Headwaters Triangle Project initially paid for out of the Enterprise Loans Fund and \$27,750 in Work Force Program penalties and fees. The Interstate Corridor URA transferred \$600,000 to the Oregon Convention Center URA as partial repayment of an interfund loan. The interfund loan is being repaid as Real Property Sales proceeds are received on the Vanport redevelopment project. Willamette Industrial URA transferred \$54,352 to the Enterprise Zone Fund for the reimbursement of prior expenses associated with the start up of the URA.

C. Loans Receivable

Loans receivable are comprised of loans to qualified borrowers for the rehabilitation and restoration of single and multi-family residences, collateralized by real property, and commercial loans to small business to promote economic development, which are collateralized by personal property. Net loans receivable are as follows:

Fund and Program	Maximum Term	Interest Rate	Gross Loans Receivable	Allowance And Discount
Major Funds:				
General Fund:				
Business Services:				
Amortized loans	5 yrs	3%	\$ 148,937	\$ 42,070
Total Gross General Fund			148,937	42,070
Total Net General Fund				106,867

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Fund and Program	Maximum Term	Interest Rate	Gross Loans Receivable	Allowance And Discount
Housing and Community Development Contract Fund:				
Business services:				
Amortized loans	2 yrs	0%	394	20
Multi-family housing:				
Cash flow loans	30 yrs	0% to 3%	5,223,801	4,575,844
Equity gap loans	Indefinite	0%	17,027,635	17,027,635
Deferred payment loans	60 yrs	3% to 5%	1,779,431	1,354,669
Amortized loans	30 yrs	0% to 8.02%	2,473,429	650,964
In default loans	N/A	N/A	162,295	162,295
Neighborhood housing:				
Deferred payment loans	Indefinite	0%	6,900,782	2,351,576
Shared appreciation mortgages	Indefinite	0%	384,500	96,110
Amortized loans	30 yrs	0% to 6%	412,393	68,422
In default loans	N/A	N/A	22,138	22,138
			<u>34,386,798</u>	<u>26,309,673</u>
Total Gross Housing and Community Development Contract Fund				<u>8,077,125</u>
				<u>8,077,125</u>
River District Urban Renewal Fund:				
Development-				
Amortized loans	9 yrs	8%	12,042,999	3,820,352
Deferred payment loans	15 yrs	0% to 3%	6,371,958	3,947,440
Business services-				
Amortized loans	10 yrs	3%	908,505	406,446
Deferred payment loans	2 yrs	3% to 8%	415,000	318,247
Multi-family housing:				
Amortized loans	30 yrs	3%	1,421,402	843,197
Cash flow loans	30 yrs	3%	24,941,528	23,227,407
Deferred payment loans	2yrs	0%	1,000,000	526,693
Neighborhood housing-				
Deferred payment loans	30 yrs	0%	4,599,622	2,571,308
Shared appreciation mortgages	Indefinite	0%	201,434	50,358
			<u>51,902,448</u>	<u>35,711,448</u>
Total Gross River District Urban Renewal Fund				<u>16,191,000</u>
				<u>16,191,000</u>

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Fund and Program	Maximum Term	Interest Rate	Gross Loans Receivable	Allowance And Discount
Convention Center Urban Renewal Fund:				
Development:				
Deferred payment loans	100 yrs	0%	687,102	431,334
Amortized loans	30 yrs	1% to 5%	3,279,186	1,540,119
Cash flow loans	42 yrs	0.5%	2,725,597	2,684,586
Business services:				
Cash flow loans	24 yrs	3%	665,242	404,216
Amortized loans	20 yrs	0% to 7%	2,187,187	746,074
Multi-family housing:				
Cash flow loans	10 yrs	3%	1,616,932	1,555,165
Equity gap loans	Indefinite	0%	541,600	541,600
Deferred payment loans	100 yrs	0%	6,599,101	5,214,742
Amortized loans	30 yrs	3%	598,515	363,897
Total Gross Convention Center Urban Renewal Fund			<u>18,900,462</u>	<u>13,481,733</u>
Total Net Convention Center Urban Renewal Fund				<u>5,418,729</u>
Downtown Waterfront Urban Renewal				
Development-				
Amortized loans	10yrs	0%	2,400,914	701,947
Deferred payment loans	5yrs	3%	643,335	324,990
Business services:				
Equity gap loans	Indefinite	0%	717,199	717,199
Amortized loans	20 yrs	3%	1,890,155	379,533
Deferred payment loans	2 yrs	3% to 8%	193,779	132,895
Multi-family housing :				
Cash flow loans	32 yrs	0%	31,205,944	28,974,549
Deferred payment loans	46 yrs	0% to 3%	5,982,098	4,492,374
Amortized loans	21 yrs	0% to 3%	6,598,628	4,305,990
Equity gap loans	Indefinite	0%	9,601,395	9,601,395
Neighborhood housing-				
Amortized loans	20 yrs	3%	1,300,421	177,790
Shared appreciation mortgages	Indefinite	0%	1,117,559	279,390
Total Gross Downtown Waterfront Urban Renewal Fund			<u>61,651,427</u>	<u>50,088,052</u>
Total Net Downtown Waterfront Urban Renewal Fund				<u>11,563,375</u>
North Macadam Urban Renewal Fund:				
Development-				
Amortized loans	31 yrs	1%	3,292,533	1,069,325
Cash flow loans	31 yrs	0%	3,189,251	3,119,428
Deferred payment loans	30 yrs	0%	40,000	20,000
Multi-family housing-				
Deferred payment loans	1yr	0%	1,657,709	861,275
Total Gross North Macadam Urban Renewal Fund			<u>8,179,493</u>	<u>5,070,028</u>
Total Net North Macadam Urban Renewal Fund				<u>3,109,465</u>

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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Lents Town Center Urban Renewal				
Development-				
Cash flow loans	35 yrs	3%	315,850	205,876
Deferred payment loans	30 yrs	6%	1,169,190	940,262
Business services-				
Amortized loans	30 yrs	3%	3,082,651	1,090,781
Multi-family housing:				
Amortized loans	30 yrs	3%	445,364	274,533
Deferred payment loans	30 yrs	0% to 3%	173,059	109,927
Cash flow loans	Indefinite	0%	889,420	851,014
Neighborhood housing:				
Deferred payment loans	30 yrs	0% to 3%	562,854	376,324
Amortized loans	20 yrs	3%	113,011	21,646
Shared appreciation mortgages	Indefinite	0%	872,626	317,460
Total Gross Lents Town Center Urban Renewal Fund			<u>7,624,025</u>	<u>4,187,823</u>
Total Net Lents Town Center Urban Renewal Fund				<u>3,436,202</u>
Other Governmental Funds:				
Other Federal Grants Fund:				
Multi-family housing:				
Cash flow loans	30 yrs	0% to 3%	19,247,944	18,020,421
Equity gap loans	Indefinite	0%	12,525,119	12,525,119
Deferred payment loans	36 yrs	0%	757,806	497,871
Amortized loans	30 yrs	0% to 3%	3,745,649	2,367,835
Neighborhood housing:				
Deferred payment loans	Indefinite	0%	270,574	45,396
Shared appreciation mortgages	Indefinite	0%	499,097	124,875
Amortized loans	30 yrs	0% to 3%	26,916	1,346
Total Gross Other Federal Grants Fund			<u>37,073,105</u>	<u>33,582,863</u>
Total Net Other Federal Grants Fund				<u>3,490,242</u>
Enterprise Zone				
Business Services:				
Amortized Loans	5 yrs	0%	5,000	598
Total Gross Enterprise Zone Fund			<u>5,000</u>	<u>598</u>
Total Net Enterprise Zone Fund				<u>4,402</u>
Central Eastside Urban Renewal Fund:				
Development-				
Cash flow	Indefinite	4%	1,180,754	1,150,190
Business services:				
Amortized loans	10 yrs	3% to 6%	2,633,075	825,877
Deferred payment loans	2 yrs	3% to 8%	443,920	239,184
Multi-family housing-				
Amortized loans	29 yrs	1%	76,061	38,030
Total Gross Central Eastside Urban Renewal Fund			<u>4,333,810</u>	<u>2,253,281</u>
Total Net Central Eastside Urban Renewal Fund				<u>2,080,529</u>

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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Interstate Corridor Urban Renewal Fund:				
Development-				
Deferred payment loans	30 yrs	0%	95,397	58,526
Business services				
Amortized loans	5 yrs	6%	2,111,062	651,763
Deferred payment loans	2 yrs	3% to 8%	50,580	25,318
Multi-family housing-				
Amortized loans	20 yrs	0%	10,157	5,162
Cash flow	60 yrs	0%	1,393,196	1,363,482
Deferred payment loans			214,040	112,359
Neighborhood housing:				
Deferred payment loans	30 yrs	3%	730,932	525,807
Shared appreciation mortgages	Indefinite	0%	260,725	116,189
Amortized loans	20 yrs	4%	171,717	36,269
			<u>5,037,806</u>	<u>2,894,875</u>
				<u>2,142,931</u>
Gateway Urban Renewal Fund:				
Business services:				
Amortized loans	20 yrs	1% to 8%	133,376	10,738
			<u>133,376</u>	<u>10,738</u>
				<u>122,638</u>
Airport Way Urban Renewal Fund:				
Business services:				
Amortized loans	10 yrs	3%	656,507	157,152
Deferred payment loans	2 yrs	3% to 8%	140,000	113,969
In default loans	N/A	0%	24,603	24,603
			<u>821,110</u>	<u>295,724</u>
				<u>525,386</u>
South Park Blocks Urban Renewal Fund				
Business services;				
Amortized loans	8 yrs	1% to 3%	1,644,589	348,874
Deferred payment loans	2 yrs	3% to 8%	84,000	45,230
Multi-family housing:				
Equity gap loans	Indefinite	0%	7,348,322	7,348,322
Deferred payment loans	41 yrs	3%	3,055,661	2,544,373
Cash flow loans	32 yrs	0% to 3%	19,136,859	16,911,931
Amortized loans	35 yrs	3%	2,431,936	1,691,343
Neighborhood housing-				
Shared appreciation mortgages	Indefinite	0%	233,500	58,376
			<u>33,934,867</u>	<u>28,948,449</u>
				<u>4,986,418</u>
			<u>81,339,074</u>	
				<u>13,352,546</u>
			<u>\$ 264,132,664</u>	
				<u>\$ 61,255,309</u>

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Fund and Program	Maximum Term	Interest Rate	Gross Loans Receivable	Allowance And Discount
Enterprise Loans Fund				
Business services:				
Amortized loans	5 yrs	1% to 8%	3,737,112	454,609
Cash flow loans	10 yrs	5%	200,000	190,386
Deferred payment loans	30 yrs	0%	15,000	7,878
In default loans	N/A	0%	1,067,571	1,067,571
Multi-family housing:				
Equity gap loans	Indefinite	0%	13,198,083	13,198,083
Deferred payment loans	30 yrs	0% to 7.91%	1,820,243	1,145,884
Amortized loans	30 yrs	0% to 9%	4,053,369	1,336,513
Cash flow loans	32 yrs	0% to 3%	13,430,879	9,889,041
Neighborhood housing:				
Equity gap loans	Indefinite	0%	939,636	939,635
Amortized loans	30 yrs	0% to 6%	5,688,068	839,275
Deferred payment loans	30 yrs	0% to 3%	1,196,264	828,083
Cash flow loans	30 yrs	3%	1,441,434	277,102
Total Gross Enterprise Loans Fund			\$ <u>46,787,659</u>	<u>30,174,060</u>
Total Net Enterprise Loans Fund				\$ <u>16,613,599</u>
Total Gross All			\$ <u>310,920,323</u>	
Total Net All Funds				\$ <u>77,868,908</u>

Of the \$16,613,599 net receivable in the Enterprise Loans Fund, \$5,386,688 is assigned as collateral on notes payable under the Private Lender Participation Agreement (Note III.G.).

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The combined loan portfolio is composed of the following:

Organizational Unit and Program	Current Year Gross Loan Percentages	Gross Loans Receivable	Allowance And Discount
Development:			
Amortized loans	6.76%	\$ 21,015,632	\$ 7,131,743
Cash flow loans	2.38%	7,411,452	7,160,080
Deferred payment loans	2.90%	9,006,982	5,722,552
Equity gap loans	0.00%	-	-
Development totals	<u>12.04%</u>	<u>37,434,066</u>	<u>20,014,375</u>
Business services:			
Amortized loans	6.16%	19,138,550	5,114,535
Cash flow loans	0.28%	865,242	594,602
Deferred payment loans	0.43%	1,342,279	882,721
Equity gap loans	0.23%	717,199	717,199
In default loans	0.35%	1,092,174	1,092,174
Business services totals	<u>7.45%</u>	<u>23,155,444</u>	<u>8,401,231</u>
Multi-family housing:			
Amortized loans	7.03%	21,854,510	11,877,464
Cash flow loans	37.66%	117,086,503	105,368,854
Deferred payment loans	7.41%	23,039,148	16,860,167
Equity gap loans	19.38%	60,242,154	60,242,154
In default loans	0.05%	162,295	162,295
Multi-family housing totals	<u>71.52%</u>	<u>222,384,610</u>	<u>194,510,934</u>
Neighborhood housing:			
Amortized loans	2.48%	7,712,526	1,144,748
Deferred payment loans	4.59%	14,261,028	6,698,494
Shared appreciation mortgages	1.15%	3,569,441	1,042,758
Equity gap loans	0.30%	939,636	939,635
Cash flow loans	0.46%	1,441,434	277,102
In default loans	0.01%	22,138	22,138
Neighborhood housing totals	<u>8.99%</u>	<u>27,946,203</u>	<u>10,124,875</u>
Total Gross Loans	100%	\$ <u>310,920,323</u>	<u>233,051,415</u>
Total Net Loans			\$ <u>77,868,908</u>

Summary Loans Receivable Aging:

Current loans receivable, net	\$ 5,615,662
Noncurrent loans receivable, net	<u>72,253,246</u>
Total Net Loans	\$ <u>77,868,908</u>

The Loan Loss Allowance is comprised of both an interest discount factor and a loan loss risk factor. The total allowance at June 30, 2008 is broken down as follows:

Interest Discount Factor	\$ 120,378,150
Loan Loss Risk Factor	<u>112,673,265</u>
Total Allowance and Discount	\$ <u>233,051,415</u>

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D. 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:

Governmental Activities:

General Fund	\$ 146,754
Housing and Community Development Contract Fund	251,456
River District Urban Renewal Fund	20,183,703
Convention Center Urban Renewal Fund	21,707,294
Downtown Waterfront Urban Renewal Fund	11,160,456
North Macadam Urban Renewal Fund	21,948,182
Lents Town Center Urban Renewal Fund	4,110,406
Other Governmental Funds	<u>44,226,316</u>
Total Governmental Funds	<u>\$ 123,734,567</u>

E. Capital Assets

Capital assets are composed of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ <u>8,434,625</u>	\$ <u>4,194</u>	\$ <u>-</u>	\$ <u>8,438,819</u>
Capital assets, being depreciated:				
Buildings and improvements	2,707,441	-	-	2,707,441
Leasehold improvements	3,505,335	207,359	-	3,712,694
Furniture, vehicles and equipment	<u>1,806,358</u>	<u>210,477</u>	-	<u>2,016,835</u>
Total capital assets being depreciated	<u>8,019,134</u>	<u>417,836</u>	<u>-</u>	<u>8,436,970</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,028,826)	(54,149)	-	(1,082,975)
Leasehold improvements	(1,164,587)	(637,000)	-	(1,801,587)
Furniture, vehicles and equipment	<u>(1,544,704)</u>	<u>(87,648)</u>	-	<u>(1,632,352)</u>
Total accumulated depreciation	<u>(3,738,117)</u>	<u>(778,797)</u>	<u>-</u>	<u>(4,516,914)</u>
Total capital assets, being depreciated, net	<u>4,281,017</u>	<u>(360,961)</u>	<u>-</u>	<u>3,920,056</u>
Governmental activities capital assets, net	<u>\$ 12,715,642</u>	<u>\$ (356,767)</u>	<u>\$ -</u>	<u>\$ 12,358,875</u>

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F. Operating Leases

As Lessee

PDC leases office space and land under operating leases. Rental expenditures amounted to approximately \$1,470,000. Future minimum lease payments under PDC's operating leases are as follows:

<u>Fiscal Year Ending</u>	<u>Minimum Lease Payments</u>
2009	\$ 1,650,280
2010	1,667,350
2011	1,668,120
2012	<u>139,010</u>
	<u>\$ 5,124,760</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 \$328,120.

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 \$65,570,974, accumulated depreciation is \$1,082,975. Rental revenue amounted to approximately \$2,589,372 for the fiscal year. The minimum future operating non-cancelable lease revenues are as follows:

<u>Fiscal Year Ending</u>	<u>Minimum Revenue Total</u>
2009	\$ 220,044
2010	56,908
2011	41,202
2012	26,496
2013	14,496
2014-2018	12,480
2019-2023	12,480
2024-2028	12,480
2029-2033	12,480
2034-2038	12,480
2039-2040	<u>4,160</u>
	<u>\$ 425,706</u>

G. Private Lender Participation Agreements and Notes Payable

PDC incurred limited recourse debt with Bank of America, N.A., in the form of a Private Lender Participation Agreement (PLPA). This program combined the borrowed funds with grant funds to lend at a lower blended rate to homeowners and rental investors. These funds were then used to acquire and

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to rehabilitate residential properties. PDC can no longer borrow funds because the borrowing periods have expired.

Bank of America, N.A., lent PDC approximately \$9,500,000 starting in 1989. This debt had multiple interest rates and maturities. On June 28, 2001, PDC converted the \$4,645,400 balance of this PLPA debt to a 13-year term loan, with a 7.65% interest rate and a final maturity date of July 15, 2014. The level monthly payments on the term loan are \$47,088.

A modification of the debt agreement was executed on June 26, and PDC prepaid \$750,000 of debt on June 27, 2008. As a part of the loan modification agreement, Bank of America agreed to lower the monthly debt service from \$47,088 to \$24,574. The lower debt payment will amortize the debt to its original maturity of July 15, 2014. Bank of America also agreed that if PDC maintains a cash reserve of two months of debt service (\$49,148), PDC may use all other cash for any lawful purpose.

PDC may use loan collateral prepayments to prepay the debt. PDC received \$3,179,092 in eligible loan prepayments as of June 30, 2008. PDC may prepay \$1,929,092 of debt after deducting \$1,250,000 to total debt prepayments from total loan collateral prepayments. Because the debt at June 30, 2008 is \$1,430,800, PDC may now repay this debt in whole or in part at any time.

Bank of America, N.A., has a \$500,000 limited recourse claim against any legally available PDC funds, if loan collateral pledged produces insufficient cash flow to make debt service payments

As of June 30, 2008, the note payable and the pledged loans receivable (net of allowance) under the Private Lender Participation Agreement is as follows:

<u>Lender Institution</u>	<u>Notes Payable</u>	<u>Loans Receivable</u>
Bank of America	\$ <u>1,430,800</u>	\$ <u>5,386,688</u>

The gross amount of pledged loans receivable, before deducting the allowance, is approximately \$6,506,508.

Future maturity of principal and interest of notes payable under the PLPA agreement, based on the assumption that there will be no additional prepayments, is as follows:

<u>Fiscal Year Ending</u>	<u>Bank of America</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 192,079	\$ 104,727
2010	207,300	87,594
2011	223,726	71,167
2012	241,454	53,439
2013	260,587	34,306
2013-2015	<u>305,654</u>	<u>13,813</u>
	<u>\$ 1,430,800</u>	<u>\$ 365,046</u>

Total interest paid during fiscal year ended June 30, 2008 was \$181,157 and is recorded as a direct program expense in the Statement of Activities.

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Changes in Long-term Liabilities:

	<u>Long-term Beginning Balance</u>	<u>Short-term Beginning Balance</u>	<u>Payments/ Reductions</u>	<u>Long-term Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
Promissory note	\$ 117,925	\$ 50,415	\$ 168,340	\$ -	\$ -
Business-type activities:					
PLPA-Bank of America	2,180,807	382,198	1,132,205	1,238,721	192,079
All Activities	<u>\$ 2,298,732</u>	<u>\$ 432,613</u>	<u>\$ 1,300,545</u>	<u>\$ 1,238,721</u>	<u>\$ 192,079</u>

H. Amounts Due To and From the City of Portland

Due To the City of Portland consists principally of loan principal and interest receivable on contracts for services under the Community Development Block Grants and HOME programs administered by PDC for the City of Portland. Under this program, such principal and interest repayments are recycled through the Block Grant process. Other due to amounts are related to property held for sale which was acquired via grant funds and amounts drawn from the City. Balances of Due to the City of Portland by fund as of June 30, 2008 follow. Loans are stated net of valuation allowance.

	<u>Loan Principal</u>	<u>Property Held for Sale</u>	<u>Internal Balances</u>	<u>Streetcar Project Advance</u>	<u>Accounts Payable</u>	<u>Ending Balance</u>
Housing and Community						
Development Contract Fund	\$ 7,943,079	\$ 251,456	\$ 4,008,380	\$ -	\$ -	\$ 12,202,915
Other Federal Grants Fund	3,291,204	-	607,618	-	-	3,898,822
Enterprise Loans Fund	646,811	-	-	-	-	646,811
North Macadam Urban						
Renewal Fund	-	2,484,777	-	1,765,223	856,355	5,106,355
All Governmental Funds	-	-	-	-	4,612,406	4,612,406
Total	<u>\$ 11,881,094</u>	<u>\$ 2,736,233</u>	<u>\$ 4,615,998</u>	<u>\$ 1,765,223</u>	<u>\$ 5,468,761</u>	<u>\$ 26,467,309</u>

In August 2007, PDC entered into an agreement with the City of Portland to secure a Line of Credit with Key Bank for the purpose of advance funding of homeowner loans being sold to Fannie Mae and Oregon Housing and Community Services. Draws are made through the City when the homeowner closes on the property and repaid when funds are received from the investor agency. At June 30, 2008 there are four loans outstanding totaling \$646,811.

PDC has pledged the land known as South Waterfront Development Lots 3 and 8 in the North Macadam Urban Renewal Area. The property, recorded at cost of \$2,484,777, is security for \$4,250,000 in funds due to the City of Portland related to the Portland Streetcar from Portland State to the River Place Project. Both parcels must be sold before June 30, 2011 to repay the City. It is expected that the sale will be sufficient to cover the funds advanced by the City.

Due from the City of Portland for grant revenues under various grant programs and other inter-governmental agreements totaled \$5,009,182 at June 30, 2008.

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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, or by calling 1-503-598-7377.

Benefits vest after five years of continuous service 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.

Funding Policy

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. It is PDC's policy to recognize pension costs as currently funded.

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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, 2005. In February 2005, the City was notified by the PERS actuarial firm that based on the most recent actuarial valuation the City's contribution rate would be changing. Due to higher than expected rate increases system-wide, the PERS Board has decided to phase in the rate increases in two steps. A schedule of rates is shown below.

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.

The required contribution was determined as part of the independent actuarial valuation using the entry age actuarial cost method. PDC, as a component unit of the City, does not maintain a separate PERS account. Accordingly, separate actuarial values for PDC are not available. The amortization method used is a 24-year closed group, fixed term. Significant economic assumptions used in the actuarial valuation include: (a) rate of return on the investment of present and future assets of 8 percent per annum compounded annually, (b) projected salary increases at 4 percent per year compounded annually, (c) increases due to promotions and longevity that vary by age and service, (d) pre- and post-mortality life expectancies of employees, based upon several mortality tables, (e) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience, (f) consumer price inflation at 3 percent per year, and (g) a factor for unused sick leave that is used to calculate retirement benefits under the Full Formula and Formula Plus Annuity benefit calculations.

Other Supplementary Information

Schedule of Rates expressed as a percentage of covered payroll

	FY 2006		FY 2007		FY 2008	
	PERS	OPSRP	PERS	OPSRP	PERS	OPSRP
PERS Defined Benefit Plan	8.07%	4.66%	6.66%	9.21%	6.66%	9.21%
Employee IAP*	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total Contribution Rate	14.07%	10.66%	12.66%	15.21%	12.66%	15.21%

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

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The amounts contributed to PERS during the years ended June 30, 2006, 2007, and 2008 were equal to the required contributions for each year. The approximate covered payroll and actual amounts contributed by PDC were as follows:

Schedule of Employer Contributions

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Covered Payroll	\$ 11,038,500	\$ 11,679,500	\$ 13,272,207
PERS Contributions*	1,511,868	1,512,262	1,806,791

*As provided by OR 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:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2006	\$ 421,127
2007	533,383
2008	465,400

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. 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, 2008, PDC has eight eligible post-retirement participants enrolled seven of which are paying the full cost of their premiums. One retiree has her costs paid by PDC under a prior post-employment agreement.

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-employment

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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.

Annual OPEB Cost/Annual Required Contribution (b)		\$ 234,396
Premium paid for retirees	\$ (5,496)	
Dollars contributed this FY (implicit benefit payments)	<u>(50,073)</u>	
Total dollars contributed fiscal year 2008 (a)		<u>(55,569)</u>
Increase/Decrease in the Net OPEB Obligation during FY (b+a)		<u>\$ 178,827</u>
Percentage of Annual OPEB Cost contributed during the year (a/b)		23.71%
Net OPEB Obligation at FYE 2008		\$ 178,827

Funding Status and Funding Progress. As of August 1, 2006, the actuarial accrued liability for benefits was \$994,779, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$994,779. The covered payroll (annual payroll of active employees covered by the plan) was \$13,272,207 for fiscal year 2008 and the ratio of the UAAL to the covered payroll was 7.5%. 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.

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 1, 2006 actuarial valuation performed by Milliman, the projected unit credit cost method was used. The economic actuarial assumptions included a 4.5% investment rate of return, and annual healthcare cost trend rate of 10.0% for the first year that is graded down 0.5% per year to 5.0% per year in the eleventh year and beyond, and an annual payroll increase of 3.75%. Demographic assumptions were based on assumptions used by Oregon PERS.

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 Retirement Health Insurance Account established by the employer, and any monthly cost in excess

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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 0.37% for Tier 1 and 2 accounts and 0.26% 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.

C. Commitments

Contractual and other commitments amounting to \$22,284,851 have been recorded as unreserved, designated fund balances for subsequent years' expenditures to indicate 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 \$4,466,519.

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.

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

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Notes to the Basic Financial Statements, Continued
June 30, 2008

completion of the repayment of the debt by the developer, the assets constructed become the property of the developer. At June 30, 2008, the total of the City's conduit debt outstanding is \$126,205,000.

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. PDC may be obligated in the future under the following contingency.

Portland Community Reinvestments Initiatives, Inc.

On August 1, 1998, the City and PDC, acting as agent for the City, executed an Amended and Restated Agreement ("Agreement") to guarantee any deficiencies in debt service under a \$10,000,000 term loan between Portland Community Reinvestment Initiatives, Inc. ("PCRI") and U.S. Bank National Association ("U.S. Bank"). The Agreement replaces a series of prior agreements, which started in 1992.

Under the Agreement, the City specifically pledged all of its Community Development Block Grant funds and income administered by the federal Department of Housing and Urban Development to the extent they are needed to cure an event of default by PCRI under the term loan. The City, acting through PDC, also pledged loans held by PDC for the City as additional collateral.

PDC and the City are required to jointly certify to U.S. Bank on a quarterly basis that cash receipts from pledged loans are at least 1.20 times quarterly debt service on this loan. In addition, the loan collateral must at the end of each quarter have a principal balance at least 1.25 times the debt principal balance. Certified amounts jointly reported by the PDC and the City are as follows:

Quarter Ending	Total PCRI Debt Service	Total PDC Cash Receipts	Debt Service Coverage Ratio
September 30, 2007	\$ 156,288	\$ 213,779	1.37
December 31, 2007	156,288	337,508	2.16
March 31, 2008	156,288	313,502	2.01
June 30, 2008	156,288	266,901	1.71

Quarter Ending	Outstanding Loan Principal	Loan Principal Amount Pledged	Debt Principal Coverage Ratio
September 30, 2007	\$ 7,027,652	\$ 11,204,139	1.59
December 31, 2007	6,939,159	13,315,362	1.92
March 31, 2008	6,849,806	13,894,594	2.03
June 30, 2008	6,759,585	13,676,043	2.02

The quarterly certifications are in full compliance with terms of the agreement. The guarantee by the City is limited to the specific assets and income pledged. It is not a full faith and credit guarantee by either PDC or the City. PDC has confirmed with U.S. Bank that PCRI has made full and timely debt service payments under its term loan during the fiscal year ended June 30, 2008.

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Verizon Wireless Cell Tower Relocation

In September 2005, PDC acquired the Public Storage property in the North Macadam Urban Renewal Area for redevelopment as a neighborhood park. As a result of this acquisition, Verizon Wireless was required to move the cell tower they had located on a leased portion of the property. Per PDC policy, "any person who moves, or is required to move, his or her residence and personal property located on the premises, or his or her business, nonprofit organization or farm operation and personal property located on the premises as a result of: ...*Acquisition of real property...*" is entitled to reimbursement of necessary and reasonable relocation expenses. Additionally, the policy allows for claims to be filed up to one year after the completion of the move. Verizon Wireless completed their move in January 2006 and submitted a claim for reimbursement in excess of \$1.8 million. Verizon claimed it needed three replacement sites to replace the former site. PDC's Relocation Policy for a personal property move such as in this case does not allow for the majority of the expenses claimed by Verizon. Based on the documentation submitted by Verizon, PDC was able to approve \$95,153 in reimbursable relocation costs. An additional \$21,227 in costs was identified as potentially reimbursable should Verizon provide supporting documentation. PDC's response and check for \$95,153 was mailed to Verizon in September 2007. Verizon was given an additional 30 days within which to provide documentation to support payment of the \$21,227 in additional costs. Verizon requested a review of PDC staff's evaluation of its relocation claim under PDC's "grievance" procedure outlined in our relocation policy. PDC's Executive Director reviewed staff's determination and affirmed staff's decision. Verizon has requested a contested case hearing on its claim, which is the next step as outlined in PDC's relocation procedures.

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 a commercial general liability policy through St. Paul Fire & Marine Insurance in the amount of \$4,000,000 per occurrence and an additional \$5,000,000 umbrella liability policy subject to \$10,000 deductible and a blanket property policy through Lloyd's of London for \$86,370,648. 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; public officials errors and omission coverage is provided through St. Paul Travelers in the amount of \$2,000,000 with a \$4,000,000 aggregate and a deductible of \$25,000 per claim. Automobile coverage for PDC fleet vehicles is provided through St. Paul Travelers in the amount of \$1,000,000 for bodily injury/property damage with a \$250 deductible for comprehensive and \$500 deductible for collision.

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

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The Internal Service Fund has equity of \$414,068 to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. Of this amount, \$207,839 is an insurance deductible reserve as required by the Rivers East LLC Rent Abatement Agreement.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2008	2007
Unpaid claims , beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	-	101,317
Claim payments	-	(101,317)
Unpaid claims, end of fiscal year	\$ -	\$ -

Environmental Risk

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation obligations, to become effective for periods beginning after December 15, 2007. PDC plans to implement GASB 49 in fiscal year 2009.

PDC, as part of it's redevelopment goals as set forth under ORS Chapter 457, remediates blighted properties, which often includes site preparation and redevelopment of properties with various types and degrees of environmental contamination. PDC has a rigorous property acquisition policy which includes stringent environmental due diligence in assessing the condition of a property, and the agency employs environmental staff trained to properly evaluate the extent of cost exposure and to determine the best method of cleanup to mitigate/minimize risk. At the time of purchase, budget resources are identified for any environmental cleanup, and thereafter cleanup is generally initiated as part of site preparation prior to redevelopment. In evaluating the scope and requirements of GASB 49, PDC has found no currently held properties posing an unknown environmental risk or subject to GASB 49 when implemented.

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 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

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2008

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 have a total balance of \$4,000,000 at June 30, 2008, with 20-year final maturities. Each advance to PSB is 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 and chief executive officer. A former PDC Executive Director has been recently elected to the PFF Board of Directors.

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.

PORTLAND DEVELOPMENT COMMISSION
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Notes to the Basic Financial Statements, Continued
June 30, 2008

I. Subsequent Events

Property Acquisitions and Sales

Airport Way Urban Renewal Area. Two board actions for Cascade Station (one in May 2008 and one in August 2008) will result in the sale of approximately ten acres of the Portland Development Commission's leasehold interest in Cascade Station. When finalized, the transaction approved in May will result in the United States General Services Administration buying eight acres at Cascade Station for the construction of federal government office space. The sale is scheduled for closing no later than January 2009 for approximately \$3.3 million. The second Cascade Station authorization is for the sale of approximately two acres to Canterbury Group, Inc. for the construction of a hotel. The sale is scheduled to be finalized before March 15, 2009, and will realize between \$812,000 and \$912,000 in program income depending on the final agreed upon parcel size.

In August, the board also approved the sale of approximately 8.175 acres at the Riverside Park Corporate Center. The Riverside Parkway Corporate Center transaction is scheduled to close in December 2008, with the buyer having the option to extend the closing for up to 12 months with additional fees and payments due to the Portland Development Commission if the extension option is selected. This land sale will net approximately \$2 million in program income for the Airport Way Urban Renewal Area.

Interstate Corridor and Lents Town Center Urban Renewal Areas. In May, the Commission approved the fiscal year 2009 purchase of 20 single family properties for renovation and sale to first time and low income home buyers. The sales are scheduled to occur at five different times in fiscal year 2009 and will conclude by June 30, 2009. The acquisition is not to exceed \$3.94 million for all the properties combined. Portland Development Commission placed \$5,000 in earnest money for each property for a total of \$100,000 in fiscal year 2008.

In November 2007, the Commission authorized staff to proceed with the sale of the Pardee property in the Lents Urban Renewal Area. The sale to Pardee Partners, LLC was completed on August 18, 2008. The property sold for \$270,000 and the Commission realized a gain of \$101,280.

River District Urban Renewal Area. In March 2008, the Commission approved the terms in a letter of intent and escrow agreement to acquire approximately 13 acres in the River District Urban Renewal Area. The site is the current location of a postal service processing and distribution center. The agreement required Portland Development Commission to fund a \$2 million escrow in fiscal year 2008. The escrowed funds are released to the United States Postal Services upon completion of various steps in the progress towards the acquisition of the property. The property is currently undergoing environmental assessment. The letter of intent expires on December 31, 2008 if an agreement is not reached or terminated earlier by either party.

Labor agreement

On September 24, 2008, the Portland Development Commission Board voted 4 – 0 in support of a labor contract with the Commission's 137 employees represented by the American Federation of State, County and Municipal Employees (AFSCME) Council 75 Local 3769. With the Board vote complete, the contract was immediately ratified. The labor agreement between the Portland Development Commission and its employees has an effective date of July 1, 2007 and expires June 30, 2010. As a result of this agreement, represented employees employed on the date of ratification will receive a lump

PORTLAND DEVELOPMENT COMMISSION
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Notes to the Basic Financial Statements, Continued
June 30, 2008

sum retro-active payment on October 24, 2008. The portion of the retro-active payments for the period July 1, 2007 through June 30, 2008 is \$446,097 and has been accrued in these statements.

Land Use Board of Appeals (LUBA)

In May 2008, the PDC Board of Commissioners voted to approve the recommended Amended and Restated River District Urban Renewal Plan and directed the Executive Director to submit the Plan, Technical Report and supporting materials to the Portland Planning Commission for review and recommendation and to the Portland City Council for final approval in accordance with the terms of the Plan and ORS 457.095. The Portland City Council subsequently accepted the recommendations and on June 25th unanimously voted their approval.

On July 25, 2008, the amendments approved by the Portland City Council to the River District Urban Renewal Plan became effective. Two of the approved amendments are to accomplish the following:

- Ordinance No. 181971: Expand the River District URA by 50.23 acres (or a net 41.98 acres after certain properties were removed) and increase maximum indebtedness to \$549,500,000 from \$224,780,350.
- Ordinance No. 181972: Expand River District URA by 8.53 acres and increase maximum indebtedness by \$19,000,000 (David Douglas Satellite District proposal).

On July 15th, the Friends of Urban Renewal¹ appealed these plan amendments to the State of Oregon Land Use Board of Appeals (LUBA). Therefore, the status of the plan amendments is currently uncertain, and the outcome and timeframe for all legal processes to be resolved is unknown. However, the initial resolution through LUBA typically takes seven to nine months. The appeal of the River District Urban Renewal Plan amendment has no direct effect on the financial condition of PDC or these financial statements, nor does this appeal constitute any legal financial liability to the Commission. This information is included for its qualitative materiality.

¹ Friends of Urban Renewal is a private group of citizens and property owners in River District and elsewhere who are opposed to the specific urban renewal plan amendments on appeal with LUBA.

REQUIRED SUPPLEMENTARY INFORMATION

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PORTLAND DEVELOPMENT COMMISSION
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Required Supplementary Information
June 30, 2008

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
8/1/06	\$ -	\$ 994,779	\$ 994,779	0.0%	\$13,272,207	7.5%

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Supplementary Data

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.

Other Federal Grants - accounts for revenues and expenditures under the US Department of Housing and Urban Development's HOME Investment Partnership Program administered through the City of Portland's Bureau of Housing & Community Development.

Housing Acquisitions Fund - accounts for acquisition, construction, and property management for the City of Portland's Housing Preservation Line of Credit and City Lights Housing Revenue Bond programs.

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.

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.

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, including the Interstate MAX line.

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.

South Park Blocks Urban Renewal Fund - accounts for resources used to increase the supply of affordable rental housing in the southwest quadrant of downtown Portland and to provide new landscaping, lighting, and other public improvements in the culture-rich Portland State University campus 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.

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**PORTLAND DEVELOPMENT COMMISSION
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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash with City of Portland investment pool	\$ 767,120	\$ 17,836,856	\$ 18,603,976
Receivables:			
Due from City of Portland	805,056	-	805,056
Due from other funds	607,618	-	607,618
Loans, net	3,494,644	9,857,902	13,352,546
Interest	3,929	64,961	68,890
Property held for sale	-	44,226,316	44,226,316
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 5,678,367	\$ 71,986,035	\$ 77,664,402
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,458	\$ 185,007	\$ 194,465
Accrued liabilities	-	69,825	69,825
Due to City of Portland	3,898,822	1,280,853	5,179,675
Due to other entities	199,347	35,805	235,152
Due to other funds	802,000	598,599	1,400,599
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,909,627</u>	<u>2,170,089</u>	<u>7,079,716</u>
 Fund balances:			
Reserved for:			
Loans receivable	4,402	9,857,902	9,862,304
Property held for sale	-	44,226,316	44,226,316
Interfund advances	-	-	-
Unreserved, designated for			
Subsequent year's expenditures	7,066	4,489,175	4,496,241
Unreserved, undesignated reported in:			
Special Revenue Funds	757,272	-	757,272
Capital Projects Funds	-	11,242,553	11,242,553
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>768,740</u>	<u>69,815,946</u>	<u>70,584,686</u>
Total liabilities and fund balances	\$ 5,678,367	\$ 71,986,035	\$ 77,664,402

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

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2008

	Other Federal Grants Fund	Ambassador Program Fund	Enterprise Zone Fund	Total
ASSETS				
Cash with City of Portland investment pool	\$ 3,345	\$ 394,197	\$ 369,578	\$ 767,120
Receivables:				
Due from City of Portland	805,056	-	-	805,056
Due from other funds	607,618	-	-	607,618
Loans receivable, net	3,490,242	-	4,402	3,494,644
Interest	-	2,086	1,843	3,929
	<u>4,906,261</u>	<u>396,283</u>	<u>375,823</u>	<u>5,678,367</u>
Total assets	\$ 4,906,261	\$ 396,283	\$ 375,823	\$ 5,678,367
 LIABILITIES AND FUND BALANCES				
Liabilities-				
Accounts payable	\$ 488	\$ 8,970	\$ -	\$ 9,458
Due to City of Portland	3,898,822	-	-	3,898,822
Due to other entities	199,347	-	-	199,347
Due to other funds	802,000	-	-	802,000
	<u>4,900,657</u>	<u>8,970</u>	<u>-</u>	<u>4,909,627</u>
Total liabilities	4,900,657	8,970	-	4,909,627
 Fund balances:				
Loans receivable	-	-	4,402	4,402
Subsequent year's expenditures	5,604	-	1,462	7,066
Unreserved, undesignated	-	387,313	369,959	757,272
	<u>5,604</u>	<u>387,313</u>	<u>375,823</u>	<u>768,740</u>
Total fund balances	5,604	387,313	375,823	768,740
Total liabilities and fund balances	\$ 4,906,261	\$ 396,283	\$ 375,823	\$ 5,678,367

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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2008**

	<u>Central Eastside Urban Renewal Fund</u>	<u>Interstate Corridor Urban Renewal Fund</u>	<u>Gateway Regional Center Urban Renewal Fund</u>
ASSETS			
Cash with City of Portland investment pool	\$ 3,156,139	\$ 2,185,055	\$ 1,827,963
Receivables:			
Loans, net	2,080,529	2,142,931	122,638
Interest	15,770	5,974	9,393
Property held for sale	<u>13,597,928</u>	<u>2,369,234</u>	<u>1,531,922</u>
Total assets	<u>\$ 18,850,366</u>	<u>\$ 6,703,194</u>	<u>\$ 3,491,916</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 66,437	\$ 47,504	\$ 6,954
Accrued liabilities	7,487	35,442	5,733
Due to City of Portland	122,492	560,821	-
Due to other entities	-	5,805	-
Due to other funds	<u>-</u>	<u>598,599</u>	<u>-</u>
Total liabilities	<u>196,416</u>	<u>1,248,171</u>	<u>12,687</u>
 Fund balances:			
Reserved for:			
Loans receivable	2,080,529	2,142,931	122,638
Property held for sale	13,597,928	2,369,234	1,531,922
Interfund advances	-	-	-
Unreserved, designated for			
Subsequent year's expenditures	435,172	942,858	312,721
Unreserved, undesignated	<u>2,540,321</u>	<u>-</u>	<u>1,511,948</u>
Total fund balances	<u>18,653,950</u>	<u>5,455,023</u>	<u>3,479,229</u>
Total liabilities and fund balances	<u>\$ 18,850,366</u>	<u>\$ 6,703,194</u>	<u>\$ 3,491,916</u>

<u>Airport Way Urban Renewal Fund</u>	<u>South Park Blocks Urban Renewal Fund</u>	<u>Willamette Industrial Urban Renewal Fund</u>	<u>Total</u>
\$ 4,975,641	\$ 5,377,675	\$ 314,383	\$ 17,836,856
525,386	4,986,418	-	9,857,902
27,217	4,668	1,939	64,961
<u>18,769,171</u>	<u>7,958,061</u>	<u>-</u>	<u>44,226,316</u>
<u>\$ 24,297,415</u>	<u>\$ 18,326,822</u>	<u>\$ 316,322</u>	<u>\$ 71,986,035</u>
\$ 28,145	\$ 25,022	\$ 10,945	\$ 185,007
15,108	6,055	-	69,825
-	597,540	-	1,280,853
30,000	-	-	35,805
<u>-</u>	<u>-</u>	<u>-</u>	<u>598,599</u>
<u>73,253</u>	<u>628,617</u>	<u>10,945</u>	<u>2,170,089</u>
525,386	4,986,418	-	9,857,902
18,769,171	7,958,061	-	44,226,316
-	-	-	-
317,644	2,460,002	20,778	4,489,175
<u>4,611,961</u>	<u>2,293,724</u>	<u>284,599</u>	<u>11,242,553</u>
<u>24,224,162</u>	<u>17,698,205</u>	<u>305,377</u>	<u>69,815,946</u>
<u>\$ 24,297,415</u>	<u>\$ 18,326,822</u>	<u>\$ 316,322</u>	<u>\$ 71,986,035</u>

PDC

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**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, 2008**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental revenues	\$ 4,323,981	\$ 369	\$ 4,324,350
Charges for services	35,917	445,697	481,614
Loan interest collections	634,920	297,806	932,726
Interest on investments	39,041	845,547	884,588
Miscellaneous	362,921	246,465	609,386
Contra program income	(413,101)	-	(413,101)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	-	22,817,150	22,817,150
	<u>4,983,679</u>	<u>24,653,034</u>	<u>29,636,713</u>
Total revenues			
EXPENDITURES			
Current-			
Community development	556,365	13,701,104	14,257,469
Capital outlay	3,600	8,637,095	8,640,695
Financial assistance	4,644,245	10,058,883	14,703,128
	<u>5,204,210</u>	<u>32,397,082</u>	<u>37,601,292</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(220,531)</u>	<u>(7,744,048)</u>	<u>(7,964,579)</u>
OTHER FINANCING SOURCES			
Transfers in	142,352	-	142,352
Transfers out	<u>(88,000)</u>	<u>(127,142)</u>	<u>(215,142)</u>
Total other financing sources (uses)	54,352	(127,142)	(72,790)
Net change in fund balances	(166,179)	(7,871,190)	(8,037,369)
FUND BALANCES - July 1, 2007	<u>934,919</u>	<u>77,687,136</u>	<u>78,622,055</u>
FUND BALANCES - June 30, 2008	<u>\$ 768,740</u>	<u>\$ 69,815,946</u>	<u>\$ 70,584,686</u>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
SPECIAL REVENUE FUNDS
For The Fiscal Year Ended June 30, 2008**

	Other Federal Grants Fund	Ambassador Program Fund	Enterprise Zone Fund	Housing Acquisition Fund	Total
REVENUES					
Intergovernmental revenues	\$ 4,323,981	\$ -	\$ -	\$ -	\$ 4,323,981
Charges for services	35,917	-	-	-	35,917
Loan collections	634,920	-	-	-	634,920
Interest on investments	-	17,521	21,520	-	39,041
Miscellaneous	80	302,077	60,764	-	362,921
Contra program income	<u>(413,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(413,101)</u>
Total revenues	<u>4,581,797</u>	<u>319,598</u>	<u>82,284</u>	<u>-</u>	<u>4,983,679</u>
EXPENDITURES					
Current-					
Community development	108,946	328,631	118,775	13	556,365
Capital outlay	3,600	-	-	-	3,600
Financial assistance	<u>4,463,647</u>	<u>-</u>	<u>180,598</u>	<u>-</u>	<u>4,644,245</u>
Total expenditures	<u>4,576,193</u>	<u>328,631</u>	<u>299,373</u>	<u>13</u>	<u>5,204,210</u>
Excess (deficiency) of revenues over expenditures	<u>5,604</u>	<u>(9,033)</u>	<u>(217,089)</u>	<u>(13)</u>	<u>(220,531)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	88,000	-	54,352	-	142,352
Transfers out	<u>(88,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>54,352</u>	<u>-</u>	<u>54,352</u>
Net change in fund balances	5,604	(9,033)	(162,737)	(13)	(166,179)
FUND BALANCES - July 1, 2007	<u>-</u>	<u>396,346</u>	<u>538,560</u>	<u>13</u>	<u>934,919</u>
FUND BALANCES - June 30, 2008	<u>\$ 5,604</u>	<u>\$ 387,313</u>	<u>\$ 375,823</u>	<u>\$ -</u>	<u>\$ 768,740</u>

**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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues-				
Federal grants	\$ 5,903,954	\$ 6,103,954	\$ 4,323,981	\$ (1,779,973)
Charges for services:				
Application fees and charges	-	-	35,917	35,917
Loan Collections:				
Principal	150,000	150,000	236,570	86,570
Interest	150,000	150,000	398,350	248,350
Miscellaneous:				
Reimbursements	-	-	80	80
Contra program income	-	-	(413,101)	(413,101)
Total revenues	<u>6,203,954</u>	<u>6,403,954</u>	<u>4,581,797</u>	<u>(1,822,157)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	6,203,954	6,403,954	4,576,193	1,827,761
Total Community development	<u>6,203,954</u>	<u>6,403,954</u>	<u>4,576,193</u>	<u>1,827,761</u>
Total expenditures	<u>6,203,954</u>	<u>6,403,954</u>	<u>4,576,193</u>	<u>1,827,761</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,604</u>	<u>5,604</u>
OTHER FINANCING SOURCES (USES)				
Transfers in-				
Enterprise Loans Fund	-	-	890,000	890,000
Total transfers in	<u>-</u>	<u>-</u>	<u>890,000</u>	<u>890,000</u>
Transfers out-				
Enterprise Loans Fund	-	-	(165,498)	(165,498)
Total transfers out	<u>-</u>	<u>-</u>	<u>(165,498)</u>	<u>(165,498)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>724,502</u>	<u>724,502</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>730,106</u>	<u>730,106</u>
FUND BALANCE - July 1, 2007	<u>-</u>	<u>-</u>	<u>77,498</u>	<u>77,498</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>807,604</u>	<u>\$ 807,604</u>
Adjustments to generally accepted accounting basis-				
Interfund advances			(802,000)	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 5,604</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 17,521	\$ 17,521
Miscellaneous:				
Reimbursements	-	-	11,426	11,426
Private grants and donations	<u>80,000</u>	<u>207,373</u>	<u>290,651</u>	<u>83,278</u>
Total revenues	<u>80,000</u>	<u>207,373</u>	<u>319,598</u>	<u>112,225</u>
EXPENDITURES				
Current:				
Community development:				
Economic Development	<u>270,000</u>	<u>603,719</u>	<u>328,631</u>	<u>275,088</u>
Total Community development	<u>270,000</u>	<u>603,719</u>	<u>328,631</u>	<u>275,088</u>
Total expenditures	<u>270,000</u>	<u>603,719</u>	<u>328,631</u>	<u>275,088</u>
Excess (deficiency) of revenues over expenditures	<u>(190,000)</u>	<u>(396,346)</u>	<u>(9,033)</u>	<u>387,313</u>
Net change in fund balance	(190,000)	(396,346)	(9,033)	387,313
FUND BALANCE - July 1, 2007	<u>190,000</u>	<u>396,346</u>	<u>396,346</u>	<u>-</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,313</u>	<u>\$ 387,313</u>

**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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 21,520	\$ 21,520
Miscellaneous:				
Other	-	-	60,764	60,764
Total revenues	-	-	82,284	82,284
EXPENDITURES				
Current:				
Community development:				
Economic Development	440,000	533,559	298,775	234,784
Total Community development	440,000	533,559	298,775	234,784
Contingency	-	54,352	-	54,352
Total expenditures	440,000	587,911	298,775	289,136
Excess (deficiency) of revenues over expenditures	(440,000)	(587,911)	(216,491)	371,420
OTHER FINANCING SOURCES (USES)				
Transfers in-				
Willamette Industrial Urban Renewal Fund	-	54,352	54,352	-
Total transfers in	-	54,352	54,352	-
Total other financing sources (uses)	-	54,352	54,352	-
Net change in fund balance	(440,000)	(533,559)	(162,139)	371,420
FUND BALANCE - July 1, 2007	440,000	533,559	533,560	1
FUND BALANCE - June 30, 2008	\$ -	\$ -	\$ 371,421	\$ 371,421
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			4,402	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			\$ 375,823	

**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, 2008**

	Central Eastside Urban Renewal Fund	Interstate Corridor Urban Renewal Fund	Gateway Regional Center Urban Renewal Fund
REVENUES			
Intergovernmental revenues	\$ 369	\$ -	\$ -
Charges for services	220,317	16,926	-
Loan interest collections	55,743	75,826	668
Interest on investments	61,622	64,288	51,274
Miscellaneous	106,680	13,013	79,340
Tax-increment debt proceeds (in lieu of tax increment revenue)	<u>9,066,169</u>	<u>8,689,966</u>	<u>1,748,628</u>
Total revenues	<u>9,510,900</u>	<u>8,860,019</u>	<u>1,879,910</u>
EXPENDITURES			
Current-			
Community development	1,952,828	3,188,126	899,102
Capital outlay	4,076,789	2,863,173	87,453
Financial assistance	<u>923,588</u>	<u>2,596,357</u>	<u>49,512</u>
Total expenditures	<u>6,953,205</u>	<u>8,647,656</u>	<u>1,036,067</u>
Excess (deficiency) of revenues over expenditures	2,557,695	212,363	843,843
OTHER FINANCING SOURCES			
Transfers out	<u>-</u>	<u>(72,790)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(72,790)</u>	<u>-</u>
Net change in fund balances	2,557,695	139,573	843,843
FUND BALANCES - July 1, 2007	<u>16,096,255</u>	<u>5,315,450</u>	<u>2,635,386</u>
FUND BALANCES - June 30, 2008	<u>\$ 18,653,950</u>	<u>\$ 5,455,023</u>	<u>\$ 3,479,229</u>

Airport Way Urban Renewal Fund	South Park Blocks Urban Renewal Fund	Willamette Industrial Urban Renewal Fund	Total
\$ -	\$ -	\$ -	\$ 369
9,606	198,848	-	445,697
28,540	137,029	-	297,806
249,515	414,374	4,474	845,547
18,306	9,626	19,500	246,465
<u>-</u>	<u>2,873,416</u>	<u>438,971</u>	<u>22,817,150</u>
<u>305,967</u>	<u>3,633,293</u>	<u>462,945</u>	<u>24,653,034</u>
1,186,121	6,394,054	80,873	13,701,104
322,836	1,264,501	22,343	8,637,095
<u>318,576</u>	<u>6,170,850</u>	<u>-</u>	<u>10,058,883</u>
<u>1,827,533</u>	<u>13,829,405</u>	<u>103,216</u>	<u>32,397,082</u>
(1,521,566)	(10,196,112)	359,729	(7,744,048)
<u>-</u>	<u>-</u>	<u>(54,352)</u>	<u>(127,142)</u>
<u>-</u>	<u>-</u>	<u>(54,352)</u>	<u>(127,142)</u>
(1,521,566)	(10,196,112)	305,377	(7,871,190)
<u>25,745,728</u>	<u>27,894,317</u>	<u>-</u>	<u>77,687,136</u>
<u>\$ 24,224,162</u>	<u>\$ 17,698,205</u>	<u>\$ 305,377</u>	<u>\$ 69,815,946</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 69,011	\$ 69,011
Rental income	-	-	382,158	382,158
Loan Collections:				
Principal	300,000	300,000	1,262,641	962,641
Interest	285,000	285,000	617,002	332,002
Interest on investments	300,000	300,000	485,442	185,442
Miscellaneous:				
Reimbursements	200,000	200,000	3,458	(196,542)
Sale of real property	2,000,000	1,500,000	1,274,047	(225,953)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>26,416,725</u>	<u>10,112,492</u>	<u>13,992,590</u>	<u>3,880,098</u>
Total revenues	<u>29,501,725</u>	<u>12,697,492</u>	<u>18,086,349</u>	<u>5,388,857</u>
EXPENDITURES				
Current:				
Community development:				
Development	6,811,034	11,912,917	8,849,323	3,063,594
Economic Development	3,794,343	3,913,375	1,718,978	2,194,397
Housing	2,787,485	2,080,514	708,871	1,371,643
Central Services	50,000	50,000	40,126	9,874
Executive	234,000	234,000	206,177	27,823
Total Community development	<u>13,676,862</u>	<u>18,190,806</u>	<u>11,523,475</u>	<u>6,667,331</u>
Contingency	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Total expenditures	<u>14,876,862</u>	<u>19,390,806</u>	<u>11,523,475</u>	<u>7,867,331</u>
Excess (deficiency) of revenues over expenditures	<u>14,624,863</u>	<u>(6,693,314)</u>	<u>6,562,874</u>	<u>13,256,188</u>
Net change in fund balance	14,624,863	(6,693,314)	6,562,874	13,256,188
FUND BALANCE - July 1, 2007	<u>425,973</u>	<u>10,316,420</u>	<u>10,316,419</u>	<u>(1)</u>
FUND BALANCE - June 30, 2008	<u>\$ 15,050,836</u>	<u>\$ 3,623,106</u>	16,879,293	<u>\$ 13,256,187</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			16,191,000	
Property held for sale			<u>20,183,702</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 53,253,995</u>	

**PORTLAND DEVELOPMENT COMMISSION
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**CONVENTION CENTER URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 1,356	\$ 1,356
Rental income	-	101,986	241,887	139,901
Loan Collections:				
Principal	53,206	53,206	156,187	102,981
Interest	-	20,957	102,943	81,986
Interest on investments	25,000	62,213	370,615	308,402
Miscellaneous:				
Reimbursements	-	70,000	70,895	895
Sale of real property	1,700,000	1,800,000	-	(1,800,000)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>13,767,454</u>	<u>7,019,972</u>	<u>3,233,128</u>	<u>(3,786,844)</u>
Total revenues	<u>15,545,660</u>	<u>9,128,334</u>	<u>4,177,011</u>	<u>(4,951,323)</u>
EXPENDITURES				
Current:				
Community development:				
Development	5,968,497	6,072,144	3,580,241	2,491,903
Economic Development	3,805,896	4,224,804	1,016,563	3,208,241
Housing	6,416,692	3,465,117	1,286,477	2,178,640
Central Services	23,540	23,540	15,316	8,224
Total Community development	<u>16,214,625</u>	<u>13,785,605</u>	<u>5,898,597</u>	<u>7,887,008</u>
Contingency	<u>2,000,000</u>	<u>4,443,340</u>	<u>-</u>	<u>4,443,340</u>
Total expenditures	<u>18,214,625</u>	<u>18,228,945</u>	<u>5,898,597</u>	<u>12,330,348</u>
Excess (deficiency) of revenues over expenditures	<u>(2,668,965)</u>	<u>(9,100,611)</u>	<u>(1,721,586)</u>	<u>7,379,025</u>
OTHER FINANCING USES				
Transfers in:				
General Fund	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Total transfers in	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Net change in fund balance	(2,668,965)	(8,500,611)	(1,121,586)	7,379,025
FUND BALANCE - July 1, 2007	<u>6,208,791</u>	<u>8,500,611</u>	<u>8,500,611</u>	<u>-</u>
FUND BALANCE - June 30, 2008	<u>\$ 3,539,826</u>	<u>\$ -</u>	<u>7,379,025</u>	<u>\$ 7,379,025</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			5,418,729	
Interfund advances			598,599	
Property held for sale			<u>21,707,293</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 35,103,646</u>	

**PORTLAND DEVELOPMENT COMMISSION
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**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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 2,484	\$ 2,484
Rental income	-	-	196,364	196,364
Loan Collections:				
Principal	350,000	1,050,000	173,016	(876,984)
Interest	350,000	350,000	137,029	(212,971)
Interest on investments	775,000	775,000	414,374	(360,626)
Miscellaneous:				
Reimbursements	-	-	9,626	9,626
Sale of real property	2,000,000	-	-	-
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>36,961,339</u>	<u>36,492,701</u>	<u>2,873,416</u>	<u>(33,619,285)</u>
Total revenues	<u>40,436,339</u>	<u>38,667,701</u>	<u>3,806,309</u>	<u>(34,861,392)</u>
EXPENDITURES				
Current:				
Community development:				
Development	15,572,280	12,494,505	3,221,182	9,273,323
Economic Development	2,250,788	3,360,942	981,845	2,379,097
Housing	11,630,681	12,301,171	8,160,143	4,141,028
Central Services	50,000	50,000	30,934	19,066
Executive	234,000	234,000	126,426	107,574
Total Community development	<u>29,737,749</u>	<u>28,440,618</u>	<u>12,520,530</u>	<u>15,920,088</u>
Contingency	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
Total expenditures	<u>32,737,749</u>	<u>31,440,618</u>	<u>12,520,530</u>	<u>18,920,088</u>
Excess (deficiency) of revenues over expenditures	<u>7,698,590</u>	<u>7,227,083</u>	<u>(8,714,221)</u>	<u>(15,941,304)</u>
Net change in fund balance	7,698,590	7,227,083	(8,714,221)	(15,941,304)
FUND BALANCE - July 1, 2007	<u>6,142,406</u>	<u>13,467,948</u>	<u>13,467,947</u>	<u>(1)</u>
FUND BALANCE - June 30, 2008	<u>\$ 13,840,996</u>	<u>\$ 20,695,031</u>	4,753,726	<u>\$ (15,941,305)</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			4,986,418	
Property held for sale			<u>7,958,061</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 17,698,205</u>	

PORTLAND DEVELOPMENT COMMISSION
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DOWNTOWN WATERFRONT URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 34,756	\$ 34,756
Rental income	-	-	537,982	537,982
Loan Collections:				
Principal	389,000	1,503,000	1,580,288	77,288
Interest	340,095	340,095	339,306	(789)
Interest on investments	600,000	600,000	327,808	(272,192)
Miscellaneous:				
Reimbursements	-	-	12,221	12,221
Sale of real property	3,925,000	5,775,000	2,781,939	(2,993,061)
Other	-	-	195,260	195,260
Tax-increment debt proceeds (in lieu of tax-increment revenue)	54,470,028	53,039,982	50,698,182	(2,341,800)
Total revenues	<u>59,724,123</u>	<u>61,258,077</u>	<u>56,507,742</u>	<u>(4,750,335)</u>
EXPENDITURES				
Current:				
Community development:				
Development	28,328,242	30,114,073	22,306,794	7,807,279
Economic Development	5,385,108	5,694,355	2,875,054	2,819,301
Housing	13,564,007	19,980,781	9,083,688	10,897,093
Central Services	50,000	50,000	39,428	10,572
Executive	234,000	234,000	202,113	31,887
Total Community development	<u>47,561,357</u>	<u>56,073,209</u>	<u>34,507,077</u>	<u>21,566,132</u>
Contingency	4,100,000	-	-	-
Total expenditures	<u>51,661,357</u>	<u>56,073,209</u>	<u>34,507,077</u>	<u>21,566,132</u>
Excess (deficiency) of revenues over expenditures	<u>8,062,766</u>	<u>5,184,868</u>	<u>22,000,665</u>	<u>16,815,797</u>
OTHER FINANCING USES				
Transfers in:				
General Fund	1,947,303	1,947,303	1,947,303	-
Total transfers in	<u>1,947,303</u>	<u>1,947,303</u>	<u>1,947,303</u>	<u>-</u>
Total other financing uses	<u>1,947,303</u>	<u>1,947,303</u>	<u>1,947,303</u>	<u>-</u>
Net change in fund balance	10,010,069	7,132,171	23,947,968	16,815,797
FUND BALANCE - July 1, 2007	<u>1,522,000</u>	<u>5,651,973</u>	<u>5,651,972</u>	<u>(1)</u>
FUND BALANCE - June 30, 2008	<u>\$ 11,532,069</u>	<u>\$ 12,784,144</u>	<u>29,599,940</u>	<u>\$ 16,815,796</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			11,563,374	
Other receivable			790,249	
Property held for sale			<u>11,160,456</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 53,114,019</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
State and local	\$ -	\$ -	\$ 369	\$ 369
Charges for services:				
Application fees and charges	-	-	1,479	1,479
Rental income	-	-	218,838	218,838
Loan Collections:				
Principal	53,206	53,206	45,538	(7,668)
Interest	-	-	55,743	55,743
Interest on investments	25,000	25,000	61,622	36,622
Miscellaneous:				
Reimbursements	-	-	106,680	106,680
Tax-increment debt proceeds (in lieu of tax-increment revenue)	9,964,817	9,789,817	9,066,169	(723,648)
Total revenues	<u>10,043,023</u>	<u>9,868,023</u>	<u>9,556,438</u>	<u>(311,585)</u>
EXPENDITURES				
Current:				
Community development:				
Development	7,317,155	6,948,288	6,109,237	839,051
Economic Development	2,713,847	3,367,234	2,442,750	924,484
Housing	247,782	247,531	99,096	148,435
Central Services	9,195	9,195	8,290	905
Total Community development	<u>10,287,979</u>	<u>10,572,248</u>	<u>8,659,373</u>	<u>1,912,875</u>
Contingency	730,775	1,374,202	-	1,374,202
Total expenditures	<u>11,018,754</u>	<u>11,946,450</u>	<u>8,659,373</u>	<u>3,287,077</u>
Excess (deficiency) of revenues over expenditures	<u>(975,731)</u>	<u>(2,078,427)</u>	<u>897,065</u>	<u>2,975,492</u>
Net change in fund balance	(975,731)	(2,078,427)	897,065	2,975,492
FUND BALANCE - July 1, 2007	<u>975,731</u>	<u>2,078,427</u>	<u>2,078,428</u>	<u>1</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>2,975,493</u>	<u>\$ 2,975,493</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			2,080,529	
Property held for sale			<u>13,597,928</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 18,653,950</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal grants	\$ 752,000	\$ 166,000	\$ 1,704,820	\$ 1,538,820
Charges for services:				
Rental income	-	-	67,669	67,669
Contractual service charges	282,504	282,504	282,504	-
Loan Collections:				
Principal	-	-	23,892	23,892
Interest	-	-	8,328	8,328
Interest on investments	50,000	50,000	32,747	(17,253)
Miscellaneous:				
Reimbursements	-	539,871	548,169	8,298
Sale of real property	9,000,000	-	-	-
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>14,383,682</u>	<u>11,098,252</u>	<u>8,402,150</u>	<u>(2,696,102)</u>
Total revenues	<u>24,468,186</u>	<u>12,136,627</u>	<u>11,070,279</u>	<u>(1,066,348)</u>
EXPENDITURES				
Current:				
Community development:				
Development	7,758,769	5,196,185	5,160,926	35,259
Economic Development	1,288,216	485,550	484,849	701
Housing	9,406,121	3,043,323	2,900,322	143,001
Central Services	15,080	15,080	14,209	871
Total Community development	<u>18,468,186</u>	<u>8,740,138</u>	<u>8,560,306</u>	<u>179,832</u>
Debt service:				
Principal	6,000,000	1,090,000	1,000,000	90,000
Interest	-	-	89,250	(89,250)
Total debt service	<u>6,000,000</u>	<u>1,090,000</u>	<u>1,089,250</u>	<u>750</u>
Contingency	-	3,334,401	-	3,334,401
Total expenditures	<u>24,468,186</u>	<u>13,164,539</u>	<u>9,649,556</u>	<u>3,514,983</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,027,912)</u>	<u>1,420,723</u>	<u>2,448,635</u>
Net change in fund balance	-	(1,027,912)	1,420,723	2,448,635
FUND BALANCE - July 1, 2007	<u>-</u>	<u>1,027,912</u>	<u>1,027,910</u>	<u>(2)</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>2,448,633</u>	<u>\$ 2,448,633</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			3,109,465	
Property held for sale			21,948,172	
Due to City of Portland			<u>(4,250,000)</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 23,256,270</u>	

**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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 11,188	\$ 11,188
Rental income	-	4,617	5,738	1,121
Loan Collections:				
Principal	552,000	552,000	791,814	239,814
Interest	79,840	79,840	75,826	(4,014)
Interest on investments	20,000	40,000	64,288	24,288
Miscellaneous:				
Reimbursements	-	1,272	13,013	11,741
Sale of real property	600,000	600,000	-	(600,000)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>14,996,191</u>	<u>13,022,122</u>	<u>8,689,966</u>	<u>(4,332,156)</u>
Total revenues	<u>16,248,031</u>	<u>14,299,851</u>	<u>9,651,833</u>	<u>(4,648,018)</u>
EXPENDITURES				
Current:				
Community development:				
Development	7,940,982	5,784,716	4,601,539	1,183,177
Economic Development	2,295,422	2,880,462	978,516	1,901,946
Housing	7,395,704	5,984,286	4,445,545	1,538,741
Central Services	17,655	17,655	11,513	6,142
Total Community development	<u>17,649,763</u>	<u>14,667,119</u>	<u>10,037,113</u>	<u>4,630,006</u>
Contingency	<u>404,469</u>	<u>1,559,469</u>	<u>-</u>	<u>1,559,469</u>
Total expenditures	<u>18,054,232</u>	<u>16,226,588</u>	<u>10,037,113</u>	<u>6,189,475</u>
Excess (deficiency) of revenues over expenditures	<u>(1,806,201)</u>	<u>(1,926,737)</u>	<u>(385,280)</u>	<u>1,541,457</u>
OTHER FINANCING USES				
Transfers out-				
Convention Center Urban Renewal Fund	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Net change in fund balance	(1,806,201)	(2,526,737)	(985,280)	1,541,457
FUND BALANCE - July 1, 2007	<u>1,806,201</u>	<u>2,526,737</u>	<u>2,526,737</u>	<u>-</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>1,541,457</u>	<u>\$ 1,541,457</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			2,142,931	
Interfund advances			(598,599)	
Property held for sale			<u>2,369,234</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 5,455,023</u>	

**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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 11,333	\$ 11,333
Rental income	-	-	7,758	7,758
Loan Collections:				
Principal	-	-	73,103	73,103
Interest	21,980	21,980	95,855	73,875
Interest on investments	250,000	250,000	126,159	(123,841)
Miscellaneous:				
Reimbursements	-	-	8,301	8,301
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>11,703,256</u>	<u>10,530,300</u>	<u>6,786,255</u>	<u>(3,744,045)</u>
Total revenues	<u>11,975,236</u>	<u>10,802,280</u>	<u>7,108,764</u>	<u>(3,693,516)</u>
EXPENDITURES				
Current:				
Community development:				
Development	6,226,833	4,372,471	4,670,552	(298,081)
Economic Development	1,896,616	2,481,314	1,128,266	1,353,048
Housing	5,903,849	3,429,556	2,658,486	771,070
Central Services	10,000	10,000	6,591	3,409
Executive	111,791	80,000	103,619	(23,619)
Total Community development	<u>14,149,089</u>	<u>10,373,341</u>	<u>8,567,514</u>	<u>1,805,827</u>
Contingency	<u>1,226,204</u>	<u>4,074,555</u>	<u>-</u>	<u>4,074,555</u>
Total expenditures	<u>15,375,293</u>	<u>14,447,896</u>	<u>8,567,514</u>	<u>5,880,382</u>
Excess (deficiency) of revenues over expenditures	<u>(3,400,057)</u>	<u>(3,645,616)</u>	<u>(1,458,750)</u>	<u>2,186,866</u>
Net change in fund balance	(3,400,057)	(3,645,616)	(1,458,750)	2,186,866
FUND BALANCE - July 1, 2007	<u>3,400,057</u>	<u>3,677,407</u>	<u>3,677,409</u>	<u>2</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ 31,791</u>	<u>2,218,659</u>	<u>\$ 2,186,868</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			3,436,202	
Property held for sale			<u>4,110,406</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 9,765,267</u>	

**PORTLAND DEVELOPMENT COMMISSION
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**GATEWAY URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Loan Collections:				
Principal	\$ -	\$ -	\$ 1,294	\$ 1,294
Interest	15,000	15,000	668	(14,332)
Interest on investments	5,000	5,000	51,274	46,274
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>4,168,263</u>	<u>3,739,901</u>	<u>1,748,628</u>	<u>(1,991,273)</u>
Total revenues	<u>4,188,263</u>	<u>3,759,901</u>	<u>1,801,864</u>	<u>(1,958,037)</u>
EXPENDITURES				
Current:				
Community development:				
Development	1,296,740	1,493,001	462,613	1,030,388
Economic Development	1,262,060	1,357,103	294,817	1,062,286
Housing	1,507,068	1,493,493	304,337	1,189,156
Central Services	9,195	9,195	6,176	3,019
Total Community development	<u>4,075,063</u>	<u>4,352,792</u>	<u>1,067,943</u>	<u>3,284,849</u>
Contingency	<u>497,857</u>	<u>497,857</u>	<u>-</u>	<u>497,857</u>
Total expenditures	<u>4,572,920</u>	<u>4,850,649</u>	<u>1,067,943</u>	<u>3,782,706</u>
Excess (deficiency) of revenues over expenditures	<u>(384,657)</u>	<u>(1,090,748)</u>	<u>733,921</u>	<u>1,824,669</u>
Net change in fund balance	(384,657)	(1,090,748)	733,921	1,824,669
FUND BALANCE - July 1, 2007	<u>384,657</u>	<u>1,090,748</u>	<u>1,090,748</u>	<u>-</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>1,824,669</u>	<u>\$ 1,824,669</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			122,638	
Property held for sale			<u>1,531,922</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 3,479,229</u>	

**PORTLAND DEVELOPMENT COMMISSION
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**AIRPORT WAY URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 2,900	\$ 2,900
Rental income	-	-	4,706	4,706
Contractual service charges	-	1,000	2,000	1,000
Loan Collections:				
Principal	9,247	9,247	14,352	5,105
Interest	9,247	9,247	28,540	19,293
Interest on investments	64,000	69,340	249,515	180,175
Miscellaneous:				
Reimbursements	-	2,545	18,306	15,761
Total revenues	<u>82,494</u>	<u>91,379</u>	<u>320,319</u>	<u>228,940</u>
EXPENDITURES				
Current:				
Community development:				
Development	1,373,969	1,216,749	614,416	602,333
Economic Development	3,346,233	3,413,578	1,246,597	2,166,981
Central Services	3,000	3,000	2,867	133
Total Community development	<u>4,723,202</u>	<u>4,633,327</u>	<u>1,863,880</u>	<u>2,769,447</u>
Contingency	<u>1,172,423</u>	<u>1,931,218</u>	<u>-</u>	<u>1,931,218</u>
Total expenditures	<u>5,895,625</u>	<u>6,564,545</u>	<u>1,863,880</u>	<u>4,700,665</u>
Excess (deficiency) of revenues over expenditures	<u>(5,813,131)</u>	<u>(6,473,166)</u>	<u>(1,543,561)</u>	<u>4,929,605</u>
Net change in fund balance	(5,813,131)	(6,473,166)	(1,543,561)	4,929,605
FUND BALANCE - July 1, 2007	<u>5,813,131</u>	<u>6,473,166</u>	<u>6,473,166</u>	<u>-</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	4,929,605	<u>\$ 4,929,605</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			525,386	
Property held for sale			<u>18,769,171</u>	
FUND BALANCE - June 30, 2008 (GAAP BASIS)			<u>\$ 24,224,162</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 5,000	\$ 5,000	\$ 4,474	\$ (526)
Miscellaneous:				
Reimbursements	-	-	19,500	19,500
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>160,000</u>	<u>160,000</u>	<u>438,971</u>	<u>278,971</u>
Total revenues	<u>165,000</u>	<u>165,000</u>	<u>462,945</u>	<u>297,945</u>
EXPENDITURES				
Current:				
Economic Development	196,705	142,872	102,358	40,514
Central Services	<u>5,000</u>	<u>4,481</u>	<u>858</u>	<u>3,623</u>
Total Community development	<u>201,705</u>	<u>147,353</u>	<u>103,216</u>	<u>44,137</u>
Total expenditures	<u>201,705</u>	<u>147,353</u>	<u>103,216</u>	<u>44,137</u>
Excess (deficiency) of revenues over expenditures	<u>(36,705)</u>	<u>17,647</u>	<u>359,729</u>	<u>342,082</u>
OTHER FINANCING USES				
Transfers in:				
General Fund	<u>36,705</u>	<u>36,705</u>	<u>-</u>	<u>(36,705)</u>
Total transfers in	<u>36,705</u>	<u>36,705</u>	<u>-</u>	<u>(36,705)</u>
Transfers out-				
Enterprise Zone Fund	<u>-</u>	<u>(54,352)</u>	<u>(54,352)</u>	<u>-</u>
Total transfers out	<u>-</u>	<u>(54,352)</u>	<u>(54,352)</u>	<u>-</u>
Total other financing uses	<u>36,705</u>	<u>(17,647)</u>	<u>(54,352)</u>	<u>(36,705)</u>
Net change in fund balance	-	-	305,377	305,377
FUND BALANCE - July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,377</u>	<u>\$ 305,377</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.

*Private Lender Program-Bank of America
Housing Investment
Program Reserve
Housing and Urban Development Rental Rehabilitation
Neighborhood Housing Loans
Economic Development Administration Revolving Loans
Economic Development Administration Industrial Sites Loans
Urban Development Action Grant Loans
N/NE Business Assistance
Workforce Training/Hiring*

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

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, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Actual GAAP to Actual Budgetary Adjustments	Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final				
REVENUES						
Intergovernmental revenue:						
Housing and Community						
Development contract	\$ -	\$ -	\$ 1,268,768	\$ -	\$ 1,268,768	\$ 1,268,768
City of Portland, General Fund	-	-	18,146	-	18,146	18,146
Housing Preservation line of credit	8,000,000	6,730,000	5,078,605	-	5,078,605	(1,651,395)
Charges for services-						
Application fees and charges	266,000	276,000	253,874	-	253,874	(22,126)
Contractual service charges	-	1,270,000	-	-	-	(1,270,000)
Loan Collections:						
Principal	12,847,574	13,023,158	-	8,581,837	8,581,837	(4,441,321)
Interest	905,951	915,951	956,272	-	956,272	40,321
Interest on investments	-	35,000	155,847	(4,572)	151,275	116,275
Miscellaneous:						
Reimbursements	-	465,000	420,316	-	420,316	(44,684)
Other	-	-	672,223	(586,889)	85,334	85,334
Total revenues	22,019,525	22,715,109	8,824,051	7,990,376	16,814,427	(5,900,682)
EXPENDITURES						
Economic Development	900,000	2,214,899	489,466	273,704	763,170	1,451,729
Housing	21,006,407	22,112,238	6,671,692	7,768,468	14,440,160	7,672,078
Central Services	-	-	1,200	-	1,200	(1,200)
Community Relations & Business Equity	27,750	27,500	-	-	-	27,500
Total community development	21,934,157	24,354,637	7,162,358	8,042,172	15,204,530	9,150,107
Debt service:						
Principal	635,000	1,135,000	-	1,132,204	1,132,204	2,796
Interest	185,000	185,000	181,157	-	181,157	3,843
Total debt service	820,000	1,320,000	181,157	1,132,204	1,313,361	6,639
Contingency	3,108,497	2,398,456	-	-	-	2,398,456
Total expenditures	25,862,654	28,073,093	7,343,515	9,174,376	16,517,891	11,555,202
Excess (deficiency) of revenues over expenditures	(3,843,129)	(5,357,984)	1,480,536	(1,184,000)	296,536	5,654,520
OTHER FINANCING SOURCES (USES)						
Transfers in:						
General Fund	27,750	137,500	137,750	-	137,750	250
Housing and Community						
Development Contract Fund	300,000	300,000	2,419,000	77,498	2,496,498	2,196,498
Other Federal Grants Fund	-	-	88,000	-	88,000	88,000
Enterprise Loans Fund	31,568	31,568	299,378	-	299,378	267,810
Enterprise Management fund	-	50,000	-	-	-	(50,000)
Total transfers in	359,318	519,068	2,944,128	77,498	3,021,626	2,502,558
Transfers out:						
Housing and Community						
Development Contract Fund	-	(256,000)	(2,419,008)	(730,000)	(3,149,008)	(2,893,008)
Other Federal Grants Fund	-	-	(88,000)	(802,000)	(890,000)	(890,000)
Enterprise Loans Fund	(31,568)	(31,568)	(299,378)	-	(299,378)	(267,810)
Total transfers out	(31,568)	(287,568)	(2,806,386)	(1,532,000)	(4,338,386)	(4,050,818)
Total other financing sources (uses)	327,750	231,500	137,742	(1,454,502)	(1,316,760)	(1,548,260)
Net change in fund balance	(3,515,379)	(5,126,484)	1,618,278	(2,638,502)	(1,020,224)	4,106,260
FUND EQUITY - July 1, 2007	3,515,379	5,126,484	14,576,945	(9,733,545)	4,843,400	(283,084)
FUND EQUITY - June 30, 2008	\$ -	\$ -	\$ 16,195,223	\$ (12,372,047)	\$ 3,823,176	\$ 3,823,176

**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, 2008**

	Private Lender Program Bank of America	Housing Investment	Program Reserve	Housing and Urban Development Rental Rehabilitation	Neighborhood Housing Loans
ASSETS					
Current assets:					
Cash with City of Portland investment pool	\$ 235,249	\$ 39,533	\$ 487,122	\$ 47,031	\$ -
Receivables:					
Due from City of Portland	-	1,658,768	-	-	-
Accounts	-	-	-	-	647,565
Due from other funds	-	401,000	375,000	-	-
Loans, net	583,004	391,764	-	36,639	542,976
Interest	3,531	-	6,190	253	-
	821,784	2,491,065	868,312	83,923	1,190,541
Total current assets					
Noncurrent assets:					
Restricted cash-					
City of Portland investment pool	-	-	-	-	200,000
Loans receivable, net	4,853,625	4,684,198	1,448,164	732,979	-
	4,853,625	4,684,198	1,448,164	732,979	200,000
Total noncurrent assets					
Total assets					
	5,675,409	7,175,263	2,316,476	816,902	1,390,541
LIABILITIES AND NET ASSETS					
Liabilities:					
Current liabilities:					
Accounts payable	1,200	20,883	-	-	233
Accrued interest payable	6,473	35,511	-	-	-
Private Lender Program notes payable	192,079	-	-	-	-
Due to City of Portland	-	-	-	-	646,811
Due to other funds	4,615,998	-	-	-	-
	4,815,750	56,394	-	-	647,044
Total current liabilities					
Noncurrent liabilities-					
Private Lender Program notes payable	1,238,721	-	-	-	-
	1,238,721	-	-	-	-
Total noncurrent liabilities					
Total liabilities					
	6,054,471	56,394	-	-	647,044
Net Assets-					
Unrestricted (deficit)	\$ (379,062)	\$ 7,118,869	\$ 2,316,476	\$ 816,902	\$ 743,497

<u>Economic Development Administration Revolving Loans</u>	<u>Economic Development Administration Industrial Sites Loans</u>	<u>Urban Development Action Grant Loans</u>	<u>N/NE Business Assistance</u>	<u>Workforce Training/ Hiring</u>	<u>Total Enterprise Loans Fund</u>
\$ 480,661	\$ 410,722	\$ 156,373	\$ 75,984	\$ 47,392	\$ 1,980,067
-	-	-	-	-	1,658,768
-	-	-	-	-	647,565
-	-	401,000	655,000	-	1,832,000
323,498	201,833	258,017	162,828	-	2,500,559
2,580	1,940	3,118	3,956	179	21,747
<u>806,739</u>	<u>614,495</u>	<u>818,508</u>	<u>897,768</u>	<u>47,571</u>	<u>8,640,706</u>
-	-	-	-	-	200,000
<u>129,797</u>	<u>627,573</u>	<u>868,457</u>	<u>768,247</u>	<u>-</u>	<u>14,113,040</u>
<u>129,797</u>	<u>627,573</u>	<u>868,457</u>	<u>768,247</u>	<u>-</u>	<u>14,313,040</u>
<u>936,536</u>	<u>1,242,068</u>	<u>1,686,965</u>	<u>1,666,015</u>	<u>47,571</u>	<u>22,953,746</u>
-	-	614	-	-	22,930
-	-	-	-	-	41,984
-	-	-	-	-	192,079
-	-	-	-	-	646,811
-	-	-	-	-	4,615,998
-	-	614	-	-	5,519,802
-	-	-	-	-	1,238,721
-	-	-	-	-	1,238,721
-	-	614	-	-	6,758,523
<u>\$ 936,536</u>	<u>\$ 1,242,068</u>	<u>\$ 1,686,351</u>	<u>\$ 1,666,015</u>	<u>\$ 47,571</u>	<u>\$ 16,195,223</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, 2008**

	Private Lender Program Bank of America	Housing Investment	Program Reserve	Housing and Urban Development Rental Rehabilitation	Neighborhood Housing Loans
OPERATING REVENUES:					
Charges for services	\$ 769	\$ 142,190	\$ -	\$ -	\$ 101,710
Interest on loans	289,584	373,239	5,107	21,248	33,521
Miscellaneous revenues	161,587	776,586	7,878	37,490	14,717
Intergovernmental revenues	-	1,286,914	-	-	5,078,605
	<u>451,940</u>	<u>2,578,929</u>	<u>12,985</u>	<u>58,738</u>	<u>5,228,553</u>
OPERATING EXPENSES:					
Personal services	-	292,292	-	-	13,804
Professional services	-	368,992	-	-	-
Loan document costs	1,200	175,082	-	-	37,858
Housing line of credit	-	-	-	-	4,431,793
Financial assistance	-	207,918	-	-	-
Loan loss provision	-	986,247	-	-	-
Internal service reimbursements	-	89,193	-	68,512	-
	<u>1,200</u>	<u>2,119,724</u>	<u>-</u>	<u>68,512</u>	<u>4,483,455</u>
Operating income (loss)	<u>450,740</u>	<u>459,205</u>	<u>12,985</u>	<u>(9,774)</u>	<u>745,098</u>
NON-OPERATING REVENUES (EXPENSE):					
Interest on investment	34,322	-	-	-	-
Gain on sale of property held for sale	-	18,550	10,866	3,493	-
Interest expense	(181,157)	-	-	-	-
	<u>(146,835)</u>	<u>18,550</u>	<u>10,866</u>	<u>3,493</u>	<u>-</u>
Income (loss) before transfers	<u>303,905</u>	<u>477,755</u>	<u>23,851</u>	<u>(6,281)</u>	<u>745,098</u>
TRANSFERS					
Transfers in	300,000	409,378	2,207,000	-	-
Transfers out	(300,000)	(267,818)	(2,207,000)	(31,568)	-
	<u>-</u>	<u>141,560</u>	<u>-</u>	<u>(31,568)</u>	<u>-</u>
Change in net assets	303,905	619,315	23,851	(37,849)	745,098
NET ASSETS (DEFICIT) - July 1, 2007	<u>(682,967)</u>	<u>6,499,554</u>	<u>2,292,625</u>	<u>854,751</u>	<u>(1,601)</u>
NET ASSETS (DEFICIT) - June 30, 2008	<u>\$ (379,062)</u>	<u>\$ 7,118,869</u>	<u>2,316,476</u>	<u>\$ 816,902</u>	<u>\$ 743,497</u>

Economic Development Administration Revolving Loans	Economic Development Administration Industrial Sites Loans	Urban Development Action Grant Loans	N/NE Business Assistance	Workforce Training/ Hiring	Total Enterprise Loans Fund
\$ 3,059	\$ 2,439	\$ 3,258	\$ 449	\$ -	\$ 253,874
36,370	67,973	66,203	63,027	-	956,272
79	40	1,663	73,124	19,375	1,092,539
-	-	-	-	-	6,365,519
<u>39,508</u>	<u>70,452</u>	<u>71,124</u>	<u>136,600</u>	<u>19,375</u>	<u>8,668,204</u>
178	467	3,755	59	-	310,555
-	-	-	-	-	368,992
19	-	6,090	556	-	220,805
-	-	-	-	-	4,431,793
-	-	7,000	-	-	214,918
152,778	99,019	28,857	2,940	-	1,269,841
<u>24,353</u>	<u>34,374</u>	<u>87,834</u>	<u>41,188</u>	<u>-</u>	<u>345,454</u>
<u>177,328</u>	<u>133,860</u>	<u>133,536</u>	<u>44,743</u>	<u>-</u>	<u>7,162,358</u>
<u>(137,820)</u>	<u>(63,408)</u>	<u>(62,412)</u>	<u>91,857</u>	<u>19,375</u>	<u>1,505,846</u>
19,527	11,222	28,470	28,951	446	122,938
-	-	-	-	-	32,909
-	-	-	-	-	(181,157)
<u>19,527</u>	<u>11,222</u>	<u>28,470</u>	<u>28,951</u>	<u>446</u>	<u>(25,310)</u>
<u>(118,293)</u>	<u>(52,186)</u>	<u>(33,942)</u>	<u>120,808</u>	<u>19,821</u>	<u>1,480,536</u>
-	-	-	-	27,750	2,944,128
-	-	-	-	-	(2,806,386)
-	-	-	-	27,750	137,742
(118,293)	(52,186)	(33,942)	120,808	47,571	1,618,278
<u>1,054,829</u>	<u>1,294,254</u>	<u>1,720,293</u>	<u>1,545,207</u>	<u>-</u>	<u>14,576,945</u>
<u>\$ 936,536</u>	<u>\$ 1,242,068</u>	<u>\$ 1,686,351</u>	<u>\$ 1,666,015</u>	<u>\$ 47,571</u>	<u>\$ 16,195,223</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Adjustments</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Charges for services-						
Rental income	1,092,000	1,092,000	909,106	-	909,106	(182,894)
Interest on investments	-	-	7,656	-	7,656	7,656
Total revenues	<u>1,092,000</u>	<u>1,092,000</u>	<u>916,762</u>	<u>-</u>	<u>916,762</u>	<u>(175,238)</u>
EXPENDITURES						
Current:						
Community development:						
Housing	998,000	1,040,022	794,644	-	794,644	245,378
Total community development	<u>998,000</u>	<u>1,040,022</u>	<u>794,644</u>	<u>-</u>	<u>794,644</u>	<u>245,378</u>
Contingency	94,000	94,000	-	-	-	94,000
Total expenditures	<u>1,092,000</u>	<u>1,134,022</u>	<u>794,644</u>	<u>-</u>	<u>794,644</u>	<u>339,378</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(42,022)</u>	<u>122,118</u>	<u>-</u>	<u>122,118</u>	<u>164,140</u>
OTHER FINANCING SOURCES (USES)						
Transfers out:						
Enterprise Loans Fund	-	(50,000)	-	-	-	50,000
Total transfers out	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	<u>-</u>	<u>(92,022)</u>	<u>122,118</u>	<u>-</u>	<u>122,118</u>	<u>214,140</u>
FUND EQUITY - July 1, 2007	<u>-</u>	<u>92,022</u>	<u>92,035</u>	<u>-</u>	<u>92,035</u>	<u>13</u>
FUND EQUITY - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,153</u>	<u>\$ -</u>	<u>\$ 214,153</u>	<u>\$ 214,153</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 17,959	\$ 17,959
Total revenues	-	-	17,959	17,959
EXPENDITURES				
Contingency	380,000	396,109	-	396,109
Total expenditures	380,000	396,109	-	396,109
Excess (deficiency) of revenues over expenditures	(380,000)	(396,109)	17,959	414,068
Net change in fund balance	(380,000)	(396,109)	17,959	414,068
FUND BALANCE - July 1, 2007	<u>380,000</u>	<u>396,109</u>	<u>396,109</u>	<u>-</u>
FUND BALANCE - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414,068</u>	<u>\$ 414,068</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, 2008

	<u>Balance July 1, 2007</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance June 30, 2008</u>
Assets:							
Cash with City of Portland investment pool	\$ 62,714	\$	1,715,568	\$	1,706,142	\$	72,140
Interest receivable	<u>593</u>		<u>27,066</u>		<u>27,289</u>		<u>370</u>
 Total assets	 <u>\$ 63,307</u>	 \$	 <u>1,742,634</u>	 \$	 <u>1,733,431</u>	 \$	 <u>72,510</u>
 Liabilities -							
Accounts payable	<u>\$ 63,307</u>	\$	<u>1,835,669</u>	\$	<u>1,826,466</u>	\$	<u>72,510</u>

**CAPITAL ASSETS
USED IN THE OPERATION
OF 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 SOURCE
June 30, 2008**

Governmental funds capital assets:		
Land	\$	8,438,819
Buildings and improvements		2,707,441
Leasehold improvements		3,712,694
Furniture, vehicles and equipment		2,016,835
Accumulated depreciation		<u>(4,516,914)</u>
 Total governmental funds capital assets	 \$	 <u><u>12,358,875</u></u>
 Investment in governmental funds capital assets by source:		
General Fund	\$	2,023,350
Special Revenue Funds		384,233
Capital Projects Funds		14,468,206
Accumulated depreciation		<u>(4,516,914)</u>
 Total governmental funds capital assets	 \$	 <u><u>12,358,875</u></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, 2008

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Leasehold Improvements</u>	<u>Furniture, Vehicles and Equipment</u>	<u>Total</u>
Community development					
Development	\$ 8,438,819	\$ 2,707,441	\$ -	\$ -	\$ 11,146,260
Operations	-	-	3,712,694	2,016,835	5,729,529
Total Community development	8,438,819	2,707,441	3,712,694	2,016,835	16,875,789
Less: Accumulated depreciation	-	(1,082,975)	(1,801,587)	(1,632,352)	(4,516,914)
Total governmental funds capital assets	\$ 8,438,819	\$ 1,624,466	\$ 1,911,107	\$ 384,483	\$ 12,358,875

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 OF CHANGES BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2008**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2008</u>
Community development:				
Development	\$ 11,142,066	\$ 4,194	\$ -	\$ 11,146,260
Operations	<u>5,311,693</u>	<u>417,836</u>	<u>-</u>	<u>5,729,529</u>
Total Community development	16,453,759	422,030	-	16,875,789
Less: Accumulated depreciation	<u>(3,738,117)</u>	<u>(778,797)</u>	<u>-</u>	<u>(4,516,914)</u>
Total governmental funds capital assets	<u>\$ 12,715,642</u>	<u>\$ (356,767)</u>	<u>\$ -</u>	<u>\$ 12,358,875</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

**SCHEDULE OF ACTIVITY OF REAL PROPERTY
HELD BY THE COMMISSION
For The Fiscal Year Ended June 30, 2008**

Funding Source	Balance July 1, 2007	Additions	Sales/ Adjustment	Balance as of June 30, 2008
General Fund (Urban Redevelopment Fund):				
* 9330 SE Harold St-Boys & Girls Club-LTC	\$ 46,754	\$ -	\$ -	\$ 46,754
* Woodstock & Foster Rd-Dagel Site-LTC	100,000	-	-	100,000
South Auditorium Park Block C	2	-	-	2
Block J-1720 SW Front	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
Waterfront Park	7	-	-	7
Total	<u>153,269</u>	<u>-</u>	<u>-</u>	<u>153,269</u>
Housing and Community Development Fund:				
2600 N Williams Ave-Quad Site	182,833	-	-	182,833
2650 NW Upshur St-Upshur House	201,400	-	-	201,400
* 5815 SE 92nd-Lents Plaza Mcgalliard Site	251,456	-	-	251,456
Total	<u>635,689</u>	<u>-</u>	<u>-</u>	<u>635,689</u>
Downtown Waterfront Urban Renewal Fund:				
* 421-438 NW 3rd Ave-Dirty Duck Site	500,225	5,718	-	505,943
Union Station Parcels	10,744,908	4,194	-	10,749,102
* 820-838 SW 3rd Ave-Cossette Site	1,761,213	77	-	1,761,290
* Broadway Hoyt/Glisan/6th-Block R	61,783	10,500	-	72,283
* NW Naito Parkway	3,000	-	-	3,000
* 800 NW 6th Ave Parking Site-Block Y	487,039	-	-	487,039
* Broadway/Hoyt/Irving/6th-Block U	26,320	19,417	-	45,737
* 209 SW Oak St-Abandoned Jail	1,730,179	-	-	1,730,179
* 88 NW Couch St-Block 8	2,203,417	-	-	2,203,417
* Skidmore Fountain - 29 SW 1st	-	4,312,978	(4,312,978)	-
* NW Davis BLK 8	4,351,568	-	-	4,351,568
Total	<u>21,869,652</u>	<u>4,352,884</u>	<u>(4,312,978)</u>	<u>21,909,558</u>
North Macadam Urban Renewal Fund:				
* 3508 SW Moody-Public Storage	7,923,964	133,228	-	8,057,192
* South Waterfront Development Sites	3,687,599	29,022	-	3,716,621
* 3516-3604 SW Macadam AirRights	2,471,288	-	(529,552)	1,941,736
** 3516-3604 SW Macadam-Parking Garage Block 33	3,000,000	-	-	3,000,000
* Old Spaghetti Factory-Blk 49	5,025,426	207,207	-	5,232,633
Total	<u>22,108,277</u>	<u>369,457</u>	<u>(529,552)</u>	<u>21,948,182</u>
River District Urban Renewal Fund:				
* 1362 NW Naito Prkwy-Centennial Mill	7,689,813	-	-	7,689,813
* NW Naito Parkway	172,189	-	-	172,189
* Station Place Garage	9,249,502	18,379	-	9,267,881
** Postal Site	-	2,007,153	-	2,007,153
* 9th & Lovejoy-Station Place	1,050,479	642,457	(646,269)	1,046,667
Total	<u>18,161,983</u>	<u>2,667,989</u>	<u>(646,269)</u>	<u>20,183,703</u>
Airport Way Urban Renewal Fund:				
* Holman St Site	5,000	-	-	5,000
* NE 185th Riverside Parkway-Spada	4,168,677	3,426	-	4,172,103
* Cascade Station-Lease Rights	14,363,760	-	(186,542)	14,177,218
* 12824 NE Airport Way-Danner South	192,850	-	-	192,850
* 12810 NE Airport Way-Danner North	81,500	-	-	81,500
* 13328 NE Airport Way-Damonte	140,500	-	-	140,500
Total	<u>18,952,287</u>	<u>3,426</u>	<u>(186,542)</u>	<u>18,769,171</u>
South Park Blocks Urban Renewal Fund:				
* 1101-1139 SW Jefferson St-Jefferson West Apts	2,621,625	54,813	-	2,676,438
* 1103-1121 SW Stark St-Fairfield Hotel	1,475,000	-	-	1,475,000
* 5th & SW Montgomery St-PSU Carpool Lot	2,700,000	-	-	2,700,000
* 1800 SW 6th Ave-PCAT Lot	2,300,000	-	(2,300,000)	-
* 401 SW Harrison St-Jasmine Tree	1,063,088	43,535	-	1,106,623
Total	<u>10,159,713</u>	<u>98,348</u>	<u>(2,300,000)</u>	<u>7,958,061</u>

Continued on next page

**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, 2008**

<u>Funding Source</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Sales/ Adjustment</u>	<u>Balance as of June 30, 2008</u>
Convention Center Urban Renewal Fund:				
* 5001 NE MLK Blvd-Living Color Site	632,698	182,623	-	815,321
* 831-834 NE MLK Blvd-Sizzler Site	2,586,941	-	-	2,586,941
* 5125-5131 NE MLK Blvd-Wirf Sites	863,657	69,526	-	933,183
* 3739 NE MLK Blvd & 3 Lots-Robinson Site	374,892	-	-	374,892
* 1st/Multnomah /2nd/Holladay Sts-Block 49	1,569,115	178,639	-	1,747,754
* NE Hol/MLK Blvd-Christie-Block 47	455,843	-	-	455,843
* 5029 NW MLK Blvd-Walnut Park Theater	362,582	-	-	362,582
* 3701 NE MLK Blvd-Banks Site	141,030	-	-	141,030
* 6431-6435 NE MLK Blvd-Eagle Summit Site	627,808	7,932	-	635,740
* 420 Holladay St-Inn @ Convention Center	5,493,803	-	-	5,493,803
* NE Grand Ave-Block 45 Cascadian Lots	1,424,731	-	-	1,424,731
* 84 NE Weidler St-B & K Site	876,128	-	-	876,128
* 1306 NE 2nd Ave-King Crusher Site	383,920	-	-	383,920
* 6445 NE MLK Blvd-Ashbrook Bakery Site	116,920	-	-	116,920
* 3368 NE MLK Blvd-Grant Site	345,060	-	-	345,060
* 910 NE MLK-Menashe Site	4,547,284	-	-	4,547,284
* 427 NE Cook-McCann Site	290,000	-	-	290,000
* NE Cook/MLK-Lenske Site	172,958	3,204	-	176,162
Total	<u>21,265,370</u>	<u>441,924</u>	<u>-</u>	<u>21,707,294</u>
Central Eastside Urban Renewal Fund:				
* 318 NE Couch St-Fischels Site	524,992	2,411	-	527,403
* 313 E Burnside St-Recovery Inn-Block 76	559,706	1,699	-	561,405
* 1401 SE Water Ave-OMSI Crescent Site	450,000	-	-	450,000
* 240 NE MLK Blvd	152,397	-	-	152,397
* 5-13 NE 3rd Ave-Block 67	315,222	1,871	-	317,093
* 11 NE MLK Blvd-Unocal Site	561,700	3,351	-	565,051
* 111 NE MLK Blvd-Block 75	1,271,828	6,406	-	1,278,234
* 123 NE 3rd Ave-Convention Center Plaza	9,011,115	735,230	-	9,746,345
Total	<u>12,846,960</u>	<u>750,968</u>	<u>-</u>	<u>13,597,928</u>
Lents Town Center Urban Renewal Fund:				
* 5728 SE 91St & 5808 SE 91St-Rssn Ch & Hse	687,398	-	-	687,398
* 9117-9123 SE Foster Rd	116,300	-	-	116,300
* 9330 SE Harold St-Boys and Girls Club	1,054,675	41,500	-	1,096,175
* 9316 SE Woodstock Blvd-Glendville	123,278	-	-	123,278
* 6116 SE 93rd-Davis Property	103,975	-	-	103,975
* 122nd & Pardee	168,721	-	-	168,721
* 5916 SE 91st Ave	-	770,267	-	770,267
* 5933 SE 92nd Ave Lot #3-#5	-	1,044,292	-	1,044,292
Total	<u>2,254,347</u>	<u>1,856,059</u>	<u>-</u>	<u>4,110,406</u>
Interstate Corridor Urban Renewal Fund:				
* Marco Bldg	500,000	-	-	500,000
4500 N Albina	6,410	-	-	6,410
* 5136 NE Garfield St-Hayne Site	314,747	-	-	314,747
* 5116 NE Garfield St-Reiss Site	304,110	-	-	304,110
* Killingsworth Station	1,250,377	-	-	1,250,377
Total	<u>2,375,644</u>	<u>-</u>	<u>-</u>	<u>2,375,644</u>
Gateway Regional Center Urban Renewal Fund:				
* 10225 NE Burnside St-Childrens Receiving Ctr	683,828	-	-	683,828
* 9707 NE Multnomah Blvd-Gateway Transit Ctr	848,094	-	-	848,094
Total	<u>1,531,922</u>	<u>-</u>	<u>-</u>	<u>1,531,922</u>
Total all funds	132,315,113	\$ <u>10,541,055</u>	\$ <u>(7,975,341)</u>	134,880,827
Add: Furniture and equipment	1,806,358			2,016,835
Leasehold improvements	3,505,335			3,712,694
Less: Property held for sale	(121,173,047)			(123,734,567)
Accumulated depreciation-NHFS	(3,738,117)			(4,516,914)
Total Capital Assets	<u>\$ 12,715,642</u>			<u>\$ 12,358,875</u>

* Represents property held for sale.

** Represents work in process

Statistical
Section_____

PDC

PORTLAND
DEVELOPMENT
COMMISSION

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.

Contents	Page
Financial Trends	107
<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	111
<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	115
<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	117
<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	128
<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>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. PDC implemented GASB Statement 34 in FY2001-2002; schedules presenting government-wide information included information beginning in that year.

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

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

	Fiscal Year					
	<u>2002-03</u> (as restated)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
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
Restricted	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258	245,060,809
Unrestricted	<u>3,385,457</u>	<u>2,966,770</u>	<u>3,314,382</u>	<u>3,389,413</u>	<u>2,660,789</u>	<u>3,490,920</u>
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>260,910,604</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>
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
Restricted	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258	245,060,809
Unrestricted	<u>17,331,827</u>	<u>17,458,959</u>	<u>15,866,160</u>	<u>17,897,782</u>	<u>17,329,769</u>	<u>19,900,296</u>
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>\$ 277,319,980</u>

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

CHANGES IN NET ASSETS
Last Six Fiscal Years
(Unaudited)

	Fiscal Year					
	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08
Expenses						
Governmental activities:						
Community development	\$ 58,007,849	\$ 75,311,799	\$ 99,462,500	\$ 100,446,658	\$ 116,101,082	\$ 97,623,629
Business-type activities:						
Enterprise loans	10,510,950	866,407	5,010,245	1,239,307	2,322,045	8,105,250
Total expenses	<u>68,518,799</u>	<u>76,178,206</u>	<u>104,472,745</u>	<u>101,685,965</u>	<u>118,423,127</u>	<u>105,728,879</u>
Program Revenues						
Governmental activities:						
Charges for services	6,312,913	5,101,044	6,957,708	9,142,846	5,692,711	5,322,051
Operating grants and contributions	4,698,443	9,935,888	14,481,639	16,386,221	8,669,663	12,007,140
Total governmental activities program revenues	<u>11,011,356</u>	<u>15,036,932</u>	<u>21,439,347</u>	<u>25,529,067</u>	<u>14,362,374</u>	<u>17,329,191</u>
Business-type activities:						
Charges for services	2,101,629	1,350,925	2,999,021	2,676,027	2,037,570	3,211,791
Operating grants and contributions	-	-	-	-	138,814	6,365,519
Total business-type activities program revenues	<u>2,101,629</u>	<u>1,350,925</u>	<u>2,999,021</u>	<u>2,676,027</u>	<u>2,176,384</u>	<u>9,577,310</u>
Total revenues	<u>13,112,985</u>	<u>16,387,857</u>	<u>24,438,368</u>	<u>28,205,094</u>	<u>16,538,758</u>	<u>26,906,501</u>
Net (expense)/revenue:						
Governmental activities	(46,996,493)	(60,274,867)	(78,023,153)	(74,917,591)	(101,738,708)	(80,294,438)
Business-type activities	(8,409,321)	484,518	(2,011,224)	1,436,720	(145,661)	1,472,060
Total net expenses	<u>(55,405,814)</u>	<u>(59,790,349)</u>	<u>(80,034,377)</u>	<u>(73,480,871)</u>	<u>(101,884,369)</u>	<u>(78,822,378)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Tax-increment debt proceeds (in lieu of tax-increment revenue)	64,390,903 ⁽¹⁾	36,906,756	43,671,683	82,974,088 ⁽²⁾	91,878,764 ⁽²⁾	105,929,455
Unrestricted investment income	2,441,664	1,473,943	2,009,751	2,890,426	3,491,587	2,489,775
Miscellaneous	2,941,489	6,768,486	2,707,265	8,911,725	8,458,224	2,627,865
Special Item - Cascade Station lease rights	-	-	-	-	14,550,302	-
Transfers	433,570	13,463	8,951	(407,612)	(110,836)	(137,742)
Total governmental activities	<u>70,207,626</u>	<u>45,162,648</u>	<u>48,397,650</u>	<u>94,368,627</u>	<u>118,268,041</u>	<u>110,909,353</u>
Business-type activities:						
Unrestricted investment income	156,279	74,764	79,764	112,259	195,423	130,594
Transfers	(433,570)	(13,463)	(8,951)	407,612	110,836	137,742
Total business-type activities	<u>(277,291)</u>	<u>61,301</u>	<u>70,813</u>	<u>519,871</u>	<u>306,259</u>	<u>268,336</u>
Total	<u>69,930,335</u>	<u>45,223,949</u>	<u>48,468,463</u>	<u>94,888,498</u>	<u>118,574,300</u>	<u>111,177,689</u>
Changes in Net Assets						
Governmental activities	23,211,133	(15,112,219)	(29,625,503)	19,451,036	16,529,333	30,614,915
Business-type activities	(8,686,612)	545,819	(1,940,411)	1,956,591	160,598	1,740,396
Total	<u>\$ 14,524,521</u>	<u>\$ (14,566,400)</u>	<u>\$ (31,565,914)</u>	<u>\$ 21,407,627</u>	<u>\$ 16,689,931</u>	<u>\$ 32,355,311</u>

Note 1: Increase is due to bonds issued for River District urban renewal area.

Note 2: Increase is due to 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 Six Fiscal Years
(Unaudited)**

	Fiscal Year					
	<u>2002-03</u> (as restated)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
General Fund						
Reserved	\$ 3,129,527	\$ 2,707,267	\$ 2,452,654	\$ 1,444,428	\$ 476,064	\$ 466,175
Unreserved	-	-	701,254	1,471,055	1,788,615	2,789,504
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>
All other governmental funds						
Reserved	\$ 129,823,503	\$ 125,008,341	\$ 113,678,934	\$ 127,770,229	\$ 165,555,407	\$ 174,306,280
Unreserved, reported in:						
Special revenue funds	1,360,203	935,674	1,048,085	734,202	928,313	747,264
Capital project funds	<u>92,405,345</u>	<u>82,491,391</u>	<u>62,649,846</u>	<u>68,683,859</u>	<u>48,435,539</u>	<u>70,007,265</u>
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>

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

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

	Fiscal Year					
	<u>2002-03</u> (as restated)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Revenues						
Intergovernmental revenues	\$ 4,698,443	\$ 9,935,888	\$ 14,481,639	\$ 16,386,221	\$ 8,669,663	\$ 12,007,140
Charges for services	1,770,616	1,517,374	3,064,571	3,304,810	2,153,263	2,206,948
Loan collections	4,542,297	4,226,734	3,893,137	5,838,036	3,539,448	3,115,103
Interest on investments	2,436,580	1,470,370	2,004,595	2,881,904	3,468,091	2,471,816
PLPA receivable repayment	-	-	-	-	-	-
Miscellaneous	2,941,489	6,768,486	2,707,265	8,911,725	8,458,224	2,627,865
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>64,390,903</u> (1)	<u>36,906,756</u>	<u>43,671,683</u>	<u>82,974,088</u> (2)	<u>91,878,764</u> (2)	<u>105,929,455</u>
Total revenues	<u>80,780,328</u>	<u>60,825,608</u>	<u>69,822,890</u>	<u>120,296,784</u>	<u>118,167,453</u>	<u>128,358,327</u>
Expenditures						
Community development	24,143,208	26,242,691	32,096,129	29,618,462	63,600,425	38,092,378
Capital outlay	15,288,758	13,492,269	30,724,590	42,727,841	17,090,870	25,019,143
Financial assistance	18,274,514	36,677,660	37,608,692	27,663,186	34,835,459	33,887,263
Debt service - Interest	-	2,356	14,330	-	-	89,250
Total expenditures	<u>57,706,480</u>	<u>76,414,976</u>	<u>100,443,741</u>	<u>100,009,489</u>	<u>115,526,754</u>	<u>97,088,034</u>
Excess of revenues over (under) expenditures	<u>23,073,848</u>	<u>(15,589,368)</u>	<u>(30,620,851)</u>	<u>20,287,295</u>	<u>2,640,699</u>	<u>31,270,293</u>
Other financing sources (uses)						
Transfers in	727,944	491,511	804,960	3,971,121	1,937,319	4,581,453
Transfers out	<u>(294,374)</u>	<u>(478,048)</u>	<u>(796,009)</u>	<u>(4,685,416)</u>	<u>(2,048,155)</u>	<u>(4,719,195)</u>
Total other financing sources (uses)	433,570	13,463	8,951	(714,295)	(110,836)	(137,742)
Special Item - Cascade Station lease rights	-	-	-	-	14,550,302	-
Net change in fund balances	<u>\$ 23,507,418</u>	<u>\$ (15,575,905)</u>	<u>\$ (30,611,900)</u>	<u>\$ 19,573,000</u>	<u>\$ 17,080,165</u>	<u>\$ 31,132,551</u>

Note 1: Increase is due to bonds issued for River District urban renewal area.

Note 2: Increase is due to Line of Credit reimbursements received for capital outlay.

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

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

Fiscal Year	Inter-Governmental Revenues	Charges for Services	Loan Collections (Note 1)	Investment Income	Miscellaneous	Service Reimbursements	Tax-increment Debt Proceeds (in lieu of tax-increment revenue) (Note 2)	Total
1998-99	\$ 20,180,821	\$ 2,643,843	\$ 12,461,267	\$ 1,728,704	\$ 6,287,456	-	\$ 70,641,224	\$ 113,943,315 (Note 3)
1999-00	18,992,769	1,771,973	12,613,004	2,481,908	8,400,151	-	69,560,659	113,820,464
2000-01	19,240,258	1,298,583	13,862,275	7,697,840	8,345,574	-	151,330,444	201,774,974 (Note 4)
2001-02	13,116,244	2,196,655	15,662,655	5,313,639	6,649,451	-	35,346,282	78,284,926 (Note 5)
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 (Note 6)
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 (Note 7)
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 (Note 8)
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 (Note 9)
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

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

Note 1: Interest earned on loans is included in Loan Collections.

Note 2: Through fiscal year 1996-97, transfers from City of Portland Debt Service Funds are 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).

Note 3: The increase in fiscal year 1998-99 is due to the addition of two Urban Renewal Funds- River District and Lents Town Center, and two large projects in the Airport Way Urban Renewal District which total over \$28 million for the Airport Light Rail Project and the Portland International Center.

Note 4: During fiscal year 2000-01, bonds were issued for three urban renewal funds, Convention Center, South Park Blocks and the Waterfront Urban Renewal.

Note 5: The large decrease in tax-increment revenues is due to the Shilo Inn decision.

Note 6: 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.

Note 7: 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.

Note 8: 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.

Note 9: Increase in tax-increment Debt Proceeds is due to Line of Credit reimbursements for Capital Outlay.

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

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

Fiscal Year	Personal Services	Materials and Services	Capital Outlay	Financial Assistance	Debt Service	Total
1998-99	\$ 6,868,474	\$ 7,712,132	\$ 54,969,187 (1)	\$ 36,843,155 (2)	\$ 2,652,455	\$ 109,045,403
1999-00	7,639,298	12,084,027	45,407,103	35,051,017	3,222,059	103,403,504
2000-01	9,481,010	12,326,023	50,703,788	26,627,024	2,920,990	102,058,835
2001-02	11,358,989	11,939,244	46,780,248	39,675,273	2,895,684	112,649,438
2002-03	12,797,482	22,306,881 (3)	26,293,552	27,808,001	2,867,083	92,072,999
2003-04	15,089,965	25,926,709	37,335,990 (4)	43,957,311 (4)	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 (5)	51,208,537	1,522,868	164,425,834
2006-07	24,601,713	63,212,456 (6)	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

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

Note 1: Increase due to the addition of \$12.3 million in property held for sale, increased activity on the Eastbank Park project, and over \$28 million dollars for the Airport Light Rail Project and the Portland International Center.

Note 2: Increase due to more tax increment dollars for housing projects. Some of the largest projects are the Union Station Housing Project (\$5.4 million), Hamilton II Replacement Housing (\$6.2 million) and carry-over of prior year's unspent housing dollars for financial assistance.

Note 3: In fiscal year 2002-03, due to a change in Budget presentation, Service Reimbursements are budgeted as Materials and Services. In prior years, they were budgeted as Interfund Transfers.

Note 4: Increase due to the acquisition of \$16.6 million in property held for sale in the River District Urban Renewal Area.

Note 5: 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.

Note 6: Increase is due to added infrastructure and transportation for the Light Rail Expansion, Portland Aerial Tram, and the Portland Streetcar.

**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 Svc.Dist.	Multnomah Co. ESD	City of Portland Urban Renewal	Subtotal
1998-99	\$5.2300	\$6.7000	\$0.0800	\$0.3600	\$0.4500	\$1.1900	\$14.0100
1999-00	5.2535	6.6979	0.0754	0.3284	0.4576	1.1482	13.9610
2000-01	5.3050	6.8957	0.0737	0.3401	0.4576	0.3769	13.4490
2001-02	5.2110	6.7161	0.0707	0.3239	0.4576	0.3842	13.1635
2002-03	5.1742	6.9663	0.0701	0.2835	0.4576	0.4151	13.3668
2003-04	5.2719	8.1893	0.0701	0.2900	0.4576	0.4039	14.6828
2004-05	5.2785	7.9791	0.0701	0.2838	0.4576	0.3897	14.4588
2005-06	5.3065	7.9181	0.0701	0.2841	0.4576	0.3754	14.4118
2006-07	5.2949	7.8128	0.0701	0.2782	0.4576	0.3588	14.2724
2007-08	5.4171	7.9024	0.0701	0.4289	0.4576	0.4250	14.7011

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 property taxes are recorded in the debt service funds of the City of Portland and are disclosed in the City's annual financial report.

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

Portland School District			Parkrose School District			Reynolds School District		
SD #1	Portland Community College	Total	SD #3	Mt. Hood Community College	Total	SD #7	Mt. Hood Community College	Total
Portland			Parkrose			Reynolds		
\$6.1700	\$0.3500	\$20.5300	\$6.3500	\$0.5500	\$20.9100	\$5.4300	\$0.5500	\$19.9900
6.3535	0.3601	20.6746	6.3629	0.5207	20.8446	5.3411	0.5207	19.8228
6.9959	0.3717	20.8166	6.2787	0.5173	20.2450	5.2896	0.5173	19.2559
6.9747	0.5511	20.6893	6.5084	0.5144	20.1863	6.3151	0.5144	19.9930
7.2206	0.4944	21.0818	6.5859	0.5164	20.4691	6.0246	0.5164	19.9078
7.1160	0.5118	22.3106	6.9056	0.5137	22.1021	6.0259	0.5137	21.2224
7.1792	0.5099	22.1479	6.6952	0.4981	21.6521	6.0431	0.4981	21.0000
4.7743	0.4950	19.6811	6.3294	0.4917	21.2329	6.0151	0.4917	20.9186
5.2781	0.4889	20.0394	6.2635	0.4917	21.0276	5.9497	0.4917	20.7138
6.5281	0.5051	21.7343	5.9247	0.4917	21.1175	5.8339	0.4917	21.0267

**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, 2008
(Unaudited)**

Fiscal Year	Airport Way Urban Renewal Bonds	Convention Center Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds
	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B	Series A	Series A
2008-09	\$ 2,830,000	\$ 2,775,000	\$ 1,825,000	\$ 1,635,000	\$ 2,495,000	\$ 1,165,000	\$ 2,805,000
2009-10	4,300,000	2,980,000	1,955,000	2,995,000	2,570,000	1,200,000	1,655,000
2010-11	3,320,000	3,205,000	2,095,000	3,215,000	2,655,000	1,235,000	1,715,000
2011-12	3,495,000	3,445,000	2,250,000	3,445,000	2,750,000	1,280,000	1,790,000
2012-13	3,700,000	3,710,000	2,415,000	3,695,000	2,855,000	1,325,000	1,870,000
2013-14	3,920,000	3,995,000	2,550,000	3,960,000	2,970,000	1,380,000	1,960,000
2014-15	4,155,000	4,230,000	2,695,000	4,185,000	3,090,000	1,435,000	2,050,000
2015-16	4,400,000	4,470,000	2,850,000	4,415,000	3,225,000	1,490,000	2,160,000
2016-17	4,665,000	4,725,000	3,015,000	4,665,000	3,385,000	1,550,000	2,275,000
2017-18	4,930,000	4,995,000	3,190,000	4,935,000	3,550,000	1,625,000	2,390,000
2018-19	5,215,000	5,280,000	3,370,000	5,215,000	3,725,000	1,710,000	2,520,000
2019-20	5,515,000	5,570,000	3,560,000	5,515,000	3,915,000	1,800,000	2,680,000
2020-21	-	-	-	-	4,110,000	1,890,000	5,415,000
2021-22	-	-	-	-	4,315,000	1,990,000	5,760,000
2022-23	-	-	-	-	4,520,000	2,095,000	6,120,000
2023-24	-	-	-	-	-	2,190,000	7,000,000
2024-25	-	-	-	-	-	2,295,000	-
2025-26	-	-	-	-	-	2,410,000	-
2026-27	-	-	-	-	-	-	-
Total	<u>\$ 50,445,000</u>	<u>\$ 49,380,000</u>	<u>\$ 31,770,000</u>	<u>\$ 47,875,000</u>	<u>\$ 50,130,000</u>	<u>\$ 30,065,000</u>	<u>\$ 50,165,000</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.

**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, 2008
(Unaudited)**

Fiscal Year	Airport Way Urban Renewal Bonds	Convention Center Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds
	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B	Series A	Series A
2008-09	\$ 2,800,368	\$ 3,103,401	\$ 1,939,121	\$ 2,939,064	\$ 2,235,098	\$ 1,367,306	\$ 2,819,356
2009-10	2,682,305	2,896,663	1,809,729	2,823,142	2,161,745	1,332,356	2,722,022
2010-11	2,512,545	2,673,163	1,669,164	2,605,705	2,075,650	1,296,356	2,660,456
2011-12	2,336,585	2,429,583	1,517,486	2,372,296	1,980,070	1,253,131	2,588,941
2012-13	2,129,225	2,166,041	1,353,461	2,122,189	1,875,570	1,208,331	2,508,927
2013-14	1,910,175	1,880,371	1,214,310	1,857,604	1,763,654	1,155,331	2,421,599
2014-15	1,676,375	1,647,008	1,069,310	1,636,298	1,644,260	1,100,131	2,324,382
2015-16	1,430,355	1,405,718	914,348	1,404,228	1,508,693	1,042,731	2,219,628
2016-17	1,166,355	1,149,705	751,073	1,152,515	1,349,845	983,131	2,107,091
2017-18	900,450	880,555	578,835	884,465	1,180,595	905,631	1,986,289
2018-19	616,975	595,250	395,410	603,188	1,006,200	824,381	1,858,185
2019-20	317,113	306,350	204,400	303,325	819,950	734,606	1,699,425
2020-21	-	-	-	-	624,200	640,106	1,530,585
2021-22	-	-	-	-	418,700	540,881	1,189,440
2022-23	-	-	-	-	212,100	436,406	826,560
2023-24	-	-	-	-	-	344,750	441,000
2024-25	-	-	-	-	-	235,250	-
2025-26	-	-	-	-	-	120,500	-
2026-27	-	-	-	-	-	-	-
Total	\$ 20,478,826	\$ 21,133,808	\$ 13,416,647	\$ 20,704,019	\$ 20,856,330	\$ 15,521,319	\$ 31,903,886

Source: Amortization schedule for each bond.

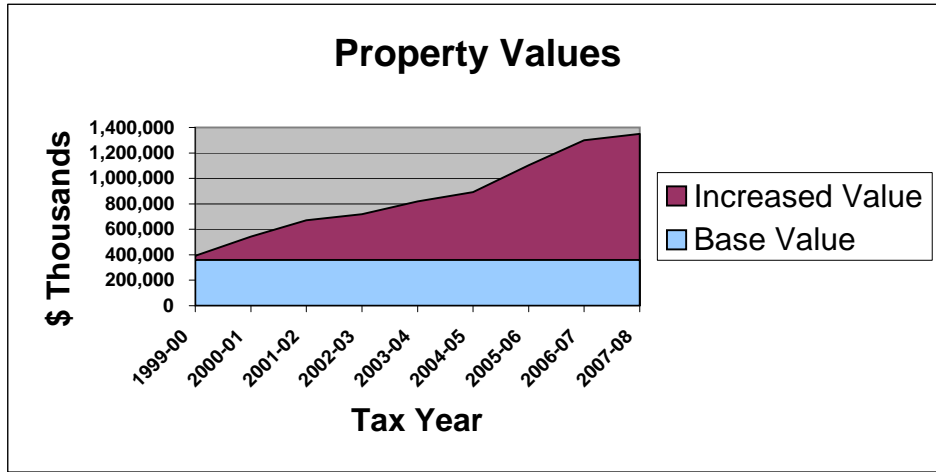
Note 1: Bonds are debt of the City of Portland and are disclosed in the City's Comprehensive Annual Financial Report. This information is included in this report to assist the reader in determining future financing capacity.

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PORTLAND
DEVELOPMENT
COMMISSION

**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 (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
1999-00	\$ 18.97	\$ 358,684,364	\$ 32,844,475	\$ 623,147
2000-01	20.57	358,684,364	183,247,735	3,471,735
2001-02	20.44	358,684,364	311,352,811	5,842,751
2002-03	20.79	358,684,364	360,419,813	7,103,606
2003-04	22.01	358,684,364	460,215,910	9,369,834
2004-05	21.87	358,684,364	532,780,808	10,893,010
2005-06	19.42	358,684,364	744,785,705	13,775,847
2006-07	19.78	358,684,364	940,187,466	17,822,132
2007-08	20.43	358,684,364	991,749,182	20,265,457

Source: Multnomah County Division of Assessment and Taxation

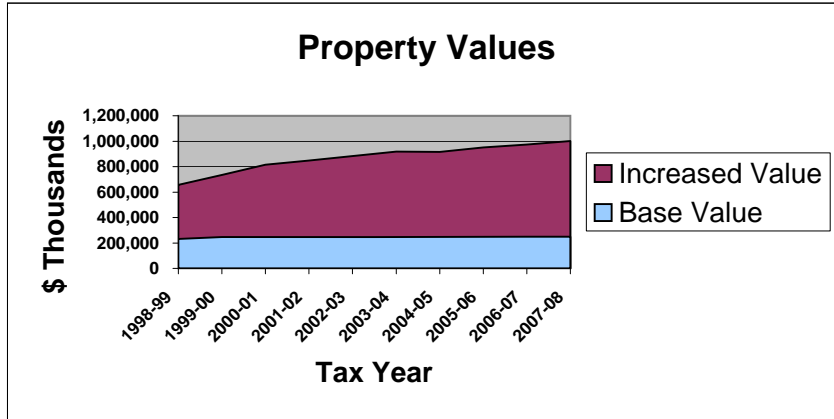
	<u>URA</u>		<u>Portland</u>	
	<u>Current 2005</u>	<u>Projected 2010</u>	<u>Current 2005</u>	<u>Projected 2010</u>
Population	2,339	2,572	545,823	562,122
Per Capita Income	\$ 35,679	\$ 43,202	\$ 27,300	\$ 33,000
Total Housing Units	1,772	1,983	245,081	255,241
Owner Occupied Housing Units	291	328	130,575	135,645
Renter Occupied Housing Units	1,201	1,335	99,489	103,714

Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 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 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1998-99	\$ 32.29	\$ 231,818,606	\$ 424,345,152	\$ 5,554,905 (Note 2)
1999-00	20.06	247,502,688	487,738,648	6,200,000
2000-01	20.57	247,502,688	568,643,372	5,740,000
2001-02	20.44	247,502,688	599,699,903	5,740,000
2002-03	20.79	247,728,838	634,324,294	5,740,000
2003-04	22.01	247,728,838	669,453,106	5,740,000
2004-05	21.87	247,728,838	668,865,098	5,740,000
2005-06	19.47	248,214,131	701,773,824	5,740,000
2006-07	19.81	248,689,281	725,955,191	5,740,000
2007-08	21.87	248,689,281	751,940,292	5,740,000

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2005	Projected 2010	Current 2005	Projected 2010
Population	4,145	4,319	545,823	562,122
Per Capita Income	\$ 24,275	\$ 29,995	\$ 27,300	\$ 33,000
Total Housing Units	2,349	2,451	245,081	255,241
Owner Occupied Housing Units	625	655	130,575	135,645
Renter Occupied Housing Units	1,486	1,545	99,489	103,714

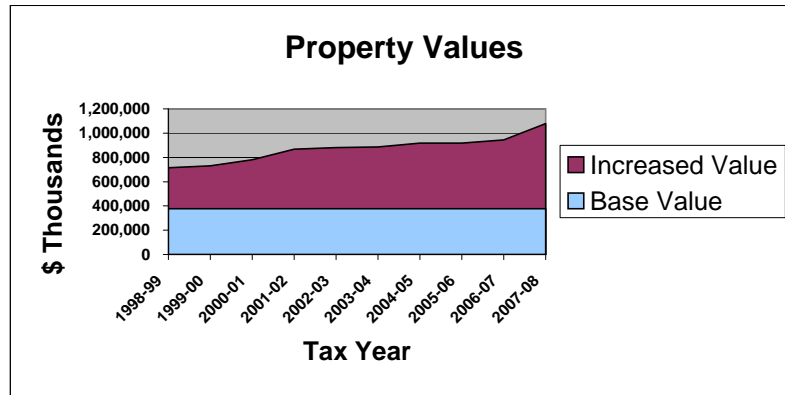
Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity. Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1998-99	\$ 32.00	\$ 378,055,680	\$ 335,859,080	\$ 5,489,840 (Note 2)
1999-00	20.06	378,055,680	353,392,693	6,281,492
2000-01	20.57	378,055,680	402,102,868	5,660,000
2001-02	20.44	378,055,680	489,214,478	5,660,000
2002-03	20.79	378,055,680	502,592,163	5,660,000
2003-04	22.01	378,055,680	508,799,241	5,660,000
2004-05	21.87	378,055,680	540,333,579	5,660,000
2005-06	19.42	378,055,680	540,982,035	5,660,000
2006-07	19.78	378,055,680	566,120,167	5,660,000
2007-08	14.22	378,055,680	700,363,924	5,660,000

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2005	Projected 2010	Current 2005	Projected 2010
Population	4,208	4,402	545,823	562,122
Per Capita Income	\$ 23,219	\$ 27,187	\$ 27,300	\$ 33,000
Total Housing Units	3,169	3,342	245,081	255,241
Owner Occupied Housing Units	163	175	130,575	135,645
Renter Occupied Housing Units	2,759	2,904	99,489	103,714

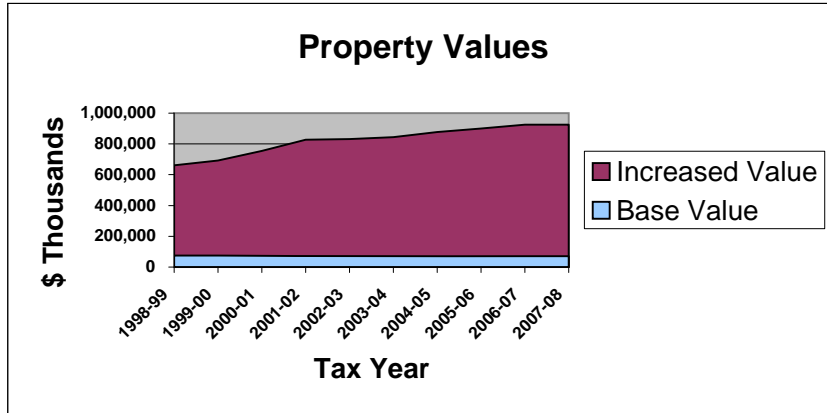
Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity. Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1998-99	\$ 33.38	\$ 74,836,564	\$ 585,427,584	\$ 10,460,692 (Note 2)
1999-00	20.06	74,836,564	618,433,581	12,449,684
2000-01	20.57	74,836,564	680,684,980	12,960,000
2001-02	20.44	70,866,644	755,937,736	7,710,000
2002-03	20.79	70,866,644	759,787,319	7,710,000
2003-04	22.01	70,866,644	772,959,655	7,710,000
2004-05	21.87	70,866,644	807,467,176	7,710,000
2005-06	19.42	70,866,644	828,313,148	7,710,000
2006-07	19.78	70,866,644	854,990,000	7,710,000
2007-08	20.34	70,866,644	881,338,267	7,710,000

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2005	Projected 2010	Current 2005	Projected 2010
Population	3,145	3,302	545,823	562,122
Per Capita Income	\$ 23,901	\$ 27,794	\$ 27,300	\$ 33,000
Total Housing Units	1,723	1,872	245,081	255,241
Owner Occupied Housing Units	189	210	130,575	135,645
Renter Occupied Housing Units	1,302	1,407	99,489	103,714

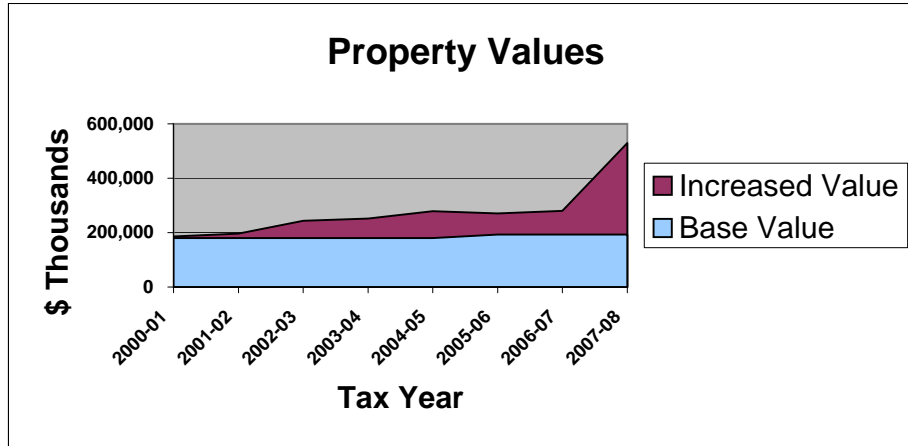
Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity. Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
2000-01	\$ 20.57	\$ 180,450,967	\$ 5,702,908	\$ 112,356
2001-02	20.44	180,450,967	15,450,023	302,150
2002-03	20.79	180,450,967	62,791,415	1,217,321
2003-04	22.01	180,450,967	71,592,763	1,432,961
2004-05	21.87	180,450,967	98,624,297	1,984,570
2005-06	19.42	192,609,397	77,592,382	1,403,366
2006-07	19.78	192,609,397	86,887,411	1,627,714
2007-08	20.38	192,609,397	336,699,090	6,862,754

Source: Multnomah County Division of Assessment and Taxation

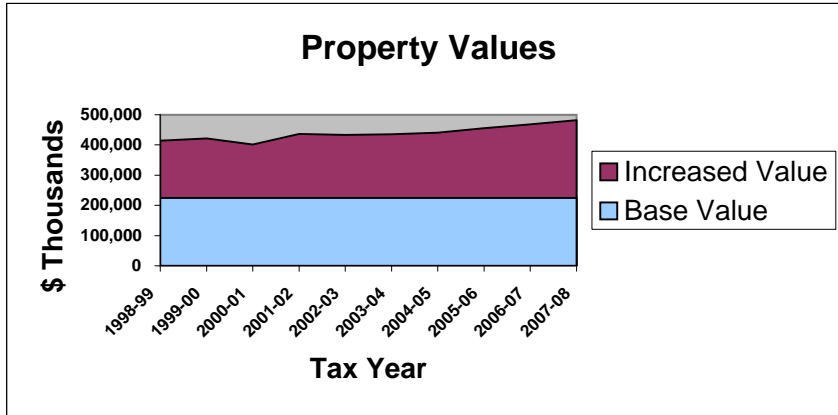
	URA		Portland	
	Current 2005	Projected 2010	Current 2005	Projected 2010
Population	1,833	1,891	545,823	562,122
Per Capita Income	\$ 59,927	\$ 76,040	\$ 27,300	\$ 33,000
Total Housing Units	1,504	1,556	245,081	255,241
Owner Occupied Housing Units	395	408	130,575	135,645
Renter Occupied Housing Units	828	857	99,489	103,714

Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 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 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1998-99	\$ 32.01	\$ 224,605,349	\$ 189,332,152	\$ 3,584,701 (Note 2)
1999-00	20.06	224,605,349	196,914,942	3,736,001
2000-01	20.57	224,605,349	177,129,421	3,413,379
2001-02	20.44	224,605,349	212,183,161	4,046,580
2002-03	20.79	224,605,349	208,600,216	4,098,740
2003-04	20.47	224,605,349	210,497,285	4,062,491
2004-05	20.32	224,605,349	215,708,847	4,164,087
2005-06	17.92	224,605,349	230,380,503	3,973,027
2006-07	18.26	224,605,349	243,532,862	4,296,871
2007-08	17.76	224,605,349	257,850,367	4,578,234

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2005	Projected 2010	Current 2005	Projected 2010
Population	3,318	3,424	545,823	562,122
Per Capita Income	\$ 24,996	\$ 31,127	\$ 27,300	\$ 33,000
Total Housing Units	1,924	1,991	245,081	255,241
Owner Occupied Housing Units	356	375	130,575	135,645
Renter Occupied Housing Units	1,428	1,470	99,489	103,714

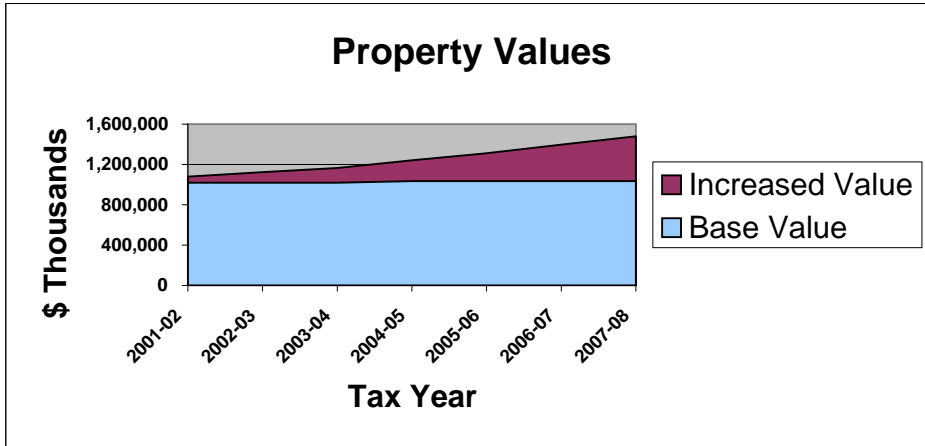
Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity. Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
2001-02	\$ 20.44	\$ 1,019,794,975	\$ 58,139,955	\$ 1,145,888
2002-03	20.79	1,019,370,465	104,464,625	2,042,785
2003-04	22.01	1,019,370,465	144,893,801	2,925,355
2004-05	21.87	1,033,372,876	209,114,965	4,253,560
2005-06	19.47	1,033,372,876	276,292,476	5,096,500
2006-07	19.81	1,033,372,876	363,829,663	6,890,757
2007-08	20.41	1,033,372,876	447,042,428	9,124,210

Source: Multnomah County Division of Assessment and Taxation

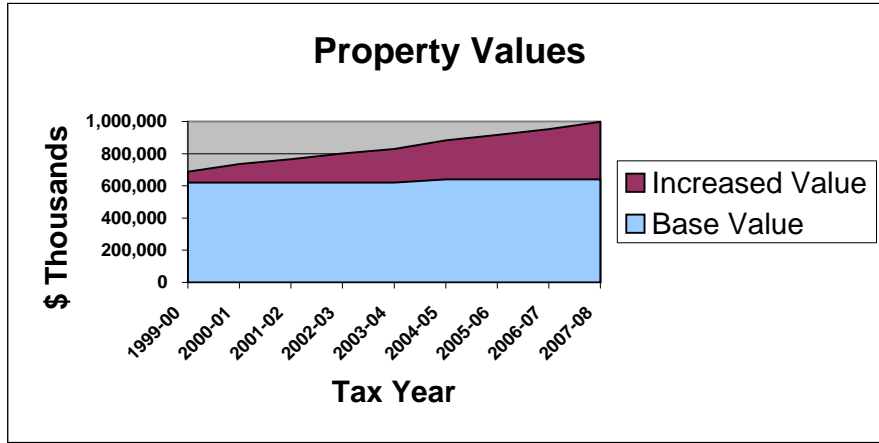
	URA		Portland	
	Current 2005	Projected 2010	Current 2005	Projected 2010
Population	31,272	32,454	545,823	562,122
Per Capita Income	\$ 18,261	\$ 21,644	\$ 27,300	\$ 33,000
Total Housing Units	12,760	13,242	245,081	255,241
Owner Occupied Housing Units	6,634	6,916	130,575	135,645
Renter Occupied Housing Units	5,222	5,377	99,489	103,714

Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 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 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
1999-00	\$ 19.61	\$ 620,720,135	\$ 66,310,682	\$ 1,244,845
2000-01	19.82	620,720,135	115,413,447	2,287,155
2001-02	19.69	620,720,135	144,345,122	2,919,877
2002-03	20.51	620,720,135	179,595,927	3,510,832
2003-04	21.73	620,720,135	208,029,051	4,205,914
2004-05	21.51	640,177,922	243,212,853	4,929,404
2005-06	20.53	640,177,922	275,822,211	5,249,632
2006-07	20.33	640,177,922	312,317,448	6,077,743
2007-08	20.56	640,177,922	358,801,970	7,375,650

Source: Multnomah County Division of Assessment and Taxation

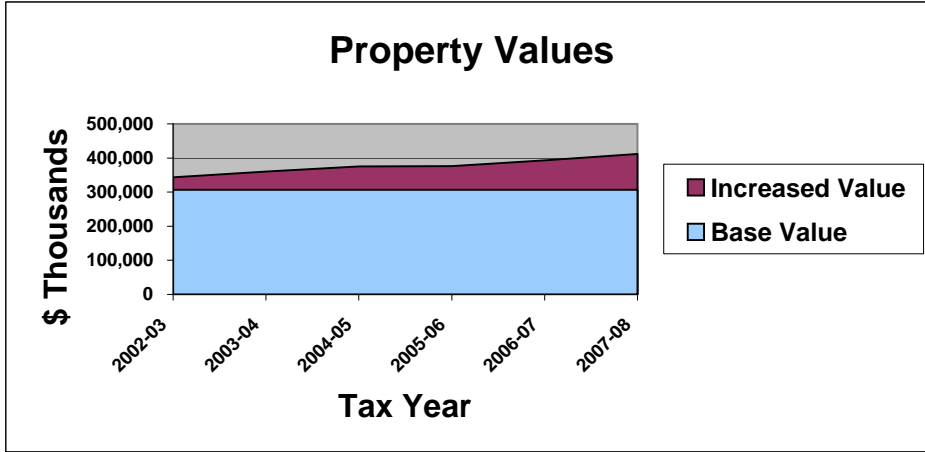
	<u>URA</u>		<u>Portland</u>	
	<u>Current 2005</u>	<u>Projected 2010</u>	<u>Current 2005</u>	<u>Projected 2010</u>
Population	24,922	26,082	545,823	562,122
Per Capita Income	\$ 17,391	\$ 20,592	\$ 27,300	\$ 33,000
Total Housing Units	9,656	10,093	245,081	255,241
Owner Occupied Housing Units	5,279	5,483	130,575	135,645
Renter Occupied Housing Units	3,704	3,895	99,489	103,714

Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 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 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
2002-03	\$ 20.33	\$ 307,174,681	\$ 35,847,381	\$ 681,489
2003-04	21.79	307,174,681	53,283,385	1,053,666
2004-05	21.50	307,174,681	68,476,163	1,356,824
2005-06	20.57	307,174,681	68,766,041	1,375,408
2006-07	21.35	307,174,681	86,192,591	1,751,370
2007-08	20.70	307,174,681	105,057,959	2,174,962

Source: Multnomah County Division of Assessment and Taxation

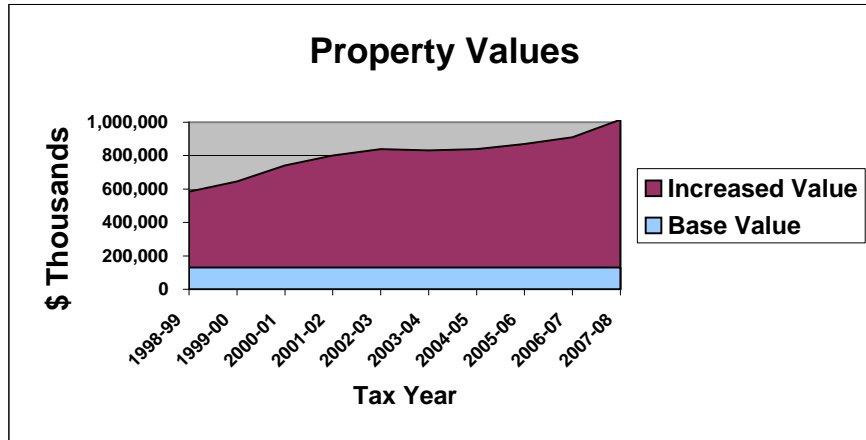
	URA		Portland	
	Current 2005	Projected 2010	Current 2005	Projected 2010
Population	5,056	5,378	545,823	562,122
Per Capita Income	\$ 20,021	\$ 23,114	\$ 27,300	\$ 33,000
Total Housing Units	2,151	2,285	245,081	255,241
Owner Occupied Housing Units	858	904	130,575	135,645
Renter Occupied Housing Units	1,133	1,207	99,489	103,714

Source: The 2005/2010 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 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 2005. This change is then extrapolated five years to 2010. The 2005 update represents current events; the 2010 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
1998-99	\$ 29.59	\$ 129,701,177	\$ 453,775,618	\$ 2,422,228 (Note 2)
1999-00	20.04	129,701,177	516,668,514	1,755,170
2000-01	19.01	129,701,177	611,974,431	2,540,000
2001-02	19.75	129,701,177	671,716,792	2,540,000
2002-03	20.27	129,701,177	708,692,948	2,540,000
2003-04	21.74	129,701,177	701,262,923	2,540,000
2004-05	21.42	129,701,177	708,712,135	2,540,000
2005-06	20.60	129,701,177	739,905,461	2,540,000
2006-07	20.60	129,701,177	779,770,869	2,540,000
2007-08	20.60	129,701,177	886,308,606	2,540,000

Source: Multnomah County Division of Assessment and Taxation

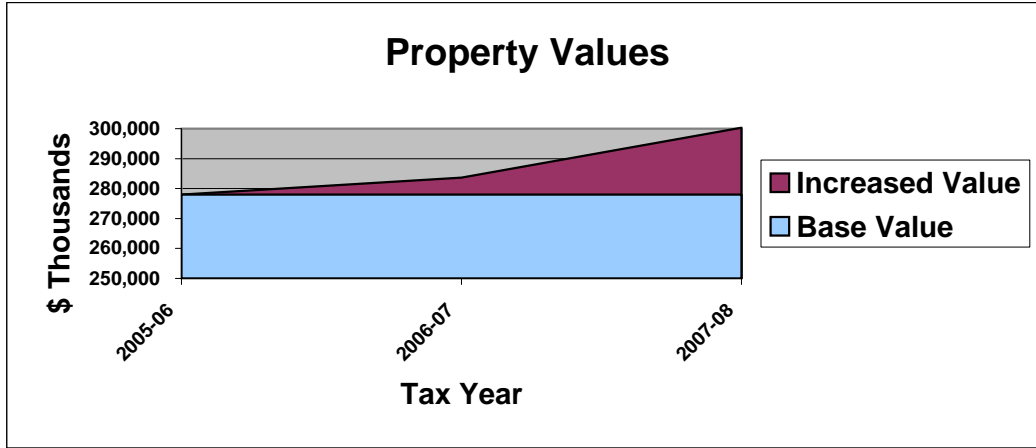
Population and housing data are not included for Airport Way Urban Renewal Area because it is primarily an industrial area.

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity. Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
2005-06	\$ 18.26	\$ 278,034,345	\$ -	\$ -
2006-07	18.26	278,034,345	5,655,915	83,294
2007-08	17.13	278,034,345	22,273,744	381,518

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 \$71,720,000 in fiscal year 2006-07.

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.

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

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

**TOTAL PERSONAL INCOME, PER CAPITA INCOME,
POPULATION TRENDS, AND UNEMPLOYMENT RATE
PORTLAND/VANCOUVER/BEAVERTON MSA, OREGON, AND THE UNITED STATES
1998 to 2007
(Unaudited)**

Year	Personal Income (Millions)			Per Capita Income		
	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total
1998	\$ 54,106	\$ 85,629	\$ 7,415,709	\$ 28,851	\$ 25,542	\$ 26,883
1999	56,918	89,873	7,996,137	29,858	26,480	27,939
2000	62,190	96,402	8,422,074	32,122	28,097	29,845
2001	63,933	99,020	8,716,992	32,353	28,507	30,574
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

Sources: U.S. Department of Commerce, Bureau of Economic Analysis as of 9/29/08.
Oregon Office of Economic Analysis

Note: 2007 Preliminary

Year	POPULATION TRENDS				UNEMPLOYMENT RATE	
	Portland ¹	Portland/ Vancouver/ Beaverton MSA ¹	Oregon ¹	U.S. Total ¹	Portland Unemployment % Rate ²	Oregon Unemployment %Rate ²
1990	438,802	NA	2,842,321	249,622,814	NA	NA
2000	529,121	1,935,960	3,421,399	281,421,906	4.5	5.1
2001	534,689	1,960,500	3,474,183	285,226,284	5.8	6.2
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

Source: ¹U.S. Department of Commerce, Bureau of Economic Analysis as of 9/10/07.
Oregon Office of Economic Analysis

² U. S. Department of Bureau of Labor Statistics

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

**LENDING ACTIVITY
For The Last Ten Fiscal Years
(Unaudited)**

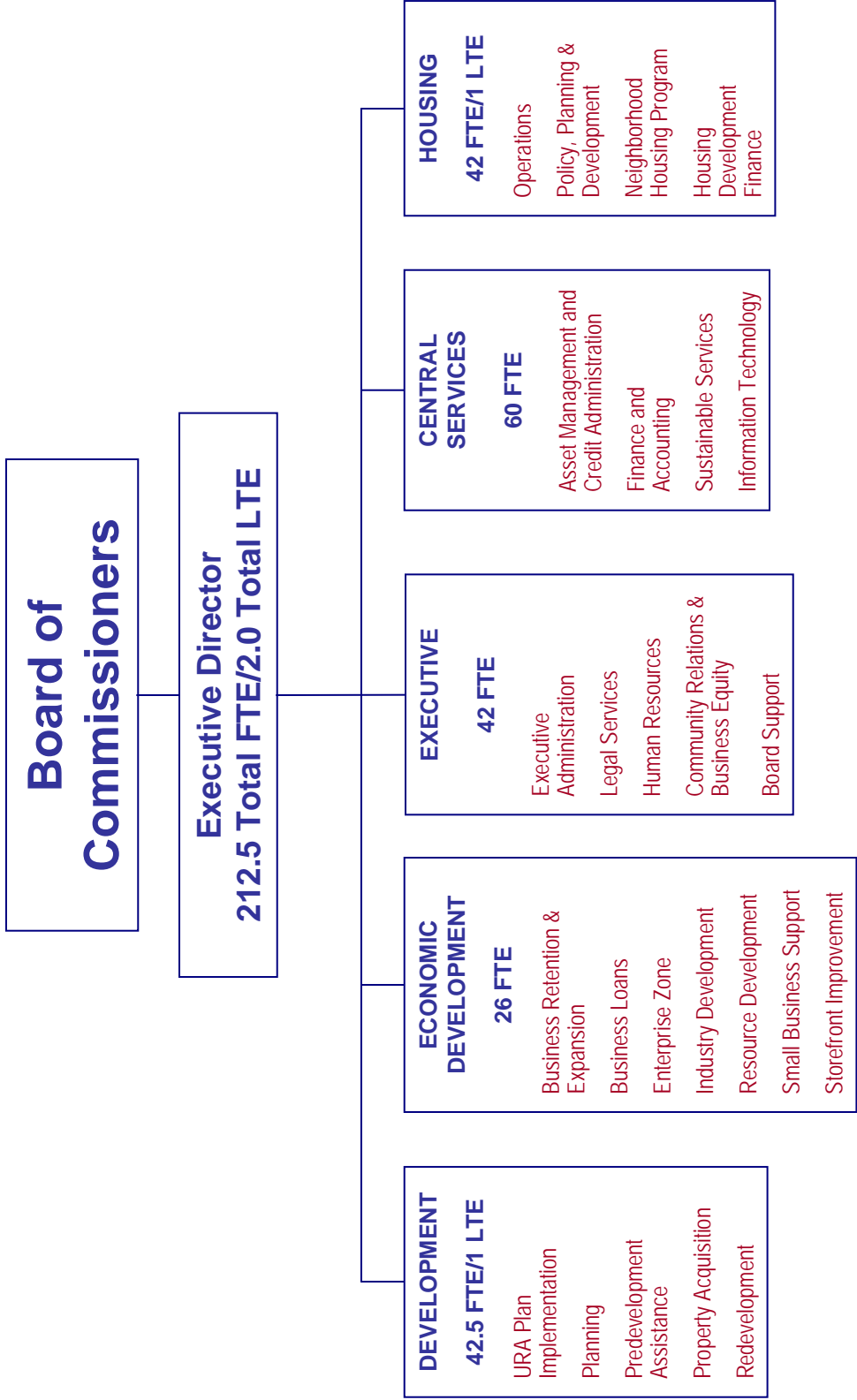
<u>Fiscal Year</u>	<u>Homeowner Loans</u>		<u>Rental Housing Loans</u>		<u>Business Loans</u>	
	<u>Number of Units</u>	<u>Dollar Amount</u>	<u>Number of Units</u>	<u>Dollar Amount</u>	<u>Number of loans</u>	<u>Dollar Amount</u>
1998-99	237	\$ 4,183,685	2,091	\$ 27,181,590	32	\$ 3,509,472
1999-00	210	3,675,319	750	16,767,800	48	9,979,557
2000-01	264	3,984,322	687	23,158,276	26	2,052,703
2001-02	215	5,433,114	1,003	22,079,544	24	4,058,226
2002-03	161	2,334,155	1,766	38,402,972	25	5,767,290
2003-04	283	5,450,503	660	13,543,836	42	7,148,345
2004-05	259	3,447,477	882	17,398,098	52	10,590,559
2005-06	163	5,189,916	725	26,115,141	59	14,505,900
2006-07	100	3,715,847	1,374	42,936,188	54	12,466,365
2007-08	138	9,536,734	957	38,155,909	47	5,499,620

Source: Commission loan system.

Notes: Homeowner loans are made to owner-occupant of single family dwellings. Financial assistance is provided for improvements ranging from security enhancements to whole house acquisition and rehabilitation. One house constitutes a unit.

Rental housing loans are made to investors and developers for multi-family dwellings. Financial assistance is provided for rehabilitation or for construction of new multi-family rental dwellings. An apartment constitutes a unit.

Business loans provide assistance for building repair, facility expansion, new equipment or working capital.



NOTE: FTE=Full Time Employee; LTE=Limited Term Employee

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

MISCELLANEOUS STATISTICS

As Of June 30, 2008
(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	FY2001-02		FY2002-03		FY2003-04		FY2004-05		FY2005-06		FY2006-07		FY2007-08		
	FTE	FTE	FTE	FTE	FTE	LTE *	FTE	LTE *	FTE	LTE *	FTE	LTE *	FTE	LTE *	
Development	32.0	33.5	33.5	32.5	5.0	34.5	7.0	42.5	1.0	(4)	42.5	1.0			
Economic Development	25.5	21.0	23.0	23.0	1.0	26.0	2.0	26.0	0.0	(4)	26.0	0.0			
Housing	37.3	38.3	37.0	37.0	8.0	34.0	7.0	42.0	1.0	(4)	42.0	1.0			
Executive	32.6	44.0	(1)	47.0	24.0	8.0	(2)	26.0	9.0	11.0	0.0	(4)	42.0	0.0	(5)
Central Services	30.0	22.0	(1)	23.0	52.0	10.0	(2)	56.0	9.0	55.0	0.0	(4)	60.0	0.0	(5)
Community Relations & Business Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0	(4)	0.0	0.0	(5)
People & Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.0	0.0	(4)	0.0	0.0	(5)
Resource Development	4.0	5.0	5.0	6.0	0.0	0.0	0.0	(3)	0.0	0.0	0.0	0.0	0.0	0.0	
Total	161.4	163.8	168.5	174.5	32.0	176.5	34.0	212.5	2.0	212.5	2.0				

* PDC began utilizing Limited-term FTE positions (LTE) in FY 2002-03 to help meet the agency's workload brought on by multiple new projects and initiatives.

- Note 1: The fluctuation between Executive and Central Services was caused by the transfer of Information Services to the Executive Department.
- Note 2: Information Services and Professional Services were transferred to Central Services from the Executive Department.
- Note 3: In FY 2005-06 Resource Development has been merged with Economic Development as reflected in the chart at the left.
- Note 4: In FY 2006-07 Department reorganization resulted in staffing redistribution between Executive & Legal and Finance & Administration to the newly created departments of; Central Services, Community Relations & Business Equity, and People & Technology. Additionally 35 LTE positions were transferred to FTE.
- Note 5: 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.

Urban Renewal District Land Area and Base Values
As Of June 30, 2008

District	Acres	Base Value
Airport Way	2,726	\$ 129,701,177
Central Eastside	692	224,605,349
Convention Center Area	593	248,689,281
Interstate Corridor	3,769	1,033,372,876
Lents Town Center	2,707	640,177,922
North Macadam	402	192,609,397
River District	309	358,684,364
South Park Blocks	161	378,055,680
Gateway	659	307,174,681
Downtown Waterfront	279	70,866,644
Willamette Industrial	758	278,034,345
Total URA Land Data	13,055	\$ 3,861,971,716
Total City Land Data	92,773	\$ 40,661,766,792
Urban Renewal Land as a Percentage of City Total	14.1%	9.5%

PDC

PORTLAND
DEVELOPMENT
COMMISSION

Audit Comments and Disclosures_____

PDC

PORTLAND
DEVELOPMENT
COMMISSION

**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.**

Board of Commissioners
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, 2008, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 11, 2008. 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

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 opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 above.

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*.

We noted certain matters that we reported to management of the Commission in a separate letter dated December 11, 2008.

This report is intended solely for the information and use of the Board of Directors, 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.

Moss Adams, LLP

Portland, Oregon
December 11, 2008

**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***

Board of Commissioners
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 (PDC), a Component Unit of the City of Portland Oregon, as of and for the year ended June 30, 2008 and have issued our report thereon dated December 11, 2008. 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 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 PDC'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 amount and adequacy of collateral pledged by 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 2009 and 2008.
- 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.

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 test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PDC'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 PDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PDC's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 above.

We did however, identify other internal control deficiencies that we have reported to management in separate reports as required by professional standards.

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.



For Moss Adams LLP
Portland, Oregon
December 11, 2008



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To the Audit Committee of the
Portland Development Commission, Portland Oregon
(A Component Unit of the City of Portland), and
Gary Blackmer, Auditor, City of Portland

To assist the Audit Committee and the City Auditor in overseeing the financial reporting and disclosure process for which management is responsible, auditing standards generally accepted in the United States of America require auditors to ensure that certain matters are communicated to the Audit Committee. Matters required to be communicated are discussed below.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility under auditing standards generally accepted in the United States of America is described in the first two paragraphs of the "Independent Auditor's Report." Paragraph one explains our responsibility is to express an opinion on the financial statements based on our audit. Paragraph two explains that 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Because an audit is designed to provide reasonable assurance, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. We believe that our audit provides a reasonable basis for our opinion.

We also conducted an audit of compliance in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with requirements of laws, regulations, contracts, and grants that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As part of our audit, we addressed Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). This statement requires audit team members, as part of planning the audit, to have discussions to consider how and where the Commission's financial statements might be susceptible to material misstatements due to fraud. To properly identify, discuss, and assess the risk of material misstatements due to fraud, we made in-depth inquiries of management and obtained significant information regarding the Commission's operations and controls established to mitigate specific fraud risks that have been identified. Our assessment was an ongoing process throughout the audit. Based on the procedures we

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performed, nothing came to our attention that might indicate that material fraudulent activities had occurred at the Commission.

SIGNIFICANT ACCOUNTING POLICIES

The Commission's accounting policies are described in Note 1 to the financial statements. The Board should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Board should be aware of methods used to account for significant, unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Board about such matters. We found the accounting policies for the current year to be consistent with the prior year, with the exception of the implementation of the new governmental accounting standard No. 45 requiring the Commission to begin to recognize a liability for post-employment health benefits as the right to these benefits are earned by current employees.

SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon 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 management's current judgments.

In preparing the Commission's financial statements, material estimates that are particularly susceptible to significant change relate to 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, and overhead allocations. Based upon our audit procedures, we concur with the significant estimates and assumptions made by management in the preparation of the financial statements.

DISAGREEMENTS WITH MANAGEMENT

We are required to discuss with the Board any disagreements with management over the application of accounting principles or the basis for management's judgment about accounting estimates.

During our 2008 audit, there were no such instances of disagreements with management.

CONSULTATION WITH OTHER ACCOUNTANTS

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If management consulted with other accountants about auditing and accounting matters, we are to inform the Board of such consultation if we are aware of it and provide our views on the matters discussed.

We are not aware of any instances where management consulted with other accountants about matters which might affect the financial statements since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

We are to discuss with the Board any major issues discussed with management in connection with our retention as auditors, including the application of accounting principles or auditing standards.

There have been no major issues discussed with management in connection with our retention as auditors.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

The actual performance of our audit procedures during the planning and fieldwork stages of the audit went fairly smoothly. We found management to be reasonably well prepared for our audit, and to be timely and thorough in their responses to us.

There were delays in the Commission's completion of financial statements from the initial due date of October 15, 2008 to December 3, 2008, primarily due to information needed from external parties. With additional time on our part, as well as dedication and persistence on the part of Commission Accounting staff, the financial statements were completed accurately and ultimately issued before the December 31, 2008 due date to the State of Oregon.

OTHER MATTERS

Conflict-of-Interest Policy. We noted during the prior year audit engagement that PDC does not have a conflict-of-interest policy outside of evaluation teams, and current procedures may be inadequate to identify conflict of interest relationships. Additionally, we did not find evidence that the Commission provides training to staff on how to identify potential related party transactions and the action to be taken in such instances. This is a repeat observation from the prior year.

Recommendation: We recommend that the Commission develop and implement a conflict-of-interest policy and related training.

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(A Component Unit of the City of Portland)
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Loans Receivable. We noted during confirmation testing of loans receivable that properties securing three loans had been sold without the Commission's knowledge. While the Commission may place a lien against the property to secure its interest, the Commission was not paid at the time of sale.

Recommendation: We recommend the Commission improve its review and monitoring of loans to ensure its interest is secured, and it is properly repaid from property sales at time of transaction closing.

Duplicate Vendors. We noted during testing of expenses that there were duplicate vendors set up in the accounting system. While the Commission provided a reasonable explanation for many of the duplicate vendors identified, there were several vendors identified that should not be duplicates.

Recommendation: We recommend the Commission remove the duplicate vendors identified during the audit and periodically (annually) review its vendor listing. The Commission should also review its current procedures to determine how vendors were initially added to the approved vendor list and modify its procedures to ensure vendors are not duplicated in the future.

* * * * *

We would like to express our gratitude for the assistance provided to us by Jane Kingston, Catherine Kaminski, and the rest of the staff at the Commission during the course of our audit. We found them to be courteous, conscientious, and responsive to our requests.

This letter is intended solely for the use of the Audit Committee, the Board of Commissioners, management, and the City Auditor, and is not intended and should not be used by anyone other than these specified parties. On behalf of all of us at Moss Adams LLP, thank you for the opportunity to be of service to you and the Portland Development Commission of Oregon.

Moss Adams, LLP

Moss Adams, LLP
Eugene, Oregon
December 11, 2008

Responses to Moss Adams Management Letter for Audit Committee

Management Letter Topics

The internal operations areas identified in the Moss Adams Management Letter and the PDC staff responses are as follows below.

Difficulties Encountered in Performing the Audit

The actual performance of our audit procedures during the planning and fieldwork stages of the audit went fairly smoothly. We found management to be reasonably well prepared for our audit, and to be timely and thorough in their responses to us.

There were delays in the Commission's completion of financial statements from the initial due date of October 15, 2008 to December 3, 2008, primarily due to information needed from external parties. With additional time on our part, as well as dedication and persistence on the part of Commission Accounting staff, the financial statements were completed accurately and ultimately issued before the December 31, 2008 due date to the State of Oregon.

Management Response: Management agrees that there were delays in the completion of the financial statements, primarily due to information needed from external parties. Moss Adams staff were flexible and understanding of the constraints this lack of information imposed on our ability to complete the statements by the scheduled date. We will continue to work with those external parties and Moss Adams to shorten our completion cycle in fiscal year 2009.

Other Matters

Conflict-of-Interest Policy. We noted during the prior year audit engagement that PDC does not have a conflict-of-interest policy outside of evaluation teams, and current procedures may be inadequate to identify conflict of interest relationships. Additionally, we did not find evidence that the Commission provides training to staff on how to identify potential related party transactions and the action to be taken in such instances. This is a repeat observation from the prior year.

Recommendation: We recommended that the Commission develop and implement a conflict-of-interest policy and related training.

Management Response: Management understands and agrees with the need to improve controls related to identification of and reaction to actual and potential conflicts of interest. A corrective action plan to address this concern has been developed and is underway, with an anticipated completion by June 2009. The intent is to revise existing and/or develop new policies that establish protocol for commissioners, employees, and contractors/vendors in regard to actual and potential conflicts of interest.

Loans Receivable. We noted during confirmation testing of loans receivable that properties securing three loans had been sold without the Commission's knowledge. While the Commission may place a lien against the property to secure its interest, the Commission was not paid at the time of sale.

Recommendation: We recommend the Commission improve its review and monitoring of loans to ensure its interest is secured, and it is properly repaid from property sales at time of transaction closing.

Management Response: Management agrees with the recommendation that the Commission improve its review and monitoring of loans to ensure that its interest is secured, and that it is properly repaid from property sales when transactions close. Improvements to the review and monitoring processes will begin in fiscal year 2009. Those improvements include: more frequent contact with borrowers for whom no payments are immediately due and confirmation of balances due to PDC; more thorough systematic notation of such borrower contact; and periodic confirmation of title. Additionally, note that efforts are underway to recover amounts due to the Commission related to the property sales that occurred.

Duplicate Vendors. We noted during testing of expenses that there were duplicate vendors set up in the accounting system. While the Commission provided a reasonable explanation for many of the duplicate vendors identified, there were several vendors identified that should not be duplicates.

Recommendation: We recommend the Commission remove the duplicate vendors identified during the audit and periodically (annually) review its vendor listing. The Commission should also review its current procedures to determine how vendors were initially added to the approved vendor list and modify its procedures to ensure vendors are not duplicated in the future.

Management Response: Management concurs with the Auditor's comment. Those vendors identified as duplicates have been corrected in the system, and there was a complete review of the vendor listing to check for any additional duplicates. Vendor addition procedures have been updated to include verification of the vendor accounts to prevent duplicate set ups. Management has also instituted periodic review of the complete vendor listing by name and by taxpayer identification number for suspected duplicates.

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 Audit Committee on these and other issues.

PDC

PORTLAND DEVELOPMENT COMMISSION

Resolution Number 6662

TITLE: ACCEPT AND APPROVE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2007-2008 AS REQUIRED BY PORTLAND CITY CHARTER CHAPTER 15-104 AND PDC RESOLUTION NO. 6112.

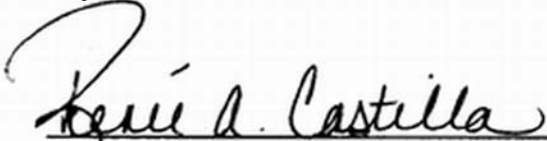
Adopted by the Portland Development Commission Audit Committee
on January 14, 2009.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Charles Wilhoite, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Scott Andrews	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Bertha Ferrán	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Vacant	<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 duly recorded in the official minutes of the meeting.


Renee A. Castilla, Recording Secretary

Date: January 23, 2009