

Portland Development Commission
Annual Report
FY 2011-12





MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Portlanders,

Portland has emerged from the worst economic recession in a generation to show impressive gains in job and business growth. PDC has been at the forefront of this success story, working with partners proactively and collaboratively to nurture local business success, build on our competitive advantages, and focus on those areas that need it most.

During the 2011/2012 fiscal year, we delivered new initiatives and partnerships to increase the impact of our work. These include:

- The Neighborhood Economic Development Strategy, which implements neighborhood-specific plans in East and North/ Northeast Portland to enhance business success and promote local prosperity;
- Our Entrepreneurship Action Plan and the launch of the Portland Seed Fund, which increases investments in high-growth firms and entrepreneurs, while building synergies with local research universities and increasing access to risk capital and mentor opportunities;
- The creation of the Education Urban Renewal Area, which sets forth long-term partnerships between Portland State University, Portland Public Schools, Multnomah County and the City to deliver educational excellence, attract private investment, develop the region's workforce and enhance research and commercialization capabilities;

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On the cover:

Lisa Petterson and Tim Smith , SERA Architects
Jenny Glass, Rosewood Initiative
Peter Cao, Artico Lite
D'Wayne Edwards, PENSOLE Design Academy
Amber Case, Geoloqi
Rey Espana, NAYA

PDC’s mission is to create one of the world’s most desirable and equitable cities by investing in job creation, innovation and economic opportunity throughout Portland.

- The Greater Portland Export Plan, developed in partnership with Greater Portland, Inc. and the Brookings Institution, seeks to connect local companies to international opportunities and drive export activity; and
- A record participation of Minority-Owned, Women-Owned, and Emerging Small Business (MWESB) in contracting of PDC-supported projects; MWESB contracting was 39 percent, including 17 percent minority-owned, 7 percent women-owned and 14 percent emerging small businesses.

While the City of Portland Economic Development Strategy has helped reposition the local economy, much work remains. We look forward to continuing to work with our many public and private partners to create one of the world’s most desirable and equitable cities by investing in equity, innovation and job growth throughout Portland.

Sincerely,



Patrick Quinton

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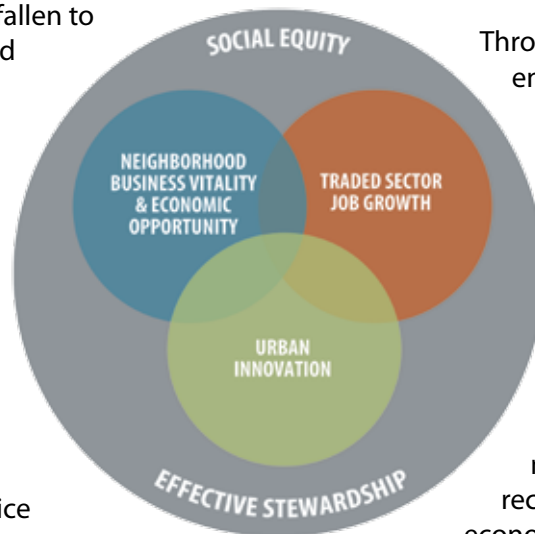
ECONOMIC DEVELOPMENT STRATEGY IMPACT: JULY 2009 - JUNE 2012

Since the launch of the Portland Economic Development Strategy in 2009, the Portland economy has moved toward recovery. The regional unemployment rate has fallen to its lowest point since late 2008 and has remained below the national average for more than a year. As of June 2012, Brookings ranked Portland 17th out of the 100 largest metros for economic recovery from the recession.

With the adoption of the Economic Development Strategy, Portland cultivated new partnerships and proactive approaches to promote business and employment growth. The Office of the Mayor, the Portland Development Commission, the private sector, higher education partners and non-profit organizations joined together to create jobs, attract private investment and produce tangible economic benefits for the residents of Portland.

PDC's financial assistance and recruitment activity is responsible for helping to create or retain more than 4,200 jobs since July 2009. Most of this activity supports local and small businesses; 87 percent of business assistance was directed to

local or startup firms, and 61 percent of business assistance went to businesses with fewer than 50 employees.



Through industry-focused initiatives, entrepreneurial development activities and community partnerships, PDC and City staff support business success by increasing access to critical resources including technical assistance, loans and growth capital, workforce development training, mentoring programs and/or regulatory advisors. Since the adoption of the strategy, more than 600 businesses have received assistance from the City's economic development staff.

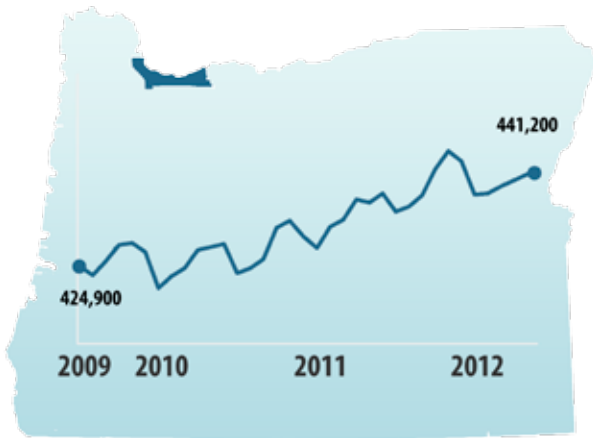
The economic impact of this work extends beyond direct job creation and business growth. Strategic activities attract new private investment, broker supply-chain and business-to-business opportunities and create construction jobs. Approximately \$74.8 million of direct financial assistance to support business and job growth in Portland – largely in the form of multi-year loans and tax abatements – has leveraged \$745 million in private and federal government investments and produced an estimated 4,748 construction jobs¹.

ESTIMATED JOBS, FINANCIAL ASSISTANCE AND PRIVATE INVESTMENT FROM ECONOMIC DEVELOPMENT-RELATED PROGRAMS FROM JULY 2009 - JULY 2012 ²

PROGRAM	# BUSINESSES ASSISTED PER PROGRAM	FINANCIAL ASSISTANCE	PRIVATE OR OUTSIDE INVESTMENT	TOTAL INVESTMENT	ESTIMATED CONSTRUCTION JOBS	LEVERAGE RATIO
Business Loans	56	\$6,945,500	\$38,317,771	\$45,263,271	164	1:6
Enterprise Zone	11	\$27,297,487	\$479,967,245	\$479,967,245	2,434	1:18
Storefront	369	\$6,030,147	\$7,631,300	\$13,661,447	111	1:1
Green Features Grant	21	\$582,520	\$597,440	\$1,179,960	10	1:1
Redevelopment Loan Fund	18	\$28,421,817	\$179,088,706	\$207,510,523	1,164	1:6
Portland Seed Fund	17	\$700,000	\$14,000,000	\$14,700,000	0	1:20
Clean Energy Works	34	\$4,900,000	\$28,000,000	\$32,900,000	415	1:6
TOTAL	526	\$74,877,471	\$747,602,462	\$795,182,445	4,748	1:10

Source: Portland Development Commission

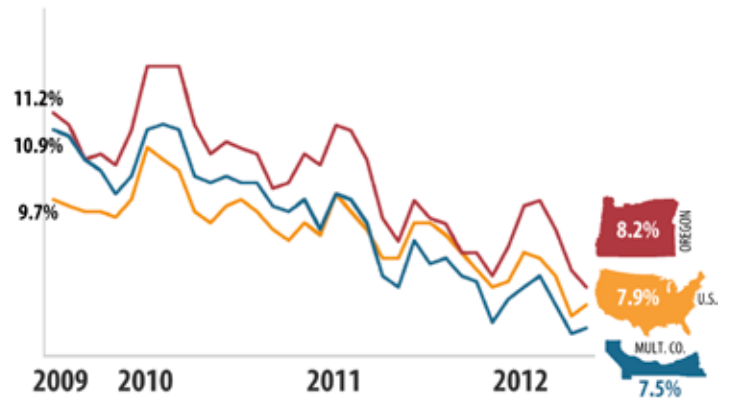
MULTNOMAH COUNTY EMPLOYMENT,
JULY 2009 - JUNE 2012



Source: Oregon Employment Department

Multnomah County has seen a 3.8 percent increase in jobs within the three-year period since the Economic Development Strategy was adopted. From July 2009 to June 2012, non-farm employment increased by 16,300 jobs.

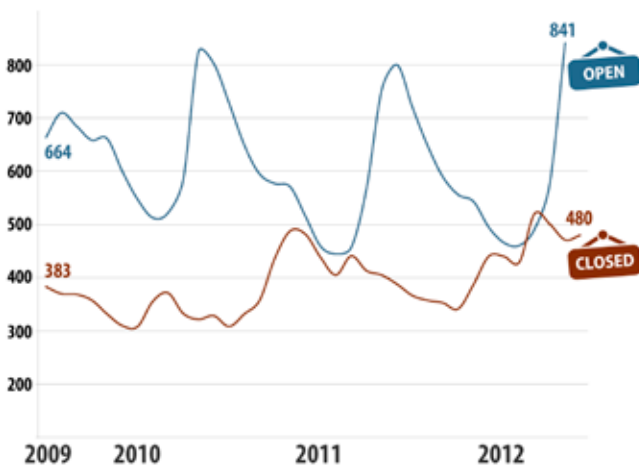
UNEMPLOYMENT RATE, JULY 2009 - MAY 2012



Source: Oregon Employment Department

As of May 2012, Multnomah County's unemployment rate was 7.5 percent, compared to 8.2 percent for Oregon and 7.9 percent for the U.S.

PORTLAND BUSINESS LICENSE ACTIVITY:
JULY 2009 - MAY 2012 ³



Source: City of Portland Revenue Bureau

In the past three years, people have ventured out on their own to start new businesses. Based on business license activity, more than 22,000 new businesses have been opened, with a net gain of almost 8,000 new businesses in three years.

PORTLAND METRO GROSS DOMESTIC PRODUCT:
2004 - 2012



Source: MetroMonitor, Brookings

Brookings' composite index of American metropolitan areas' economic recovery from the recession reflects Portland's rank in employment growth at 26th, unemployment at 13th, and Gross Metropolitan Output at 14th—getting it in the top 20 recovering metro areas.

¹ Construction jobs are estimated using economic modeling based on direct investments.

² Job numbers are for direct employment as a result of PDC financial assistance. PDC collects job numbers for individual programs at the time of application, or through follow-up conversations with the client. Job numbers are good faith estimates based on current employment and anticipated hiring. With the exception of the Enterprise Zone, job numbers are not audited. Numbers have been checked and revised since 2011. Some businesses may have received more than one type of assistance. Financial assistance includes loans, grants and Enterprise Zone tax abatements. For more information on PDC programs see: <http://pdc.us/for-businesses/business-programs.aspx>

³ An estimated 24,000 new business tax licenses were given from July 2009 to June 2012 and an estimated 16,000 accounts were closed during the same period. The chart has been smoothed to represent average monthly activity.

TRADED SECTOR JOB GROWTH

Photo by Nathan Pirtz

Robust job growth in Portland depends on maximizing the competitive environment for local businesses. Portland's traded sector industries are fundamental drivers of regional economic health, high-wage jobs, and market opportunities for supply-chain and service-related firms.

PDC focuses resources on enhancing the business environment for four target clusters in which Portland

has a competitive advantage: Software, Advanced Manufacturing, Clean Technology and Athletic & Outdoor. Employment trends within the target clusters over the past three years reflect the positive impact of customized industry initiatives combined with efforts to promote entrepreneurship, align workforce development training with industry needs, and identify and pursue new international markets.

Entrepreneurship:

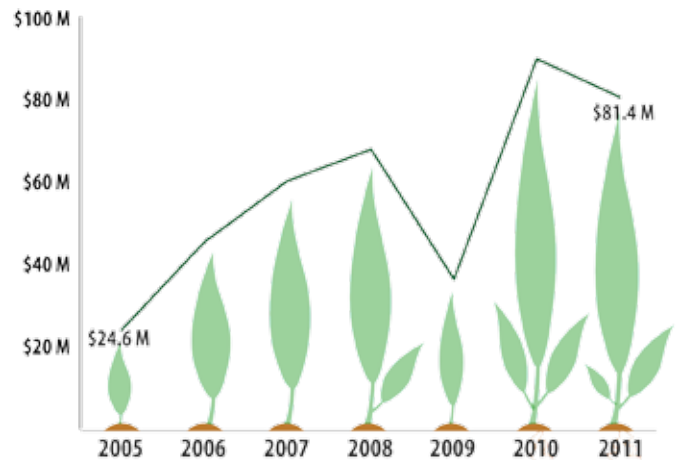
Sustained job growth and prosperity depend on developing small, scalable, entrepreneurial firms. Portland's Economic Development Strategy calls for building the capacity of local entrepreneurs to innovate and compete in the global economy. In the last three years Portland has ramped up its support for entrepreneurs through a comprehensive action plan and a renewed emphasis on research and commercialization of promising technologies.

ACCOMPLISHMENTS

Unveiled the first annual Entrepreneurship Scorecard to track Portland's progress in improving its environment for startups and measure Portland against other major metros for entrepreneurial health. This comprehensive study found that 1) the majority of job growth in Portland comes from growing small firms; 2) immigrants and minorities help drive entrepreneurial activity; 3) Portland lags other cities in access to venture capital; and 4) Portland struggles to scale promising startups.

Continued to partner with the Portland Seed Fund as a founding investor to stimulate entrepreneurial growth and fill the gap of early startup capital. PDC's contribution of \$700,000 in capital leveraged more than \$2.3 million in additional capital. To date, the Portland Seed Fund has assisted 17 businesses which have attracted an additional \$14 million in private investment and created 75 jobs.

INVESTMENT CAPITAL TREND IN PORTLAND, 2005 TO 2011



Source: VentureDeal

Collaborated with a coalition of businesses to announce the formation of Produce Row, a new arts and entrepreneurial district located within the Central Eastside Urban Renewal Area, also known as the Central Eastside Industrial District. The Produce Row coalition and PDC plan to facilitate collaborative opportunities and networking forums for this diverse group of companies in an effort to nurture the area's existing businesses, while attracting new entrepreneurs.

Provided targeted support to the ecosystem of organizations and events focused on assisting entrepreneurs, including Portland Ten, the Portland Incubator Experiment, Oregon Entrepreneurs Network, Angel Oregon and Venture NW. Firms such as ShopIgniter, Orchestra, the Clymb, and Open Sesame have used support from these organizations to attract additional funding and achieve impressive growth.

Unveiled a partnership between Oregon Health and Sciences University (OHSU), Portland State University (PSU) and PDC to launch a commercialization grant program to assist university-based startups through access to enhanced business development resources.

BUSINESS PROFILE: AMBER CASE GEOLOQI, INC.

PDC: Tell us your company story.

AC: Aaron Parecki and I founded Geoloqi, Inc., a location-based developer platform in 2010. We were acquired by location industry leader Esri in October 2012. I am now director of the brand new Esri R&D Center here in downtown Portland.

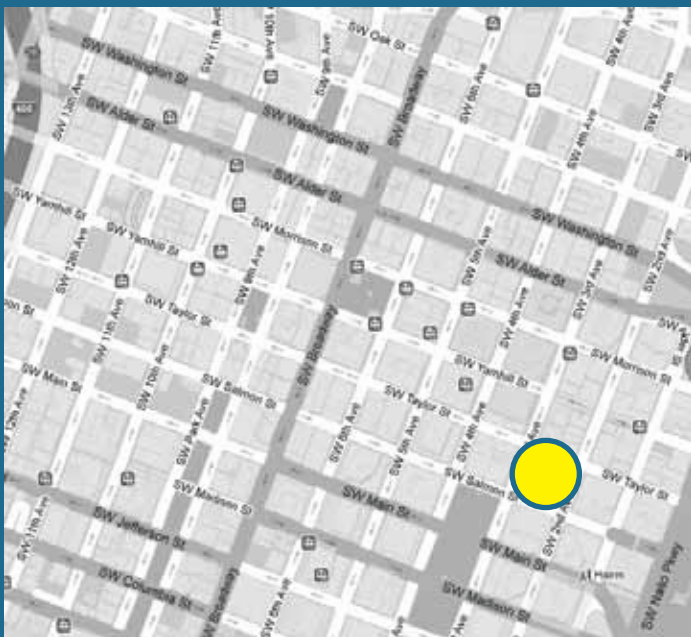
PDC: Why does Portland make sense as your business location?

AC: Portland has a lot of talented people who are curious about the way systems work and enjoy building new things. The community is small and tight-knit, and the lifestyle here is very good. And unlike San Francisco, it's really easy to get around to all of the meetups in town and keep up on industry trends.

PDC: What brought you here? What will keep you here in the future as you grow?

AC: I originally came here for college. In an uncertain job environment and economy, I decided the best thing to do would be to learn how to think and how to understand how societies work. That perspective helps me every time I work with people, hire, get dropped into entirely new situations, and in dealing with uncertainty, which startups are full of.

DOWNTOWN



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THE ENTREPRENEUR

PDC: How has your relationship with PDC made a difference to you and your company?

AC: It's been great to have the support of the city. We were originally planning to leave for the Bay Area because we didn't believe it was possible to raise funding here. Instead, all of our funding came from Portland investors.

PDC: How do you and your company interact with the local community?

AC: We've hosted open data hackathons, city hackathons, IndieWebCamp, CyborgCamp, and Portland Data Viz Group. We also sponsor local conferences and events.

PDC: What are you most optimistic about for the future of your business, and for the city?

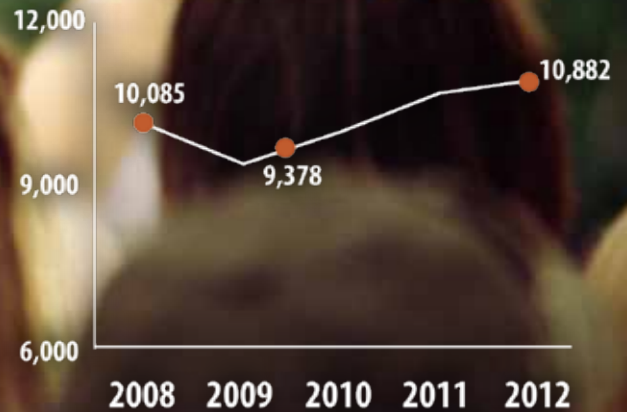
AC: I'm excited about bringing the future of location to all of the companies that need it most. There's a lot to be done in the civic space that will enrich people's lives and make their relationship with technology better.

Portland is just getting started. There is a lot of attention to detail, quality and craftsmanship here. Some of the top designers and developers hail from Portland, and we'll only see more in the future.

Software

Metro Portland's burgeoning software and technology industry represents more than 2,000 firms with an average salary of \$89,000 and projected growth of 25 percent in the next decade. Long known as an open source hub, Portland is fast becoming known for mobile, cloud-based and software-as-a-service applications. With the presence of firms like Elemental Technologies, ISITE Design and the trade group SEMPDX, Portland is also gaining recognition as a digital media hub. Most of Portland's software and technology firms are homegrown, reflecting Portland's well-recognized startup and entrepreneurial culture. The Atlantic Cities recently ranked Portland 4th on its Technology Index for America's Leading High-Tech Metros.

MULTNOMAH COUNTY JOB CHANGE:
SOFTWARE, 2008-2012



Source: Economic Modeling Specialists, Inc.

ACCOMPLISHMENTS

Partnered with the Technology Association of Oregon and several private sector firms to launch Techlandia (www.techlandia.org), a brand and website designed to catalogue and connect local firms, align economic development resources and messaging, and improve access to startup and entrepreneurship-focused programs.

Launched Portland 100 to address Portland's scalability issues. The program provides select companies with resources designed to improve access to capital, executive talent and mentoring opportunities with the goal of establishing a robust pool of local companies with successful liquidity events or significant revenues.

Recruited the Drupal Association from New York City to Portland; helped finance the relocation of ISITE Design into new space to accommodate its growth; financially assisted with signage improvements for Elemental Technologies' new downtown headquarters, required to accommodate its growth.



Worksystems Inc. secured more than \$9.4 million in competitive federal grant resources to help regional companies retrain more than 3500 local workers while providing new training and employment services to almost 700 new workers in software, advanced manufacturing, and IT occupations.

Served as an early-adopter of promising local technology with a contract to use local compliance software provider Zapproved; the firm has since landed \$1.45 million in private investment.

Provided support to software- and entrepreneurship-focused organizations, including the O'Reilly Open Source Convention (OSCON), Innotech, Open Source Bridge and Technology Association of Oregon.

Advanced Manufacturing

Advanced manufacturing is the largest of the targeted clusters and has a significant multiplier effect: each \$1 worth of manufactured goods creates another \$1.43 in other sectors. Manufacturing's share of 26.2 percent of the Portland Gross Metropolitan Product is the third highest in the country.

Portland manufacturers export products ranging from scrap metal to silicon wafers throughout the world and are strong partners in Portland's sustainability ethos, recycling more than any other industry. While general manufacturing employment trends indicate net job losses, several local industries have experienced growth since 2009 including semiconductor, computer electronics and transportation equipment manufacturing. In addition, looming retirements industry-wide create significant opportunities for local residents to join local companies.

MULTNOMAH COUNTY JOB CHANGE:
ADVANCED MANUFACTURING, 2008-2012



Source: Economic Modeling Specialists, Inc.

ACCOMPLISHMENTS

Launched the Portland Harbor Initiative, an effort to increase investment in industrial properties that abut the river. Initial outreach generated 22 responses from businesses and property owners located in the Willamette River Harbor area and interested in undertaking environmental remediation, purchasing new equipment, renovating current facilities and constructing new buildings in the area.

Applied to the State to establish a new East Portland Enterprise Zone. Expanding the Enterprise Zone (E-Zone) program will bring a key economic development tool for retaining and attracting jobs to Portland's eastern commercial corridors and was supported by partners including Multnomah County, the Technology Association of Oregon, Greater Portland Inc., Columbia Corridor Association and the Port of Portland.

Helped 25 manufacturing businesses save between \$35,000 to \$1 million through lean processes improvement and waste reduction and leveraged \$650,000 in private investment with the Oregon Manufacturing Extension Partnership matching grant fund.

Connected regional employers to Worksystems Inc. program that trained more than 500 employees at local manufacturers in 2011 to enhance workers' skills sets, improve company performance and decrease likelihood of future layoffs.

Coordinated a Manufacturing Career Summit with Worksystems and Pacific NW Defense Coalition to connect employers and job seekers; 80 individuals were hired as a direct result of the summit.

BUSINESS PROFILE:

**D'WAYNE EDWARDS
PENSOLE DESIGN
ACADEMY**



PDC: Tell us your company story.

DE: After a 22-year career as a footwear designer I left Nike/Jordan in 2010 to create PENSOLE, the only footwear design academy in the U.S. dedicated to discovering and developing the next generation of footwear design leaders. I am the founder and sole owner. In just over two and half years PENSOLE has nearly 40 former students working at top footwear companies, including Nike, Adidas, Under Armour, Stride Rite and Jordan. We currently work with the top design schools worldwide and partner with with the largest footwear and materials shows in North America), NE/NW Materials Show(largest materials show in North America, as well as foundations, tech companies and suppliers.

PDC: Why does Portland make sense as your business location?

DE: Portland is the mecca of footwear design. I have strong roots and resources here and I could not find the kind of support I've received anywhere else.

PDC: What brought you here? What will keep you here in the future as you grow?

DE: I moved here for Nike and fell in love with the city. I see big opportunities to work with Oregon schools to make Portland the destination for any aspiring footwear design student.

PDC: How has your relationship with PDC made a difference to you and your company?

DE: The support I have received from the PDC staff is the reason PENSOLE is in Portland. PDC helped me select

the right location, supported me with grants, advice and networking with the Portland business community.

PDC: How do you and your company interact with the local community?

DE: I bring more than 100 students here every year and they support the local businesses because they love the community we have in Old Town. I only have one full-time staff member, Materials Director Suzette Henri; everyone else is a volunteer from Nike, Jordan, Adidas, Danner or an independent design professional. At our final "Shoecase" the school is consistently filled with 200-plus local designers who come to support PENSOLE and the young talent we have brought to Portland.

PDC: What are you most optimistic about for your business, and for the city?

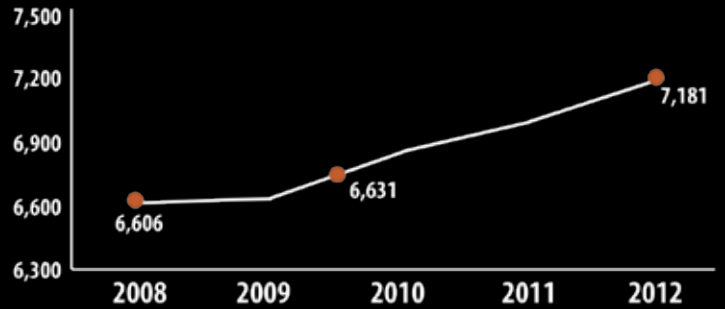
DE: I am looking forward to the collaboration with Design Forum/PDX on the creation of a resource library; the opportunity to work more closely with all of the art/design schools in Oregon on a unified footwear design program; being more involved with the Portland business community around diversity; and sharing Portland with the rest of the industry. PENSOLE is building amazing partnerships that will elevate Portland's presence nationally and internationally, solidifying our reputation as THE center for the footwear design.

It starts with the people. The people will drive the innovation and creativity that will inspire the city to keep up. If the city can continue to support the people, the people will create the future for the city.

Athletic & Outdoor

Portland is the recognized global hub for the athletic and outdoor industry. Anchored by Nike, Columbia Sportswear and Adidas, Portland is also home to numerous small and innovative firms including Keen Footwear, Icebreaker and Nutcase Helmets. With the greatest number of footwear patents in the country, the athletic and outdoor industry in Portland continues to innovate, attract global talent, and spin off new companies.

MULTNOMAH COUNTY JOB CHANGE: A&O, 2008-2012



Source: Economic Modeling Specialists, Inc.

ACCOMPLISHMENTS

Hosted six peer-to-peer mentoring sessions for small to medium-sized firms to assist in the development of growth strategies. Participants learned from experts in social media, accounting, finance, and human resources, and shared their experiences and challenges in growing a small business.

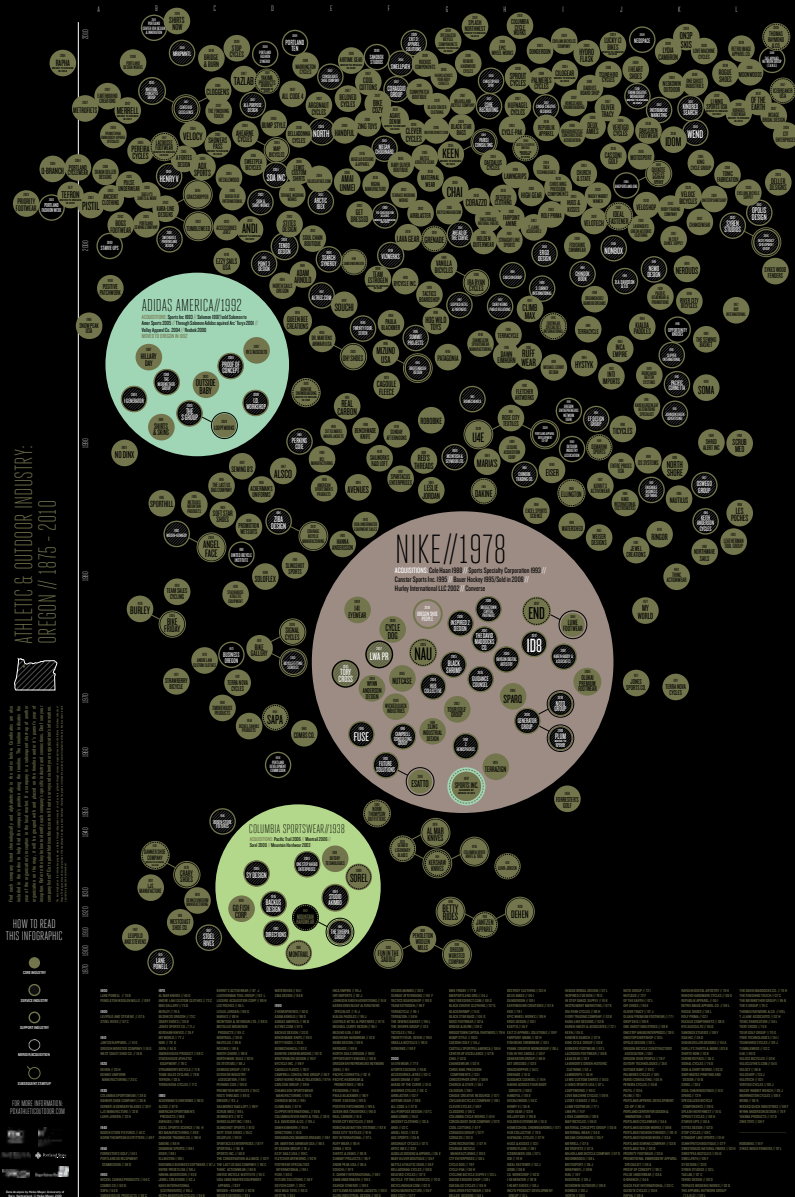
Assisted athletic and outdoor firms to expand and locate in Portland including Showers Pass, Sugar Wheel Works, Danner-LaCrosse, Portland Design Works, Snow Peak and Queen Bee; recruited Hi-Tec Sports and Garmont.

Launched Design Forum/PDX, a new organization to support innovation, design and product development through a materials resource library.

Sponsored the Outdoor Industry Association's Eco Index, an industry-led effort to track the environmental impact of the production and distribution of athletic and outdoor goods, and funded a matching grant training program for five Portland firms.

Hosted the annual Outdoor Industry Association Rendezvous in Portland attracting more than 400 industry leaders and showcasing Portland as the premier location for athletic and outdoor firms by unveiling the film *Inspired by Portland*.

Published the first comprehensive report on the region's athletic and outdoor industry, including a genealogy map showing the history and connections of the local industry's ecosystem; launched the first online directory of statewide athletic and outdoor firms listing more than 500 businesses; and developed a comprehensive action plan with athletic and outdoor leaders focused on industry leadership, talent, entrepreneurship and innovation.



Clean Technology

Portland continues to be a beacon for clean technology companies. Major headquarters for wind and solar manufacturers, in addition to market leaders in green building and development and startups in energy storage, demonstrate Portland's competitive advantages of a deep talent pool, receptive local market for new technologies and services, and a legacy manufacturing base that can make the next generation of green products.

MULTNOMAH COUNTY JOB CHANGE:
CLEAN TECH, 2008-2012



Source: Economic Modeling Specialists, Inc.

ACCOMPLISHMENTS

Secured the North American headquarters of wind power company Vestas and retained the North American headquarters of Iberdrola Renewables, a major European wind power company, saving 375 jobs.

Won \$2.1 million federal grant through the Jobs and Innovation Accelerator Challenge to foster clean technology innovation and production in the Portland region by aligning the region's manufacturing and clean technology industries through research, commercialization, and supply chain development.

Launched We Build Green Cities brand to promote Portland's global leadership in clean technology, green development and clean energy, and to generate new business opportunities domestically and internationally.

Launched Drive Oregon to support the electric vehicle industry and position Oregon as an early adopter of electric vehicle technology; adopted the Charge Portland electric vehicle strategy.

Photo courtesy of PGE

International Trade

With its location on the West Coast and Pacific Rim, an active port, and historical connections to Asian and European markets, Portland has long been a trade-focused economy. Traded sector firms, those that export goods and services nationally and internationally, account for a third of all employment in the Portland region. More than 142,270 jobs in the Portland region are attributed to export activity and nearly one-fifth of Portland's economic activity is generated by exports.

PORTLAND MSA EXPORT STATISTICS

National Rank		Value
#12	Exports in 2010	\$21.3 B
#8	Export Growth, 2003 to 2010	\$11.1 B
#14	Estimated jobs as result of export activity	142,384
#8	Change in Jobs as result of export activity, 2003 to 2010	45,868

Source: Brookings Metro Export Initiative

ACCOMPLISHMENTS



Developed the Greater Portland Export Plan, in partnership with Greater Portland Inc and regional economic development partners, to double exports in five years, with a focus on 1) supporting and leveraging primary exporters in computers and electronics; 2) catalyzing under-exporters in manufacturing; 3) building a healthy export pipeline of small and medium-size businesses; and 4) branding and marketing Greater

Portland's most promising industries through initiatives such as We Build Green Cities.

Selected by the Brookings Institution as one of four pilot cities in its Metro Export Initiative (MEI). The MEI brought together regional civic and business leaders, in addition to local, state and federal partners, to craft a regional plan to foster economic growth through export activities.

Partnered with regional and state organizations on strategic trade missions to Japan, Brazil, Canada, the United Kingdom, Germany, Sweden and Spain; at Eco Expo Asia 2011, helped seven Oregon businesses exhibit under the We Build Green Cities brand; signed memoranda of understanding with numerous international partners, including:

- Sustainable Hub, a Brazilian consulting firm, to promote export opportunities for Portland-area companies in the Brazilian/Latin American market
- Fagerdala Hem, a Swedish company pioneering a new foam-based homebuilding system
- Hong Kong Environmental Protection Department to promote sustainable communities
- Japan-based SANYO Homes Corp. to develop a Green Innovation Park showcasing net-zero homes

Established program for EB-5 foreign investment with two regional centers approved for Portland; successfully expanded targeted employment areas to attract EB-5 investment to a larger geographic area of the city.

NEIGHBORHOOD ECONOMIC DEVELOPMENT

Portland's distinct neighborhoods represent a wide range of character, development and amenities. Prosperous commercial districts are often a sign of neighborhood health because they help businesses and residents connect – both with each other, and with the larger regional economy. Many of Portland's close-in neighborhoods have experienced reinvestment and enjoy thriving commercial corridors, ample transportation options and good job opportunities. Still, other Portland neighborhoods, especially in East Portland, lag in investment and job growth.

PDC began the fiscal 2011/12 year with the Neighborhood Economic Development (NED) Strategy in place, adopted by Portland City Council in May 2011. The NED Strategy issues an urgent call for renewed investment in low-income communities and those of color, which have suffered disproportionately during the recession. With an approach that is more inclusive, more structured, and more dependent on side-by-side partnership with community organizations, the City has added significant depth to its efforts to achieve business growth, social equity and job creation.

Neighborhood Business Growth

Nearly 64 percent of Portland's 25,000 businesses are located in neighborhoods. Of these businesses half primarily serve neighborhood and culturally-specific markets. Supporting the growth of existing businesses in Portland's neighborhoods and attracting new businesses that meet neighborhood needs is a top priority of the NED Strategy.

ACCOMPLISHMENTS

Provided \$600,000 for citywide small business technical assistance for fiscal year 2011-2012. Five community-serving organizations delivered assistance to 136 businesses with 50 or fewer employees located in North/Northeast or East Portland and/or within targeted socioeconomic categories.

Helped approximately 376 microenterprises (five or fewer employees) with technical assistance, including credit repair, legal services and market research, through the Economic Opportunity Initiative (EOI) Microenterprise Program.

Established a partnership with Craft3, a nonprofit community development financial institution, to create a \$1.5 million loan fund that prioritizes small businesses within Neighborhood Prosperity Initiative (NPI) Districts and East Portland. Targeted investments in the NPI districts and East Portland are at the core of the Neighborhood Economic Development Strategy. The partnership with Craft3 advances PDC's work to create jobs and support community-driven economic development in the neighborhoods that need it most.

Started the Green Features for Business grant program to assist small neighborhood business to become more sustainable and reduce operating costs, helping 21 small businesses and leveraging close to \$600,000 in private investment.

\$600,000

136 BUSINESSES

3,265 HOURS
TECHNICAL ASSISTANCE

BUSINESS PROFILE: PETER CAO ARTICO LITE

PDC: Tell us your company story.

A: Artico Lite Inc. is a family-owned full service sign company that has grown from a home-based business founded in 2000. We manufacture, install, and maintain indoor and outdoor lighted and non-lighted signs. As a UL-certified fabrication shop with a neon plant and CNC equipment, we do most of the work in-house, allowing us to offer small business customers top-quality signs at affordable prices.

Artico Lite Inc. is jointly held by its president, Peter Cao, and vice president, Jennah Lee. Mr. Cao is from Can Tho, Vietnam, and arrived in New York in 1980, where he worked for eighteen years fabricating industrial lamps. Ms. Lee also arrived in this country from Vietnam, and has a background in accounting.

PDC: Why does Portland make sense as your business location?

A: Portland has been an ideal place to do business, with its vibrant small-business scene and multiple levels of business assistance available through both governmental and nongovernmental agencies. Neon sign fabrication shops, and the highly skilled artisans required to make such items, are quite rare on the West Coast and Pacific Northwest. This presents a highly accessible market opportunity for us.

PDC: What brought you here? What will keep you here in the future as you grow?

A: I first came to Portland as a visitor in the late 1990s, and my path to becoming a resident is a familiar one: coming from a major eastern metropolis (NYC), I found the clean air, greenery, and casual atmosphere appealing. I also quickly identified the market opportunities available in Oregon, and decided to put down roots here.

PDC: How has your relationship with PDC made a difference to you and your company?

A: Artico Lite has had an excellent working relationship with the PDC. In 2007, Artico Lite worked with the PDC to obtain storefront improvement funding for attractive landscaping and building exterior construction. Subsequently, Artico also qualified for a Quality Jobs Program conditional loan and the Economic Opportunity Fund grant from PDC. Most recently, we have been working indirectly with the PDC's Enterprise Opportunity Initiative Microenterprise project (EOI) and Small



THE SMALL BUSINESS OWNER

Business Development Programs, as implemented by IRCO, the Immigrant and Refugee Community Organization, a contractor to the project. The company has received technical assistance from this project on a number of levels, including Internet marketing, legal and government procurement assistance.

PDC: What are you most optimistic about for the future of your business?

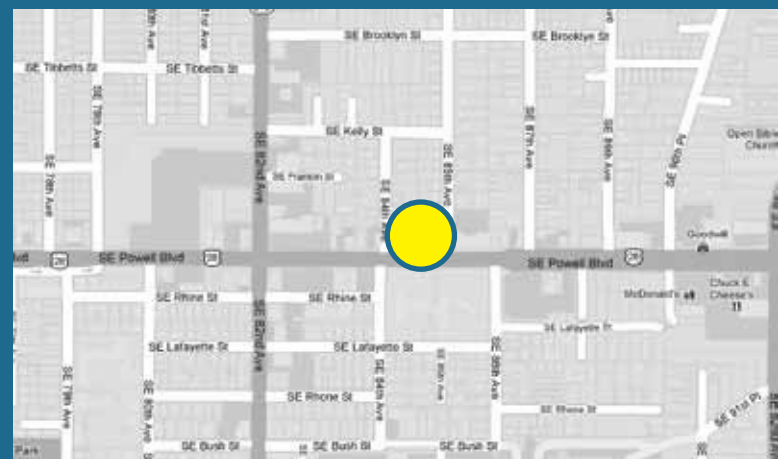
A: We are especially excited about the prospects of increasing Artico's access to markets with the aid of technical assistance received from IRCO. The company now finds itself in a much better position with regards to its Internet presence as a direct effect of the EOI program, and has already begun to see the results of this work.

PDC: What are you most optimistic about for the city?

A: Artico Lite is pleased to note upward trends in Portland's small business scene, and is excited at the prospect of helping new and existing businesses to signal their availability and spread their words with artfully designed and handcrafted signs throughout the city.

SOUTHEAST

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Neighborhood Commercial Districts

Neighborhood commercial areas serve as regional employment centers and contain about 45 percent of the City's jobs. Strategic initiatives and public-private partnerships can leverage larger market forces, help stimulate neighborhood business growth, and create jobs by supporting employers that can hire local workers. Portland has acted on this principle by initiating commercial corridor business development programs, facilitating commercial site readiness and pursuing catalytic infrastructure investments.

NEARLY
64 PERCENT
OF PORTLAND'S
25,000
BUSINESSES
ARE LOCATED IN
NEIGHBORHOODS



ACCOMPLISHMENTS



Completed targeted revitalization efforts in North Portland's Kenton neighborhood. The Denver Avenue Streetscape project installed new sidewalks, trees, lighting, street furniture and public art, attracting new businesses and customers to the historic commercial district.



Leveraged private and public investments in the Lents Town Center Urban Renewal Area, including assisting 51 businesses with storefront improvement grants and business finance loans, and completing an art installation at the Ramona Street light rail station.



Partnered with Hacienda CDC to establish a mercado, or Latino market, in Lents Town Center, as part of the City's Grocery Store Initiative. In addition to expanding access to culturally specific food, the mercado will provide opportunities for business incubation, expansion and wealth creation for local entrepreneurs.

Celebrated the completion of Killingsworth Station, a mixed-use project with 57 mixed-income condominiums and three ground floor businesses. PDC assisted with construction financing and commercial tenant improvement loans.





Representatives from the NPI districts

Strong Community Capacity

With the adoption of the NED Strategy PDC and the City of Portland began intentional investments in building local capacity to support community-driven economic growth. With the right tools and know-how, community intermediaries – from community-based organizations to culturally-specific organizations to business district associations – can most effectively drive neighborhood economic development. Portland has moved forward with several programs and initiatives that put communities in the driver seat for economic growth.

ACCOMPLISHMENTS

Established the Neighborhood Prosperity Initiative (NPI) and adopted six new NPI Urban Renewal Areas in East Portland: Our 42nd Ave, Cully Blvd, SE Division-Midway, Jade District, Parkrose & Rosewood. The URAs will make \$1.25 million available to strengthen each of these business districts' economic competitiveness through capacity building, district promotion and physical improvements.



Established the Portland Main Street Program in 2010 with three participating commercial districts: NE Alberta Street, Hillsdale and St. Johns. Over the last two years, the City has leveraged approximately \$288,000 in private funds to match the City's administration, marketing and promotion grants and awarded \$150,000 in district improvement grants.

Convened a Neighborhood Economic Development Leadership Group with diverse membership and citywide representation. The broad charge of the group is to guide the implementation of the NED Strategy and to develop resources for the Strategy's actions. The group includes individuals with expertise in business management, commercial district organizing, finance, culturally-competent service provision, redevelopment, and other related fields.

Supported 32 established community-based organizations - such as Portland YouthBuilders, Peninsula Children's Center and the African American Health Coalition – through Community Livability Grants (CLG) for capital improvements.

Offered technical assistance trainings to all Portland business districts through a contract with Venture Portland, a non-profit partner in neighborhood economic development.

619 technical assistance hours

1,486 training hours

2,306 volunteer hours

45 grants leveraged **\$406 K**

PDC: Tell us your story.

JG: The Rosewood neighborhood, which is 47% minority, has suffered from many challenges for a long time. Few residents own homes (85% rent) and the median family income is more than \$10,000 lower than in Gresham or Portland. In 2011, more than 1,200 crimes related to drugs, gangs, violence and human trafficking were reported in Rosewood, a higher rate of crime than in most parts of Portland. Lt. John Scruggs of the Portland Police Bureau helped create the Rosewood Initiative in response to the escalating crime and drug dealing he witnessed in the neighborhood. I started working in the Rosewood area about a year and a half ago, first as an AmeriCorps volunteer and now with the Rosewood Initiative.

PDC: What opportunities do you see in your neighborhood?

JG: When you drive through this area you would never imagine there's a community here. People have lived here for a long time, but it's been a traditionally underserved community. The infrastructure is misleading. In the past year and a half I've seen community meetings grow from three to 100 people. Where some people see disengaged youth, I see potential volunteers and future leaders. An empty gym at the local elementary school could be a free space for teens to gather and work out. An empty lot is fertile space for a community garden and a graffiti-covered wall is a blank canvas for a mural by a young artist. We have projects like that already under way, and I believe we can continue to make improvements that reflect the spirit of this community. We are redefining the neighborhood.

PDC: Describe your relationship with the PDC.

JG: We are partners. Last fall Rosewood was adopted by PDC as one of the city's six Neighborhood Prosperity Initiative districts. PDC will allocate about \$1.25 million, plus technical resources, to Rosewood over the next 10 years. The Rosewood community will help allocate funds for projects that create and grow businesses, including new street lights, district signs, public art, and ADA ramps and curb cutouts. In addition, funding will create mentoring and apprenticeship opportunities for vulnerable community members, such as immigrants and people of color. A PDC staff member started coming to all our meetings and really became a part of our conversations and community. People know her and recognize her as someone who's trying to help this community.

COMMUNITY PROFILE:
JENNY GLASS
EXECUTIVE DIRECTOR
ROSEWOOD INITIATIVE

THE OPTIMIST



PDC: What are you optimistic about?

JG: Improving the economic conditions and aesthetic feel of this neighborhood will affect people's mentalities here. Any resources we can bring will create more hope and help residents take more pride in their community. A few months ago we had a celebration of accomplishments and partnerships at the Rosewood Café, and some people were crying with a real sense of hope. Everyone has the same end goal: to make this a healthy, safe, prosperous community. Sometimes it's hard to gauge progress, but we can feel a change. It's going to take time, and we're going to have setbacks along the way, but we're moving forward. We can feel it.



COMMUNITY PROFILE:

REY ESPANA**DIRECTOR OF COMMUNITY DEVELOPMENT****NATIVE AMERICAN YOUTH AND FAMILY CENTER (NAYA)****PDC: Tell us your story.**

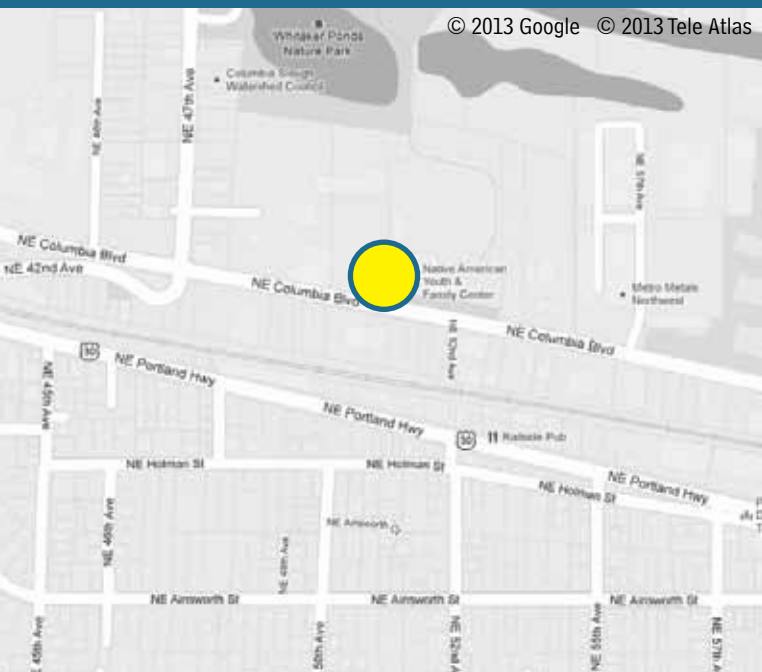
RE: I've worked in education and community development for nearly 40 years. At NAYA I work with some of the 38,000 Native Americans who live in Portland, a diverse population that's affiliated with more than 380 tribes. Portland has the ninth largest Native American community in the country, and Portland's Native people suffer from the highest rates of poverty, homelessness and unemployment of any ethnic group in the city.

PDC: PDC's mission focuses on creating a more equitable city. How does that support your own work and goals?

RE: In my nearly 40 years working with and on behalf of the community, I've watched well-meaning policies fizzle due to one significant flaw: change should come from the community up. So I was encouraged when PDC began applying its equity lens to underserved neighborhoods in Portland — both by the agency's acknowledgement of the growing disparity plaguing Portland's communities of color and by its determination to include those communities to make grassroots change. I'm trying to align private opportunity with public policy, and eliminate the myth that it costs more to be equitable. The community benefit agreements show how PDC serves as an example to the community and region. Equity doesn't happen in a vacuum, and it doesn't happen alone.

PDC: What are you optimistic about?

RE: I see PDC's requirements for hiring women- and minority-owned businesses in construction as a positive step toward measurable inclusion. In many cases, equity language has been aspirational, but it needs to be more intentional. You can't measure progress if you can't quantify it. I hope to see even more job training and employment opportunities for competent workers in the Native community.



Rawanda Rogers earned valuable training as a carpenter apprentice through opportunities created by PDC's South Waterfront Workforce Diversity Strategy.



Economic Opportunity and Equity

The equity gaps identified in the State of Black Oregon report, *Communities of Color in Multnomah County: An Unsettling Profile*, and other data show that people of color consistently earn less, have higher unemployment, live further from employment opportunities, and face greater barriers in education, training, and access to health care than other populations. At the same time, east Portland and the region's eastern suburbs have seen substantial population growth – especially of lower-income residents.

Economic development is not just about companies and buildings – it is about real people having access to employment opportunities and creating wealth for themselves and their families. The City and PDC have responded to this need through people-based programs that help individuals throughout Portland secure living-wage jobs and through policy initiatives that ensure PDC is equitable in its contracting activities.

39% MWESB contracting
17% Minority-owned
14% Emerging small businesses

ACCOMPLISHMENTS

Provided an intensive regimen of career planning, job and life skills training, post-secondary education supports, internships, job placement and career advancement to 2,026 adults and young people enrolled in the Economic Opportunity Initiative (EOI) program over the last three fiscal years. In May 2012, PDC established an agreement with WorkSystems, Inc to co-invest youth workforce development resources to more efficiently and effectively serve low-income and disadvantaged youth aged 16-21.

Attracted record participation of Minority-owned, Women-owned or Emerging Small Businesses (MWESB) in PDC contracting in Fiscal Year 2011-12: of all PDC-supported projects, MWESB contracting was 39%, including 17% minority-owned, 7% women-owned, and 14% emerging small businesses. The three-year average is 33% MWESB firms, which employ many workers living in Portland's neighborhoods.

Worksystems Inc. supported the creation and execution of workforce training and development plans for seven Enterprise Zone companies as they provided skill development and certificate training to more than 170 new and incumbent workers.

Negotiated Community Benefit Agreements (CBAs) for the Veterans Memorial Coliseum, and other projects that went beyond workforce diversity, contracting and apprenticeship on the construction sites. These benefits included local sourcing and hiring for the permanent jobs created, job retention, opportunities for local businesses, and innovative ways to increase women and minority participation in architecture and engineering.

URBAN INNOVATION

Portland's status as an urban innovator is the result of far-sighted investments in the building blocks of a vibrant, 21st century city: transit, land use policy, high-density development, open spaces, green buildings, and infrastructure. The unique character of Portland's urban core is critical to attracting the workforce, entrepreneurs, and employers who will drive the growth of the regional economy in the next decades. Investments in transformative projects to elevate downtown's relevance and appeal as a regional asset will remain a priority for the City. Portland continues to invest in and build public-private partnerships that promote new technologies, practices, and development models.

Photo by Jeremy Bittermann

Central City Vitality

The central city is the heart of the metropolitan area, a regional asset that fosters creativity and invention, in turn driving cultural and economic growth. Preserving the appeal of the central city is essential to attracting talented workers who drive innovation and maintain the central city as the region's major employment center. The execution of a downtown retail strategy, investment in tenant-driven physical development and infrastructure, and the cultivation of Portland's national and international profile further bolster downtown's 21st century role as an economic development driver.

CHANGE IN # OF BUSINESSES IN CENTRAL CITY, 2005-2011



Source: Portland Development Commission from Covered Employment and Wages

ACCOMPLISHMENTS

Secured \$8.5 million in federal funding for the rehabilitation of Union Station, the oldest major passenger rail terminal on the west coast.

Constructed the Eastside Streetcar Loop, scheduled to open in fall 2012, creating 103 construction jobs and attracting \$148 million in new investment.

Continued implementation of the Downtown Retail Strategy, resulting in the arrival of major retailers H&M and Sephora and the expansion of Nike in high-visibility spaces downtown; recruitment of Target, which will open one of its first urban stores in Portland; as well as the reprise of the successful PDX Pop-Up Shops during the holiday season.

Coordinated a development agreement between American Asset Trust, Langley Investments and City bureaus for a \$250 million investment in a superblock in Lloyd District that will result in 760 highly sustainable new housing units and redevelopment of an office building, which is the largest single private development in the central city in the last five years.

Began the first phase of the Burnside Bridgehead project, with the renovation of the 80,000-square-foot former Convention Plaza Building into a digital hub, anchored by Cascade Energy and the Technology Association of Oregon.

Completed the redevelopment of the Globe Hotel in Old Town/Chinatown for the Oregon College of Oriental Medicine, retaining 60 jobs in Portland and topping off 1000 new jobs and \$100 million in investment in the Old Town/Chinatown neighborhood stimulated by PDC over the last five years.



PROJECT PROFILE:
VESTAS

green business, green building

On May 23, a crowd of green business leaders joined Mayor Sam Adams and PDC staffers to celebrate the transformation of the historic Meier & Frank Depot Building at 1417 NW Everett St. into the North American sales and service headquarters for Vestas, as well as the home office of real estate developer Gerding Edlen.

Portland's considerable local talent base of architects, construction workers and engineers converted the Portland landmark into one of the most energy-efficient buildings in the United States, expected to earn LEED Platinum certification. And the \$8 million public investment attracted \$66 million in private dollars, an investment that will pay off into the future in the form of more green jobs and business development.

The partnership between Vestas—a global leader in clean technology—and Portland's world-class green building professionals speaks to the true depth of Portland's green economy. Both Vestas and Gerding Edlen play a major role in developing Portland's green talent pool and exportable expertise.

Vestas is the world leader in producing high-tech wind power systems. Despite the recent ups and downs of the wind industry, the company has made a long-term commitment to Portland, where the headquarters employs around 400 people and expects to add up to 100 jobs within the next five years.

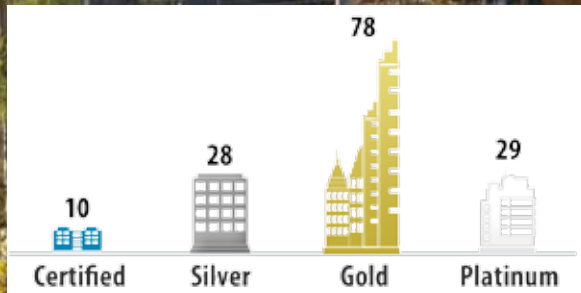
In 2010 Oregon reached a \$5.4 billion dollar level of investment, due to the renewable industry presence attracted to the state and the Portland metro region. Portland's global leadership in clean technology is grounded in a critical mass of knowledge, expertise, and talent. Recognition of the area's particular strengths has fostered the strategic development of specific activities that advance Portland as a competitive business environment for clean technology, worthy of participation from companies around the world.

PDC is delivering on the city's economic development strategy, and this project is an example of how to do things right - creative and in the spirit of what PDC is all about: being nimble, smart and taking calculated risks for the right results.

Next Generation Built Environment

Portland is stretching to maintain its leadership in green development and sustainability. With 145 LEED-certified buildings – most of which hold the higher gold or platinum ratings - Portland’s new development is pushing the envelope in environmental performance. Building retrofits have contributed to improved energy efficiency; new construction has achieved more aggressive certification through cutting-edge design and technology; and planning is under way at the district scale. Portland’s commitment to the next generation built environment offers itself as a living laboratory, creating new opportunities for firms developing the next wave of sustainable products and services.

NUMBER OF LEED CERTIFIED BUILDINGS BY TYPE IN PORTLAND



Portland’s South Waterfront is one of Portland’s five pilot EcoDistricts.

ACCOMPLISHMENTS



Established and advanced district scale approaches to sustainability through five pilot EcoDistrict areas: Lloyd District, SoMa, South Waterfront, Gateway and Foster Green, which have respectively created an independent management association, identified key projects to pursue, and completed district-wide assessments.

Launched Clean Energy Works Oregon by leveraging \$20 million in federal funds to encourage residential energy retrofits through private/public partnership. The innovative on-utility-bill financing program provides low-cost improvements to homeowners to become more energy efficient. The program has completed more than 1,100 retrofits, created almost 30 permanent jobs and supported more than 500 construction jobs.

Supported PSU’s launch of Electric Avenue, a collaborative effort between the university, City of Portland and industry partners showcasing electric vehicle charging station use and performance.

Joined with U.K.-based Building Research Establishment Ltd. to identify local and national U.S. market demand for a Portland-based green innovation park to showcase cutting edge residential green building products, similar to those being pursued in the U.K., China, Canada and Brazil.

Signed a memorandum of understanding with Lucid Energy to develop a pilot in-pipe hydropower system in Portland.

PDC: Tell us your company story.

A: SERA is a 110-person, employee-owned firm on the forefront of design, fusing social, cultural, economic and ecological insight to create places of lasting significance. Collaborating with visionary clients, we create successful, sustainable environments.

Located in Old Town / Chinatown, SERA Architects believes in walking our talk. We deliberately created a “front porch” which connects to the streetscape on 5th Avenue and offers casual seating, meeting and display space.

PDC: Why does Portland make sense as your business location?

A: Since our firm’s organization in 1968, SERA has been instrumental in the development of Portland’s national reputation. SERA’s involvement in urban revitalization, adaptive reuse projects and historic preservation is grounded in our sustainable design expertise.

The Portland “mystique” with respect to sustainable planning and green building is a valuable marketing strategy for us and has opened many doors of opportunity, nationally and internationally. We enjoy the great transit, convenient airport and the wonderful business and lifestyle opportunities Portland has to offer.

PDC: What brought you here? What will keep you here in the future as you grow?

A: When SERA started more than 40 years ago we were the first second floor commercial office tenant north of Burnside. We were attracted by the opportunity to create a new place and at the same time save the existing culture of Old Town / Chinatown. We stay because we continue to have an opportunity to make a difference in our neighborhood. Portland is the mecca for green building, and its open culture provides great access to public and private sector leaders. Being located here advances our brand.

PDC: How has your relationship with PDC made a difference to you and your company?

A: We have had numerous projects funded through PDC that have been game changers for us. PDC has been a great partner for SERA as we continue to sell Portland and the Portland brand outside of Oregon.

PDC: How do you and your company interact with the local community?

A: Social sustainability is at the core of SERA’s values and is expressed in our involvement in social service agencies in



BUSINESS PROFILE:
SERA ARCHITECTS
OLD TOWN/CHINATOWN

THE DESIGNERS

our neighborhood, through our connection with non-profit entities which need pro bono services, and in our corporate governance and benefit programs.

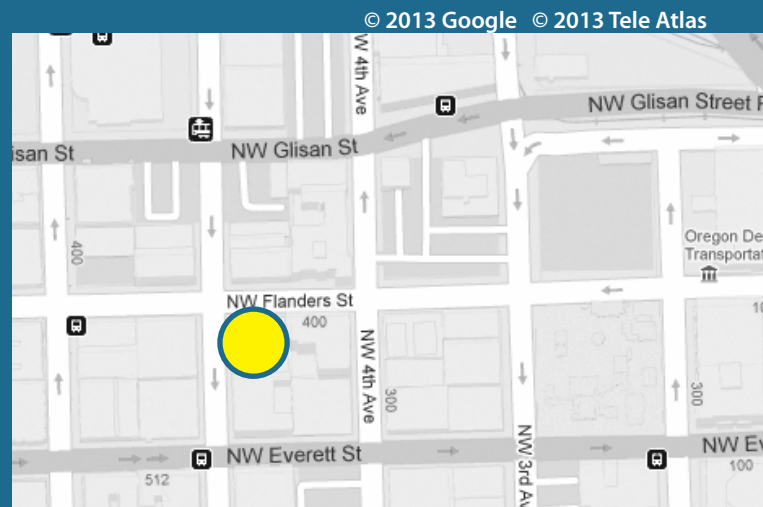
PDC: What are you most optimistic about for your business?

A: Our over-arching goal is to transform SERA into a truly sustainable company that demonstrates through products and practice that sustainable design is good design. SERA’s investment and immersion in sustainability has led to numerous strategies for the betterment of the business, the community, and the world in which we operate.

PDC: What are you most optimistic about for the city?

A: The need to address sustainability and to innovate in time is critical for our planet and cannot happen fast enough. Portland, like SERA, has been helping to lead this charge nationally for the last 20 years and has achieved both a national and international reputation for advanced sustainability initiatives.

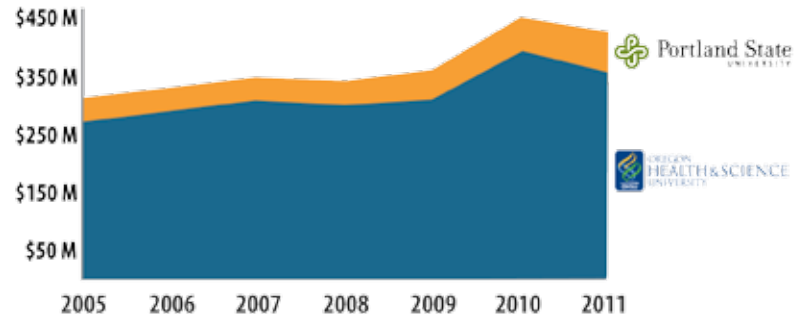
Portland has proven to be an open and adaptable place with the entrepreneurial spirit, homegrown economy and innovative culture that will help us all chart a desirable future.



Higher Education

Portland's culture of innovation and creativity depends on the frequent introduction of new technologies and a continued infusion of entrepreneurial, management and engineering talent into the workforce. PDC has worked closely with Portland State University and Oregon Health & Science University to foster economic activity, technology transfer and new company formation. Both universities are focused in the central city, the heart of the metropolitan area and a regional asset that fosters creativity and invention, in turn driving cultural and economic growth. Preserving the appeal of the central city is essential to attracting talented workers who drive innovation and maintain the central city as the region's major employment center. The cultivation of Portland's national and international profile further bolsters downtown's 21st century role as an economic development driver.

SPONSORED RESEARCH FUNDING AT PORTLAND'S RESEARCH UNIVERSITIES FROM 2005 TO 2011



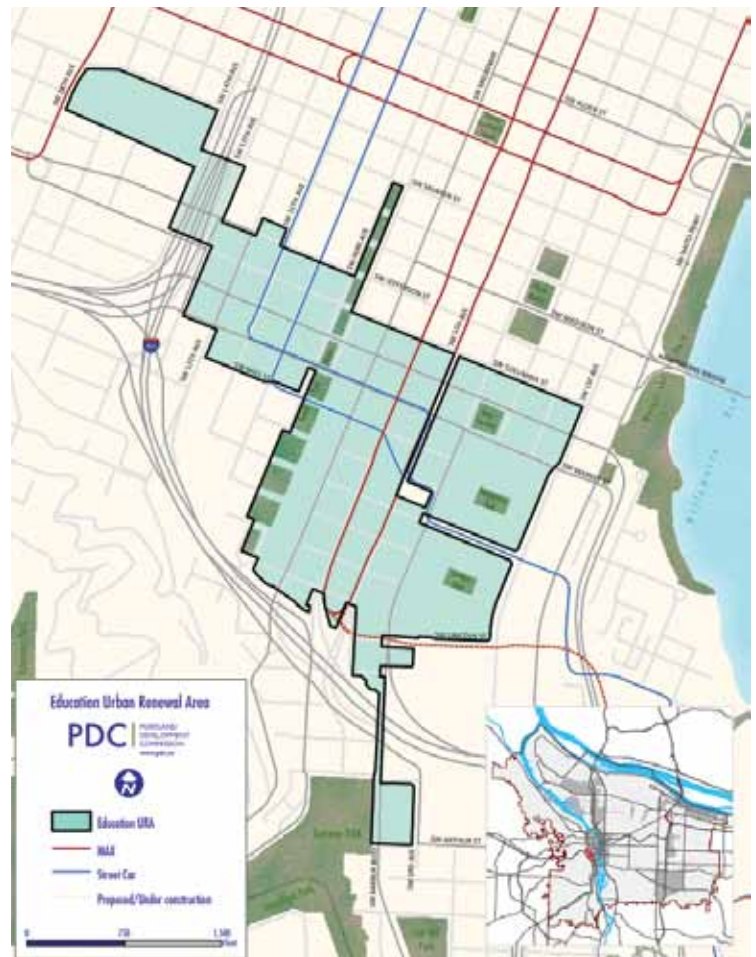
Source: Portland State University and Oregon Health & Science University

ACCOMPLISHMENTS

Established the new Education Urban Renewal Area to help PSU accelerate its growth by partnering with the City and business community to attract new investment and educate the region's workforce. The new district will invest up to \$134 million in technology commercialization, entrepreneurship and research facilities with the long-term goal of accelerating innovation and job creation.



Supported OHSU's breaking ground on the Collaborative Life Sciences Building in South Waterfront, a joint project of PSU, the Oregon University System and OHSU that will increase partnerships between the universities, expand their teaching facilities, class sizes, and research activities and create new employment opportunities. The building includes highly specialized laboratory space and facilities that will allow OHSU to grow its research programs.



Film & Video

Film and video productions have become a significant contributor to Portland's economy. Film and video productions spent more than \$130 million in Oregon in 2011, most of it concentrated in Portland. In 2011, Portland issued 667 permits for film, TV and commercial filming projects, including three major television productions: Leverage, Portlandia and Grimm.

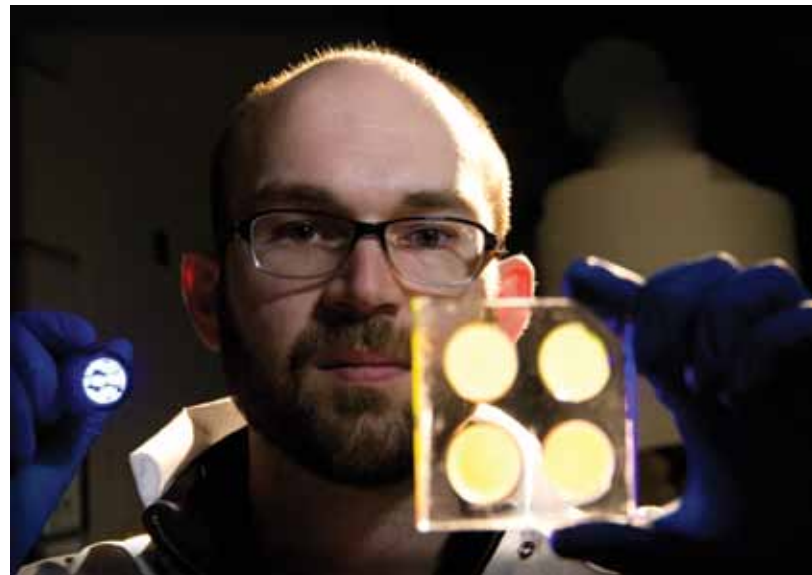
The jump in locally-filmed productions has nurtured Portland's emerging status as an animation and post-production services hub. As technology plays an increasingly larger role in the creation of film and television production, the City is seeing significant growth in the related supply chain. Portland's growing intersection of film and software - animation, interactive media, web and mobile applications - points toward further development of homegrown supply chain services and continued attraction for production companies.



Won federal TIGER grant funding to complete construction of SW Moody Avenue from RiverPlace to SW Gibbs, which increases district traffic capacity and accessibility necessary for future PSU and OHSU connectivity and growth.

Worked with Oregon BEST (Oregon Built Environment & Sustainable Technologies Center) to create a university and industry partnership through the Sustainable Built Environment Research Consortium to commercialize cutting-edge innovations in the built environment.

Invested \$1.5 million for the construction of a wet lab at the PSU Business Accelerator to support Oregon's startup biotech firms and companies involved in developing new drugs, medical devices, and other biological and chemical innovations. The wet lab is currently fully occupied with demand for more space.



INVESTING PUBLIC RESOURCES WISELY

One of PDC's five Strategic Plan goals is Effective Stewardship over Resources and Operations, and Employee Investment. We exercise transparent and accountable stewardship of public resources by incorporating best practices in strategic planning, performance measurement, budgeting, accounting and contracting, and continuous business process improvement. PDC values and supports employees through training and leadership development.

As reflected in the following financial statements, PDC ended fiscal year 2011/2012 with approximately \$307.4 million in total assets, with its real estate portfolio accounting for \$95.5 million of this value. Loans receivable, net of allowances, were \$50.3 million at year end. Cash of \$145.2 million, including tax increment financing proceeds from recent bond sales, made up the largest portion of the asset balance. PDC's total liabilities at year end were \$17.9 million.

Tax increment financing proceeds of \$133.8 million made up 84% of PDC's \$159.4 million total revenues for the year. PDC's annual expenditures totaled \$96.6 million resulting in an ending fund balance of \$291.8 million, an increase of \$62.8 million over fiscal year ending 2011.

Financials

BALANCE SHEET

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 15,500	\$ -	\$ 15,500
Cash with City of Portland investment pool	143,004,300	2,199,448	145,203,748
Cash with fiscal agent	122,987		122,987
Receivables:			
Due from other entities	-	77,605	77,605
Due from other funds	(100,000)	100,000	-
Due from City of Portland	1,845,055	-	1,845,055
Accounts	154,703	-	154,703
Loans, net	4,044,926	625,757	4,670,683
Interest	284,485	3,702	288,187
Prepays	319,065	-	319,065
Property held for sale	95,475,590	-	95,475,590
Other	28,462	-	28,462
	<u>245,195,073</u>	<u>3,006,512</u>	<u>248,201,585</u>
Noncurrent assets:			
Loans receivable, net	49,574,909	712,204	50,287,113
Capital assets, net	8,938,704		8,938,704
	<u>58,513,613</u>	<u>712,204</u>	<u>59,225,817</u>
Total noncurrent assets			
	<u>58,513,613</u>	<u>712,204</u>	<u>59,225,817</u>
Total assets	\$ <u>303,708,686</u>	\$ <u>3,718,716</u>	\$ <u>307,427,402</u>

LIABILITIES AND FUND BALANCES	Governmental Funds	Enterprise Funds	Total
Current liabilities:			
Accounts payable	\$ 1,457,497	\$ 1,357	\$ 1,458,854
Accrued liabilities	766,364	6,970	773,334
Due to City of Portland	3,256,110	216,942	3,473,052
Due to other entities	194,750	-	194,750
Long-term liabilities due within one year:			-
Pollution remediation	112,255	-	112,255
Replacement parking access	59,729	-	59,729
Total current liabilities	5,846,705	225,269	6,071,974
Noncurrent liabilities:			
Long-term liabilities:			
Net other post-employment benefits obligation	679,030	-	679,030
Pollution remediation	7,423,164	-	7,423,164
Replacement parking access	268,359	-	268,359
Replacement parking construction	2,847,000	-	2,847,000
Vacation accrual	672,242	-	672,242
Total noncurrent liabilities	11,889,795	-	11,889,795
Total liabilities	17,736,500	225,269	17,961,769
Fund balances:			
Non-spendable			
Prepaid expenditures	319,065	-	319,065
Loans receivable	562,732	-	562,732
Property held for sale	146,754	-	146,754
Restricted			
Loans receivable	52,918,635	-	52,918,635
Property held for sale	95,077,380	-	95,077,380
Accounts receivable-others	7,492	-	7,492
Urban renewal	130,764,458	-	130,764,458
Contractual obligations	2,788,693	-	2,788,693
Assigned			
Subsequent year's expenditures	2,397,106	-	2,397,106
Unassigned			
Ending fund balance	989,871	3,493,447	4,483,318
Total fund balances	285,972,186	3,493,447	289,465,633
Total liabilities and fund balances	\$ 303,708,686	\$ 3,718,716	\$ 307,427,402

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	Governmental Funds	Enterprise Funds	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental revenues	\$ 7,170,821	\$ 200,000	\$ 7,370,821
Charges for services	1,658,729	1,019,745	2,678,474
Loan collections	1,238,233	102,456	1,340,689
Miscellaneous	14,083,247	96,250	14,179,497
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>133,787,307</u>	<u>-</u>	<u>133,787,307</u>
 Total revenues	 <u>157,938,337</u>	 <u>1,418,451</u>	 <u>159,356,788</u>
 EXPENDITURES			
Current:			
Community development	61,122,362	1,391,277	62,513,639
Capital outlay	17,166,817	-	17,166,817
Financial assistance	<u>16,871,782</u>	<u>-</u>	<u>16,871,782</u>
 Total expenditures	 <u>95,160,961</u>	 <u>1,391,277</u>	 <u>96,552,238</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>62,777,376</u>	 <u>27,174</u>	 <u>62,804,550</u>
 NON-OPERATING REVENUES			
Interest on investments	<u>523,907</u>	<u>7,480</u>	<u>531,387</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	-	60,000	60,000
Transfers out	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
 Total other financing sources (uses)	 <u>(60,000)</u>	 <u>60,000</u>	 <u>-</u>
 Net change in fund balances	 63,241,283	 94,654	 62,804,550
 FUND BALANCES - July 1, 2011	 <u>225,604,057</u>	 <u>3,398,793</u>	 <u>229,002,850</u>
 FUND BALANCES - June 30, 2012	 <u>\$ 288,845,340</u>	 <u>\$ 3,493,447</u>	 <u>\$ 291,807,400</u>

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

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

CASH FLOW STATEMENT
For the Fiscal Year Ended June 30, 2012

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities:			
Loan collections from borrowers	\$ 4,044,926	\$ 806,962	\$ 4,851,888
Intergovernmental Revenue	140,940,980	-	140,940,980
Interest on loans from borrowers	1,245,194	102,456	1,347,650
Fees from customers	459,278	41,812	501,090
Rent income	1,199,451	977,933	2,177,384
Collection of receivables from other entities	1,116,702	-	1,116,702
Payments to employees	(14,980,610)	(19,732)	(15,000,342)
Payments to vendors	(77,235,970)	(1,206,927)	(78,442,897)
Payments for interfund services used	98,424	(98,424)	-
Loans to borrowers	(3,576,705)	-	(3,576,705)
Sale of Real Property	3,185,051	-	3,185,051
Miscellaneous reimbursements (payments)	3,816,496	854	3,817,350
Net cash provided by operating activities	<u>60,313,217</u>	<u>604,934</u>	<u>60,918,151</u>
Cash flows from noncapital financing activities:			
Operating grant	-	200,000	200,000
Collection of interfund loans	-	625,720	625,720
Transfers from other funds	3,645,000	4,230,000	7,875,000
Collection of due from other funds	(4,440,000)	(4,170,000)	(8,610,000)
Net cash provide (used) by capital and related financing activities	<u>(795,000)</u>	<u>885,720</u>	<u>90,720</u>
Cash flows from investing activities			
Interest received from investing	625,362	9,066	634,428
Net increase (decrease) in cash and cash equivalents	60,143,579	1,499,720	61,643,299
Cash balance, July 1, 2011	<u>82,999,636</u>	<u>699,728</u>	<u>83,699,364</u>
Cash balance, end of period	<u>\$ 143,142,787</u>	<u>\$ 2,199,448</u>	<u>\$ 145,342,235</u>
Shown on the balance sheet in:			
Cash and cash equivalents	\$ 15,500	\$ -	\$ 15,500
Cash with City of Portlan investment pool	143,004,300	2,199,448	145,203,748
Cash with fiscal agent	122,987	-	122,987
	<u>\$ 143,142,787</u>	<u>\$ 2,199,448</u>	<u>\$ 145,342,235</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Net Operating income	\$ 62,777,372	\$ (172,826)	\$ 62,604,546
Decrease (Increase) in due from (to) City of Portland, net	(658,297)	216,942	(441,355)
Decrease (Increase) in loans receivable	(1,272,160)	640,832	(631,328)
Decrease in PHFS	1,137,902	-	1,137,902
Decrease in due from other entities	(151,655)	(77,605)	(229,260)
Decrease in accounts payable	(1,519,945)	(2,409)	(1,522,354)
Total adjustments	<u>(2,464,155)</u>	<u>777,760</u>	<u>(1,686,395)</u>
Net cash provided (used) by operating activities	<u>\$ 60,313,217</u>	<u>\$ 604,934</u>	<u>\$ 60,918,151</u>

Management's Discussion and Analysis

As management of Portland Development Commission (PDC), we offer this narrative overview and analysis of the financial activities of PDC for the fiscal year ended June 30, 2012. The following discussion is taken from the Portland Development Commission's Comprehensive Annual Financial Report (CAFR), Management's Discussion and Analysis (MD&A). Management's Discussion and Analysis is intended to explain the significant changes in financial position, as well as differences between the current and prior years. The full CAFR and MD&A can be found at http://www.pdc.us/Libraries/Budget/CAFR_-_FY_2011-2012_pdf.sflb.ashx

Government-wide Financial Analysis

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

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

PORTLAND DEVELOPMENT COMMISSION'S NET ASSETS AT JUNE 30

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

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

The remaining balance of unrestricted net assets (\$933,496 or 0.3%) may be used to meet PDC's ongoing obligations to citizens and creditors. A portion of the *unrestricted net assets* is contained in the business-type activities that cannot be used to make up for the decrease reported in the governmental activities. Note that unrestricted net assets have decreased \$6,155,119 or 86.8% during fiscal year 2012. The business-type unrestricted net assets increased by 2.8%, or \$94,654, a direct result of a decrease in the loan loss allowance, while the governmental segment decreased \$6,249,773, or 169.4% as the result of changes in property held for sale and long-term liabilities.

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

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

PORTLAND DEVELOPMENT COMMISSION'S LOANS RECEIVABLE AT JUNE 30

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

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

PORTLAND DEVELOPMENT COMMISSION'S CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30

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

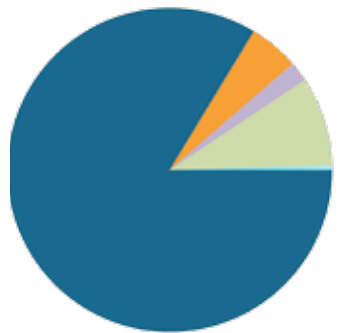
Governmental activities. PDC's ending net assets for governmental activities increased by \$59,085,094, while overall there was a 25.7% increase in total net assets on a government-wide basis. This increase is due primarily to an increase in governmental revenues of \$55,014,446 or 53%, while expenditures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

PORTLAND DEVELOPMENT COMMISSION'S SUMMARY OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
COMPARED TO THE FISCAL YEAR ENDED JUNE 30, 2011

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

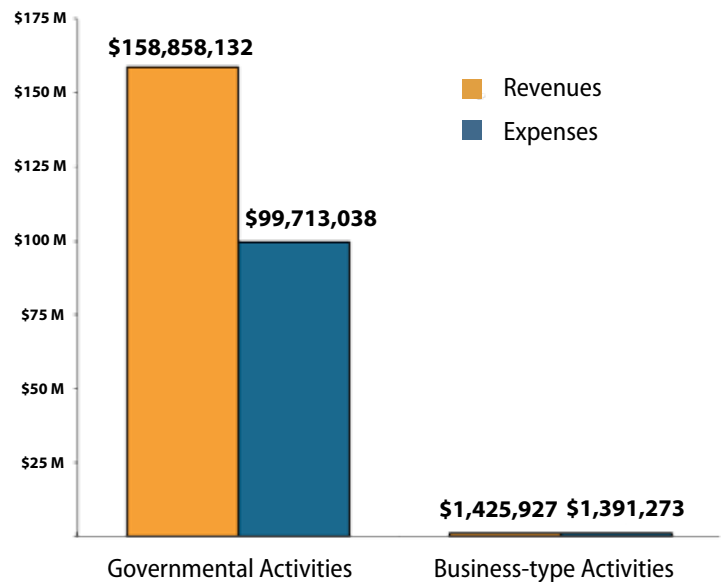
A slight decrease in charges for services offset by an increase in miscellaneous revenues added to the increase in tax-increment proceeds (in lieu of tax-increment revenue). These increases were due to the receipt of bond proceeds and an increase in the sale of real property. A marked decrease in Community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

REVENUES BY SOURCE
- GOVERNMENTAL TYPE ACTIVITIES



- Intergovernmental (TIF) **84%**
- Operating Grants **5%**
- Charges for Services **2%**
- Miscellaneous **9%**
- Unrestricted Investments **0%**

COMMUNITY AND PROGRAM DEVELOPMENT EXPENSES
AND GENERAL REVENUES



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

SUMMARY HISTORY OF TIF PROCEEDS
RECEIVED BY PORTLAND DEVELOPMENT COMMISSION
FOR THE FISCAL YEARS ENDED JUNE 30

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

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

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

PORTLAND DEVELOPMENT COMMISSION'S
CHANGES IN BUSINESS-TYPE ACTIVITIES EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30

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

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

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

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

Financial Analysis of PDC's Funds

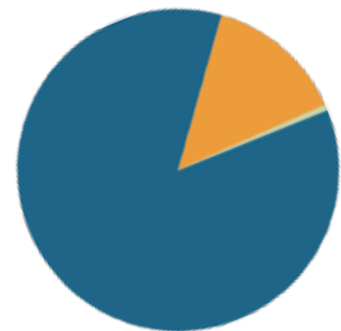
As noted earlier, PDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

PORTLAND DEVELOPMENT COMMISSION'S LOAN LOSS ALLOWANCE HISTORY ENTERPRISE LOANS FUND FOR THE FISCAL YEARS ENDED JUNE 30

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

REVENUES BY SOURCE - BUSINESS TYPE ACTIVITIES



- Charges for Services **85%**
- Operating Grants **14%**
- Unrestricted Investments **1%**

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

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

- Revenues decreased by \$92,143 primarily due to a decrease in miscellaneous revenues and an increase in Intergovernmental Revenues, a result of the reclassification of PHB billings to

intergovernmental revenue and a reduced contract. Smaller decreases were also experienced in charges for services and interest on investments.

- Net expenditures increased \$621,711. A decrease of \$559,512 in community development for professional service contracts, public communications and marketing, and training, travel, and meeting expenses account for the majority of the change, the result of decreased funding for economic development efforts citywide. Capital Outlay expenditures also decreased by \$627,626 while Financial Assistance for technical assistance and economic development increased by \$1,808,849.
- Transfers Out reflect planned reimbursements of \$60,000 to the Enterprise Loans Funds to support an ongoing cash flow reserve for Economic Development.

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

PORTLAND DEVELOPMENT COMMISSION'S
SCHEDULE OF OTHER MAJOR GOVERNMENTAL FUND BALANCES AT JUNE 30

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

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

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

In the River District Urban Renewal Area, the \$12,847,483 or 28.9% net increase in fund balance can be attributed to an increase in tax-increment debt proceeds (in lieu of tax-increment revenue) of 15.1% or \$5,554,082 coupled with significant decreases in expenditures. Financial Assistance experienced a decrease of \$10,263,409 or 95.0% as fewer loan and grant disbursements were made and Capital Outlay decreased \$16,713,613 or 89.6% as no major projects were begun. These decreases were offset by an increase in Community Development of \$7,324,635 or 34.4%, which includes housing expenditures disbursed through Portland Housing Bureau.

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

transactions resulting from the Urban Renewal boundary changes between the Interstate Corridor and Convention Center Urban Renewal Area. This was offset by slight decreases in expenditures.

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

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

Proprietary funds. PDC's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. PDC's Enterprise Loans Fund encompasses numerous loan programs. Net assets for the Enterprise Loans Fund

PORTLAND DEVELOPMENT COMMISSION'S
TAX-INCREMENT FUNDS (DEBT PROCEEDS) ALLOCATION
FOR THE YEARS ENDED JUNE 30

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

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

General Fund Budgetary Highlights

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

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

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

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

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

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

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

There were no major capital asset transactions during the year. Land values decreased due to

PORTLAND DEVELOPMENT COMMISSION'S CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) AT JUNE 30

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

an additional transfer of property to the Portland Housing Bureau. Other types of capitalized assets decreased slightly in value during the fiscal year with the exception of intangible software for the purchase of new financial software.

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

PORTLAND DEVELOPMENT COMMISSION'S REAL PROPERTY HELD FOR SALE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

Significant real property transactions in the Other Government Funds included:

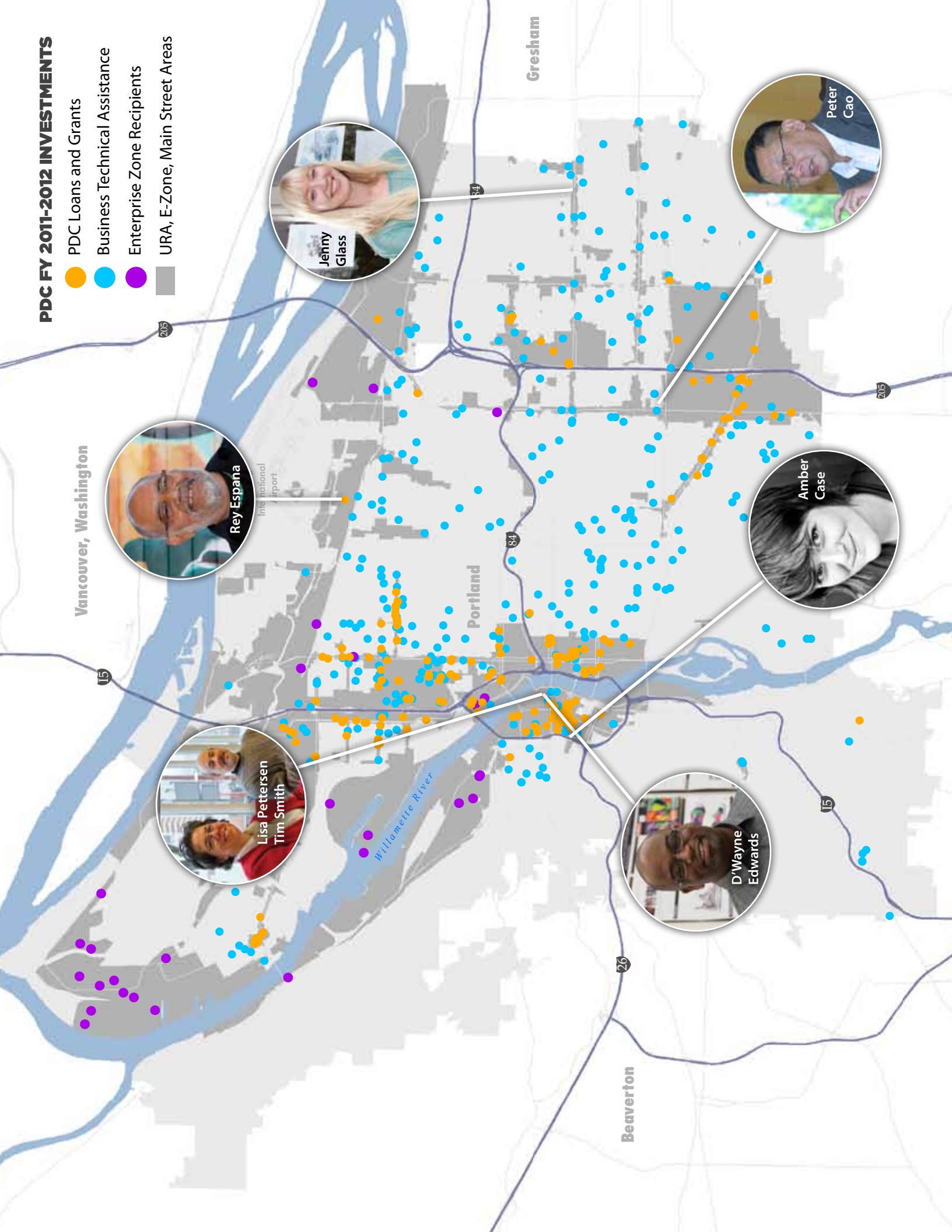
- In the Downtown Waterfront Urban Renewal Area, Old Town Lofts retail space and 20 parking spaces were acquired at a value equal to loans held and written-down to market value based on a recent appraisal of \$1,100,000. The 209 SW Oak St-Abandoned Jail was written down for its entire booked value of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

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

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

PDC FY 2011-2012 INVESTMENTS

- PDC Loans and Grants
- Business Technical Assistance
- Enterprise Zone Recipients
- URA, E-Zone, Main Street Areas



Vancouver, Washington



Intl. National Airport



Portland

Gresham

Beaverton

