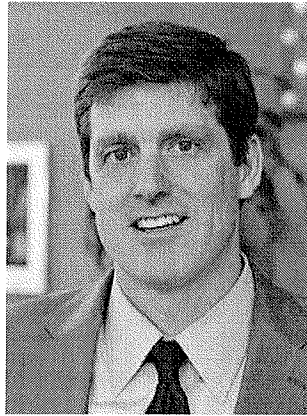

A Message from Patrick Quinton Executive Director



To the Members of the Portland Development Commission (PDC) and Portland City Council:

In January of this year, PDC's Board adopted a revised mission statement to reflect the new direction charted by the agency since the adoption of Portland's Five-Year Economic Development Strategy in 2009. PDC's newly-stated 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." This mission statement incorporates not only the job creation and innovation priorities of the City's Economic Development Strategy but also the commitment to social equity and healthy neighborhoods in the City's Neighborhood Economic Development (NED) Strategy and, more importantly, the recently-adopted Portland Plan.

The enclosed FY 2012-13 Budget for the (PDC) reflects the agency's aggressive efforts to make the values expressed in our mission a reality: strong traded sector job creation, thriving small businesses and neighborhood commercial corridors, and prosperity shared by Portlanders of all colors, incomes, and neighborhoods. These goals drive PDC's 2010-2014 Strategic Plan, which translates the City's strategic objectives into concrete actions that are consistent with our fiduciary duty to be effective stewards of taxpayer dollars.

When City Council adopted the Economic Development Strategy three years ago, the nation was in the midst of the worst economic recession in a generation. By February 2012, less than three years after adoption of the strategy, Multnomah County added 13,100 jobs and the County's unemployment rate dropped to 8.1 percent, below the national average for the first time in 3 ½ years. While these improvements demonstrate the success of Portland and its regional partners in repositioning the local economy, much work remains to sustain recent economic growth and extend prosperity to all Portland businesses and residents. The core focus of this budget is to use our economic development tools and resources to continue our work, while beginning to create a more sustainable resource framework that will allow the agency to play this role for years to come.

BUDGET OVERVIEW AND PROCESS

The total FY 2012-13 PDC Budget is \$205 million, with \$162 million in expenditures. This budget represents a significant decrease from past expenditure budgets of \$181 million in FY 2011-12 and \$188 million in 2010-11. For FY 2012-13, our total employee count is 135.3. This ongoing trend in reduced resources is due to aging and expiring urban renewal areas, and will continue for the foreseeable future. Consequently, the agency is preparing for further reductions in operations beginning in FY 2014-15.

The process to create the FY 2012-13 Budget began in late Fall 2011 when staff and stakeholders discussed and prioritized programs for each urban renewal area. This work was reviewed by the PDC Board and Mayor Adams in January prior to submitting the Requested Budget to the City of Portland. Following production of the Proposed Budget, the budget will be presented to Portland City Council for approval in May. It will then be presented to the PDC Board for adoption in June.

BUDGET HIGHLIGHTS

NEIGHBORHOOD BUSINESS VITALITY AND SOCIAL EQUITY

The overlapping objectives of the Portland Plan and the City's NED Strategy frame PDC's neighborhood work. Due to Portland's documented disparities within communities of color and neighborhoods in East Portland, PDC's actions will focus on businesses and commercial districts that have a direct impact on fostering opportunities for people of color and within priority neighborhoods. An equity lens that examines the benefits we bring to the community through our investments and financial commitments will guide every action, investment, and program. Performance will be measured to ensure equitable outcomes, with data disaggregated by race, ethnicity, and geography.

This budget also advances a grassroots approach to helping communities through the Council-adopted Neighborhood Prosperity Initiative (NPI) districts. Six small urban renewal areas have been established around commercial corridors in East and outer Northeast Portland. In partnership with the City and Multnomah County, these six communities will establish and implement neighborhood-specific plans to enhance the environment for business success and promote local prosperity.

In order to monitor progress and provide advice as specific initiatives are implemented, PDC established a citywide NED Leadership Group. This new model of public involvement empowers a geographically and demographically diverse team with wide ranging expertise to guide PDC's implementation of the NED Strategy.

As a full partner in the development and implementation of the Portland Plan, PDC is committed to advancing social equity through every aspect of our operations, including the dollars that we spend on professional services and construction contracting. In addition, PDC is undertaking a comprehensive review of its internal policies and procedures to ensure that the agency lives its equity values in terms of the diversity of our workforce, the openness and transparency of our public participation processes and the quality of our relationships with stakeholders, particularly those who have not historically benefitted from PDC's investments.

TRADED SECTOR CLUSTERS AND ENTREPRENEURSHIP

PDC's traded sector work drives job creation by raising the national and international profile and competitiveness of Portland's target cluster industries: Clean Tech, Advanced Manufacturing, Athletic & Outdoor, and Software. By focusing the traditional economic development tools of business retention and expansion, recruitment, innovation, entrepreneurship, land assembly and workforce development around four key industries, the City, PDC and our public and private partners have been able to catalyze measurable job growth and new business formation and attraction in a limited period of time. This proposed budget maintains the momentum around PDC's core job creation initiatives.

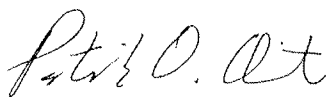
Our focus on traded sector clusters requires us to look beyond our borders and connect local companies to international business opportunities that expand the regional economic pie. The Brookings Institution recently named Portland as one of four pilot cities in the Metro Export Initiative, and helped develop a regional plan to drive increased export activity from businesses throughout the metro area. PDC, working with Greater Portland, Inc., will begin implementation of that plan in FY 2012-13.

This budget also includes an increased investment in entrepreneurship, with a particular focus on building the foundation of an innovation economy, including enhanced research and commercialization capabilities at our local universities and access to risk capital. PDC will continue to support initiatives that reduce barriers to entrepreneurship, such as the Portland Seed Fund, which provides predictable capital for early-stage companies. Prioritizing locally-grown businesses is critical to diversifying Portland's employment base and has established the City as an emerging alternative to areas such as Silicon Valley, Seattle, and Austin for aspiring entrepreneurs.

The creation of the Education Urban Renewal Area is another building block for the City's innovation economy. This URA sets forth long-term partnerships between Portland State University, Portland Public Schools, Multnomah County, and the City, with the objectives of delivering educational excellence, attracting private investment, enhancing blighted properties and developing the region's workforce. The district is forecasted to provide up to \$169 million for investments that provide seed funding for research facilities, business accelerators, affordable housing, and private development.

We appreciate the confidence our Board and City Council have demonstrated in tasking PDC with pursuing the City's job creation and economic growth priorities and look forward to producing results that benefit the entire community in 2012-13.

Sincerely,

A handwritten signature in dark ink, appearing to read "Patrick Quinton". The signature is fluid and cursive, with the first name "Patrick" and last name "Quinton" clearly distinguishable.

Patrick Quinton
Executive Director

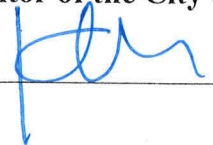
Council to convene as Portland Development Commission Budget Committee to
receive the proposed annual budget (Mayor convenes Portland Development
Commission Budget Committee)

MAY 16 2012

PLACED ON FILE

Filed MAY 11 2012

LaVonne Griffin-Valade
Auditor of the City of Portland

By 

COMMISSIONERS VOTED AS FOLLOWS:		
	YEAS	NAYS
1. Fritz		
2. Fish		
3. Saltzman		
4. Leonard		
Adams		