Portland Development Commission: Governance, Structure and Process

City Club of Portland (Portland, Or.)

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The mission of City Club is to inform its members and the community in public matters and to arouse in them a realization of the obligations of citizenship.

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This report represents the culmination of a two-year research process involving the cooperation of well over 100 individuals from all sectors of our community. The object of study, the Portland Development Commission, is connected to so many aspects of life in Portland that your committee could have continued its research indefinitely. In investigating the many arenas in which PDC operates, we have learned a great deal about how our city works.

In this report, our intent is to describe the challenging terrain through which PDC navigates its urban renewal, housing and economic development activities. The organization is large, complex and dynamic. It serves diverse constituencies and faces changing and competing demands and expectations. While PDC often is in the spotlight and frequently is scrutinized and criticized, your committee found a general lack of specific knowledge about PDC among members of the public.

In this report, your committee shares its observations and critiques of PDC in its three primary areas of operation. While we found many aspects of PDC’s work worthy of praise, we also found areas in need of significant improvement. Of particular note are your committee’s concerns about the nature of PDC’s relationship with the Portland Family of Funds, a private entity about which many readers may know very little. At the same time, your committee has observed that PDC is making improvements in many of the areas addressed in this report. We may even hope that our inquiries themselves stimulated some of these changes.

In the final days of editing this report, two significant events occurred. On November 24, 2004, Portland’s newest urban renewal area was formed. The Willamette Industrial Urban Renewal Area covers 751 acres in the industrial areas of North and Northwest Portland. On December 31, Vera Katz ended her third and final term as mayor of Portland making way for the swearing-in of Tom Potter as the 46th mayor of Portland. Because of the timing of these events relative to the completion of this study, they are not discussed herein.

Your committee deliberately chose not to include an executive summary for this report because we believe PDC’s complexity defies simplification. Our findings, conclusions and recommendations constitute our executive summary. Readers should not draw conclusions about PDC too quickly; the issues at stake are too important and too complex to be turned into sound bites. Instead, we hope that you, the reader, by reading the entire report, will gain a clearer and fuller understanding of the effects this important and powerful organization has on our city and our lives.
PART I — WHAT IS THE PORTLAND DEVELOPMENT COMMISSION?

A. Introduction

The Portland Development Commission (PDC) is one of the most powerful organizations in Portland and, due to its broad scope and complex financial structure, is one of the most difficult to assess. Since its inception in 1958, PDC has been a quasi-independent agency with sweeping powers to foster new development by purchasing or condemning and developing and assembling public and private property. During the last 16 years (fiscal years 1988-89 through 2003-04), PDC received average annual revenues from all sources of nearly $80 million dollars, which it has used to leverage millions more in private investment. To put this in context, the city’s general fund tax revenues for 2003-04 were $370 million. PDC is entrusted with the development of up to 15 percent of Portland’s land. However, no one at PDC is elected. Oversight is vested in a single city commissioner, currently the mayor. City Council exercises control only through its power to ratify mayoral appointments to the PDC Commission and its authority to establish, amend and extend urban renewal areas and issue urban renewal bonds.

PDC’s original legislative charge was to relieve Portland of blight and urban decay. In 1979, the Oregon Legislature expanded the definition of “blight” to include “[a] growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety, and welfare” [ORS 457.010(1)(h)]. Over the past four decades ideas about decay and blight have changed, allowing PDC to develop any land that it views as “underutilized.” Today, PDC describes its mission as “to bring together resources to achieve Portland’s vision of a diverse, sustainable community with healthy neighborhoods, a vibrant urban core, a strong regional economy and quality jobs for all citizens.” PDC’s unique status as a semi-autonomous quasi-governmental agency makes it a flexible and responsive model to build unique private-public partnerships and capture opportunities as they arise, while its governmental status allows it to coordinate federal, state and local funding sources.

Portland has a national reputation as a “livable city,” and its downtown has been turned into a model envied by many cities. PDC’s role in downtown is clear but its efforts to improve outlying neighborhoods have been less successful. In accomplishing its mission, PDC often has been motivated by opportunities developed in private, which considerably limited or even foreclosed significant public knowledge and participation. Furthermore, these opportunities often were not considered in the context of traditional urban planning, a system designed specifically for public input. The tension created between these “opportunities” and traditional “planning” will be addressed later in this report.
In August 1971, after a two-year study of the first 13 years of PDC’s operation (1958 to 1971), City Club of Portland concluded that "Subordination of urban renewal to comprehensive community planning can best be accomplished by abolishing the Portland Development Commission as an independent, autonomous agency, and creating a city department to undertake urban renewal. Such a department should also have responsibility for the functions of the City Planning Commission, the Housing Authority of Portland and the Bureau of Buildings." While echoes of the problems identified by the 1971 City Club report persist today, your committee does not consider abolition of PDC and transfer of its functions to City Council, or a department directly under the supervision of the mayor or one of the commissioners, to be the solution. However, at least two other recommendations of the 1971 report remain relevant:

- "Urban renewal should be undertaken only as part of a determined comprehensive planning effort …"
- "Plans must be developed from the beginning with the assistance of citizens, particularly those in affected areas with plans at all stages widely disseminated."

In June 1991, City Club issued a report on Tax Increment Financing in Oregon. Tax Increment Financing (TIF) has been the major source of funding for PDC and is explained later in this report beginning on pages 8 and 50. The 1991 report took into account the impact of 1990 property tax limitation initiative, Measure 5, but was written before Measures 47, 50 and the Shilo Inn decision threatened PDC’s primary funding source, Tax Increment Financing. As a result of these measures, TIF has been placed squarely in competition with the operating budgets of local governments for a limited pot of money raised by property taxes.* In 1991, the majority report concluded that TIF was a useful tool for economic development and recommended it remain available to and be used by the community. The minority recommendation, which was not adopted, suggested that before using TIF, it should be determined that "but for" using TIF, reasonably comparable development in the area would not occur.

In March of 2003, City Club undertook this study of PDC with the charge of examining PDC’s mission, governance, structure and accountability to the Mayor, City Council and the public. Your committee spent nearly two years in its studies and deliberations, interviewed more than 70 witnesses and examined voluminous documents. The study was undertaken in a spirit of cooperation with PDC that continued throughout the process.

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B. Prior City Club Reports

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* See Shilo Inn v. Multnomah County et al., 333 Or 101 (Dec. 2001, modified Feb. 2002), in which the Oregon Supreme Court refused to exempt TIF from the 10 percent limit on local governments taxation ability. See page 13, infra.
C. Creation and Expansion of PDC

When the "greatest generation" returned home from World War II, it found a nation President Roosevelt described, in 1937, as one-third "ill housed." To provide housing for the baby boom generation, Congress funded many programs to stimulate new housing. The federal Housing Act of 1949 launched "urban renewal" to fund slum clearance by local authorities and permit re-development by private enterprise. In 1949, the Oregon Legislature seized the chance for federal funding and passed implementing legislation authorizing local public housing authorities to permit clearance, planning for and redevelopment of blighted areas.* During most of the 1950s, the city of Portland, through its Housing Authority, acted as the agency for projects that might qualify for federal funds. When, in 1952, City Council placed on the ballot a $2 million bond to fund the Vaughn Street project, a proposal that would have removed dilapidated housing to make way for light industry and warehousing, the voters resisted. The defeat of this measure dampened urban renewal efforts until the election of Mayor Terry Schrunk in 1956. In 1957, the Oregon Legislature, at the suggestion of Mayor Schrunk's Advisory Committee for Urban Renewal, adopted the basis of Oregon's current Urban Renewal Law (ORS Chapter 457). This law authorized a municipality to act as its own renewal agency or establish a separate agency, to deal with "blighted areas," defined as "areas, that by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community."

In 1958, Portland voters narrowly approved a new Chapter 15 of the city charter creating a new Department of Development and Civic Promotion to be administered by the Portland Development Commission. Unlike most other city departments administered by the mayor or by one of the

* The constitutionality of this law was upheld in Foeller v. Housing Authority of Portland, 198 Or. 205.
elected city commissioners, PDC is governed by five independent commissioners, appointed by the mayor and subject to approval by City Council. In addition to its state-granted authority to act as the urban renewal agency in the city and outside, "within a five-mile radius of the city's boundaries [sic]," the city charter delegated to PDC the power, with City Council approval, to promote industrial expansion and location, to acquire property inside or outside the city in accordance with comprehensive zoning and development plans and to lease unneeded municipal property to new industries. Today, PDC also exercises authority to enter into inter-governmental agreements beyond the five-mile limit and engage in numerous activities beyond the state statutes' authorization of urban renewal, generally under the rubric of "economic development."

PDC's five commissioners serve three-year staggered terms. Commissioners select their chair and secretary and serve "without salary or any compensation of any nature." They have the authority to appoint, employ and discharge officers as they choose, including the executive director, employees and agents, including but not limited to clerical staff, experts, appraisers, accountants and other technicians, craftspersons and laborers, and fix and provide for their compensation. Except for the executive director, the director's secretary, an assistant director and consulting or technical employees, permanent officers and employees of PDC are subject to the Civil Service provisions of the city's charter. PDC currently (2004-05 budget) has a staff of over 200—approximately 174 permanent employees and 32 limited-term employees. According to PDC, its employee pay scale is reasonably comparable with similar positions in other city departments.

D. Funding for PDC

It is axiomatic that an analysis of an agency's budgets may tell more about what the agency does than a thousand words. To provide a comprehensible way to "follow the money," PDC, at the request of your committee, compiled a series of charts and graphs, not previously available, taken from disparate sources. Because of the significant impact of the tax revolt measures of the 1990s, this compilation starts with fiscal year 1988-89 and continues through fiscal year 2003-04, which ended June 30, 2004. The reader may glean much about PDC by a review of these past 16 years of its operations, which includes a table reflecting the average period of time it takes to repay TIF bonds, in the following Appendices:

Appendix D, the “Urban Renewal Areas Key Facts” summary gives starting and ending dates for 17 urban renewal areas, seven of which are now closed and 10 of which still open.* It took an average of 24-1/2 years to repay the TIF bonds in the closed areas; it will take an average of nearly 43 years to repay TIF

* On November 24, 2004, after the above charts and graphs were compiled, City Council, by a 5-0 vote, created an eighteenth urban renewal area, the Willamette Industrial Urban Renewal Area, covering 751 acres including Swan Island and Mocks Bottom in North Portland, plus land on the west bank of the Willamette River.
bonds in the currently open urban renewal areas and as long as 54 years to repay bonds for the Downtown Waterfront Urban Renewal Area.

Appendix F shows all PDC actual revenues and expenditures, as well as expenditures for each urban renewal area (URA) for fiscal years 1988-89 through 2003-04. Because the information is compiled from different sources, it is subject to qualifications.*

Appendix G titled "Actual Expenditures by Operating Department" depicts comparative expenditures over the 16 years, fiscal year 1988-89 through 2003-04 for "development," "economic development," and "housing," while the graph "Actual Expenditures for All Urban Renewal Areas Combined" compares the expenditures for all urban renewal areas over these same years, demonstrating the substantial increase in expenditures during the last six years, made possible by Measure 50.

Federal funding, through block grants and otherwise, stimulated much of urban renewal in the PDC's early days. Since the adoption of a state constitutional amendment in 1960 and implementing legislation in 1961, a major part of funding for urban renewal comes from tax increment financing. Oregon became the second state, following California, to adopt TIF as a method of financing renewal projects. Forty states now use TIF.

Explaining TIF in detail would require a separate report.1 In short, when an urban renewal plan is adopted by City Council, the existing tax base within the URA is "fixed" until the bonds issued to pay for the projects in the URA are repaid (see figure on page 10). During that time, all tax revenue generated within the area over that generated on the "fixed" base is available to PDC to pay interest and principal on these bonds. Many of these projects provide the infrastructure needed to accommodate new development by private enterprise. TIF bonds are revenue bonds issued by the city and backed by TIF revenues but not by the city's full faith and credit, i.e., the city is not responsible for paying either principal or interest other than from TIF revenues. However, City Council approval is required to adopt each urban renewal plan preceding the issuance of any bonds. Until the bonds are fully paid, taxes collected on the increase of value in the district over the frozen adjusted base, including the increase in value which might have accrued even had urban renewal not occurred, are dedicated first to their repayment. Once the bonds are paid, the full value of the property returns to

* Qualifications

- Revenues and Expenditures are taken from annual budget documents. Ending Balance and Beginning Balance figures are taken from annual audited statements (Comprehensive Annual Financial Report). Figures in these budget documents present the data in a different format than the audited statements. Figures taken from these documents vary from one another, but for this analysis the variation is not substantive.
- While audited figures are more accurate, they do not break down the expenditures by operating department, information your committee specifically requested for its analyses. That level of detail comes from the budgets.
- Discrepancies between total expenditures by operating departments and totals by urban renewal areas are attributed to the latter figures coming from audited statements that include reserve funds.
How Tax Increment Financing Works

Source: Portland Development Commission

MONEY

TIME

1 YR 5 YRS 10 YRS 15 YRS 20 YRS 25 YRS 30 YRS

FIXED-BASE
These funds continue going to other tax jurisdictions regardless of improvements.

TAX INCREMENT

Year after which no more bonds can be issued

All bonds paid off returned to tax rolls

20-Year Bonds Issued Year 5 Paid Year 25

20-Year Bonds Issued Year 10 Paid Year 30

Source: Portland Development Commission
the tax rolls of local governments. TIF has been used virtually from the outset of PDC's activities, starting with the South Auditorium project in 1958.

During the 1970s, major changes were made to urban renewal laws and the use of TIF. At this time, the original emphasis on housing was abandoned in favor of revitalizing business districts and the use of TIF for this purpose became particularly attractive because, unlike general obligation bonds, TIF bonds require no voter approval. In 1977, an interim legislative task force was appointed to review a perceived lack of public participation and lack of fiscal accountability in urban renewal. The task force report resulted in significant 1979 legislative amendments to the urban renewal laws. The amendments permitted TIF to be used for economic development without housing and redefined "blight" as lack of "proper utilization" of land. These amendments also required a more open public process for the creation of new urban renewal areas and capped, at 15 percent, the total amount of a municipalities' assessed value and the total land area that could be included in urban renewal areas at any one time. The economic downturn and high interest rates of the early 1980s limited the role of TIF to be used only as an economic stimulant.

Like all other taxes, property taxes directed to pay TIF bonds ran head on into the buzz saw of the emerging anti-tax movement of the 1990s. Voter approval in the early 90s of Measure 5 virtually brought TIF to a halt.

Measure 5 amended the Oregon Constitution to establish a limit of $10 per $1,000 of the assessed values that could be taxed for local government and $5 for $10,000 that could be assessed for schools, forcing all users of those taxes to be "compressed" within that maximum available "tax pie." Because general obligation bond debt repayment was exempt from Measure 5 limits, issuers of TIF bonds hoped their bonds, too, would be exempt. The Oregon Supreme Court held otherwise, and the voters' refusal to pass Measure 1 in 1993 ended the argument.

When fully implemented in the 1995-96 tax year, Measure 5 had reduced property tax rates to less than half what they were in 1990-91. However, tax bills did not go down since the real market value of property to which this fixed rate was applied was increasing so rapidly. Because Measure 5 did not decrease taxes as its promoters had hoped, they initiated and, in 1997, voters approved Measure 47. The measure was so poorly drafted that it seemed "unworkable," causing the Legislature to refer Measure 50 to the voters to make implementation of Measure 47's major features feasible. In essence, the assessed values of property as of 1995-96 were frozen and permitted to be increased, if at all, only by a maximum of 3 percent a year. Payment of existing TIF bonds was not exempted from the $10 per $1000 limit. However, a special levy was created that allowed existing urban renewal areas the choice of three options to compensate for the revenue lost from capping the growth of the assessed value at 3 percent.* In the spring of 1998, PDC and

* See ORS 457.435 for a description of the three options, the details of which are not material to this report.
Urban Renewal Taxes Imposed
Portland Development Commission

City Council selected Option 3 for four existing plans — Downtown Waterfront, South Park Blocks, Oregon Convention Center and Airport Way — and Option 1 for Central Eastside. These additional taxes are reflected on property tax statements as "Urban Renewal — Portland."

In 2001, the Oregon Legislature passed a law to exempt taxes for certain urban renewal areas from the above limitations. Once again the Oregon Supreme Court in the *Shilo Inn* case ruled that all TIF bond payments must be included in the $10 per $1,000 cap for all local governments and forced TIF proceeds to be taken from this limited pot of tax revenues shared by all local governments.

While Measure 50 again made TIF bonds feasible in existing URAs, urban renewal dollars now compete directly with the operating budgets of the city of Portland, Multnomah County, public schools and other local taxing districts for a limited pot of tax revenues. The competition between TIF dollars for urban renewal and the needs of other taxing jurisdictions holds for all URAs; however, the Option 3 districts actually return some dollars back to these districts. Because of the competition for property tax revenue, projects funded by TIF now receive more careful scrutiny by the local governments whose budgets are "compressed" by TIF financing. This little-understood fact explains the increasing attention paid by PDC to seeking the city of Portland and Multnomah County as "partners" in its development projects. It is fair to say that PDC has become the "capital funds" partner of our local governments. PDC, through TIF, in essence uses a part of the total tax revenues available for local government service programs, such as police, fire and human services, and applies them to capital infrastructure programs such as streets, sewers, water and parks. Given the strains on local budgets to maintain essential government services and the unlikely prospect of voter approved general obligation bonds for capital improvements, TIF bonds seem to be the only feasible way for the city and Multnomah County to finance significant new capital projects.

While TIF has been the primary funding source for PDC's urban renewal activities, it has not been an effective mechanism for funding economic development. In addition to TIF, for fiscal year 2002-03, PDC received about $1 million from the city's General Fund, and in fiscal year 2003-04 it received $673,872, to use for unrestricted economic development. This led PDC to seek other sources of funding. When Congress adopted the New Market Tax Credit Program in December 2000, PDC saw an opportunity to secure additional funding for economic development. This program was established to encourage investors to invest $15 billion nationwide in Qualified Community Development Entities (CDEs) during the years 2001 through 2007. Each investor receives a tax credit of 5 percent for the year of investment and each of the following two years and 6 percent for each of the next four years, for total tax credits equal to 39 percent of the investment. CDEs are required to invest the funds in projects within low-income (distressed) federally qualified census tracts. In essence, the federal government pays 39 percent of the investment and the investor.

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*In Portland, these distressed neighborhoods are clustered around the Old Town/Union Station areas on the Westside, in the Northeast and North areas along the east side of the Willamette River, in the Airport Way area, in the Northeast/Southeast corridor east of 82nd Avenue and in a strip of Southeast, north of Holgate and south of Division.*
pays 61 percent.

Because the use of these credits — as well as credits for historic preservation — is compatible with the mission of PDC to renew distressed urban areas, PDC saw these tax credit programs as a means of obtaining additional financing. To do this PDC, conceived and incubated the Portland Family of Funds with the "Unifying Principal [sic] & Mission: To create development opportunities and financial resources for profitable investments which improve the economic vitality of communities in need." The umbrella Portland Family of Funds Holdings, Inc. (PFFH) was incorporated under ORS Chapter 65 on August 27, 2002, as a "mutual benefit" nonprofit corporation.*

The first fund developed by PFFH was for the Armory project, a $28 million project to acquire the 1891 Oregon National Guard Armory Annex at N.W. Davis Street and 10th Avenue and develop it into a new facility to house Portland Center Stage, featuring a 546-seat main stage, a smaller 253-seat theater in the round, rehearsal space and offices. It has projected that financing will come from, among other resources, a $4.6 million loan of River District (the Pearl District) urban renewal funds, a $10.6 million loan plus $2 million in Historic Tax Credits from U.S. National Bank, both guaranteed by the city of Portland, and $8.6 million in New Market Tax Credits brought to the project by Goldman Sachs, an investment firm, which had secured the tax credits in the first round of applications to the federal government in fiscal year 2002-03.

PFFH's public records documenting these arrangements include a flow chart prepared by PFFH (see page 81) of interlocking Limited Liability Companies (LLCs) all of which are essentially managed by PFFH. Details of the entities involved in the financial structure of the Armory project are set forth in Appendix C.

In the second round of applications, in May 2004, PFFH secured three awards totaling $196.5 million in New Market Tax Credits:

- $100 million were allocated to the "Portland New Market Fund I" (PNMF I)† (controlled by the PDC) to use in a 12-block span of the Oregon Convention Center Urban Renewal Area along Northeast Martin Luther King, Jr. Boulevard. Lenders and investors listed are PDC, Piper Jaffrey, Wells Fargo, GMAC, MMA, Hunter Chase, U.S. Bank and Washington Mutual.
- $72.5 million will go to the "Hospitality Fund I" (controlled by Sage Hospitality Resources) to be used for the rehabilitation of the historic downtown Meier & Frank building, which when completed will house a luxury hotel on the top floors and a Meier and Frank store on the lower floors. Lenders and Investors are listed as Sage, Hexagon, PDC, Bank of Nova Scotia, Piper Jaffrey and Chevron.

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* The anticipated list of activities in which the PFFH might engage covers a list of 10 areas, including housing and community revitalization, small business debt funding, real estate development and providing resources for faith-based organizations.

† Not to be confused with the Portland New Market Investment Fund I involved in the Armory project.
• $24 million will go to "Historic Rehabilitation Fund I" (controlled by Gerding/Edlen) to save and restore historic Portland buildings.

  Lenders and investors are listed as Piper Jaffrey, PDC and Chevron.

  According to PDC, the applications for these awards used PDC's track record of years of successful work in urban renewal areas to assure the U.S. Treasury Department of the competent use of these tax credit investments. In an effort to further enhance these applications, PFFH represented that PDC would have final approval over each project for which the requested tax credit investments would be used. These complicated arrangements and the obvious dependence of PFFH on the support of PDC contribute to the concerns and recommendations that are expressed later in this report.

E. Evolution of PDC's Role and Mission

  During the 1950s and '60s, PDC functioned exclusively as a traditional urban renewal agency. It acquired and assembled land, with substantial use of condemnation, cleared properties and relocated residents and businesses, using TIF and federal moneys, then sold improved parcels to private developers. This period, known as the Ira Keller "Era of Grand Projects," was typified by the South Auditorium project, which cleared out the old, but still vital, immigrant communities of "South Portland." The period was marked by secrecy, substantial neighborhood distress and litigation over condemnation and relocation.

  When, in June 1969, City Club launched its long-range study of urban renewal in Portland, it dealt with an urban renewal agency that had displaced 580 families and 1,950 individuals, creating a demand for 2,500 alternative housing units, while adding only 80 low-income units to Portland's available housing stock. That, among other reasons, caused City Club, on August 27, 1971, to recommend that the city abolish the Portland Development Commission and create a department under City Council control to subordinate urban renewal to comprehensive community planning. One of then City Commissioner Goldschmidt's chief aides co-authored the City Club report and Goldschmidt himself promised that as mayor he would abolish PDC. When he became mayor, however, he instead requested resignations of all PDC commissioners and appointed a new Commission. After that, there was no further discussion of abolishing PDC.

  Congress' adoption of the Demonstration Cities and Metropolitan Development Act of 1966, known as "Model Cities," and subsequently the Neighborhood Development Act, caused the city to move from the era of grand projects to small-scale neighborhood rehabilitation projects. By 1978, PDC had funded 24 neighborhood conservation programs, fueled by block grants pro-
vided by the federal Housing and Community Development Act of 1974. Accompanying this focus on neighborhood projects, Portland's City Council established the Office of Neighborhood Associations (now the Office of Neighborhood Involvement) to facilitate the establishment of and thereafter support 60 neighborhood associations throughout the city. During this period, spurred by federal requirements, the public was increasingly included in PDC planning and in the physical rehabilitation of housing, as well as in related federal programs encompassing education and social services. Mayor Goldschmidt also created the Office of Planning and Development to coordinate city planning and the agencies involved. The second director of the Office of Planning and Development, Mike Lindberg, hired the young Don Mazziotti to work on policy and research. Mazziotti is now PDC's executive director.

Also in the 1970s and 1980s, along with neighborhood rehabilitation, PDC refocused urban renewal on restoring Portland's downtown, as articulated in the city's Downtown Plan of 1972. Stopping the Mount Hood Freeway proposal and constructing MAX light rail instead increased the momentum to improve downtown. During this period, the Downtown Waterfront urban renewal district was formed, leading to the construction of Pioneer Courthouse Square, the replacement of Harbor Drive with Tom McCall Waterfront Park, the development of River Place, the expansion of the transit mall, the building of three large parking garages, the improvement of Union Station and the creation of Pioneer Place mall. This is a prime example of where PDC urban renewal successfully followed and implemented the prospective vision of the city's planning authorities.

The previously mentioned tax limitation measures of the 1990s forced a substantial change in PDC and launched what has been called the "Post-Modern" period. This transition has been marked by an increasing focus on mixed-use development, greater participation by the private sector and increased community involvement. These 15 years (1990-2004) have also seen a gradual increase in resources allocated to the more amorphous realm of "economic development."

PDC now states its mission and vision as follows:

To bring together resources to achieve Portland's vision of a diverse, sustainable community with healthy neighborhoods, a vibrant urban core, a strong regional economy and quality jobs for all citizens.

To invest resources, time and professional talent into helping other people succeed. Through a dynamic combination of financial programs, planning and project management, construction projects, and technical expertise, we help grow business and jobs, help revitalize neighborhoods, help low-income families buy or repair homes, and ensure new housing is available to people of varying incomes. Simply put, we are a customer service organization linking people and resources to help make Portland a great place to live.
As PDC’s role has grown to encompass economic development, it now considers one of its goals to facilitate the growth and diversification of business activity that (1) creates jobs, income and wealth, and (2) creates investment that generates municipal revenue to fund the provision of facilities and services that maintain and enhance our quality of life. While acknowledging that its jurisdiction for urban renewal projects is limited by the city charter to an area within five miles of the city’s boundaries, PDC considers itself to be "a special governmental agency," statutorily able to form "inter-governmental agreements" beyond this five-mile limitation for matters not related to urban renewal projects. Indeed, by treating PDC as its "economic development department," the city, in effect, broadly construed the charter provisions that permit PDC to "promote industrial expansion and location" and acquire property both inside and outside the city. At present, PDC plays a key role in supporting the Regional Economic Development Partners (operating under the name "Portland Regional Partners for Business"), a nonprofit corporation at present consisting of 27 members, a majority of which are public agencies; two are utilities and the remainder consists of private entities. These regional partners seek to coordinate economic development throughout a six-county area that includes Clark County, Washington. Because PDC employs architects, economists, lawyers and others associated with development, it staffs many of these intergovernmental economic planning efforts. For example, Gresham has contracted with PDC for some of its economic development activities.

F. PDC’s Major Areas of Operation

Apart from its administrative departments, PDC functions through three operating departments, "Urban Renewal (Development)," "Economic Development" and "Housing."

1. Urban Renewal (Development) encompasses the traditional real estate-based urban renewal projects involving assembling, clearing, preparing for development and reselling land for development by private parties. Major urban development and redevelopment necessarily involve housing and economic development components. Development constitutes most of PDC’s activities in urban renewal areas, beginning with South Auditorium, the earliest, to South Waterfront, the most recent. In its 46 years of existence, PDC has created a total of 17 urban renewal areas; seven of which have been completed and 10 of which are ongoing: Airport Way, Central Eastside, Downtown Waterfront, Gateway Regional Center, Interstate Corridor, Lents Town Center, Oregon Convention Center/Inner Northeast, River District, South Park Blocks and South Waterfront.*

2. Economic Development is the most recent addition to PDC’s mission. While economic development is

* See footnote on page 8 about the creation of Portland’s eighteenth urban renewal area.
typically thought of as specific efforts to foster a healthy, growing economy, it is clear that most everything government does affects economic development: tax policies, federal fiscal policies, infrastructure construction and maintenance, education and job training, land use planning and transportation facilities, to name only a few. For some, governments' roles in economic development should be limited to these traditional functions. To them, "build the livable city and they will come" is a more effective form of economic development than specific efforts through tax breaks and abatements and other inducements to recruit new companies to locate here or stay here. For others, economic development involves specific activities designed to increase jobs and help businesses start, expand, move into or remain in the area. It is difficult to define in isolation PDC's economic development role, as Urban Renewal/Development and Housing are themselves very significant components of economic development.

Evaluating economic development is difficult and controversial. This is largely because techniques for evaluation are difficult to devise and, even then, seldom applied. Differences of opinion exist as to whether efforts should be focused on recruiting new businesses to the area or on maintaining and expanding businesses already in the area, whether to focus on large employers or small ones, and whether to work with national chains or locally-owned businesses.

PDC is not only the city's Economic Development department, but through the Regional Economic Development Partners, has taken a leading role in economic development for the entire metropolitan area. The Regional Partners have grown from 10 to 27 members with annual dues and extra contributions close to $225,000. This is a small

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<th>PDC's Economic Development Programs</th>
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<tr>
<td><strong>Business Development</strong> focuses on the retention or expansion of existing businesses and recruiting firms who will integrate with and strengthen the region's existing base.</td>
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<tr>
<td><strong>Business Loans</strong> include both monetary loans and technical assistance to businesses within a specific urban renewal area.</td>
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<tr>
<td><strong>Enterprise Zone</strong> is a program PDC administers for the city in the North/Northeast Portland Enterprise Zone. It offers five-year property tax abatements for qualified businesses expanding or relocating within the zone.</td>
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<tr>
<td><strong>Industry Development</strong> focuses assistance to industry sectors identified as having good potential compatibility with Portland area resources.</td>
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<tr>
<td><strong>Storefront Improvement</strong> makes matching grants to businesses in urban renewal areas to improve their building facades.</td>
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<tr>
<td><strong>Small Business Support</strong> seeks to identify and remove impediments to the formation, survival, and growth of small businesses. City Council in March 2003, established the Small Business Advisory Council staffed by the Small Business Advocate at PDC.</td>
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number when compared with PDC's economic development budget.

While PDC acts as the economic development agent for the city as a whole, TIF funds can be used only in the urban renewal area in which they are generated. The fact that a substantial part of its budget revenues are from TIF funds limits much of PDC's economic development efforts to the 15 percent or less of the city within urban renewal areas.

For the eight years from 1988-89 through 1995-96, the annual budget for PDC's economic development department averaged slightly over $2.9 million. For the next eight years, 1996-97 through 2003-04, it averaged nearly $18 million. In fiscal year 2003-04, over one-half of the expenditures for economic development were used for economic development loans and the Economic Opportunity Fund, about 15 percent went to the Seismic Loan Program, 6 percent to Business Retention and Recruitment and 20 percent went to payment of salaries, materials and services. Most of the balance went to direct financial assistance and capital outlays.

PDC develops its own five-year goals and each year sets annual goals within these five-year frameworks. In 2003-04 it set a goal of creating or retaining 1,000 jobs as a result of PDC loans, grants or tax abatements. It reports as of March 2004 having created or retained 1,237 jobs, and forecasting an additional 193 by the end of the 2003-04 fiscal year.

3. Housing involves rehabilitation of existing housing stock and those portions of urban renewal projects that provide new housing. Prior to 1958, the Housing Authority of Portland was the urban renewal agency for Portland. The 1958 Charter Amendment, Chapter 15, provided that PDC "automatically, by its formation, assume all duties and obligations of the Housing Authority of Portland, Oregon, relative to urban renewal and redevelopment, upon the relinquishment by the Housing Authority of Portland, Oregon, of such duties and transfer of any funds obligated there-to." Since then, PDC has subsidized the private development of market and low-cost affordable housing in urban renewal areas, while the Housing Authority continues to develop and operate low-income housing throughout the city, using mostly federal funds.

The term "affordable housing" is difficult to define and subject to misuse.* Essentially, it refers to housing that is subsidized in some manner to make it available to those whose income would not otherwise enable them to afford it. The federal and commonly used standard is that a household should not have to spend more than 30 percent of its income for total housing costs. Because PDC is charged with improving access and quality of housing in general, it classifies "affordable housing" as housing available to households earning up to 150 percent median household income and subsidizes housing projects up to that income level. Households eligible for low-income "affordable housing" fall into three categories of median household income (see inset page 20). The figures for each category are

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* For a thorough understanding of affordable housing, please refer to City Club's 2002 report, "Affordable Housing in Portland."
Portland's housing policies support "balanced communities," i.e. "that neighborhoods throughout Portland collectively reflect the diversity of housing types, tenures (rental and ownership) and income levels of the region." PDC is to strive to achieve this city-wide balance "in the central city, Gateway Regional Center, in town centers and in large redevelopment projects."

About 25 to 40 percent of PDC's annual expenditures are for housing in urban renewal areas.

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<tr>
<th>Income Categories for Low-Income Affordable Housing (2004)</th>
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<tr>
<td><strong>Median Household Income (MHI):</strong></td>
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<tr>
<td>$67,000</td>
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<tr>
<td><strong>Low income:</strong></td>
</tr>
<tr>
<td>50-80% of MHI</td>
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<tr>
<td>$33,950 to $54,300</td>
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<tr>
<td><strong>Very low income:</strong></td>
</tr>
<tr>
<td>30-50% of MHI</td>
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<tr>
<td>$20,350 to $33,950</td>
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<tr>
<td><strong>Extremely low income:</strong></td>
</tr>
<tr>
<td>0-30% of MHI</td>
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<tr>
<td>Under $20,350</td>
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</tbody>
</table>

PDC's housing goals and policies are governed by a combination of the Metro 2040 Plan and Portland's Comprehensive Plan. Their housing mission is to "bring together community resources to achieve Portland's vision of a vital economy with healthy neighborhoods and quality housing for all citizens." PDC housing programs cover:

- Single Family Programs, helping homeowners rehabilitate their homes and first-time buyers purchase homes.
- Multi-Family Services, assisting owners to build or rehabilitate multi-family residential structures.
- Housing Preservation, administering federally subsidized programs serving households at or below 60 percent Median Family Income.
- Housing Development Incentives, providing help to housing developers in the form of property tax exemptions and waivers of various development fees.
PART II — DISCUSSION AND ANALYSIS

A. Urban Renewal (Development)

PDC straddles the line between public agency and private enterprise, enticing resources from the private for-profit sector in order to reach public goals of the community. PDC’s role as a bridge between private interest and public good leads to three primary tensions:

Tension 1: **Opportunism v. Planning** — Should PDC take advantage of opportunities as they arise or be constrained by the long-term planning goals of the city?

Tension 2: **Flexibility and Speed v. Accountability, Transparency and Public Involvement** — Should PDC have the flexibility, speed and confidentiality necessary to take advantage of these opportunities or should it be bound by the same standards of accountability and transparency expected of government agencies?

Tension 3: **Return on Investment v. Livability and Quality of Life** — Should PDC be evaluated by the financial return on its investments or by the physical cityscape and communities it helps make possible?

Your committee found these three tensions so pervasive that we have organized much of our analysis of PDC’s urban renewal efforts around them.

These basic tensions explain much of the difference in the testimony your committee heard about PDC. Overall, most witnesses praised the quality of development influenced by PDC and the "feel" of Portland resulting from the organization’s contribution. When critiquing the organization, witnesses from the private sphere — developers, small business owners and investors — were more likely to criticize PDC for behaving too much like a government agency, for having "pie in the sky" visions that ignore market realities, for being too slow and too bureaucratic, and for holding endless public hearings. The elected officials and citizen activists interviewed by your committee were more likely to fault PDC for insufficient public involvement and for being too solicitous to business interests.
Tension 1: Opportunism v. Planning

Who drives development in Portland is not completely clear. Although Portland's Bureau of Planning is officially charged with planning for the city's growth, PDC and the private sector also determine the type and rate of development within the city. In investigating the semi-autonomous, quasi-governmental nature of PDC, your committee found that PDC's flexibility did increase its effectiveness. However, your committee also found that this latitude decreases transparency and makes it difficult for the public to hold PDC accountable.

It is clear to your committee that PDC's great strength is its ability to use financial incentives to encourage private development that meets broader city goals, whether or not that development had been foreseen in existing city plans. The River District — commonly referred to as the Pearl District — may be the most positive example of how PDC has worked with private developers to promote objectives such as infill and density, while integrating new development with public transportation and public spaces.

The River District plan was a private sector initiative spearheaded by the largest property owners in the district, not by the Bureau of Planning or City Council. It was the landowners who had the original vision for turning the old rail yard and warehouses into a dense urban neighborhood. However, they worked with PDC, the Bureau of Planning and other city agencies to make the River District into what has been described as one of the most successful redevelopment efforts in the nation. According to Pearl District developer Homer Williams, the area could have been turned into a Georgetown-style neighborhood populated by townhouses in the $700,000 price range. He claims that it would have been so profitable that "it would have been like printing money." Instead, the developers negotiated with PDC for investments in public infrastructure — as well as tax abatements — that would make possible a higher density project with a more urban feel. The city — in part using TIF dollars — removed the Lovejoy viaduct, built the Portland Streetcar, and made
other investments. In return, the city gained high-density developments such as the Brewery Blocks and a mixed-use urban community in the former rail yard. Hoyt Street Properties agreed to build 87 units per acre once the Lovejoy viaduct was removed. It raised the density to 109 units per acre once construction on the streetcar commenced and finally agreed to 131 units per acre after the city committed to three parks. In addition to the added density, Hoyt Street Properties contributed approximately $821,000 cash toward the streetcar and ramp construction, both considered essential to making those projects possible. Hoyt Street Properties also dedicated one city block for Jamison Square park.

Another example of PDC’s ability to influence the private sector on behalf of the public’s good was the $2 million grant and $6 million loan made to Pearl District developer Gerding/Edlen for the Brewery Blocks project, in part to ensure that 1,300 parking spaces would be placed underground.2

Despite these public benefits, some have argued that, in the River District, PDC could have struck a better deal with developers and gained more for the public. According to Shelley Lorenzen of the League of Women Voters of Portland, at the time that PDC was beginning to offer incentives to encourage higher density, some developers were already following the market lead and moving in this direction without public subsidies. Affordable housing advocates raised similar concerns, arguing that PDC’s commitment from private developers to build low-income housing was insufficient.3 Nonetheless, the River District is an example of how PDC has worked with the private sector to achieve public benefits through the use of public and private monies.

In other cases, it has not been the private sector that initiated development, but the Bureau of Planning or PDC itself that was the instigator. The original creation of the Downtown Waterfront Urban Renewal Area and its recent extension offers a contrasting view of two ways that development takes place in our city. At its inception, the Downtown Waterfront Urban Renewal Area was closely tied to the Downtown Plan of 1974, which was intended to revitalize the central city and make it the retail, financial, cultural and transportation hub of the region. This plan included the creation of Pioneer Courthouse Square, Tom McCall Waterfront Park, and Riverplace. Improvements in transportation were planned to encourage retailers to locate downtown and shoppers to frequent central city businesses. These efforts were very successful and earned Portland a reputation for taking bold action in planning and redeveloping its urban core at a time when most urban centers were decaying.

As the early goals were attained, new opportunities appeared, and PDC acted on them. When in 1988 the Central City Plan was adopted, PDC had already acquired Union Station and the rail yards, moving in sync with the Bureau of Planning. PDC supported the Westside Light Rail project and expanded support of downtown housing. After 20 years,
and with unused allowable debt, PDC and City Council extended the Downtown Waterfront Urban Renewal Area for 10 years, to 2004. Your committee views the success of the downtown revitalization effort, which took place from 1974 to 2004, to be largely attributable to a symbiotic relationship between the planning work of the Bureau of Planning and PDC's work as implementer of the plan.

By contrast, the recent extension of the life of the Downtown Waterfront Urban Renewal Area appears to be a reversal of roles. By 2004, most of the elements of the 1974 Downtown Plan had been achieved, but City Council, in a three to two vote, extended the URA an additional four years, taking advantage of $80 million in unused debt. The projects used to justify the extension included relocating fire station No. 1, purchasing land from Multnomah County to build a new courthouse and creating a Burnside-Couch couplet. Good ideas, perhaps, but none of them are necessary to achieve Portland's vision of a vital downtown or to motivate continued private investment in the current real estate development market. Supporters of extending the life of the URA cited "unmet needs and opportunities" as the rationale for the decision. This may evince PDC's unspoken policy that, as long as allowable debt remains unused, URAs will be extended to seize further opportunities, no matter how successful they have already been in achieving the city's planning goals. While your committee believes that opportunities cannot always be predicted and some latitude to take advantage of them is required, a long-range vision and agreed-upon goals should first be in place to ensure that the overall needs of the community are not sacrificed to the opportunity of the moment.

Urban planning is essentially a prospective tool, attempting to assess future needs and planning for growth and development in an organized, rather than haphazard, way. Along with the Bureau of Planning, other public entities are involved in determining the development of Portland. Metro, for example, is involved in planning through its Framework Plan and Functional Goals, which include Urban Growth Management (the Urban Growth Boundary), Regional Transportation Plans, and Parks and Open Spaces.

Historically, urban planning in Oregon was conducted by local authorities and carried out primarily through zoning codes, prescribing what activities are permissible in each area of the local jurisdiction. To provide a more comprehensive structure for planning, the 1973 Oregon Legislature adopted Senate Bill 100, creating a state Land Conservation and Development Commission (LCDC) to fashion and adopt statewide planning Goals and Guidelines, which LCDC did, effec-
January 1, 1975. In concert with this, Local Goals and Guidelines (Comprehensive Plans) address transportation and public facilities with maps to disclose the general land uses in the jurisdiction. To implement these guidelines, local jurisdictions adopt zoning plans consistent with their Comprehensive Plan, which must be approved by LCDC.

It is noteworthy that the first of the required statewide goals is citizen involvement in the planning process. In Portland, this means citizens are to be invited to participate in the review and amendment of the comprehensive plan every five years. This, however, has not taken place. Since Portland adopted its Comprehensive Plan in 1980, except for some review in particular areas, the periodic review has not occurred, primarily, we are told, because of lack of funding for the Bureau of Planning, including the volunteer Planning Commission. As a result, planning has largely been relegated to zoning and design guidelines, which involve only those proximately located to the property. This lack of attention to regular updating of the Comprehensive Plan is one factor contributing to "opportunity" prevailing over "planning."

Specific activities conducted within urban renewal areas are usually beyond the reach of the Bureau of Planning. Planning is necessarily involved in the creation of new or major amendments or extensions of existing urban renewal areas, which must be approved by City Council. Once such approval occurs, except for required zone changes, Planning has no formally mandated role in what occurs within an urban renewal area. Once an urban renewal area is established, PDC — based primarily on market opportunities frequently with little or no input from
the Bureau of Planning — determines what happens within the URA during its life, typically 20 years plus extensions. While there is an understanding that the Bureau of Planning should do the "planning" and PDC should "implement" those plans, clearly that is not the way things always happen in urban renewal areas. As a result, there have been clear tensions between Planning and PDC. While Mayor Vera Katz, who is in charge of the Bureau of Planning and PDC, has attempted to achieve greater cooperation between the two, the vastly greater resources of PDC make it the Goliath compared to Planning's David, albeit a David without a sling.

In August 2004, tension resurfaced in connection with PDC's plans for the Lloyd Crossing Catalyst Project and Sustainable Urban Design Plan, covering the area between the Oregon Convention Center and the Lloyd Center. PDC's project coordinator was quoted in the Portland Tribune, "We're looking forward 25 years. This is a new, cutting-edge way of doing urban renewal areas. We're trying to think of ways of identifying this district, to brand this district." The Portland Tribune reported that PDC's "aggressive method of defining a master plan for the Northeast neighborhood, however, riled some members of the city's Planning Bureau." The article went on to say, "From the community's perspective, the two agencies' efforts sometimes create questions about who is in charge of the planning and of setting city planning policy." Planning Director Gil Kelley commented, "The city needs to develop these roles and relationships more clearly." Other observers have commented that while the two bureaus are wrangling with each other, large property owners are gaining more influence over decisions and the public appears to be left out of the process at crucial stages of the project.

Another factor keeps the Bureau of Planning in the dark. The development of many PDC projects takes place over long periods of time, sometime years. Yet the "confidentiality," claimed by PDC as necessary to develop a project to fruition, frequently keeps Planning outside the process until the project is virtually ready for adoption. At this point, Planning's input may be too little or too late to make a difference.

A case in point is the acquisition of the DoubleTree Hotel by PDC on behalf of Portland State University. In 1995, City Council incorporated the University District into the Central City Plan, which essentially suggested that PSU develop the "no man's land" consisting of 21 blocks from Market to the Freeway between Fourth Avenue and Broadway. Despite this prospective planning, PSU, as early as 1999, cast a covetous eye on the DoubleTree Hotel property, although it was located east of Fourth Avenue and outside the University District. Over several years with PDC's help, eventually in the role of condemnation agent, PSU acquired the DoubleTree. But, this was not made public until July 30, 2003, which is when the Bureau of Planning first became aware of the intended acquisition, too late to have any input or
influence. It was formally approved by PDC in November 2003, despite the opposition expressed a year earlier by the then PDC Chair, John Russell, because it "leap-frogged" the University District, which was approved by Planning and City Council for PSU's expansion. Russell's opposition was not mentioned in the subsequent PDC public proceedings leading up to approval, as they all took place after Russell left the Commission.

The lack of attention to planning is further exacerbated by Portland's commission form of government, where five commissioners, each primarily responsible for the administrative functions of running different executive departments, lack significant time to devote to legislative functions.* A full-time legislative body not only passes laws, it typically engages in long-range planning, as well as ongoing oversight of the executive and administrative branches of government. This cannot realistically happen under Portland's current form of government. As a result, PDC, driven by development opportunities and its ties to developers, has become Portland's dominant planning organization, particularly in the central city covered by urban renewal areas. Furthermore, the interests of city commissioners as heads of bureaus may conflict with what should be disinterested legislative concerns.

Over the course of our two-year study period, your committee has observed some progress being made in the working relationships between PDC and Planning. For example, the Planning Commission and the PDC Commission held a joint session to focus on improving coordination. Staff from both organizations has also told your committee that the effectiveness of their working relationship is improving. Still, your committee thinks that the Bureau of Planning needs a more clearly defined role, additional resources and a more prominent voice at the "development table." We also think that when guided by a publicly supported plan, PDC is better equipped than the private sector to drive development that enhances Portland's livability.

* In 1961, City Club issued a report recommending replacement of Portland’s commission form of government with a strong mayor/council form, followed by a subsequently approved report, which drafted a proposed implementing charter amendment. Placed on the ballot in 1966 by an initiative sponsored by the League of Women Voters, Young Democrats, Young Republicans and Junior Chamber of Commerce, the measure was defeated. In 1999, in its report on "Increasing Density in Portland," the Club concluded, "our research confirms that the commission form inhibits more coordinated and effective management of our city." Despite the Club, in 2002, rejecting the majority report that supported passage of a specific strong mayor/council ballot initiative, it adopted the minority report which recommended that the city appoint a "blue ribbon panel" to examine the issues. While Mayor Katz initially expressed initial interest in doing that, the idea has not been realized.
Tension 2: Flexibility and Speed v. Accountability, Transparency and Public Involvement

While PDC’s relative independence from City Hall contributes to its effectiveness in partnering with the private sector, your committee questions whether the public and elected officials have effective or sufficient control over PDC. Developers and investors — as well as many public officials — interviewed by your committee insisted that if PDC were more directly tied to the political process it would be a less effective organization, unable to broker deals. They also argued that PDC’s separation from City Hall allows it to make good judgments based on the financial merits of proposals rather than on the political calculus of the moment. PDC’s refusal to fund a new baseball stadium, according to former PDC Commission Chair John Russell, is a good example of how its insulation from politics enables it to make financially sound decisions that may go against City Council. Many witnesses also contrasted Portland’s success at creating partnerships that lead to compact, aesthetically pleasing, transit-oriented urban development with the failures of Seattle and Vancouver, Washington to do the same. Both cities lack an independent urban renewal agency.

Despite the “separation,” PDC is ultimately accountable to City Council, which must approve all urban renewal plans, major amendments, extensions and bond sales, and to the city commissioner who holds PDC in his or her portfolio. Oregon law also mandates public involvement in the planning and approval of urban renewal districts. City Council exercises legislative policy-making at the adoption or amendment of a URA or upon its extension. It does not vote on individual projects within URAs. Unless there is a major amendment of the boundaries or duration of the districts, City Council has almost no official say over the administration and development of urban renewal areas during their 20 or more year life spans. The City Council does on occasion use its power to establish and extend the life of districts or to adopt major boundary amendments to affect specific projects. Examples of this are the insistence on more affordable housing as a condition of approval of South Waterfront, the more recent decision to extend the Downtown Waterfront URA and the proposed amendment of River District to include Old Town, an idea put forward successfully by the League of Women Voters of Portland. These are the occasional exercises of planning by City Council acting as a legislature, but the examples are few and far between when it comes to PDC.

More often, City Council exerts an informal influence rather than direct control over PDC and its spending priorities. For example, city commissioners often try to ensure that some TIF money goes to projects that help their bureaus. Commissioner Dan Saltzman volunteered to your committee that he lobbied PDC for a children’s receiving center as part of the Gateway urban renewal area. He also convinced City Council to mandate that PDC require all new developments receiving PDC’s financial assistance to incorporate more “earth friendly” designs and materials. PDC originally resisted both of Saltzman’s proposals, but eventual-
ly agreed. In a meeting between the City Council and the PDC commissioners over the extension of the Downtown Waterfront district, Commissioner Erik Sten expressed concern that extending the life of the district would lead to an erosion of public trust in urban renewal. He supported the extension ultimately because it included adequate provisions for affordable housing, and the Bureau of Housing and Community Development is in his portfolio. Your committee also heard testimony that PDC is particularly responsive to the agenda of Mayor Katz, who holds PDC in her portfolio. Mayor Katz, herself, described the Chinese Garden as a fulfillment of a promise she had made to Bill Naito.

The legal rules governing the relationship between City Council and PDC do not say much about how they should interact. Former City Commissioner Gretchen Kafoury and former PDC Executive Director Felicia Trader both stressed that personal qualities and personal relationships determine the dynamic between PDC and City Council. Changes in the membership of the City Council and the leadership of PDC have led to differing levels of independence and cooperation. Prior to the 1990s, City Council maintained a relatively hands-off attitude toward PDC. Partially as a result of the funding crisis brought on by Measure 5, this changed. After Commissioners Sten and Jim Francesconi were elected and Felicia Trader took over the directorship of PDC, the two organizations were better able to integrate their goals and work more collaboratively. Commissioner Saltzman concurred that PDC and the City Council have become more collaborative during his time on the Council, noting that he meets monthly with the director of PDC and quarterly with its commissioners.

Although much of City Council's influence over PDC is indirect and informal, taking place behind the scenes, both City Council and PDC seem content with this arrangement. This informal influence gives City Council a vehicle for financing projects in which they have a particular interest, but also gives them enough distance so they don't have to endure criticism if those projects fail or prove unpopular. At the same time, it preserves much of the independence and discretion that PDC covets. Because of the political insulation of PDC and its ability to effect large-scale capital improvements, local governments and governmental agencies, such as the city of Portland, Multnomah County and TriMet, look to PDC as a major mechanism for securing capital improvements (a new fire station, a new courthouse, a new light rail line) that might not be approved if submitted to a vote of the public.

Beyond the oversight limitations of City Council, another challenge in holding PDC accountable is the Council's difficulty in gaining access to information on PDC activities. Your committee heard from past and present City Council members that obtaining information from PDC is often difficult. One witness suggested that part of the difficulty in communicating with PDC results from the internal requirement for PDC staff to receive permission from the executive director before talking to or sharing information with the PDC commissioners and other agencies. While it may be a common practice for an organization's leader to be informed about the engagement of staff with external entities, your
committee believes that PDC staff, at all levels, and PDC's commissioners should be free to exchange information directly between each other.

Similar complaints came from other sources. The Housing and Community Development Commission's (HCDC) sixth annual housing evaluation report released in July 2003 raised a number of issues regarding the PDC's provision of relevant financial information. Your committee experienced its own frustration with information provided by PDC. It was often so dense and voluminous as to be useless to the non-expert or so carefully crafted and digested as to preclude independent critical assessment. Granted, most organizations generally present information so as to cast themselves in the most favorable light, and when your committee pressed for additional information, PDC was forthcoming. It appears to your committee, however, that PDC's information management systems may not adequately support the scope and complexity of activities engaged in by PDC, an organization so multifarious that one PDC staff member referred to it as "the beast." A number of developers commented that PDC is "bad at collecting and using data" and lacks clear standards for "appraising, pricing [and] bidding on property." Among other things, this lack of clear information has made evaluating the impact of TIF on other taxing jurisdictions acutely difficult.

The PDC of 2004 is not the same PDC that, in the sixties, tore down the vibrant but ramshackle neighborhoods that spread across what became the South Auditorium district, nor the PDC that, in the early seventies, displaced a largely African-American community, destroying viable affordable housing, in order to make room for an expansion of Emanuel Hospital. In recent years, PDC has become more cautious and limited in its use of condemnation, and more sensitive to community input and approval. Almost every witness that your committee interviewed — whether they thought the current level of public involvement was sufficient or not — emphasized PDC's attempt to improve its public involvement process. Generally, PDC holds multiple meetings each week that are open to the public and often hosts events at which it actively seeks comments from citizens and community members. Each urban renewal area manager has four to five meetings per month with URA constituents. According to PDC executive director Don Mazzioti, PDC held 23 public meetings during the 2003-04 budget process alone. Members of your committee attended a number of PDC's public meetings. In general, your committee was impressed by the good-faith effort made to answer questions and solicit opinions. While the format of these meetings was quite variable, they were for the most part lively and open, and the public was treated with consideration and respect.

Many urban renewal areas now have an Urban Renewal Advisory Committee (URAC). On March 12, 2003, the PDC Commission adopted Resolution No. 5990 "Establishing Procedures for the Formation and Operation of Urban Renewal Advisory Committees." These procedures included some important procedural policies:
• "Agency Partners," members representing PDC and other public agencies, while they may vote on administrative and procedural matters (including election of officers) "should refrain from voting on matters intended as feedback to the PDC Board of Commissioners."

• "Conflict of Interest — if a vote is being taken by the URAC on a matter that may have a direct financial impact on a member or entity that the member represents, he or she shall declare that conflict of interest at the outset of discussion. Members who declare such a conflict will be able to participate in any discussion, but must abstain from voting."

These procedures were made applicable only to URACs for urban renewal areas "established by the PDC Board of Commissioners after March 12, 2003." As all current urban renewal areas were created before that date, these policies to this date have no force and effect. Indeed, as if to emphasize this, in January 2004, PDC's Executive Director issued "Operating Procedures for North Macadam [South Waterfront] URAC, which contain neither of the prophylactic provisions relating to staff voting and conflict of interest contained in the March 12 resolution.

The URAC for South Waterfront (formerly North Macadam) presents an interesting case study. South Waterfront is an area with few property owners and virtually no residents. In creating a URAC for the area, PDC did not seek representation of various public interests. Rather, as of August 2003, the URAC consisted of five representatives of property owners in the area, three representative of the two large developers interested and involved in development in the area, a representative of Oregon Health & Science University (OHSU, now a property owner and developer in the area), one employee of the Bureau of Housing and Community Development (who was then being replaced), two PDC staff members, one representative from the adjacent Corbett Terwilliger Lair Hill Neighborhood Association and one community "open spaces" advocate. Critics have claimed that membership on this URAC is scarcely a reasonable cross section of community interests.

When, on August 7, 2003, this URAC considered the amendment to the South Waterfront URA to add the DoubleTree property to the area, it acted upon materials prepared by PDC staff only one week earlier, although PSU's designs on DoubleTree went back to 1999. At this meeting, a PDC staff member seconded and voted in favor of the staff recommendation, which passed over the dissent of the Lair Hill Neighborhood Association representative and one small property owner. PDC staff members present did not mention the opposition to PSU's acquisition of the DoubleTree property expressed by PDC's recently resigned Commission chair, John Russell. While chair of PDC, Russell expressed the opinion that PSU's leapfrogging east of Fourth Avenue violated the city's 1995 University District Plan (designating the north-south corridor along Broadway,
Sixth and Fifth Avenues for PSU expansion). When some members tried to slow down the process for more information, the representative of the Zidell property commented that the URAC’s role was "advisory only" and unless the URAC acted, PDC would proceed without its input. Although two of the members disclosed their membership on the PSU Foundation, they nevertheless voted in favor, despite PSU’s primary interest in the DoubleTree acquisition. No one mentioned the March 12 Commission policies relating to conflict of interest.

Your committee believes it is unacceptable for the PDC Commission to adopt procedural rules for URACs, yet render them essentially moot by making them applicable only to urban renewal advisory committees in URAs not yet established. This vacuum has left PDC staff free to promulgate rules of procedure and conduct for URACs in the 10 currently existing URAs. This is particularly unsettling when the PDC Commission’s ideas of appropriate standards of conduct are not included in the executive director’s subsequently issued rules of procedure and conduct. Your committee recognizes that procedures might reasonably vary from one URAC to another. Nevertheless, we believe all these rules, even those particular to specific URACs, should be established by the Commission itself, not by the executive director. Furthermore, they should contain appropriate provisions for conflict of interest and prohibitive motion making and voting by staff.

Your committee found that the perception of PDC’s public involvement process varied among stakeholders in urban renewal areas, to a large extent, depending upon the degree of conflict over resource allocation. The River District is an example where most of the participants have been relatively content with the process. PDC did not establish a River District URAC, but, instead, has cooperated extensively with the existing Pearl District Neighborhood Association. Public involvement in the River

Lents URA: Fast Facts

Created: 1998
Expires: 2015

The Lents URA was created to guide the development of Lents as a regional Town Center as designated in the Metro 2040 Plan. Its location and historic land use patterns, however, discourage the type of high density, high value investments needed to support major infrastructure development.

Acreage: 2,472
Rank: 3 of 10

Max indebtedness: $75,000,000
Rank: 8 of 10
District has been successful for three reasons. First, developers and residents saw the need early on to work closely with each other. Second, there has been a clear consensus — shared by developers and residents, and supported by PDC — about the kind of development desired and their vision for the Pearl District. Third, the district has produced enough revenue to fund at least some of every group's wish list. Even in the River District, however, there has been conflict between PDC and neighborhood residents over how to use TIF revenues. For example, PDC purposefully created a bulge in the district boundaries to include the downtown Meier & Frank building so that some of the district's wealth could be diverted to restoring this historic landmark. "The priorities of [PDC] and the city government may not match those of the neighborhood," acknowledges PDC executive director Don Mazziotti. "Do you build a park and let Meier & Frank stand vacant?"

Established and operated in a more carefully structured manner, URACs can be the most appropriate vehicle for effective public participation in development-related decision-making. It is not clear, however, that the public has a greater level of influence on the actual decisions themselves. In contrast to the River District, public involvement in Gateway and Lents districts has been contentious from the start. Gateway and Lents URAs represent a change for PDC, which has traditionally focused on the central city or light-industrial and commercial areas such as Central Eastside and Airport Way. These URAs are on Portland's outer eastside and are surrounded by largely residential areas populated mostly by single-family detached houses. These projects respond to the criticism that PDC has been too focused on downtown and has ignored some of the more blighted areas on Portland's periphery. But in countering these criticisms and directing urban renewal dollars to other parts of the city, PDC has faced a whole new set of challenges.
Many residents fear that urban renewal will be used to meet citywide goals rather than what they perceive to be their neighborhoods' needs. They fear that the need to meet regional density plans will force them to accept infill and building heights that will destroy the character of their neighborhoods. At the same time, because these URAs are largely residential and have relatively little space for large-scale capital-intensive projects, they generate very few tax increment dollars. This lack of resources makes competition for what gets funded even more intense. Two instances can be cited of conflicts between PDC and the local community over use of funds: A low-income housing project in Lents that went ahead despite a 16 to 13 vote against it by the Lents URAC; a Children's Receiving Center in Gateway that City Commissioner Saltzman pushed for was approved, although it was not supported by the Gateway Program Advisory Committee nor, initially, by PDC itself. In both cases, community members felt PDC ignored their priorities. Bonny McKnight, who served on the Gateway Program Advisory Committee felt that PDC steered and eventually took control of the planning that was coming from the committee. According to McKnight, PDC used the committee to give itself cover, rather than as a vehicle for true public involvement and input.

Participating in urban renewal advisory committees and speaking at PDC's public hearings are not the only ways in which citizens can be heard. Nor are they necessarily the most effective way of influencing PDC. Well-organized groups who have mobilized around a particular concern have been able to shape urban renewal projects by directly lobbying City Council, although that can only happen at the adoption, amendment or extension of a URA. For example, environmental groups were able to win a wider greenway for the South Waterfront project and affordable housing activists got a commitment for more low-income housing in later phases of this same project.

The Office of the Auditor is another city agency that could offer some public oversight of PDC. Each year, the Auditor produces a number of performance audits on various government functions, as well as an annual Service Efforts and Accomplishments Report for the purpose of improving the public accountability of City government, assisting City Council, agency management and citizens in making decisions, and helping improve the delivery of public services. While this service report looks at nine city bureaus, including Planning, Development Services and Housing and Community Development, it does not include PDC. Nor has the auditor produced any individual reports on PDC. As far as your committee is aware, the Auditor has no current plans to evaluate PDC.
Tension 3: Return on Investment v. Livability and Quality of Life

It is appropriate to evaluate PDC both as a government and as a business; its success measured both by the return on its investment and its contribution to broader community goals. Evaluating it from these different perspectives poses significant challenges. On one end, public goals are often subjective and difficult to agree upon. These goals can include creating and preserving green and other public spaces; promoting density and mixed-use development; fostering alternative transportation options; supporting the city’s affordable housing and mixed income goals; fostering environmentally sound and sustainable development; and, in general, improving Portland’s livability. "Livability" is a set of subjective ideas about the overall character of the urban environment in which people want to work, recreate and raise their families. On the other end, although PDC is not a business, its investments are expected have a positive economic effect through increasing tax revenue, spurring job growth and fostering economic development. The general consensus among those your committee interviewed is that these are all desirable goals, and that the public's investment in PDC should, at least in part, be measured according to its success in achieving them.

Livability and quality of life are very much in the eye of the beholder. What might be considered a desirable city environment by one person or group may not be by others. Before we can answer the question of whether or not PDC has contributed to the livability of Portland, we must know what the city’s vision is, how widely it is held, and how it was created. The city of Portland, through its Planning Commission, Metro and other public agencies have set goals for some of the qualities desired in Portland’s physical, economic, social and natural environments. It would seem to follow that these

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2001 Survey on Urban Renewal & PDC

When asked what Portland residents thought was good about urban renewal, the three most common answers were:

- It rehabilitates the city and neighborhoods (28%)
- It creates an overall better community (15%)
- It helps clean up the city, creating a better environment with more green spaces (14%)

Other answers included:

- It creates more business (4%)
- It creates jobs (2%)
- It increases property values (2%)

(Source: CFM)
would be used to measure the performance of PDC within specific urban renewal districts. Most of the assessments your committee heard, however, were not based on community-supported goals. They rested, instead, on a much softer and subjective sense of livability: an overall evaluation of how PDC's projects contributed to the basic "feel" of Portland. When your committee asked witnesses how we should evaluate the performance of PDC, it was not unusual to hear, "walk outside and look around."

Most witnesses your committee interviewed spoke favorably of PDC's contribution to the life of the city. This was especially true of witnesses who were connected to local, regional or state government and might be described as members of the Portland establishment. Even many of the witnesses who were critical of the way in which PDC conducts business feel that PDC has made Portland a better city. When asked for evidence of this contribution, witnesses pointed to specific developments such as the East Bank Esplanade, Tom McCall Waterfront Park and the Chinese Garden, or to the vitality and urban feel of particular areas, such as the downtown or the Pearl District. They pointed to new parks, fountains and green spaces, new neighborhoods that are integrated with public transportation and mixed commercial and residential life, and the continuing vitality of Portland's urban core. Many of these witnesses suggested that these successes and their contribution to "what makes Portland special" are self-evident, and argued that no further evidence is needed of their benefit. Even when pushed for hard evidence of good or bad performance, most witnesses focused on PDC's contribution to the basic feel of Portland. Social critics and students of urban planning from around the nation have echoed these positive sentiments, praising Portland's public transit-oriented development, its avoidance of the urban sprawl that has plagued so many American cities, and its high quality of life, dubbing Portland "The Capital of Good Planning."

It is a different question whether this vision for Portland pursued by PDC and held by the Portland establishment is widely shared by all Portlanders. In 2001 PDC commissioned CFM Research to conduct a survey of opinions about urban renewal and PDC. The survey shows that the public has a fairly favorable view of urban renewal, but very little specific knowledge about PDC, how it functions and what it has done. Forty-seven percent of the respondents had a favorable view of the agency, while 21 percent were unfavorable. Another 32 percent were not sure what they thought of it. These numbers place PDC slightly below Metro and Portland City Council, but above Multnomah County Commission. Sixty-eight percent of those surveyed had either a very favorable or somewhat favorable opinion of urban renewal. However, the survey also revealed a lack of specific knowledge about PDC and its projects. Forty-three percent of those surveyed could not name or refused to name a specific project completed by PDC. The most commonly named project — volunteered by 8 percent of the participants — was "Light rail/MAX/Streetcar," in which PDC played only a subsidiary role. Seventy percent reported that they had a much more favorable view of urban
renewal when told that "Tom McCall Waterfront Park, River Place, Pioneer Courthouse Square and the Oregon Convention Center are examples of Portland urban renewal projects," suggesting that the general public, much like the witnesses interviewed by your committee, has the most positive assessment of PDC when it focuses on these types of high profile developments.

While this survey addresses the public's perception of PDC and urban renewal, it does not get at what may be the more pertinent question: whether the more basic goals of urbanism, density, mixed-used neighborhoods, and public transportation oriented development pursued by PDC are really aspirations shared by the broader community. Nor do the survey results made public by PDC reveal whether attitudes towards urban renewal and PDC vary significantly across the city. The 2002 Citizen Survey published by the Office of the City Auditor offers a more complex picture of the city and its values. Although this survey does not ask questions about PDC and urban renewal, nor are the respondents broken down by whether or not they live within an urban renewal area, it does show that people living in different parts of Portland see the city, its government, and the services that it provides somewhat differently. The survey breaks the city into eight parts — North, Inner Northeast, Central Northeast, East, Inner Southeast, Outer Southeast, Northwest/Downtown and Southwest — roughly corresponding to the eight city neighborhood coalitions. (See selected survey results in inset at right.) These figures do not show a city fundamentally divided, but they should prevent us from assuming that there is a single and unified vision of how Portland is doing and where it ought to be going.

Portland's vision of livability does have real and well-documented appeal for at least one group: well-educated 25-34 year olds. Since the year 2000, the Portland metropolitan area's population has grown faster than the national average. While the population aged 25-34

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### 2002 Citizen Survey
Conducted by the Office of the City Auditor

| Overall livability of the city was rated by residents as good or very good: |
|-----------------------------|-----------------|
| NW/Downtown                 | 86%             |
| Inner Northeast             | 85%             |
| Inner Southeast             | 82%             |
| Outer Southeast             | 69%             |
| East                        | 62%             |

| Recent residential development was rated by residents as doing a good or very good job of improving their neighborhood: |
|-------------------------------------------------|-----------------|
| NW/Downtown                                    | 54%             |
| Outer Southeast                                 | 37%             |
| East                                           | 31%             |

| Recent residential development was rated by residents as doing a bad or very bad job of improving their neighborhood: |
|-------------------------------------------------|-----------------|
| NW/Downtown                                    | 15%             |
| Outer Southeast                                 | 21%             |
| East                                           | 21%             |
has shrunk over the last decade nationally, their numbers have increased in the Portland area.11 These increases are even more striking given Portland's recent economic slump with some of the highest unemployment rates in the nation, proving that it is neither jobs nor economic opportunities that are attracting these newcomers. Oregon Employment Department economist Art Ayre has even argued that the magnetism caused by Oregon's high quality of life has magnified the recent unemployment problem, drawing in young migrants without jobs who have swelled the ranks of the unemployed.12

Livability is subjective, but this does not mean that livability issues are not real or not important. It means that the values and standards that Portland uses to assess livability must be the product of a free and open dialogue, in which all the constituent parts of the city participate. In the absence of such a conversation, Portland is in danger of subsidizing the preferences of some at the expense of others, and effectively disenfranchising parts of our community. PDC can help make Portland a more livable city if a common vision exists for PDC to follow. But, it is not PDC's job alone to define this vision. This responsibility also belongs to and must be shared by City Council, the Bureau of Planning and other parts of our civic polity. Your committee found that PDC has been successful at advancing goals held by the mayor and the majority of the city commissioners, as well as by many of the political actors in Portland. These elected officials should shoulder, in part, any criticism of the goals pursued by PDC.

When attempting to assess PDC's impact on Portland's livability, the primary challenge is the subjectivity of the measures. In contrast, the challenge of measuring the economic effects of PDC's endeavors lies in the difficulty of determining which actions create a discernible difference in the economic health of the city. The difference in each of these types of assessment is best illustrated by comparing the River District with Airport Way. The River District may be one of the most publicly recognized of all Portland's urban renewal areas, but at 309 acres it is the city's second smallest, easily dwarfed by the 2,780 acres of Airport Way, stretching along the Columbia River from 82nd Avenue almost all the way to Portland's eastern border.13 And this is only the beginning of the difference between these two districts. If the River District calls to mind images of a quaint streetcar, upscale boutiques and restaurants, and spacious lofts, Airport Way presents quite a different picture. Here it is office parks, interchanges and various kinds of com-
mercial space that dominate the landscape. If the River District exemplifies PDC's contribution to Portland's new urbanism, it is Airport Way that was supposed to be its economic development powerhouse.

PDC's objective for Airport Way was "facilitate development of the Columbia Corridor as a major employment center with a diverse economy" and to "encourage employers to provide quality job opportunities to residents of economically disadvantaged communities."14

Assessing PDC's performance in Airport Way would, at first glance, seem a much simpler task than in the River District. Here the question is no longer, "Do you like the streetcar?" or "Is this a neighborhood that you want live in or show off to your out-of-town guests?" but "Has PDC created new jobs, expanded business and increased the tax base?" Gauging the success of Airport Way and PDC's other efforts at economic development, however, turns out to be a surprising challenge.

One of the strong arguments in favor of urban renewal is that tax increment financing more than pays for itself. TIF funded investments are supposed to result in higher property values and, in turn, higher property tax revenues — a given amount of dollars of urban renewal investment will in the long run produce much more than that amount in increased public revenue in the future. In fact, PDC does have some numbers supporting such claims, showing that the average annual growth in the assessed real market value of land in five of their urban renewal areas has been 6 percent to 14 percent compared to the city's average of 4 percent. According to an outside audit by E. D. Hovee & Co. of these five urban renewal areas, "these districts contribute[d] more than twice their fair share of assessed valuation to the city's tax base."

But these numbers do not tell the full story. The question everyone — especially city leaders — should be asking is not simply how much faster these areas grew than the rest of the city, but how much faster they grew than they would
have if there had been no public investment. It is the difficulty of addressing this "but for" question that makes assessment of the true financial benefits of urban renewal and tax increment financing so hard to answer — not just for Portland, but nationwide. Urban renewal areas are chosen not just because of evidence of visible blight — abandoned and dilapidated buildings, empty storefronts and boarded windows — but also for their development potential. If there were not strong evidence of this potential, an urban renewal district would be considered too risky an investment, unable to produce the TIF needed to fund interesting and worthwhile projects, and it would never get off the drawing board. According to The Oregonian, PDC long resisted extending urban renewal to Northeast Martin Luther King Jr. Boulevard, an area that visibly met many of the criteria of blight, because property values were so low and the potential for growth so small.15

To be designated for urban renewal, an area must be seen as ripe for development. Thus, that property values in the urban renewal districts grow at a faster rate than the rest of the city is not much of a surprise, and such relatively high growth rates may have happened even without the infusion of TIF dollars. Even in the rapidly developing River District, with growth rates as much as 30 percent higher than the citywide average in 2000-01, it remains an open question how much of this growth in value was a product of PDC’s investment and what would have happened without this input. As early as 1988, 10 years before the River District urban renewal area opened, The Oregonian was reporting the rapid transformation of the Pearl District into a burgeoning arts district, complete with galleries and antique shops, noting that what was "once viewed as a slumbering giant of dilapidated warehouses and obsolete loading docks" was now attracting "the attention of investors, businesses and arts-related tenants."16

Even if these high growth-rates were entirely attributable to PDC, the true financial benefit to the city as a whole would still be unknown. Some of the growth within an urban renewal district may be at the expense of development in other parts of the city. Urban renewal dollars, rather than simply stimulating development that otherwise would have never happened, may instead siphon off development that would have taken place in a different neighborhood. If this is true, high growth rates within the urban renewal areas may, at least in part, result in lower growth rates for the rest of the city. If TIF dollars merely
move development around, they are not contributing to the tax base. While a study of cities in Indiana that use TIF showed that they had higher growth rates in median owner-occupied housing values, other researchers have reached the opposite conclusion. Richard Dye and David Merriman's study of the Chicago metropolitan area found that the use of TIF increased the rate of property value growth within the URA in which it was used, but lowered the rate of property value growth in other areas and overall decreased the rate of property value growth for the entire metropolitan area.

The extent to which TIF funded urban renewal enhances the tax base and creates new jobs remains an open question. The "but for" problem makes an accurate accounting of the immediate economic benefits of urban renewal next to impossible. Despite this and the fact that PDC is not a business and cannot be evaluated solely by financial measures, your committee believes that PDC can and should do a better job of tracking the financial implications of urban renewal projects and communicating those implications to the affected parties. For example, in March 2004, City Council approved a four-year extension of the Downtown Waterfront URA. At the same time, Portland's public schools are struggling to maintain funding to pay teachers' salaries for the duration of the school year. During the URA extension decision-making period, your committee asked representatives of other taxing jurisdictions what they thought of the proposed extension. The answer given by Jim Sheerzinger, then superintendent of Portland Public Schools, was echoed by others we spoke to who stated that they weren't given any real numbers about the financial impact of the extension but rather a crude projection that was generally uninformative. However, PDC did offer to pay for a consultant to analyze the data, as it could not provide the analysis itself. Consequently, Portland Public Schools chose to remain silent on the issue.

So, is Portland getting its money's worth for the investment of public dollars made by PDC on behalf of the citizenry? Your committee cannot answer this question, and no one else seems to know the answer either — not by any empirical means at least. But the question of whether or not urban renewal pays for itself should not be confused with the question of its overall value. Along with jobs and revenue, urban renewal also contributes to those less quantifiable goods previously discussed, such as green space, density and vibrant neighborhoods, goods that must be included in any complete and satisfactory cost-benefit analysis. And so despite the "soft" nature of the measures, your committee has thus concluded that PDC has played a decisive and positive role in the redevelopment of downtown and portions of the central city but it has been less effective at using the tools of urban renewal in outlying areas.
B. Economic Development

PDC’s economic development efforts are receiving unprecedented attention. This attention has been driven by high unemployment rates, which since 2000 have often topped those of any major U.S. city, and by the local debate over whether Portland has become "unfriendly" to businesses, fueled by the loss of high-profile corporate headquarters such as Louisiana-Pacific to Nashville, Tennessee and Columbia Sportswear to Washington County. Calling it an "urban myth," local leaders, from Mayor Katz to PDC executive director Don Mazziotti, have vowed to prove Portland's commitment to attracting new jobs and businesses, and retaining existing ones.” Yet, despite this consensus on the need to increase the number of high-paying jobs and help businesses grow, there remains much uncertainty as to what economic development strategy should be pursued and who should take the lead in pursuing it, how much public resources should be dedicated to it, and how success and failure should be measured.

Portland does not lack economic development strategies. Rather, it has too many of them. The 2003 Portland Small Business Prosperity Strategy report noted that since 1996 there had been 11 different plans for Portland and the Portland region that, at least in part, addressed small business development. In 2002 the city, in cooperation with PDC, published the Blue Ribbon Panel Report on Economic Development, which, with appendices, runs well over 1,000 pages. The strategy set forth in that report currently guides PDC's economic development activities. Your committee found four main principles that appear to steer PDC's economic development activities.

- Rather than trying to recruit out-of-town companies, PDC believes it should focus on retaining the city’s existing businesses.

- Rather than looking for the next big thing, PDC is committed to helping small, locally owned businesses grow.

- Rather than viewing Portland's economy and economic health in isolation, PDC believes it should think about the region and regional economic development as a whole.

- PDC desires to identify and support industry clusters that are compatible with the region's available resources and strengths.

These principles guide PDC's economic development efforts, but not consistently. Resource constraints, PDC's own organizational complexity and opportunism all lead PDC periodically to violate these principles.

Whereas some cities emphasize recruiting new businesses, PDC's focus is on retention and expansion of existing businesses. According to Mazziotti, because
only 3/10 of 1 percent of U.S. companies relocated in 2003, retention is a more effective use of dollars than recruitment. Too many cities compete for those very few companies that are actually considering a move. Furthermore, Mazziotti argued, 80 percent of new jobs in the next decade will come from companies already here. As part of this retention effort, PDC visited 250 local companies during 2002.

PDC’s focus on retention over recruitment is one of the few places where financial constraints reinforce principles. As former PDC Economic Development Director Marty Harris noted, "our funding resources for doing 'true economic development' are limited." According to Harris, TIF accounts for 85 percent of PDC’s economic development budget, but must be used only within existing URAs and only for bricks-and-mortar projects. As a result, the funds for marketing the city as a whole or for recruiting a firm to a part of the city not in a URA are quite limited. Mayor Katz declared a fund for retention and expansion to be a priority as she prepared to leave office and her 2004 budget included $2.35 million dedicated to recruitment and retention of businesses. This was reduced to about $900,000, however, after a police arbitration decision cut into the budget. The one exception to the emphasis on retention is within urban renewal areas. "Within a [urban renewal] district where we need new businesses," Mazziotti noted, "we definitely do recruit." Here, not only are there more funds available, but also one of the primary missions of urban renewal is to attract and generate new business. Even within these urban renewal areas, many of the recruited business are local, either from Portland or from the Portland metropolitan region.

Focusing on small businesses, rather than looking for the next big thing, would seem to dovetail well with PDC’s policy of business retention. According to former Portland Business Alliance director Kim Kimbrough, 85 percent of new jobs are generated by businesses with fewer than 50 employees. The importance of small businesses for Portland’s job growth is also emphasized in the Portland Small Business Prosperity Strategy report, which notes that if "each of the local businesses with 10 employees or less in the Portland area were able to add one employee, 39,000 new jobs would be created, effectively replacing nearly all of the metro area jobs lost in the past three years." The Blue Ribbon report echoed these sentiments, admonishing the reader to "remember that small businesses are the backbone of our economy, and are where big businesses start."

In order to support its focus on small business, in 2002, PDC established the office of Small Business Advocate. This position works with the Small Business Advisory Council (SBAC), a public-private partnership that provides a forum for small businesses to advocate on their behalf. However despite acknowledging the importance of small business, PDC

* In March 2003, PDC and the Portland Business Alliance jointly hired a consultant team led by Progressive Urban Management Associates to develop an action-oriented Small Business Prosperity Strategy.
appears not always to act in concert with its expressed commitment. As previously stated, this is in part due to a lack of financial resources — TIF funds are limited to urban renewal areas and it is the big projects like South Waterfront that garner most of the funding and attention. But beyond that, PDC's actions sometimes give the appearance of an organization contradicting itself. For example, when word got out that PDC and Home Depot were considering siting a store in the Central Eastside, concern immediately surfaced regarding the effect the big box retailer would have on the cluster of small local businesses in the area that sell specialty hardware and building supply products. In this instance, PDC has been criticized for two things: first for engaging in practices that seemingly undermine its commitment to local small business and second for having "back room" conversations with Home Depot out of the public view. In regard to the first critique, opinions are mixed about Home Depot's effects on the business district. Some neighboring businesses believe it would be detrimental; others are not sure what the impact would be and some believe having Home Depot nearby would help. To its credit, PDC seems to be listening to the local area businesses and has agreed to conduct a market analysis that focuses on the major retailer's impact on existing stores and wholesalers, a traffic study, a parking plan and a site plan.

PDC will also launch a competitive proposal process for developers interested in the five-block Burnside Bridgehead Redevelopment at the east end of the Burnside Bridge, which Home Depot hopes to anchor. This last action on PDC's part responds to the second complaint leveled at PDC in this project — lack of transparency. As we have previously stated, PDC does require some amount of privacy in order to negotiate deals. In the case of the redevelopment of the Central Eastside, and specifically the possible addition of Home Depot to the neighborhood, the sentiments of Mary Roberts, CEO of Rejuvenation Inc., speak favorably of PDC's efforts. In a May 14, 2004 article from the Portland Tribune, Roberts said, "I think PDC is really trying to do the right thing. This is an area that really needs redevelopment, and they really are trying to balance the needs of the neighborhood." It remains to be seen whether the activities currently pursued in this URA will ultimately benefit local area small businesses. Your committee believes as long as the process is open and transparent, the chances for such benefit are significantly increased.

Another example where PDC's actions seem to collide with its stated desire to assist local businesses to grow and create jobs involves a homegrown retailer whose business is almost iconic of the "Portland ethos." New Seasons Market, a locally owned small grocery chain has been expanding its retail outlets since its inception in 1999. One of the company's strategies has been to employ people from the neighborhoods in which it sites its stores. Throughout 2004, the company was engaged in planning and building a store in an economically depressed area of North Portland. Although this is the type of development PDC states it wants to encourage, many of its actions made it more difficult for the company to move through the planning and permitting stages of building its new store. Although
PDC originally approached New Seasons with the offer of assistance, the company eventually declined PDC's "help" and continued on its own as it had originally intended. It appears to your committee that this may be a case in which PDC's leadership lost sight of the business owner's needs as well as achieving the big picture goals for the community.

The third focus for PDC's economic development efforts is regionalism. Your committee heard from Felicia Trader, a former executive director of PDC, and current PDC Executive Director Don Mazziotti, as well as a number of PDC commissioners, that the organization is committed to a regional approach to economic development. This commitment to regionalism is evidenced both by PDC's role in staffing the Regional Economic Development Partners and its approach to working with businesses and municipalities located outside Portland's city limits, but within the Portland metropolitan area. PDC makes a practice of notifying local economic development agencies before it recruits businesses from their jurisdictions into Portland. PDC's database of sites for potential development by new businesses is regionwide, and it actively promotes the region as whole.

The argument for a regional economic development strategy is threefold. While businesses largely ignore the artificial boundaries that mark cities off from each other, they do pay attention to the differences in natural resources and labor pools that define regions. As Mazziotti noted, "the world no longer consists of cities competing against each other, it is now regions competing." These regional differences are augmented by the development of industrial clusters — groups of similar business units that succeed because of the proximity of critical sup-

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port services such as technology, schools, and materials suppliers. PDC has been primarily looking at high technology clusters, including wireless services, silicon technologies and cyber security. Its collaboration with OHSU in South Waterfront is, in part, an attempt to jumpstart a Portland area biotechnology cluster. Second, focusing on regions allows companies, public agencies and industrial councils to pool limited resources, share information and develop coherent strategies. It also enables the region to create a distinct identity and concentrate on its core strengths and key export markets. Third, the commitment to regionalism also decreases the chance that Portland and adjacent municipalities will engage in bidding wars for the same company. Your committee believes such "beggar thy neighbor" strategies work to the detriment of all cities involved.

While PDC's leadership repeatedly emphasizes the importance of a regional approach to economic development, some of its actions clearly put Portland first, as demonstrated by its two most highly touted examples of job creation in Airport Way: Harry's Fresh Foods and Portland Hospital Service Corporation. Both are beneficiaries of PDC's "Quality Jobs Program" which provides a subsidy of about $2,000 for each long-term, well-paying job created within the urban renewal district. Both had explored moving out of Portland's city limits — Portland Hospital Service Corporation, for example, had looked at sites in Vancouver and Wilsonville. But given the nature of these businesses — Harry's Fresh Foods provides soups and salads for restaurants and groceries and Portland Hospital Service Corporation performs laundry services for Portland area hospitals — neither firm would have moved out of the Portland metropolitan region.

Such inconsistency of PDC's actions may result from its very size and complexity. Despite PDC leadership's sincere belief in regionalism, individual project managers are likely to have a vested interest in putting their urban renewal districts first, attracting what businesses they can, even at the expense of a Wilsonville or a Vancouver.

PDC possesses a number of strengths as the administrator of economic development programs. First, it is able to supplement the limited city General Fund and federal economic development dollars with TIF money from the urban renewal districts. While this constrains how economic development resources are used, it also enables some creative use of funds, and makes possible large-scale economic development projects such as those underway in South Waterfront and Airport Way. Second, despite some complaints from local developers and business owners, PDC is widely considered to have a better understanding of how businesses operate than other government agencies. While director of the Portland Business Alliance, Kimbrough expressed great confidence in PDC, believing that it is more "grounded in market fundamentals" than some of the other local public entities. Third, PDC is, according to a number of the witnesses your committee interviewed, trusted more by other local municipalities than City Hall staff and officials, and in a better position to work as regional partner. And fourth, PDC plays a crucial role as an information clearing house for economic development resources.
Broader questions remain about how well PDC’s programs are integrated with the overall economic development needs of the region, and about the need for further work on such issues as workforce training and workforce housing. Questions also remain about how to best evaluate economic development programs, especially those aimed at job creation. The same problems that plague the evaluation of the economic benefits of urban renewal also plague the evaluation of these programs. It is difficult to distinguish the jobs created by these interventions from what would have happened without them.25 A 2003 report by the Multnomah County Auditor on the Strategic Investment Program, a program that allows the county to grant property tax abatements in order to attract new businesses, highlights this problem. One of the original goals of the audit was to determine the costs and benefits of the program. This goal was abandoned because "it would not be feasible to accurately estimate the likelihood that the business would have located in the County without tax abatement."26

To date, PDC’s greatest contributions to the economic health of the region have come primarily from its traditional urban renewal and development projects, and less from other economic development programs. It is these projects that contribute most directly to the livability of this city and the sense of place that defines Portland. It is also these projects that provide much of the infrastructure that enable Portlanders to make the best use of their talents, energy and entrepreneurial drive.

C. Housing

PDC is the primary agency for implementing Portland’s housing goals within urban renewal areas. Those goals call for increased housing density throughout the city especially in the central city. PDC’s 2004-05 budget allocates over $90 million to the Housing Division, compared to $83 million for development and $28 million for economic development.

Housing targets are set by the Metro 2040 plan, specific City Council actions, if any, and the city’s "No Net Loss" policy that stipulates that urban renewal projects must not decrease the city’s stock of affordable housing in the central city. PDC has an overall target of producing 20,000 housing units by 2011. Its housing policy is also guided by the principle that the income range of housing in the central
city should mirror the income distribution of the city as a whole. In addition, some urban renewal area plans have Housing Implementation Policies that set specific goals.

PDC’s housing projects include support for both market rate and low-income affordable housing. Market rate housing is subsidized with development support such as land assembly, TIF-funded public infrastructure and tax abatements. Low-income affordable housing may also receive direct support in the form of low-interest loans and grants.

City Club’s 2002 report, “Affordable Housing in Portland,” identified a lack of adequate funding as the major obstacle to achieving the city’s low-income housing goals. In recent years, at the direction of City Council, PDC has filled some of that gap and has become a critical partner with low-income housing developers. The Housing Evaluation Group, a subcommittee of the Housing and Community Development Commission responsible for evaluating PDC’s use of resources for affordable housing, reports that, from 1996 through 2002, PDC consistently failed to meet its low-income housing goals. However, they also report that PDC has shown consistent and significant improvement in their performance. Indeed, if the trend continues, PDC may well achieve its low-income housing goals within a few years.

According to Housing Evaluation Group, PDC spent only 13.88 percent of its available funds on housing targeted for 0-30 percent median household income households during fiscal year 2002-03, rather than the 35 percent directed by the City Council. PDC and the Housing Evaluation Group disagree about whether "reserved loans" should be included in this figure. Reserved loans are not commitments and are therefore speculative. They also allow PDC to count future projects in a current year. If reserve loans were counted, the percentage would rise to 34.8 percent, just shy of City Council’s goal.

PDC’s housing goals sometimes conflict, and the means by which it achieves one goal may impede progress on another. One example is the conflict between PDC’s need to increase property values to generate TIF revenues and the goal of keeping housing affordable. Raising land value through development within URAs raises the cost of housing thereby increasing the public subsidy needed to make housing in the area affordable. Moreover, policies to increase the density of housing in the central city tend to promote the most expensive type of housing.

A 2002 City Club Report: "Affordable Housing In Portland"

**Recommendation #4:** Focus construction on special-needs populations and mixed-income housing.

PDC’s growing support of special-needs housing and experimentation with mixed-income housing align with this recommendation. Support for apartments dedicated only to low-income renters does not.
TIF as a funding source also limits PDC’s flexibility in siting affordable housing. TIF must be spent in the urban renewal areas that generate it, which concentrates low-income affordable housing inside URAs. In 2002, City Club recommended that low-income affordable housing not be concentrated, but instead be integrated into neighborhoods throughout the city and merged into mixed-income developments. Because PDC can use TIF to provide financing to low-income housing developers, the central city has become a magnet for much of the multifamily low-income housing constructed in the past few years. Thus, REACH, a community development corporation that previously focused on Southeast Portland, is now developing low-income affordable housing in the central city. This concentration effect can be seen in the "West End" where several multi-story low-income apartments were built in an eight-block area during the 1990s.

TIF funds are also restricted to capital projects and cannot be used to fund operating costs such as maintenance or to subsidize rents. City Club recommended increased funding for rent subsidies because so called "low-income affordable housing," built under current regulations, costs the same as market rate housing. The result is that the low-income tenants, while enjoying the benefits of decent housing, must often pay well over 30 percent of their income for rent.

Using TIF to spur high-end housing and to fund low-income affordable housing has created a middle-income housing gap in the central city. A report co-sponsored by PDC and the Portland Business Alliance warns of a projected deficit of 1,300 workforce housing units, defined as housing affordable to those earning in the 60 percent to 150 percent median household income range, resulting in longer commutes and an overburdened transportation infrastructure. According to the report, workforce housing in the central city will require an average of $45,000 in public subsidy per unit and $61 million in total public support.

City Club’s affordable housing report highlighted the loss of low-income housing due to gentrification caused both by market forces and government policy. In recognition of the growing losses of low-income affordable housing in the central city, City Council adopted the "No Net Loss" policy requiring PDC to mitigate the loss of housing caused by its development projects in the central city. Although the losses to non-PDC related private development continue, the "No Net Loss" policy has effectively offset losses caused by PDC-sponsored development in the central city. However, losses to gentrification due to urban renewal outside the central city are increasing. The issue came to the attention of City Council in July 2004 when occupants of the Gateway Apartments in the Gateway urban renewal area complained that due to a pending commercial development spurred by the creation of the URA they were being evicted with little notice, no assistance and no place to go. In this case, City Council worked out an agreement to forestall action until the tenants could be moved, but your committee is concerned that the loss of low-income housing to PDC-driven development outside of the central city will only increase.
Despite the conflicts and inefficiencies inherent in using TIF to build affordable housing, the shortage of other funding sources continues to make PDC a favored partner for nonprofit developers and urban renewal the favored vehicle. For example, City Council in approving the South Waterfront Central District plan, at the strong urging of housing advocates and other citizen groups, successfully pressed PDC for more low-income affordable housing than they had originally proposed.

Using TIF to subsidize medium- and market-rate housing can be seen as the city's cost for gaining the livability sought by its citizens and promised in its land use plans. But building low-income housing in urban renewal areas results in units that are so expensive that low-income renters cannot afford them unless they are fortunate enough to claim a scarce rental voucher from the Housing Authority of Portland. Using TIF to finance affordable housing exacts another cost. When PDC partners with the Housing Authority of Portland or non-profits such as Central City Concern, those projects stay off the tax rolls and provide no tax revenue to help pay off the urban renewal bonds. More units, and more affordable units, can be built for the same cost outside urban renewal areas. City Council should seek a way to allow some TIF dollars to be used to support low-income affordable housing in the approximately 85 percent of the city not currently covered by urban renewal areas, even if it requires authorization from the Oregon Legislature.

D. Tax Increment Financing (TIF)

Tax increment financing is in many ways a broken tool. Because of tax compression that resulted from Measures 5 and 50, tax increment funding for urban renewal comes at a cost to other public services such as schools and public safety. Its complexity makes the exact nature of this cost extremely difficult for public officials — let alone the general public — to discern, thus limiting public accountability. Its funds can only be used in the urban renewal areas from which they arise, and not in the places where they may be most needed. TIF can no longer — and should have never been — viewed as "free money" for public projects.

A clean environment, good educational opportunities, an efficient transportation system, effective police and fire departments and a well-maintained water system are all part of our economic framework. The value of TIF-funded urban renewal needs to take into account its cost to these other parts of the framework in terms of
teachers and police officers who were never hired, rivers that were never cleaned, and roads that were never repaired. As former Multnomah County Commission Chair Beverly Stein noted in an op-ed piece in The Oregonian, "this plan [the Interstate Corridor URA] pays for investment in physical infrastructure — like housing and transportation — at the expense of human needs." Until recently, little attention was given to the cost of tax increment financing to other taxing jurisdictions. When the economy was booming and property values were soaring, there seemed to be enough revenue to go around. But a combination of initiative-driven property tax reforms in the 1990s and a slumping economy have dramatically changed the picture. Portland's school funding crisis, infamously dramatized in a series of Doonesbury cartoons, highlighted this changed reality.

The complexity of TIF, made worse by Measures 5 and 50 and the Shilo Inn decision, has impeded public conversation about these issues. "I used to tell people that figuring out property taxes isn't rocket science," said John Riles, Multnomah County tax assessor. "Now I tell them it isn't rocket science — it's much harder." A senior PDC official acknowledged that it took him a year on the job before he felt he had a good grip on the nuances of TIF. It is extremely difficult to know how much urban renewal actually costs each of the other taxing jurisdictions. We do know that in fiscal year 2003-04, $43 million of property taxes in Portland went to tax increment financing that could have been otherwise available to other taxing jurisdictions. The amount of property tax dollars going to urban renewal has steadily increased over the last 10 years, as illustrated in Appendix E (centerfold). Defenders of TIF will argue that this is tax revenue that would not exist "but for" urban renewal efforts. As previously discussed, this claim is hard to prove and should be treated with some skepticism. While the property within the Downtown Waterfront URA is assessed at $843 million, the frozen base is only $70 million. It is hard to believe that the remaining $773 million increment that has built up over the last thirty years is entirely attributable to urban renewal. At least some of the captured tax growth would have likely occurred without PDC's work. Though not the official position of PDC, Matt Hennessee, chair of the Portland Development Commission, stated in an interview with your committee that, in order to maintain a healthy regional core, he would like to ensure that Portland's downtown remain part of an urban renewal area indefinitely. Doing so would deny significant property tax revenue for other taxing jurisdictions, including schools, Multnomah County's social service agencies, and the city's General Fund. Stein further noted in her editorial that "We must make sure information regarding these plans' financial impact is provided throughout the planning process."

Measure 50 has also significantly undermined the original rationale for tax increment financing. TIF was designed to fund projects in urban renewal areas that were not financially feasible by themselves but also yielded substantial financial benefits to businesses and properties in surrounding areas. It is the indirect benefits to the adjacent area that provide the primary justification for using —
and concentrating — public resources within an urban renewal area. A multi-story parking garage might not pay for itself, but if we take into account the benefit to local businesses who see an increase in their number of patrons, it still may be a financially worthwhile investment.

Prior to Measure 50, TIF was a means for getting those indirect beneficiaries to contribute to a project that would not otherwise get off the ground. If the new parking garage benefits local businesses, it should also raise local property values, and thus, property tax revenue. TIF takes this increase in property tax revenue and uses it to subsidize developments that are profitable only when their "spillover" benefits on neighboring properties and businesses are taken into account. Measure 50 changes this. Property taxes are no longer based on real market value, but rather on an assessed value that cannot increase by more than 3 percent per year. Therefore, the increase in the value of surrounding properties produced by something like the parking garage in the above example no longer yields tax increment dollars. Rather, most of the tax increment is now produced by the value of new investment in the URA rather than by the increased value of already existing properties.

In recent years, PDC has focused more on using TIF dollars to leverage private investment and less on using direct public investments to increase the value of existing properties. Whether or not this change in emphasis is a result of Measure 50 is difficult to know. This emphasis on leveraging private investment may simply reflect national trends, and greater attention to the possibilities of public-private partnerships. However, the changes Measure 50 made to TIF appear to reinforce this trend.

Even without the initiative-based changes to the taxation system, TIF is a less than perfect tool. Urban renewal is supposed to be a catalyst for "blighted" areas that are stuck in an economic rut. Once public assistance has helped an area climb out of its rut, public subsidies should be withdrawn, and the area should continue to grow under its own momentum. But because URAs often last up to thirty years and the bonds are not paid off for an even longer time, (54 years for Downtown Waterfront) the area continues to benefit from this dedicated funding stream, even if the area is now prospering. As a result urban renewal areas that are already growing rapidly receive more public investment than urban renewal districts that are proceeding slowly. This helps to explain why there is so much going on in the relatively wealthy and rapidly growing River District, while there is a comparative paucity of projects in the less-affluent Lents area.

As former PDC Chair John Russell noted, tax increment financing can be thought of as a savings plan, a way for the city to put aside revenue for long-term investment that would not be otherwise available.
If tax increment financing is a broken tool, it still may be the only tool we have. Unlike other public funding sources, TIF dollars can be used to stimulate public-private partnerships. And unlike other public funding sources, it has not yet dried up. As former PDC Chair John Russell noted, tax increment financing can be thought of as a savings plan, a way for the city to put aside revenue for long-term investment that would not be otherwise available. In essence, TIF has become a mechanism for reserving a portion of property tax revenue for capital improvements that would have to come from general operating funds or be funded by general obligation bonds requiring voter approval. Given the general public's unwillingness to pass bond and other revenue measures, it is reasonable to believe that much of PDC's urban renewal work only happened because of TIF.* Without TIF, projects from the East Bank Esplanade to the Chinese Garden, and from Interstate MAX to OHSU's expansion into South Waterfront would probably never have been completed.

E. Portland Family of Funds (PFFH)

In Appendix C, on page 81, a chart depicts the Byzantine structure of the Portland Family of Funds. By capturing Goldman Sachs New Market Tax Credits for use in the Armory project and by subsequently obtaining three additional grants totaling $196.5 million, PFFH certainly has brought funds to Portland that otherwise would not have been invested in the community. However, the only specific project committed to date — the Armory renovation — has not been without controversy.

Willamette Week's cover story on January 7, 2004, titled "The Great White Hoax," was critical of the Armory project, which is intended to provide a new home for Portland Center Stage. Willamette Week's major objections were to the use of federal tax credits, intended for use in low-income areas, in the Pearl District, right next to some of the most expensive high-rise condominiums in Portland. It cited the concern of the League of Women Voters of Portland that the funds were not used in the more deserving Old Town. It further complained of the city's potential expenditure of more than $15 million of public funds should the project fail to meet the overly optimistic economic projections upon which the project was based, comparing the Armory project to the debt- ridden PGE Park. Further objections included purchasing and restoring an old building compared to building a new facility from scratch; paying too high a price for the property from the co-owner of the next-door condominium, who at the time was also the vice chair of the board of directors of Portland Center Stage, the ultimate lessee and user of the facility; and questions about the difference.

* There have been exceptions. Levies for libraries, parks and children's services have recently fared well, and Multnomah County voters have taxed themselves to give additional support to schools and other public services.
between the Multnomah County assessor's appraisal and a private appraisal of the property upon which the purchase price was based. The article was extensive and this summary is not intended to be complete.30

The Oregonian took the other side in praise of the project, both in a column by Randy Gragg on April 11, 2004 and in an editorial on April 16, 2004. They argued that the city, at most, might end up some years from now paying $10.6 million for a $28 million facility and that a new theater is needed to free up the Newmark Theater (current home of Portland Center Stage) for a wider variety of uses. They pointed out that because Old Town is a part of the River District, the area qualifies as "low-income" for New Market Tax Credit investments. Your committee believes that both Gragg and The Oregonian's editorial board failed to include two PDC loans to PFFH totaling $4.6 million in the public's potential investment exposure, when concluding the city, at worst, might end up paying $10.6 million for a $28 million facility. We can only speculate whether they might have reached the same conclusion had they accurately pegged the ultimate public investment exposure at over $15.2 million rather than $10.6 million.

PDC told your committee that, to avoid any constitutional proscriptions, it went to great expense and effort to make sure that PDC did not have any control of or interest in PFFH; that PFFH is not an affiliate or alter ego of PDC, specifically to avoid running afoul of Article XI, Section 9 of the Oregon Constitution, which provides:

No county, city, town or other municipal corporation, by vote of its citizens, or otherwise, shall become a stockholder in any joint company, corporation or association, whatever, or raise money for, or loan its credit to, or in aid of, any such company, corporation or association.

Because of this constitutional provision, PDC may not invest in a private company. When PDC lends money to a private developer, it is typically well-secured and the developer must meet the strict terms of a development agreement fashioned by PDC. The relationship between PDC and the developer are public records subject to public scrutiny and accountability. On the other hand, when PFFH lends funds borrowed from PDC to private companies, those transactions are "private" and the documents evidencing them are not available for public viewing. Furthermore, PFFH's operational files may not be viewed without approval of its board of directors and legal counsel.

In our initial interviews with PDC personnel, Portland Family of Funds was essentially a matter of prospect rather than reality and the information we sought seemed to come willingly. As your committee's investigation into the relationship between PDC and PFFH progressed, we encountered greater reluctance on the part of PDC to share documents related to the Portland Family of Funds. Your committee is greatly concerned about the close relationship between PDC and Portland Family of Funds and has set forth in Appendix C the details of the cor-
porate structure of PFFH and its relationship with PDC in the fullest extent we have been able to discover them.

From December 2002 to June 2003, then extended to June 30, 2004, PDC and PFFH operated under a Professional Services Contract under which PDC employees provided the staff for PFFH, for which PFFH reimbursed PDC out of loans of approximately $200,000 from PDC to PFFH. This contract contains the following provision, to our knowledge, the only reference to potential conflicts of interest:

During the course of this Agreement, the interests of PDC and PFFH may diverge at times. The parties agree that in the event of a conflict of interest between PFFH and PDC, PDC staff shall declare the potential conflict and negotiate and act of behalf of PDC. The PFFH Chairman of the Board or his delegate will negotiate and act on behalf of PFFH.

In March 2004, after the first specific project using New Market Tax Credits was formally created and documented most of this staff became employed directly by PFFH, while Norris Lozano, PFFH's president and CEO, remained an employee of PDC.* Key personnel have shifted back and forth between the two entities.

While your committee expresses no legal opinion, nor have we sought one, as to whether the very close ties between PDC and PFFH might infringe on constitutional proscriptions, we are troubled by the clear entanglements between PDC and PFFH that seem to mask significant aspects of public business under the cover of private entities not subject to public scrutiny.

Particularly, we are concerned that PDC, constitutionally prohibited from making investments in private entities, by making large loans to PFFH (which describes itself as an "Investment Bank") for the latter in turn to invest in private entities, may inappropriately evade the prophylactic constitutional provision. We are told that, with respect to PFFH funded projects, PDC has the final say; that such requirement was contained in the applications by PFFH to the U.S. Treasury for New Market Tax Credits to bolster the credibility of the application, because of PDC's long track record in successful urban renewal. Yet this very control is relevant to whether PDC is doing indirectly what it cannot do directly.

It is, of course, difficult not to rejoice that millions of dollars of new investment have been brought into our city for community development, funds which otherwise our city would not have had. PDC was undoubtedly wise to foresee this new source of income — and even correct in encouraging the formation of the necessary private entities to tap into these available resources. However, PDC appears to continue to exercise effective control of PFFH, with PFFH's executive director being an employee of PDC, PDC's executive director being on the board of PFFH and key personnel being transferred back and forth between the two.

* Although this relationship apparently is still governed by the Professional Services Contract (staffing agreement) provided to your committee by PDC, we have not seen a document extending this agreement beyond June 30, 2004.
While the original Personal Services Contract recognized the potential for conflicts of interest between PDC and PFFH, and provided a simplistic method to resolve them, nothing in the new PFFH documents makes any reference to those possibilities. Furthermore, there is no way for the public to know whether the nonprofit PFFH, using public funds from PDC, has any conflicts of interest with its contractees.

Totally apart from issues of conflict of interest, the question of whether the nature of these financial commitments by both the city and PDC to private corporations is consistent with Oregon’s constitutional provisions must carefully be addressed. To our knowledge, that has not yet been done by any independent objective outside entity. Unquestionably, such an examination should be made.

**EPILOGUE**

The city of Portland has a unique and powerful tool in the Portland Development Commission and, like any tool, its effectiveness is determined by the hands that guide it. We offer this report, including the following findings, conclusions and recommendations, as a resource to our city’s leaders — newly elected Mayor Potter and City Council — and most certainly to the Portland Development Commission itself.
PART III — FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

I. Tax Increment Financing (TIF) v. the Operating Budgets of other Taxing Jurisdictions

Findings

- As a result of property tax-limitation initiatives, tax increment financing now competes directly for funds with the operating budgets of other taxing jurisdictions.
- The ability to use tax increment financing has effectively made PDC the capital improvements department of the city, allowing taxing jurisdictions (city, county, etc.) to secure capital improvements they might not otherwise politically be able to secure.
- The immediate enjoyment of urban renewal projects in enhancing livability tends to overshadow the need for a more comprehensive analysis of the sacrifices other taxing jurisdictions make to finance such capital improvements.

Conclusions

1. In essence, tax increment financing has become a mechanism for reserving a portion of property tax revenue for capital improvements that otherwise would have to come from general operating funds or be funded by general obligation bonds requiring voter approval.

2. PDC’s involvement through urban renewal has improved the overall quality and livability of urban developments over that which would have occurred by the private sector alone, but at an unspecified cost to all local taxing jurisdictions.

Recommendation

In determining whether to create, amend or extend the life of urban renewal areas, City Council must more carefully consider and evaluate the impact tax increment financing will have on the operating budgets of the city, Multnomah County, schools and other jurisdictions that rely on property tax revenue. In addition, City Council must assure that complete and objective financial-impact statements are made available to all affected jurisdictions and the public well in advance of consideration and approval of urban renewal area action.
II. Opportunism v. Planning

Findings

• Prospective planning by the Bureau of Planning and the Planning Commission has, by lack of adequate funding, been subordinated to PDC’s greater resources for pursuing emerging opportunities.

• The Bureau of Planning currently has a role in initially establishing, making major amendments to, and extending the life of urban renewal areas. It has had little influence, however, in the details of development within an urban renewal area, where development is driven more by opportunities created by public-private partnerships than by a public planning process.

Conclusions

1. While openness to unplanned opportunities is neither bad nor inappropriate, the process of urban development would be improved if the Bureau of Planning were directly involved from the time these opportunities are first discovered or initiated through their completion.

2. While development opportunities cannot always be predicted and some latitude to take advantage of them is required, a long-range vision and agreed-upon goals should first be in place to ensure that the overall needs of the community are not sacrificed to the opportunity of the moment.

3. Urban renewal areas developed in accordance with pre-existing area plans, such as Downtown Waterfront, have been more successful than urban renewal areas for which no such prior plan has been articulated.

4. The mere fact that the Bureau of Planning and PDC may at times be under the control of the same city commissioner (recently the mayor) has been insufficient to ensure clear definition of roles and an appropriate balance of authority.

Recommendation

Structures and procedures to ensure effective coordination between the Bureau of Planning and PDC must be established and thereafter continuously monitored by City Council. Significant disputes between PDC and the Bureau of Planning should, if necessary, be resolved promptly by City Council.
III. Relationship between PDC and City Council

Findings

- Portland's commission form of government has five commissioners, most of whose time is spent administering bureaus and other governmental entities. This leaves the commissioners, as council members, a very limited amount of time to devote to legislative matters, such as long-range planning and economic development. This contributes significantly to the lack of legislative direction given to and oversight of PDC and the Bureau of Planning by our elected leaders.

- Conflicts of interest arise between a city commissioner's desires, as head of a bureau or department, for particular projects and what might or should be an objective legislative view. As a result, city commissioners have secured individual projects helpful to bureaus and departments in their portfolios, using PDC for political cover.

Conclusions

1. While City Council exercises legislative policymaking and planning decisions at the adoption of, major amendment to and extension of an urban renewal area, it does not exercise adequate legislative oversight during the life of an urban renewal area.

2. Portland's current commission form of government does not facilitate a sufficient legislative function to engage in long-range planning and economic development policymaking and to exercise ongoing legislative oversight of those matters.

Recommendations

1. City Council should exercise stronger legislative oversight of PDC's activities.

2. City Club should establish a committee to study and report on Portland's form of city government and make appropriate recommendations.
IV. PDC’s Governance, Accountability and Public Involvement

Findings

- Some of the difficulty in holding PDC accountable can be attributed to the challenge of establishing quantifiable measures with which to judge PDC's effectiveness.
- PDC has improved its process of publicizing its activities and seeking input from the public, though, at times, these important steps happen too late in the process for meaningful public participation.
- In March 2003, PDC commissioners established “Procedures for the Establishment and Operation of URACs” that are applicable only to advisory committees for future urban renewal areas. As all currently operational urban renewal areas were created prior to that date, these rules have no force and affect. In the interim, PDC’s executive director has established procedures materially different from those established by the commission, especially with respect to conflicts of interest and PDC’s influence on urban renewal advisory committees.
- Currently, PDC staff not only appoints all members of urban renewal advisory committees, but in some committees, PDC staff participates as full voting members.
- Management restraints are in place to discourage PDC commissioners and staff at all levels from communicating directly with one another.

Conclusions

1. PDC’s status as a semi-autonomous governmental agency increases its overall effectiveness, while creating concerns about transparency and public accountability.
2. As PDC has taken on a wider scope of public responsibilities, it has become increasingly complex and increasingly difficult to hold accountable.
3. While public participation is improving, the public’s ability to influence PDC’s activities and decisions remains spotty.
4. The establishment of urban renewal advisory committees as a vehicle for public input has not been uniformly successful.
5. When PDC’s processes are opened to effective public participation and genuine opportunity to influence
policies, the chances for long-term benefits to neighborhoods and the city at large are enhanced.

6. PDC commissioners have failed to adequately involve themselves directly and responsibly in the oversight of procedures applicable to urban renewal advisory committees, instead leaving those matters to PDC staff. Current conflict of interest provisions are inadequate and persons representing diverse public interests and perspectives are insufficiently represented.

Recommendations

1. The city auditor should periodically conduct a performance audit of PDC.

2. PDC commissioners should immediately take responsibility for fashioning rules and procedures for all urban renewal advisory committees in existing and future urban renewal areas. Such rules and procedures should have clear conflict of interest provisions and should preclude staff from voting and making motions.

3. PDC commissioners should take prompt steps to ensure that a broad spectrum of public interests is represented on urban renewal advisory committees.

4. PDC commissioners should protect the right of PDC staff at all levels and PDC commissioners to freely and directly exchange information between one another.
V. Portland Family of Funds (PFFH)

Findings

- PDC originally envisioned its role in securing federal New Market Tax Credits for Portland as that of a precipitator of Portland Family of Funds. It has not limited itself to that role, however, but has remained very much entangled with PFFH.
- PDC has made loans to Portland Family of Funds, which calls itself "an investment bank," without using the typical security devices it normally uses to secure loans to private parties. In turn, Portland Family of Funds invests funds and lends funds to private investors, on terms and conditions that Portland Family of Funds claims are private and not subject to public scrutiny.
- The continuing entanglements between PDC and Portland Family of Funds seem to mask significant aspects of public business under the mantle of private entities not subject to public review.

Conclusions

1. Using federal New Market Tax Credits as a source of funds for investment in low-income (distressed) census tracts located in urban renewal areas is a laudable objective.
2. PDC’s significant control over, staffing of and making unsecured loans to the Portland Family of Funds seem to violate the spirit, if not the letter, of the prohibitions contained in Oregon Constitution, Article XI, Section 9, which precludes any Oregon city from raising money for or lending its credit to any private company.
3. Regardless of the constitutionality of this arrangement, the relationship between the two organizations is inconsistent with good public policy, in that public funds are funneled into private companies without adequate public transparency and accountability.

Recommendations

1. City Council should promptly direct the City Attorney to investigate whether the relationships between PDC and Portland Family of Funds are legal.
2. Apart from any constitutional issues, City Council, itself, should determine whether these relationships are consistent with good public policy and open government. If it decides they are not, City Council should take immediate steps to remedy the situation.
VI. Economic Development

Findings

• Activities related to economic development in Portland are currently administered among many diffuse organizations.
  • PDC is able to leverage tax increment financing for economic development resulting in more funds being used for that purpose than would otherwise be available. However, tax increment financing regulations limits the use of these funds to 15 percent of the city and further limits these funds to "bricks and mortar" development.
  • PDC has the only substantial public staff in the city trained for and devoted to economic development.
  • Despite the consensus on the need to increase the number of well-paying jobs and help businesses start and grow, there is much uncertainty as to what economic strategy Portland should pursue, who should take the lead in pursuing it, the amount of public resources that should be dedicated to it and how success and failure should be measured.
  • PDC is widely considered to have a better understanding of how businesses operate than do other local governmental agencies.

Conclusions

1. PDC's greatest contribution to the economic health of the city is through its urban renewal activities.
2. PDC's most successful role in regional economic development is as coordinator and administrator, providing a single source of information, resources, programs and opportunities to persons interested in economic activity in the region.
3. While PDC perhaps should not, in the long run, remain the economic development agency for the city or the region, the role it currently plays is critical.

Recommendations

1. City Council should adopt an economic development strategy that considers the coordinated use of tax increment financing and other funds, no matter which bureaus or agencies administer particular programs and resources.
2. City Council should clearly state how the city is to be involved in regional economic development and what role PDC should play.
VII. Housing

Findings

• In support of Portland’s land-use goals favoring high-density infill housing, PDC subsidizes housing in most urban renewal areas at all income levels.
  • Tax increment financing is an important source of funding for low-income housing, even though it concentrates such housing in urban renewal areas.
  • At times, urban renewal displaces existing low-income affordable housing within urban renewal areas that may or may not be replaced under the city’s "No Net Loss" policy.
  • A financial conflict exists between building low-income affordable housing in urban renewal areas and PDC’s need to maximize the tax increment revenues, because non-profit and government-owned housing are not part of the tax base.
  • Building low-income affordable housing in urban renewal areas adds to its cost thereby reducing the number of units that can be built and by concentrating low-income housing in urban renewal areas. More units and more affordable units can be built for the same cost outside of most urban renewal areas.
  • Although the exact percentage is disputable, PDC claims that it spends 20 percent of tax increment financing revenues on low-income housing in accordance with city policy.

Conclusions

1. Providing and maintaining a significant stock of low-income affordable housing should be an important city priority.
2. Apart from the application of the "No Net Loss" policy in the central city, concentration of low-income affordable housing in urban renewal areas is contrary to Portland’s housing policy.

Recommendations

1. City Council should by formal action require that at least 20 percent of tax increment financing revenues be used for low-income affordable housing, and
2. City Council should allow PDC to support low-income affordable housing outside of urban renewal areas. If necessary, City Council should seek state legislative authority to do so.
3. City Council should extend the "No Net Loss" policy to urban renewal areas outside the central city.
VIII. PDC's Effect on Livability

Findings

• The growth of property values inside urban renewal areas has been greater than the growth of property values outside urban renewal areas. However, knowing how much of this growth would have occurred without PDC's assistance is difficult to determine.

• Urban renewal areas that are primarily residential often cannot generate a sufficient tax increment (increase in taxable value) to make TIF-funded urban renewal feasible.

• Redevelopment of long-established low-density residential areas, as opposed to warehouse districts, rail yards and empty industrial land, has generated a high level of neighborhood resistance.

Conclusions

1. PDC has played a decisive role in the redevelopment of downtown Portland and other portions of the central city. Its activities, along with other bold planning initiatives, such as the transit mall and MAX, have contributed to Portland's reputation as a livable city.

2. PDC’s role in urban renewal in outlying city neighborhoods has been less successful than in the central city, primarily because tax increment financing can be an ineffective tool for uplifting existing residential areas. Moreover, neighborhood resistance often works against the goals of maintaining a specified level of affordable housing and high-density development.

Recommendation

If the city wishes to conduct urban renewal in existing residential areas, it must find funding tools in addition to tax increment financing and develop methods to offset neighborhood resistance to high-density urbanization.
IX. Prior City Club Reports

Recommendation  
City Club's 1971 recommendation that PDC be abolished as an independent autonomous agency and a new city department be created to undertake urban renewal, should be replaced by the findings, conclusions and recommendations of this report.
Respectfully submitted,

Marilynne Albers
Anne Marie Claire
Lynne Coward
Clyde Doctor
Vern Faatz
Paul Fellner
Kurt Krause
David Mandell
Paul Manson
Paul Meyer
Fred Phillips
Sue Thomas, chair

Tim Hemstreet, research adviser
Chuck Stuckey, research adviser
Wade Fickler, research director

ACKNOWLEDGMENTS

Your committee would like to thank the staff of PDC and the other individuals we interviewed (see Appendix A) for assisting us in our research process. Specifically, we would like to acknowledge the efforts of Martha Richmond, PDC’s public affairs director, for coordinating communication between our two organizations. Your committee is also deeply appreciative of the exceptional efforts of Mark Murray, PDC’s budget officer, in compiling many of the charts and graphs included in this report. We are also grateful to Sandra Macomber, head librarian at The Oregonian, for her extraordinary willingness to provide archived documents from the newspaper.

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APPENDIX A: WITNESS LIST

In most cases, titles are as of time of interview.

1. Debbie Aiona, Action Chairwoman, League of Women Voters of Portland
2. Sara Allison, Citizen (concerned about the conversion of the DoubleTree Hotel into Portland State University student housing)
3. Betsy Ames, Assistant Director, Bureau of Planning, City of Portland
4. Gary Blackmer, City Auditor, City of Portland
5. Jane Blackstone, Development Manager, Portland Development Commission
6. Douglas Blomgren, Commissioner, Portland Development Commission
7. Ernie Bonner, former Director, Bureau of Planning (now deceased)
8. David Bragdon, President, Metro
9. Marty Brantley, Director, Oregon Economic and Community Development Department
10. Larry Brown, Senior Development Manager, Portland Development Commission
11. Linda Burglehaus, Director, Tax Supervising and Conservation Commission (Multnomah County)
12. Sam Chase, Executive Director, Community Development Network
13. Graham Clark, Senior Planner, Bureau of Planning, City of Portland
15. Thomas DiChiara, Development Associate, Trammell Crow Residential
16. Abe Farkas, Development Director, Portland Development Commission
17. Jeff Fish, President, Fish Construction NW, Inc.
18. Patricia Gardner, Vice President of Land Use, Pearl District Neighborhood Association
19. Marty Harris, Economic Development Director, Portland Development Commission
20. Matt Hennessey, Chair, Portland Development Commission
21. Tom Hughes, Mayor of Hillsboro
22. Ed Jensen, Chair, Portland Family of Funds
23. Gretchen Kafoury, former City Commissioner
24. Vera Katz, Mayor of Portland
25. Gil Kelley, Director, Bureau of Planning, City of Portland
26. Jay Kenton, Vice Provost, Finance & Administration, Portland State University
27. Anne Kilkenny, Owner and President, W.C. Winks Hardware
28. Kim Kimbrough, CEO, Portland Business Alliance
29. Steve Kountz, Senior Planner, Bureau of Planning, City of Portland
30. Chip Lazenby, General Council, Portland Development Commission
31. Randy Leonard, City Commissioner
32. Mike Lindberg, former City Commissioner
33. Shelley Lorenzen, League of Women Voters of Portland
34. Norris Lozano, Chief Executive Officer & President, Portland Family of Funds
35. Don Mazziotti, Executive Director, Portland Development Commission
36. Denyse McGriff, Project Manager, Central Eastside Urban Renewal Area, Portland Development Commission
37. Andy Miller, Interim Housing Manager, Bureau of Housing and Community Development
38. Brian McCarl, Real Estate Developer, Brian McCarl & Co.
39. Bonny McKnight, Citywide Land Use Forum coordinator; Gateway Urban Renewal Advisory Committee member
40. Ed McNamara, Real Estate Developer, Turtle Island Development
41. Arthur O'Sullivan, Professor of Economics, Lewis & Clark College
42. Pat Prendergast, Managing Director, Prendergast & Associates
43. Martha Richmond, Public Affairs Director, Portland Development Commission
44. Vern Rifer, Real Estate Developer, Vern Rifer Real Estate Development
45. John Riles, Division of Assessment & Taxation, Multnomah County
46. Robin Roberts, former PDC Economic Development Director
47. Brian Rohter, President, New Seasons Market
48. Steve Rudman, Executive Director, Housing Authority of Portland
49. John Russell, former Chair, Portland Development Commission
50. Barbara Sack, City Planner, Bureau of Planning, City of Portland
51. Dan Saltzman, City Commissioner
52. Ethan Seltzer, Director, School of Urban Studies and Planning, Portland State University
53. Scenna Shipley, Vice President Business Development, Portland Business Alliance
54. Tom Skaar, Developer, Pacific Western Homes
55. Bob Stacey, Director, 1000 Friends of Oregon
56. Dan Steffie, Director of Affordable Housing, Guardian Management
57. Beverly Stein, former Chair, Multnomah County Commission
58. Catherine Such, Co-chair, Housing and Community Development Commission; Chair, Housing Evaluation Group
59. Jeff Tashman, Consultant, Tashman Johnson LLC
60. Nohad Toulan, Dean, College of Urban & Public Affairs, Portland State University
61. Felicia Trader, former Executive Director, Portland Development Commission
62. Ken Turner, Member, Small Business Advisory Council
63. Cheryl Twete, Project Manager - South Waterfront Urban Renewal Areas, Portland Development Commission
64. Bill Van Vliet, Executive Director, Network for Oregon Affordable Housing
65. Noell Webb, Commissioner, Portland Development Commission
66. Judy Welch, Project Manager - Lents Town Center Urban Renewal Area, Portland Development Commission
67. Andy Wilch, Housing Director, Portland Development Commission
68. Homer Williams, Williams Dame Development
69. Janice Wilson, Commissioner, Portland Development Commission
70. Janet Young, Director of Economic Development, City of Beaverton
71. Joe Zehnder, Bureau of Planning, City of Portland
72. Anonymous sources
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- PDC Adopted Budget (Fiscal Year 2003-2004)
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**Public Meetings Attended:**
- July 8, 2003 Lents Urban Renewal Advisory Committee
- July 9, 2003 PDC Commission
- July 10, 2003 City Council
- July 22, 2003 City Council
- Aug. 7, 2003 North Macadam Urban Renewal Advisory Committee
- Sept. 10, 2003 PDC Commission
- Oct. 15, 2003 PDC Commission
- Oct. 30, 2003 Multnomah County Commission
APPENDIX C: PORTLAND FAMILY OF FUNDS HOLDING, INC.

PFFH Corporate Structure

The umbrella Portland Family of Funds Holding, Inc. (PFFH) was incorporated under ORS Chapter 65 on August 27, 2002, as a "Mutual Benefit" nonprofit corporation. It has no members. The board of directors (no number or method of selection is specified in these articles) is given authority to adopt, amend and repeal Bylaws if "approved in writing by the PDC." PFFH's initial board of directors was entirely appointed by the executive director of PDC. The Articles further provided that, on dissolution, any assets remaining after payment of liabilities "should be distributed by the Board of Directors of PDC" or alternatively "to such other nonprofit corporation designated by PDC. The Board of Directors was given authority to adopt and amend Bylaws, "provided that such alteration, amendment, repeal or adoption of any new Bylaw is approved in writing by the PDC."

Under the Oregon Nonprofit Corporations Act (ORS Chapter 65), an Oregon nonprofit corporation may be formed as a "Religious corporation" (for religious purposes), a "Public benefit corporation" (for a public or charitable purpose) or a "Mutual benefit corporation (which is not a religious or public benefit corporation). According to the Department of Justice, "Mutual benefit nonprofit corporations are typically organized for the benefit of the organization's membership. Examples include social clubs, business leagues, and veterans groups." Public benefit corporations must regis-
ter with the Department of Justice, while Mutual benefit corporations need not. In
discussions with PDC’s Norris Lozano, he described PFFH more as a Public benefit
corporation than a Mutual benefit corporation. Also, PFFH describes itself as a
"Community Investment Bank™", although, according to Lozano, it is not subject to
the same laws that regulate most banks.

The original Bylaws, adopted simultaneously with the original Articles, provide that
the Board shall consist of one to 11 individuals and further provide:

- PDC shall nominate and select the initial Directors of the Corporation
- PDC shall have full authority to remove any or all directors at any time
  without cause or for cause.
- All vacancies in the Board of Directors shall be filled by appointment
  made by the Board of Directors (or PDC if there are no Directors)
  from a slate selected by PDC.
- PFFH is prohibited from taking "any action which would result in
  PDC’s failure to qualify as the ‘Controlling Entity’ of Portland New
  Markets Fund I, LLC with respect to the New Markets Tax Credit
  program *** without the prior written consent of PDC."
- PDC shall have third party approval authority ("PDC Approval") with
  respect to the Corporation as set forth in these bylaws.
- PDC shall have sole discretion with respect to all matters requiring PDC
  approval under the Limitation of Powers of the Board of Directors
  under Article IV of these bylaws.
- Article IV provides that the PFFH Board of Directors may not,
  without PDC approval:
  1. adopt any change to the bylaws
  2. appoint or remove Directors
  3. appoint or remove the President
  4. form any subsidiary or accept appointment as manager of
     a limited liability company.

These initial Bylaws were Amended and Restated on December 18, 2002, signed by
Donald F. Mazziotti as Secretary. While similar to the original, they increased the
number of directors to 12, provided for a Nominating and Governance Committee to
fill vacancies in the Board and allowed the Board to elect the Chief Executive
Officer/President and Secretary. The limitations on board action and the require-
ments for PDC approval, contained in Article IV of original Bylaws remained.

Your committee was furnished with a copy of unsigned "Third Amended and
Restated Bylaws," dated in 2003. They provided for Directors to be selected by the
existing Board of Directors from a "slate selected by the Nominating and Governance
Committee" appointed by the Board, which makes this a self-perpetuating board with
no outside controls. It provides, however, that at least one seat "shall be reserved for
the Director of PDC so long as the Corporation shall have an outstanding debt to
PDC." We have been informed that Mazziotti sits on the board of PFFH, consistent
with the fact that PFFH is, and may be expected for many years, to be indebted to
PDC. In these Third Bylaws, the paragraph IV requirement for PDC approval for
certain board actions has been deleted. Because your committee has been told that
the internal documents of PFFH are not public records, we were unable to review the
current version of the Bylaws before completing our report.

On May 5, 2004, a new attorney for PFFH filed minimal First Amended and
Restated Articles of Incorporation, which deleted all references to PDC and omitted
all reference to directors and officers, leaving all such matters for the non-public
record Bylaws. It is reasonable to assume that the new attorney for PFFH prepared
and PFFH adopted restated Bylaws which continue the self-perpetuating governance
structure and are considered by PFFH to be non-public records.

The Armory Project Legal and Financial Structure

On October 3, 2003, PFFH formed a Delaware LLC called the "Portland New
Markets Investment Fund II LLC" (PNMIF II) of which PFFH is the "managing
member," which became the "investment fund" for this project and into which the $28
million of loans and investments are funneled. In turn, on March 30, 2004, when
most of legal documents for the Armory project were dated and executed, PFFH,
PNMIF II, and a Delaware LLC called GS [for Goldman Sachs] New Market Funds,
LLC (GSNMF), became members of a previously existing Delaware LLC, replacing
a former member. This newly constituted LLC became the Community Development
Entity (CDE), authorized to receive and use the New Market Tax Credit investments
for the Armory project.

The business and affairs of this new CDE are to be managed "in part by GSNMF,
as "managing member" and in part by PFFH as "administrative member." More
specifically, while the managing member has "the power to exercise a controlling influence over the management policies and investment decisions of the CDE, PFFH, as
"administrative member," has "the power and authority, on behalf of the [managing
member] to conduct and administer the operations of the CDE, and to exercise on
behalf of [the CDE] the powers granted to a limited liability company by the Act" to
ensure that the CDE complies with applicable laws and program requirements.

To own the Armory property itself, PFFH formed an additional Delaware LLC
known as the "Portland Historic Rehabilitation Fund I, LLC (PHRF I) qualified to use
Historic Tax Credits to save and restore historic building. On March 30, 2004, PFFH
withdrew as "managing member" to be replaced by a new "managing member" called
Armory Property Manager LLC (APM). APM was another Delaware LLC in which
PFFH, under an "Operating Agreement," made a capital contribution to APM of
$100,000, and became its sole and managing member. Also on March 31, 2004, PFFH
executed a "Guaranty of Construction Completion" in favor of GSPNMF, US
Bancorp Community Development Corporation and Armory Real Estate Holdings,
LLC, a Delaware LLC.

In many of the documents executed on March 30 and 31, 2004, Julie Van Noy
Cody signed in various capacities: as Senior Vice-President of PFFH, as the initial
investor member of PNMIF II, as Senior Vice-President of PNMIF II and as Senior
Vice-President of PFFH on behalf of APM. We were advised that at the time she
was on the payroll of PFFH, but since has been hired by PDC where she serves as
PDC's "liaison" with PFFH.
A chart of the Portland Armory Financial Structure, the Portland Family of Funds, A Community Investment Bank™, appears above.
# APPENDIX D: URBAN RENEWAL AREA KEY FACTS

## Closed Urban Renewal Areas

<table>
<thead>
<tr>
<th>Area</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Auditorium</td>
<td>July 1958</td>
<td>June 1966</td>
</tr>
<tr>
<td>Albina Neighborhood Improvement Plan</td>
<td>July 1964</td>
<td>June 1974</td>
</tr>
<tr>
<td>Portland State Urban Renewal(^a)</td>
<td>July 1965</td>
<td>June 1975</td>
</tr>
<tr>
<td>Sabin</td>
<td>July 1971</td>
<td>June 1975</td>
</tr>
<tr>
<td>Emanuel Hospital</td>
<td>July 1970</td>
<td>June 1978</td>
</tr>
<tr>
<td>Northwest Front Avenue Industrial</td>
<td>July 1978</td>
<td>June 1992</td>
</tr>
<tr>
<td>St. John's Project</td>
<td>July 1979</td>
<td>June 1996</td>
</tr>
</tbody>
</table>

## Current Urban Renewal Areas

<table>
<thead>
<tr>
<th>Area</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Eastside</td>
<td>June 1986</td>
<td>Aug. 2006</td>
</tr>
<tr>
<td>Downtown Waterfront (extended from)</td>
<td>June 1974</td>
<td>April 2008</td>
</tr>
<tr>
<td>(April 1994 to April 2004 and again from)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(April 2004 to April 2008)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Park Blocks</td>
<td>June 1985</td>
<td>July 2008</td>
</tr>
<tr>
<td>Airport Way</td>
<td>June 1986</td>
<td>May 2011</td>
</tr>
<tr>
<td>Oregon Convention Center</td>
<td>June 1989</td>
<td>June 2013</td>
</tr>
<tr>
<td>Lents Town Center</td>
<td>June 1998</td>
<td>Oct. 2015</td>
</tr>
<tr>
<td>South Waterfront/North Macadam</td>
<td>June 1999</td>
<td>June 2020</td>
</tr>
<tr>
<td>Interstate Corridor</td>
<td>June 2000</td>
<td>June 2021</td>
</tr>
<tr>
<td>Gateway</td>
<td>June 2001</td>
<td>June 2022</td>
</tr>
</tbody>
</table>

August 2004

1. If actual date was not available, July 1 was assumed.
2. Date the urban renewal area is currently scheduled to expire.
3. Assumes debt could be issued up to the date of expiration. Does not account for maximum indebtedness or carrying capacity.
4. Dependent upon the date for the last debt issuance. Long term debt is normally issued with a 20-year term. Does not account for when maximum indebtedness may be reached or when debt carrying capacity of the URA is reached.
5. Prior to Measures 47 and 50, urban renewal areas were not required to establish an amount for maximum indebtedness.
6. Project was completed without tax increment financing. Sources of funds included HUD grants and funds from the State Board of Higher Education.
<table>
<thead>
<tr>
<th>Last Possible Date for Debt Issuance</th>
<th>Last Probable Date for Debt Payment</th>
<th>Years From Start to Final Debt Payment</th>
<th>Debt Issued Through June 30, 2004</th>
<th>Debt Capacity as of June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1966</td>
<td>June 1986</td>
<td>28</td>
<td>$66,274,000</td>
<td>$30,440,000</td>
</tr>
<tr>
<td>June 1974</td>
<td>June 1994</td>
<td>30</td>
<td>$165,000,000</td>
<td>$90,450,000</td>
</tr>
<tr>
<td>June 1975</td>
<td>June 1995</td>
<td>24</td>
<td>$143,619,000</td>
<td>$58,280,000</td>
</tr>
<tr>
<td>June 1978</td>
<td>June 1998</td>
<td>28</td>
<td>$224,780,000</td>
<td>$81,690,000</td>
</tr>
<tr>
<td>June 1992</td>
<td>Feb. 1992</td>
<td>14</td>
<td>$167,511,000</td>
<td>$68,065,000</td>
</tr>
<tr>
<td>June 1996</td>
<td>June 1996</td>
<td>17</td>
<td>$224,780,000</td>
<td>$81,690,000</td>
</tr>
<tr>
<td>Aug. 2006</td>
<td>Aug. 2026</td>
<td>40</td>
<td>$66,274,000</td>
<td>$30,440,000</td>
</tr>
<tr>
<td>April 2008</td>
<td>April 2028</td>
<td>54</td>
<td>$165,000,000</td>
<td>$90,450,000</td>
</tr>
<tr>
<td>July 2008</td>
<td>July 2028</td>
<td>43</td>
<td>$143,619,000</td>
<td>$58,280,000</td>
</tr>
<tr>
<td>May 2011</td>
<td>June 2031</td>
<td>45</td>
<td>$72,638,268</td>
<td>$72,638,268</td>
</tr>
<tr>
<td>June 2013</td>
<td>June 2033</td>
<td>45</td>
<td>$167,511,000</td>
<td>$68,065,000</td>
</tr>
<tr>
<td>Oct. 2015</td>
<td>Oct. 2035</td>
<td>37</td>
<td>$75,000,000</td>
<td>$19,030,000</td>
</tr>
<tr>
<td>June 2018</td>
<td>June 2038</td>
<td>40</td>
<td>$224,780,000</td>
<td>$81,690,000</td>
</tr>
<tr>
<td>June 2020</td>
<td>June 2040</td>
<td>41</td>
<td>$288,562,000</td>
<td>$5,455,000</td>
</tr>
<tr>
<td>June 2021</td>
<td>June 2041</td>
<td>41</td>
<td>$335,000,000</td>
<td>$5,800,000</td>
</tr>
<tr>
<td>June 2022</td>
<td>June 2042</td>
<td>41</td>
<td>$164,240,000</td>
<td>$2,565,000</td>
</tr>
</tbody>
</table>

**TOTAL** $1,702,624,618 $434,413,268 $1,268,211,350
APPENDIX E: PDC URBAN RENEWAL PROPERTY VALUES AND

TOTAL — ALL URBAN RENEWAL AREAS COMBINED

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Base Frozen Value*</th>
<th>Increased Value*</th>
<th>Total Plan Area Value*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>123,922,901</td>
<td>7,694,168</td>
<td>131,617,069</td>
</tr>
<tr>
<td>1975-76</td>
<td>123,183,813</td>
<td>29,802,206</td>
<td>152,986,019</td>
</tr>
<tr>
<td>1976-77</td>
<td>121,506,894</td>
<td>46,930,840</td>
<td>168,437,734</td>
</tr>
<tr>
<td>1977-78</td>
<td>119,829,975</td>
<td>83,666,992</td>
<td>203,496,967</td>
</tr>
<tr>
<td>1978-79</td>
<td>154,748,067</td>
<td>135,312,665</td>
<td>290,060,732</td>
</tr>
<tr>
<td>1979-80</td>
<td>152,105,119</td>
<td>183,400,407</td>
<td>335,505,526</td>
</tr>
<tr>
<td>1980-81</td>
<td>135,462,740</td>
<td>189,489,487</td>
<td>324,952,227</td>
</tr>
<tr>
<td>1981-82</td>
<td>133,618,454</td>
<td>285,979,556</td>
<td>419,598,010</td>
</tr>
<tr>
<td>1982-83</td>
<td>134,729,991</td>
<td>319,786,958</td>
<td>454,516,949</td>
</tr>
<tr>
<td>1983-84</td>
<td>143,914,254</td>
<td>352,510,989</td>
<td>496,425,243</td>
</tr>
<tr>
<td>1984-85</td>
<td>151,990,034</td>
<td>401,313,233</td>
<td>553,303,267</td>
</tr>
<tr>
<td>1985-86</td>
<td>560,614,463</td>
<td>466,318,798</td>
<td>1,026,933,261</td>
</tr>
<tr>
<td>1986-87</td>
<td>560,614,463</td>
<td>569,891,916</td>
<td>1,130,506,379</td>
</tr>
<tr>
<td>1987-88</td>
<td>977,748,286</td>
<td>476,025,156</td>
<td>1,453,773,442</td>
</tr>
<tr>
<td>1988-89</td>
<td>990,030,536</td>
<td>533,704,064</td>
<td>1,523,734,600</td>
</tr>
<tr>
<td>1989-90</td>
<td>1,277,599,086</td>
<td>594,118,104</td>
<td>1,871,717,190</td>
</tr>
<tr>
<td>1990-91</td>
<td>1,264,985,268</td>
<td>674,292,824</td>
<td>1,939,278,092</td>
</tr>
<tr>
<td>1991-92</td>
<td>1,264,985,268</td>
<td>928,096,857</td>
<td>2,193,082,125</td>
</tr>
<tr>
<td>1992-93</td>
<td>1,304,460,498</td>
<td>1,065,141,015</td>
<td>2,369,601,513</td>
</tr>
<tr>
<td>1993-94</td>
<td>1,304,460,498</td>
<td>1,074,359,219</td>
<td>2,378,819,717</td>
</tr>
<tr>
<td>1994-95</td>
<td>1,304,460,498</td>
<td>1,182,072,766</td>
<td>2,486,533,264</td>
</tr>
<tr>
<td>1995-96</td>
<td>1,304,460,498</td>
<td>1,447,255,457</td>
<td>2,751,715,955</td>
</tr>
<tr>
<td>1996-97</td>
<td>1,300,775,376</td>
<td>1,777,107,584</td>
<td>3,077,882,960</td>
</tr>
<tr>
<td>1997-98</td>
<td>1,039,017,376</td>
<td>1,764,211,024</td>
<td>2,803,228,400</td>
</tr>
<tr>
<td>1998-99</td>
<td>1,039,017,376</td>
<td>1,988,739,587</td>
<td>3,027,756,963</td>
</tr>
<tr>
<td>1999-00</td>
<td>2,034,105,957</td>
<td>2,272,303,536</td>
<td>4,306,409,493</td>
</tr>
<tr>
<td>2000-01</td>
<td>2,210,587,004</td>
<td>2,744,897,159</td>
<td>4,955,484,163</td>
</tr>
<tr>
<td>2001-02</td>
<td>3,230,381,979</td>
<td>3,258,039,979</td>
<td>6,488,421,958</td>
</tr>
<tr>
<td>2002-03</td>
<td>3,537,358,300</td>
<td>3,557,116,101</td>
<td>7,094,474,401</td>
</tr>
<tr>
<td>2003-04</td>
<td>3,537,358,300</td>
<td>3,981,438,083</td>
<td>7,338,345,416</td>
</tr>
</tbody>
</table>

* Beginning in 1997-98, as a result of Measure 50, Base Frozen Values, Increased Value and Total Plan Area Value were recalculated to reflect assessed rather than real market values. Maximum Authority was established based on a pre-Measure 50 authority.

Measure 50 allowed an existing urban renewal plan area to impose a citywide special levy. The Actual Taxes Imposed amount shown for the special levy is the pro rata share of the total levy imposed by all plan areas.
<table>
<thead>
<tr>
<th>Maximum Authority*</th>
<th>Actual Taxes Imposed</th>
<th>Loss Due Measure 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>213,821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>853,833</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,352,547</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,255,662</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,290,804</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,752,37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,806,844</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,528,914</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,029,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,580,118</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9,856,253</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11,975,067</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15,740,415</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14,091,197</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16,524,557</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19,588,584</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22,337,683</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17,666,269</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2,500,000</td>
<td>1,296</td>
<td>21,810</td>
</tr>
<tr>
<td>18,093,968</td>
<td></td>
<td></td>
</tr>
<tr>
<td>56,376,914</td>
<td>35,307,727</td>
<td>4,547</td>
</tr>
<tr>
<td>63,479,803</td>
<td>35,867,922</td>
<td>1,393,888</td>
</tr>
<tr>
<td>69,293,316</td>
<td>36,423,173</td>
<td>1,312,766</td>
</tr>
<tr>
<td>77,729,082</td>
<td>42,017,910</td>
<td>2,026,672</td>
</tr>
<tr>
<td>86,921,588</td>
<td>47,801,372</td>
<td>2,431,02</td>
</tr>
<tr>
<td>89,575,627</td>
<td>53,565,012</td>
<td>2,474,403</td>
</tr>
<tr>
<td>91,189,289</td>
<td>57,248,066</td>
<td>3,780,311</td>
</tr>
</tbody>
</table>

**Total All Areas Combined** | **495,269,941**

---

1 Includes totals for all urban renewal plan areas in existence in each year reported. Three of the plans included have been closed: South Auditorium 1958-1988, Northwest Front Avenue Industrial 1978-1992 and St. John’s Riverfront 1981-1996.

2 New plan areas may only take taxes generated by the increased value. They do not have a maximum authority or a special levy.

## APPENDIX F: SPREADSHEET: PDC’S ACTUAL REVENUES AND EXPENDITURES

### REVENUES

<table>
<thead>
<tr>
<th>FY1988-89</th>
<th>FY1989-90</th>
<th>FY1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$46,065,043</td>
<td>$50,593,706</td>
</tr>
<tr>
<td>Cash Transfer In</td>
<td>$446,431</td>
<td>$10,315,156</td>
</tr>
<tr>
<td>Federal &amp; Other Grants</td>
<td>$-</td>
<td>$16,991,685</td>
</tr>
<tr>
<td>City General Fund</td>
<td>$25,000</td>
<td>$-</td>
</tr>
<tr>
<td>Housing Investment Fund</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Line of Credit</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Loans from Other Funds</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Private Funding</td>
<td>$-</td>
<td>$131,990</td>
</tr>
<tr>
<td>Contract Services</td>
<td>$992,968</td>
<td>$-</td>
</tr>
<tr>
<td>Program Income</td>
<td>$152,589</td>
<td>$-</td>
</tr>
<tr>
<td>Misc Revenue</td>
<td>$217,001</td>
<td>$-</td>
</tr>
<tr>
<td>Service Reimbursements</td>
<td>$7,694,565</td>
<td>$-</td>
</tr>
<tr>
<td>Service Reimb.-Dept OH</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Bonded Debt Funds</td>
<td>$-</td>
<td>$5,122,665</td>
</tr>
<tr>
<td>Tax Increment Debt</td>
<td>$-</td>
<td>$52,239,066</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$55,593,597</strong></td>
<td><strong>$135,394,268</strong></td>
</tr>
</tbody>
</table>

### EXPENDITURES

<table>
<thead>
<tr>
<th>FY1988-89</th>
<th>FY1989-90</th>
<th>FY1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development</td>
<td>$19,187,257</td>
<td>$17,272,906</td>
</tr>
<tr>
<td>Economic Development</td>
<td>$2,416,396</td>
<td>$1,909,038</td>
</tr>
<tr>
<td>Housing</td>
<td>$11,202,047</td>
<td>$14,514,914</td>
</tr>
<tr>
<td><strong>Operating Dept. Subtot.</strong></td>
<td><strong>$32,805,700</strong></td>
<td><strong>$33,696,858</strong></td>
</tr>
<tr>
<td>Executive</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Resource Development</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Finance</td>
<td>$575,351</td>
<td>$1,018,662</td>
</tr>
<tr>
<td>Support Services</td>
<td>$3,921,830</td>
<td>$4,396,603</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$1,550,789</td>
<td>$1,317,352</td>
</tr>
<tr>
<td>Cash Transfers Out</td>
<td>$-</td>
<td>$1,430,946</td>
</tr>
<tr>
<td>Loans to Other Funds</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>All Other Subtotal</strong></td>
<td><strong>$6,047,970</strong></td>
<td><strong>$8,163,563</strong></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$38,853,670</strong></td>
<td><strong>$41,860,421</strong></td>
</tr>
</tbody>
</table>

### URBAN RENEWAL AREA

<table>
<thead>
<tr>
<th>FY1988-89</th>
<th>FY1989-90</th>
<th>FY1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Way</td>
<td>$3,696,415</td>
<td>$6,634,723</td>
</tr>
<tr>
<td>Central Eastside</td>
<td>$344,906</td>
<td>$597,898</td>
</tr>
<tr>
<td>Convention Center</td>
<td>$377,584</td>
<td>$904,706</td>
</tr>
<tr>
<td>St. John’s Project</td>
<td>$9,650</td>
<td>$99,904</td>
</tr>
<tr>
<td>NW Front Ave Industrial</td>
<td>$273,388</td>
<td>$294,617</td>
</tr>
<tr>
<td>South Park Blocks</td>
<td>$4,768,123</td>
<td>$6,422,395</td>
</tr>
<tr>
<td>Downtown Waterfront</td>
<td>$33,145,507</td>
<td>$31,840,753</td>
</tr>
<tr>
<td>South Auditorium</td>
<td>$70,222</td>
<td>$61,003</td>
</tr>
<tr>
<td>Lents Town Center</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>River District</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Interstate Corridor</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>S. Waterfrnt (N. Macadam)</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Gateway Regional Center</td>
<td>$-</td>
<td>$-</td>
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## 8-89 THROUGH FY 03-04

Source: Portland Development Commission

Record of Actual Revenues and Expenses by Fiscal Year

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See qualifications on page 9.
Actual Expenditures by Operating Department

Source: Portland Development Commission

Includes Ending Fund Balance
PERATING DEPARTMENT; ACTUAL COMBINED (FY 88-89 THROUGH FY 03-04)

Source: Portland Development Commission