

DRAFT MEETING MINUTES

This document along with the video and audio recordings constitute the official meeting record of the January 9, 2008 Portland Development Commission Board of Commissioner's meeting held at 222 NW Fifth Ave., Portland, OR 97209.

I. CALL TO ORDER

Chair Sal Kadri (acting in the absence of Commissioner Rosenbaum) called the meeting to order at approximately 3:15 p.m.

Renee Castilla acting as Recording Secretary for the Board meeting, called the Commission roll:

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| Commissioner Mark Rosenbaum | ABSENT |
| Commissioner Bertha Ferran | PRESENT |
| Commissioner Sal Kadri | PRESENT |
| Commissioner John Mohlis | PRESENT |
| Commissioner Charles Wilhoite | PRESENT |

II. MEETING MINUTES

Chair Kadri asked if there were any corrections to the November 14, 2007 draft meeting minutes. As there were none, he asked for a motion to adopt the meeting minutes as presented.

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to adopt the meeting minutes of November 14, 2007 as presented.

AYES: Ferran, Kadri, Mohlis, Wilhoite
NAYS: None

III. COMMISSIONER REPORTS

Commissioner Mohlis stated he toured the Portland Youth Center and learned of the different experiences they have had and the job sites they have worked on. While at the Portland Youth Center, he also attended the Lents Urban Renewal Area Committee as it was held there. He expressed he appreciate to PDC staff for a great meeting. He also said he attended the Oregon Leadership Summit at the Oregon Convention Center.

Commissioner Ferran stated she had met with officials from Wells Fargo regarding home ownership and affordable housing opportunities with the properties the Housing Authority of Portland will be releasing from their portfolio within the next two years.

Commissioner Wilhoite stated Urban Renewal Advisory Group has been moving closer to a decision regarding River District. He said the next meeting is scheduled for January 15, 2008.

Chair Kadri stated he also met with HAP in order to ensure the HAP housing is selling into the hands of first time homebuyers at a reasonable price.

IV. EXECUTIVE DIRECTOR'S REPORT

Executive Director, Bruce Warner presented Report No. 08-01. He highlighted the following:

- The City Auditor released the annual Service Efforts and Accomplishments report in December. This is the 17 annual report on city government performance and the second year PDC performance statistics have been represented in the report. More than 30 measures of PDC's work are included in the report. This past fiscal year, significant trends include:
 - The value of property in urban renewal areas has grown far faster than property outside of URAs. Overall, property values inside URAs grew 24 percent, compared to 3 percent for Portland property outside URAs.
 - In the past six years, PDC has assisted 230 businesses. It is estimated that PDC's funding helped create or retain 12,000 jobs. Eighty four percent of the businesses assisted employed less than 50 people.
 - PDC estimates that 81 percent of businesses assisted five years ago are still in business today.
 - Although Census data show that housing affordability is increasingly a problem in Portland, PDC has made steady progress in assisting low-income rental and owner housing. Over the past ten years, PDC has provided loans and grants that assisted about 6,500 rental units and 1,800 owner occupied units. (These numbers include new construction, rehabilitation and home buying assistance. These numbers do not include other PDC housing incentives such as tax abatements and Systems Development Charge waivers.)
 - Over the past six years, PDC and City programs have assisted more than 11,600 housing units. This number represents 58 percent of the City's 2011 goal of 20,000 units.
- Some challenges for PDC were noted by the Auditor and these are things we will be working on:
 - First time home buyer assistance lags behind our 2011 goal.
 - Direct PDC financial assistance to existing home owners for home repair has decreased over the past years.
 - Last year, there was a dip in the number of jobs assisted by PDC business programs. This dip results from a pronounced focus on smaller business in Fiscal Year 2006-07.
- Staff has responded enthusiastically to the Mayor's call for support for Jefferson High School. As you may know, Mayor Potter will be conducting all his City Hall business from the high school on January 16 & 17. He has asked city staff members to consider volunteering at the school, providing alumni support, or has asked staff to talk with students about their city jobs.

V. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

Mr. Harold Harrison, Harolds BBQ, expressed his thanks to the Commission and PDC staff for their support of his restaurant and their willingness to invest in his company. He recommended PDC invest in a Resource Specialist, an FTE that has the expert knowledge who could specialize in assisting business owners with their needs.

The Commissioners and Executive Director Bruce Warner acknowledged his comments and the good food they enjoyed at Mr. Harrison's restaurant. They encouraged him to try again.

VI. CONSENT AGENDA

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

Resolution No. 6550, titled, "Revised and Restated Development Agreement with 1201 Building LLC for One Waterfront."

VII. CONVENE TAX SUPERVISING CONSERVATION COMMISSION (TSCC) PUBLIC HEARING ON PDC BUDGET

Questions and answers attached.

VIII. FY 2007/08 BUDGET AMENDMENT NUMBER 1

Ms. Julie Cody and Mr. Tony Barnes presented Report No. 08-03, titled, "FY 2007/08 Budget Amendment Number 1".

Mr. Barnes stated this action will formally amend the current fiscal year (FY) 2007-08 Adopted Budget for the first time this year. This recommended budget amendment recognizes actual audited beginning fund balances as of July 1, 2007 and adds or decreases prior appropriations for projects and programs based on revised project timelines. This budget amendment also makes adjustments to account for organizational shifts that occurred between departments in June, 2007 that could not be incorporated into the FY 2007-08 Adopted Budget. Finally, this budget amendment effects a reallocation of housing funds to homeownership categories in several urban renewal areas.

In sum, FY 2007-08 Budget Amendment No. 1 (Budget Amendment #1) increases the total PDC budget from \$316,068,287 in the FY 2007-08 Adopted Budget to \$320,778,947 including Transfers, Contingency and Reserves. Excluding Transfers, Contingency and Reserves total budgeted expenditures are increased from \$245,027,009 to \$259,984,267. Attachment A summarizes the recommended changes to be made to the FY 2007-08 Approved Budget pursuant to Budget Amendment #1.

After discussion among the Commissioners and PDC staff, Chair Kadri called for a motion to adopt Resolution No. 6528.

Commissioner Ferran moved and Commissioner Wilhoite seconded the motion to adopt the FY 2007/08 Budget Amendment No. 1. The motion passed.

IX. RIVER DISTRICT HOUSING IMPLEMENTATION UPDATE

Ms. Leah Greenwood presented Report No. 08-05, titled, "River District Housing Implementation Update".

She stated PDC is currently in the process of updating the River District Housing Implementation Strategy originally adopted on June 16, 1999. The 1999 River District Housing Implementation Strategy was requested by the Portland City Council. Because the 1999 strategy was initiated and approved by the City of Portland, it is appropriate to inform the City of our intentions to update The River District Housing Implementation Strategy.

She said PDC staff wanted the Commission and the City Council to know that they are updating the 1999 River District Housing Implementation Strategy before we return in the Spring of 2008 with a final draft. The 2007 River District Housing Report shows the River District Plan Area has exceeded the 1999 River District Housing Implementation Strategy (1999 Strategy) goal of 5,000 additional housing units by 2,408 units (7,408 total). The update will recommend new housing production unit targets based on the development capacity of the River District Planning Area, analyze current housing development strategies and recommend new strategies for implementing current adopted City housing policy.

She said new strategies will aim to achieve a mix of housing that is affordable to the income distribution of the City and support adopted City policies and initiatives including:

- Central City No-Net-Loss,
- Closing the Minority Homeownership Gap
- The Ten Year Plan to End Homelessness
- Schools-Families-Housing Initiative
- Tax Increment Financing for Affordable Housing

The completed River District Housing Strategy update will be presented to the Board and the City Council for approval and will be used as a policy document to guide the next twelve years of housing development in the River District Plan Area.

X. NATURE IN NEIGHBORHOODS CAPITAL GRANT

Metro Councilor Robert Liberty presented Report No. 08-04, titled, "Metro's Nature in Neighborhoods Capital Grant".

Councilor Liberty stated in November 2006 voters approved a \$227.4 million bond measure that protects natural areas throughout the region, safeguarding water quality, preserving fish and wildlife habitat, and maintaining the area's quality of life. To inspire innovative ways to enhance ecological functions and increase the presence of nature where people live and work, \$15 million of these bond funds were directed to a new capital grants program. The Nature in Neighborhoods capital grants program will fund projects that purchase land (or easements) for public ownership or fund capital improvements on publicly owned land. Neighborhoods and community groups, nonprofit organizations, schools, cities, counties and public park providers are invited to apply for the grants.

He said projects must either purchase land or make improvements to real property that result in a capital asset with a life of at least 20 years and with a total value of at least \$50,000. The applicant must also match grant funds with outside financing or in-kind services equivalent to twice the grant request.

XI. BRIEFING ON FINANCIAL ALTERNATIVES TO TAX INCREMENT FOR CAPITAL PROJECTS PDC TYPICALLY FINANCES

Mr. Keith Witcosky, Mr. Dan Bates and Mr. Ken Rust presented Report No. 08-07, titled, "Briefing on financial alternatives to tax increment for capital projects PDC typically finances."

Mr. Rust, Chief Financial Officer, City of Portland and Mr. Bates, Director of Government Relations, City of Portland, provided a brief presentation on the tools the City of Portland has as it's to fund capital projects, such as General Obligation Bonds, Local Improvement Districts, and other methods. They highlighted other methods included both state and federal dollars as well.

After brief discussion among the Commissioners and staff, Chair Kadri thanked Mr. Rust and Mr. Bates for their time.

XII. NEIGHBORHOOD HOUSING PROGRAM HOME BUYING ASSISTANCE TOOLS

Ms. Shelly Haack and Mr. Javier Mena presented Report No. 08-06, titled, "Neighborhood Housing Program Home Buying Assistance Tools".

Ms. Haack stated in September 2007, the Board provided direction regarding homeownership assistance tools available through PDC. Three key components were identified at this meeting:

- Eliminate the Shared Appreciation Mortgage program and replace it with a more traditional interest bearing, deferred payment second mortgage product
- Provide an opportunity for wealth creation
- Make the tools accessible to lending partners

She said this resolution adopts updated financial assistance guidelines for the Neighborhood Housing Program (NHP) to implement these changes.

After discussion among the Commissioners and PDC staff, Chair Kadri called for a motion to adopt Resolution No. 6529.

Commissioner Ferran moved and Commissioner Wilhoite seconded the motion to adopt the Neighborhood Housing Program Home Buying Assistance Tools. The motion Passed.

XIII. ADJOURNMENT

There being no further business, Chair Kadri adjourned the meeting at 6:30 p.m.

Questions:

1. This budget is making a number of changes to administrative departments due to a recent reorganization. Can you give us some details of that reorganization and what you hope to accomplish?

Budget appropriation for Central Services, Executive and Community Relations and Business Equity is being changed to reflect a small reorganization between PDC departments that occurred in June of 2007 to better align business functions within departments. The budget change is being implemented now because it was too late in the budget process to be incorporated in the Adopted Budget.

Appropriation changes between the departments reflect the following changes:

- o *Public Involvement function moving from Community Relations and Business Equity to Executive and Public Affairs moving from Central Services to Executive. This change unites the Public Involvement and Public Affairs roles under one department.*
 - o *Board Support and Resource Development functions moving from Central Services to Executive.*
 - o *Professional Services (contracting & procurement) moving from Central Services to Community Relations and Business Equity which already included the MWESB contracting compliance role. The functions of Professional Services and MWESB contracting compliance fit together, allowing diversity to be embedded into all of our procurement processes upfront.*
2. There is a \$4 million reduction in program income in the North Macadam URA Fund, What accounts for this large drop in revenue?

The decrease in program income is from a change in timing related to the sale of RiverPlace Parcel 8. PDC originally planned on selling this property this fiscal year, but the timing of the sale is now planned for FY 2008-09. PDC and the selected developer executed a Memorandum of Understanding in August 2007, and are currently negotiating a Disposition and Development Agreement for the site to be executed by May 2008.

3. This supplemental budget includes revenue of nearly \$3 million from the sale of property in the Downtown Waterfront Urban Renewal Area. What property is being sold, who is the purchaser and what will be done with the property?

The increase related to sale of property is related to the DDA with Mercy Corps for sale of the Skidmore building for redevelopment as Mercy Corps Headquarters.

4. Do you have any specific uses in mind for the \$3 million you will receive for the property?

The \$3 million property sale is tied to a planned \$3 million grant Mercy Corps for acquisition of the property. Basically, PDC will provide Mercy Corps with a \$3 million grant for acquisition of the property. Since PDC owns the property, the sale proceeds will immediately be recorded in the Downtown Waterfront Fund as property sale income.

5. The budget for the Development Department within the River District URA Fund is increasing by \$3 million for the Meier and Frank Redevelopment Project. Is this an additional amount that PDC is being required to put into the project or is this simply a timing issue?

The \$3 million amount represents PDC's share of additional construction financing required to complete the project to meet unforeseen conditions and enhancements to the hotel design. The additional \$3 million PDC loan is for items attributable to the original loan philosophy PDC first applied to the project: renovation of a historic icon with seismic structural upgrades and life-safety improvements, including the repair and cleaning of terra cotta skin.

6. Also in the River District URA the budget is increasing \$2.2 million for the Post Office. How will this money be used since we understand no decisions have been made on future uses of the Post Office property?

The increase in the budget represents moving budget appropriation from future fiscal years in the five-year forecast to this fiscal year based on potential need for predevelopment funding this fiscal year. The total amount in the five-year forecast remains the same at \$15 million. This acceleration of funds from out-years represents the substantive discussions and negotiations that are taking place between USPS and PDC. These funds are anticipated to be used for due diligence and to secure an option on the USPS property.

7. The Ambassador Program Fund is being adjusted to add expenditures for a TCI Conference. What is that conference all about?

The Competitiveness Institute, TCI, is an international non-profit organization for economic development professionals, cluster practitioners and policy makers within agencies that support regional development. Headquartered in Barcelona, Spain, TCI is a global leader in knowledge management, benchmarking, governance and evaluation of competitiveness initiatives. Portland was selected as the site of the 10th Anniversary TCI Global Competitiveness Conference (the 2006 Conference was held in Lyons, France; the 2008 Conference will be held in Cape Town, South Africa). PDC served as fiscal agent for the conference and its many events supported by over 30 corporate and agency sponsors. Over 400 delegates from 35 nations attended the Conference on October 8-12, 2007.

8. There seems to be a shift in emphasis in the Housing Department from rental programs to home ownership programs. Is that the case and, if so, can you tell us how that came to be?

A year ago the City launched Operation HOME to address the issue of the homeownership gap between families of color and white families. The Portland Development Commission has been

the lead agency in organizing this effort and funding the initiative through homebuyer assistance and homeownership development programs.

In addition beginning in 2003, the Portland Development Commission adopted goals to increase wealth creation opportunities for Portland families through its investments. Homeownership is viewed as a primary tool for creating personal wealth. The current budget proposal represents the culmination of efforts over the last three to four years including:

- Altering homeownership programs to better meeting the community needs in the current homebuying market; and*
- Increased focus on homeownership from the non-profit community development corporation community and PDC soliciting for homeownership development opportunities from these organizations; and*
- Completing predevelopment on PDC-owned properties and developer solicitations and negotiations for the development of new homeownership opportunities on these properties where PDC is now ready to provide the gap financing to complete these projects;*

Rental housing production remains PDC's primary housing focus and over the five year budget forecast represents the majority of housing expenditures. This focus was further codified in the adoption of the Tax Increment Financing for Affordable Housing Set Aside policy and income guidelines.