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THE PORTLAND MODEL CITIES COMMUNITY DEVELOPMENT PROGRAM

Submitted to: The Honorable Terry D. Schrunk  
Mayor  
City Hall  
Portland, Oregon 97205

Mr. Kenneth Hampton  
Interim Director  
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Portland, Oregon 97211

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June 1, 1970

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# Model Cities

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Room 210 • 5329 N.E. UNION AVENUE

# Portland

OREGON 97211

June 1, 1970

The Honorable Terry D. Schunk  
Mayor  
City Hall  
Portland, Oregon

Dear Mayor Schunk:

I am pleased to submit this my final report on the proposed Model Cities Community Development Program. Although the document includes and is developed around the recommendations presented you by your Model Cities Economic Development Task Force, it is lengthy. For your convenience, this letter summarizes the recommendations contained herein and suggests future steps to obtain the program's prompt and successful implementation.

From the outset, your task force was faced with two basic problems:

(1) To find an appropriate operating agency which would be readily acceptable in the model cities business community and to which the City can confidently delegate authority and responsibility sufficient to ensure effective implementation of a highly technical program;

(2) To determine whether the lending of seed capital as well as provision of technical assistance services to client business concerns should be retained in the face of possible Constitutional restrictions on and legal questions about the City's ability to supply supplemental funds for the total range of proposed program activities.

The task force reached explicit conclusions on each of these points. Based on the universal experience of the other first round cities studied and the virtual non-existence of an agency, public or private, fully qualified to undertake the complete range of necessary services, the recommendation is that a local development corporation, licensed for participation in Small Business Administration lending programs, be utilized to operate the program. The proposed corporation would be model neighborhood based but benefit from substantial participation, both on the board of directors and in advisory

capacities, from persons throughout the metropolitan economic community of recognized technical and administrative competence.

It is the considered opinion of the task force that the possible Constitutional limitation has been resolved by the structure and form of the proposed local development corporation. The overriding objective of the task force was to develop the program relationships so as to ensure they do not offend provisions of the Oregon Constitution. The corporation's proposed relationship with the City is that of an independent contractor agreeing to perform specific services for the City, utilizing Model Cities Administration supplemental funds and no monies from the City's general fund. In these terms, the City will be the transfer channel through which federal monies flow to the operating agency for purposes spelled out in the proposed program. The contractual relationship defined in the task force recommendations should eliminate any question of the City lending credit or donating assets to private organizations either in the case of the local development corporation or participating client business concerns. This view is especially valid considering the arguments presented by the Fresno City Attorney quoted at length on page twenty-three of the following report and the fact that the task force borrowed heavily from the plans of Seattle, Fresno, and Butte, adapting specific elements to the goals of the proposed Portland program. They consequently embody established practice and procedure already approved by the Model Cities Administration.

The task force is presently awaiting an opinion from the Portland City Attorney and your office as to the acceptability of the plan. The group, or a sub-committee thereof, has volunteered to secure the participation of experienced and responsible individuals on the proposed corporation's board of directors. I recommend this course of action to organize the operating agency and proceed to development of a specific program for submission to H.U.D. As the members of the task force are talented individuals with a demonstrated interest in the Community Development Program, this initiative with the advice and counsel of your office would appear to be the most straightforward approach to the problem of organization.

It is important to note that the task force process by itself has fulfilled a function essential to the ultimate success of the program. By bringing together representatives of virtually every resource agency potentially useful to the proposed economic development effort and members of the model cities business community, the study has established

critical lines of communication. The dialogue generated by the inquiry has developed a new level of interest on the part of many groups and individuals who might not otherwise have become concerned with the issues. Those who participated invested considerable time and unquestioned talent in a sincere effort to resolve the problems discussed in the following report. That the present tempo of discussion and intensity of interest be sustained is critical to the total Model Cities Program. I urge a prompt response to the group's recommendations before the benefits of your efforts in organizing the inquiry dissipate with time.

Sincerely,

A handwritten signature in cursive script, reading "Frank Cox". The signature is written in dark ink and is positioned above the printed name and title.

Frank Cox  
Economic Consultant

# Model Cities

Phone 288-7051

Room 210 • 5329 N.E. UNION AVENUE

## Portland

OREGON 97211

June 1, 1970

Mr. Kenneth Hampton  
Interim Director  
Portland Model Cities Program  
Portland, Oregon 97211

Dear Mr. Hampton:

I am pleased to submit this report on the proposed Portland Model Cities Community Development Program. This report is a summary narrative structured around the Mayor-appointed Model Cities Community Development Task Force's recommendations. It contains the following elements:

(1) A review of the inner city economic problem and possible solutions pertaining to conditions in the model neighborhoods;

(2) A review of background material initially presented to the task force for consideration;

(3) The full text of the final task force recommendations including recommended articles, by laws, and an operating agreement between the City and the proposed local development corporation. The task force report defines the program elements necessary to achieve the indicated objectives and spells out the organizational structure and lateral relationships required for effective program implementation. The legal documents identify the relationship desired between the City and corporation as the program's operating agency;

(4) A critique of the final task force recommendations which indicates the steps necessary to obtain formation of the proposed corporation and implementation of the program.

Economic development is crucial to the overall Model Cities Program and I urge favorable consideration of the recommendations contained herein.

Sincerely,



Frank Cox  
Economic Consultant

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## Preface

For a large municipality to fund action oriented research implies recognition of deep and pressing problems. It also suggests a commitment to their resolution. This project reflects the City of Portland's emerging commitment to resolve its core area economic problem. The process by which the following recommendations were developed likewise demonstrates the ability of diverse elements of a large metropolitan system cooperatively to focus on a specific problem area. While the dilemma of model cities underdevelopment directly effects only a relatively isolated interest group it influences the economic health of the total community by retarding overall metropolitan progress. That prospects for prompt implementation of the proposed Model Cities Community Development Program are now greatly improved is to the credit of all who participated in the study effort and the City's re-affirmed interest in the project's success.

## Introduction

This report will consider the following factors relating to the proposed Community Development Program:

- (1) Appropriate tools with which to generate economic development in the model neighborhoods and improve the economic situation of area residents;

(2) Experiences in other first round cities with operational economic development programs;

(3) Alternate methods of program organization and administration;

(4) Recommended method of program organization and administration.

#### Methodology

The Community Development Program, its role in the overall Model Cities Program and the area's balanced growth, has been the subject of considerable discussion since its original submission in December 1968. Its re-development involves complicated issues which recommend against any unilateral attempt at re-design. The Model Cities Economic Development Working Committee consequently joined with the Office of the Mayor in organizing a city-wide task force to evaluate the program, make recommendations on appropriate scope and objectives, and assess the qualifications of alternative organizations to effect its implementation. As the task force brings together the business leadership of the model cities community and organizations concerned with economic progress in the greater metropolitan area, the effort may be viewed both as an extension of working committee analyses and an independent, third party appraisal of the issues.



The writer performed staff functions required to facilitate the study, investigating all areas pertinent to the problem under consideration and reporting to the task force and working committee at periodic intervals. The inquiry spanned an eight week period ending on May 25, 1970 when recommendations were presented to Mayor Schrunk. They are included in this report together with a summary of the information considered and a critique of the final task force report.

#### Inner City Economics: Problems and solutions

Successful economic development requires the application of every available resource to the production of goods and services. When underdevelopment occurs in a blighted core community such as the model cities area, however, the problems of race introduce complex socio-cultural considerations which are difficult to separate from the strictly economic. Progress can nevertheless be made if orthodox methods are used to analyze the most apparent dysfunctions while recognizing the influence of the environment in which the economic problem evolved.

Although the tools of economic analysis have been developing for two hundred years, they still perform best in situations involving the allocation of resources. Established techniques have yet to become flexible enough to deal effectively with the complex web of interrelationships arising from conditions of core area decline.

The traditional tools of economic development are nonetheless applicable to the extent concentrated pockets of high unemployment and low income distort the desired pattern of metropolitan resource utilization. It is therefore profitable to consider the model cities problem in its overall urban context, isolating central economic variables to design the optimal mix of traditional and innovative developmental strategies.

The task force recommendations embody such a strategic mix. The proposal directly addresses three readily identifiable area problems:

- (1) Limited resident access to and a constricted flow of venture capital to the model neighborhoods;
- (2) Limited resident managerial-entrepreneurial experience and training;
- (3) Highly concentrated unemployment and underemployment caused at least in part by the lack of meaningful job opportunities in locations convenient from the model neighborhoods.

A principal characteristic of low income communities is the absence of a financial base sufficient to generate increased economic activity. Experience demonstrates that financial institutions are reluctant to become involved in core area investments for lack of adequate incentives to overcome what they perceive to be inordinately high risks. These factors combine to create an almost

insurmountable barrier which effectively isolates the community, particularly the minority entrepreneur, from those institutions which supply the financial resources necessary for economic growth. The Community Development Program seeks to reduce or completely eliminate this isolation by:

- (1) Loaning seed monies on advantageous terms to area entrepreneurs to enhance opportunities for greater participation in Small Business Administration and other lending programs;

- (2) Supporting the program's financial function by making available technical assistance to individual clients in preparation of business loan applications, pre-investment planning, and continuous management counseling aimed at solving specific operational problems.

Each of these activities is designed to increase the flow of loanable funds to the model cities business community. The availability of seed capital within the community will increase the number of resident entrepreneurs eligible for Small Business Administration and private institutional loans. Back up technical assistance will generate an increased rate of successful enterprise formation and reduce the risk of inner city small business investments to a level of parity with similar projects in other parts of the metropolitan area.

The area's limited entrepreneurial experience contributes to the

unavailability of financial resources. Because of the small number of resident controlled businesses, there is an inadequate nucleus of experienced entrepreneurial talent around which to develop expanded and more efficient enterprise. The proposed program addresses this problem by:

(1) Providing management counseling and related technical services to improve the efficiency of existing operations while delivering similar services to prospective entrepreneurs to increase the probability of successful entry into business;

(2) Developing a program of understudy placement with existing business organizations to allow those residents desiring managerial-entrepreneurial careers to sharpen the skills and acquire the practical experience needed for success in business.

These program elements seek to increase resident entrepreneurship and effect integration of the model cities business community into the general pattern of greater metropolitan economic activity. Other benefits will be improved resident access to a wider variety of goods and services more efficiently produced. The number of resident owned and operated businesses in the core community is abnormally low; resident controlled enterprise in other parts of the city is virtually non-existent. The community will benefit from development of a more numerous and influential entrepreneurial-managerial cadre more likely to be concerned with core area growth. As profit centers are created within the model neighborhoods, re-investment

will occur, accelerating the developmental process.

The art of small business packaging, particularly those aspects concentrating on developing minority controlled enterprise, is a comparably new field. Innovative techniques of practical economic analysis and the management sciences are proposed to develop and maintain viable resident owned and operated business operations. The overriding goal is to strengthen the core community economic infrastructure and narrow the gulf separating prospective and existing resident entrepreneurs from established financial and product markets.

Although a partial solution, entrepreneurship cannot be expected totally to resolve the larger condition. More orthodox developmental techniques are required. Effective and continuous economic planning is essential to the program. That demand for goods and services be balanced with resources available or to be developed within the model neighborhoods is necessary to ensure a favorable rate of successful new enterprise formation. In a related area, high unemployment-low income conditions restrict the number of retail or service establishments the core community can support. This will lessen the impact immediately to be expected from a strategy of entrepreneurship and business expansion and recommends the following:

(1) Initially assist entrepreneurship in core community locations only to the extent the products and services offered satisfy but do not exceed the effective demand of area consumers as determined by employment and income conditions;

(2) Assist resident entrepreneurs to locate in other sections of the city where existing markets are better equipped to support new enterprise formation;

(3) Concurrently initiate a concerted program of industrial promotion to attract job productive investment to desirable locations. The program's financial resources should be utilized to assist those firms capable of training-employing area residents. This activity should include development of a well planned light industrial park, business loans to companies expressing a desire to locate in or near the model neighborhoods, and construction-lease back of turn key plant facilities.

The effect of an appropriately implemented program of industrial promotion will be development of more viable core area secondary markets into which resident retail-service entrepreneurs can enter and flourish. This is not an internal manpower development component but the use of financial leverage to influence corporate locational decisions and personnel-hiring policies.

### Task Force Background Information

The foregoing describes the elements necessary to generate balanced model neighborhood economic development. What remains is to review the experiences of other first round cities, determine organizational-administrative options, and critique the task force recommendations. This section includes the background information initially presented to the task force in addition to pertinent material gathered during the inquiry.

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### Prologue

#### Black Capitalism: Concept and Application

Roughly 22,000 or 52 per cent of all model neighborhood residents are non-white. Despite this, a staff conducted survey shows that in 1968 only eighty-nine of one thousand nine hundred and eighty seven business licenses in the area were held by establishments owned or operated by black persons. With few exceptions these enterprises are limited scale service operations: beauty shops, clubs and taverns, and restaurants dominate the mix. Such a low rate of minority entrepreneurial participation suggests a strategy of black capitalism.

The concept has gained substantial currency as a policy of

innovative private-public sector partnership to stimulate inner city economic development. Theodore Cross depicts it as a strategy urging creation of:

new jobs and profit centers inside ghetto areas. The program also seeks to transfer ownership of ghetto business from white to black control, at the same time building in the ghetto new banks, insurance companies, production, and service facilities.

If only by omission, this characterization is overly restrictive. The notion of a strategy limited to black ownership of those businesses suited only to compete in the ghetto market under estimates the capacity of minority entrepreneurs and makes such a policy patently inappropriate in Portland. In no area of the model neighborhoods are there conditions resembling a so-called ghetto market protected by a segregation tariff sufficient to sustain long term operation of enterprise serving blacks only.

Because of this, a more relevant approach is likely a comprehensive strategy of model cities community capital development. This alternative should include accepted practices of economic development planning and industrial promotion, at the same time emphasizing assistance to those resident entrepreneurs considered most likely to establish effectively competitive enterprise. Some combination of orthodox practices tempered by an urgent goal of resident capital development should prove to be the appropriate strategy for the proposed Community Development Program. This is not black capitalism inalterably dependent on segregated markets but a viable



process of developmental assistance focusing on managing available resources to compete in the open market. Prospects for black capitalism should be weighed in this sense and not in terms of separatist economic development.

#### Task Force Assignment

This task force has been convened to make recommendations to the Model Cities Economic Development Working Committee and the Office of the Mayor on the desired scope of the proposed Community Development Program and the qualifications of alternative organizations to implement the project.

#### Introduction

Model Cities' stated purpose is to improve the quality of life in the model neighborhoods. To this end, twenty-six projects ranging from rehabilitation of the physical environment to improving the climate of police-community relations were developed for implementation prior to the end of the first action year on December 31, 1970. For various reasons, however, eleven of these, including the Community Development Program, have yet to be fully approved and funded, substantially delaying coordinated application of the total action program.

To argue the model cities area is economically disadvantaged is

to state the obvious. The most rudimentary indices demonstrate the community's disproportionate share of unemployment, underemployment, and low income. As important as such measures are, however, they are only symptomatic of the basic problem--- economic isolation. The community's principal function can be defined by the extent to which it exports its labor resource and gross resident income to other parts of the metropolitan area. Without an expanded economic base, the area is likely to remain an isolated pocket of underdevelopment surrounded by but not integrated with the greater Portland economic community.

The issue of economic development is critical to the Model Cities Program: unless the dilemma of underdevelopment is remedied at least to the point where progress is visible, chances for success in other important program areas will be reduced accordingly. Because of this, your recommendations will materially influence progress in the complete range of Model Cities Agency activities.

Procedure: Project Development and Approval

Before proceeding to specific operational considerations, it will be useful to review briefly the multi-phase process of project development, review, and approval for the benefit of those task force participants unfamiliar with Model Cities procedure.

All projects originate with citizens working committees the

the members of which are responsible to the Citizens Planning Board as representative of all model neighborhood residents. Individual components are developed by the particular working committee involved and forwarded to the Citizens Planning Board for consideration and approval. Thereafter the approval of the Mayor and City Council is sought and the component is forwarded to the Department of Housing and Urban Development for funding. Contracts are then let by the City of Portland to the agency selected to implement the project. Throughout the contractual relationship the Model Cities Agency monitors and evaluates operator performance in terms of pre-selected and agreed to criteria.

The Community Development Program is included in the first action year program developed for submission in December 1968. The program is one of several which failed to receive approval at two levels. The Mayor and City Council questioned certain aspects of the original package and the Department of Housing and Urban Development withheld approval until the project could be re-developed and submitted at a later date. This task force is therefore supplementing two phases of the process: assisting the City Council and Citizens Planning Board in selecting appropriate implementation strategy and the working committee in re-developing the proposal.

#### The Original Component

As originally conceived, the project proposes formation of a

private non-profit corporation to implement a comprehensive system of business technical-financial assistance and industrial promotion. The plan calls for appointment of the organization's governing board by the Citizens Planning Board, selecting exclusively from among model neighborhood residents. As revised, the Citizens Planning Board itself was designated as the governing entity and policy making body. The plan calls for Model Cities Administration supplemental funds to finance the entire project. A total budget of \$1,405,510 is proposed of which \$1,175,000 is earmarked for inclusion in the proposed revolving loan fund. Also in the proposal is provision not only for the corporation to supply seed capital for new business formation but also for it to operate-control certain enterprises as the need arises. The organization is thus a financial institution of last resort with an in-house technical assistance capability and the resources to contract outside consultants. The mechanism is designed to provide clients with a pre-planned business environment almost always unavailable to the management of small or newer enterprise.

The scope of the proposal extends far beyond limitations standard to local development or small business investment companies on at least two counts: one hundred per cent federal funding and its ability to operate as well as assist client businesses. These elements of the plan in addition to the almost totally integrated structure of the Model Cities-City of Portland-Corporation relationship create some of the problems inhibiting implementation. Prior

to considering these, however, it is appropriate to review pertinent organizational-administrative experiences in other first round cities.

#### Alternative Models

The most frequently chosen mechanism for implementing economic development is the local development corporation (LDC), established within the limits of state legislation and meeting also the regulations promulgated by the Small Business Administration. These private corporations are currently receiving local model cities funds in about half the first round cities and probably will be included in seventy-five per cent of the second round cities' plans. In this region of the Department, the first round cities of Fresno, Seattle, and Butte have already begun work with LDC's. Each of the other first round cities in this region (except Portland) is in the process of establishing new or negotiating with existing LDC's.

It is the position of this Department that the provision of local model cities funds for LDC's and other business assistance and development activities is entirely appropriate and included within the broad range of economic activities in which model cities agencies should be participating.

Andrew Bell  
Assistant Regional Administrator  
Department of Housing and Urban  
Development

#### Seattle, Washington

Economic development in Seattle is the responsibility of United Inner-City Development Foundation, Incorporated, a private, non-profit corporation. Program content and objectives are essentially the same as this city's proposal. The organizational structure,

however, is less manageable than the initially proposed Community Development Program. Specifically, built into the Seattle program is an overly elaborate system of functional division. While clarifying the role of each of the program's organizational elements, the system's coordinative character restricts UICDF's capability to manage the overall effort.

The Seattle plan states UICDF was incorporated by the Model Cities Program to organize, coordinate, and function as an advisory channel for the sponsorship of capital projects and entrepreneurship in the model neighborhoods. Accordingly, UICDF is the prime contractor with the City of Seattle: as an organizer-coordinator-advisor, UICDF has established working agreements (sub-contracts) with two subsidiary organizations, assigning to each a specific functional element of the total program. Economic Growth Organization (EGO) is a private, for-profit corporation set up to secure financing for client entrepreneurs; the National Business League is a nationwide organization contracted to supply management assistance and technical support. NBL thus functions strictly as a management consultant and coordinator of outside consultant resources while EGO is an LDC able to borrow up to ninety per cent of project costs under provisions of the Small Business Investment Act of 1958.

UICDF is therefore an umbrella organization coordinating subcontractor activities. In the case of NBL, UICDF finances all required consultant services. To EGO, while not underwriting a re-

volving loan fund per se, it supplies resources sufficient to staff a concerted effort to raise seed capital from external sources: government agencies other than the Model Cities Agency, financial institutions, foundations, and private business concerns. The relationships are clearly enough defined to preclude City equity participation in private, profit making ventures. Figure one below describes the relationships between the City, UICDF, and its subsidiary agencies.

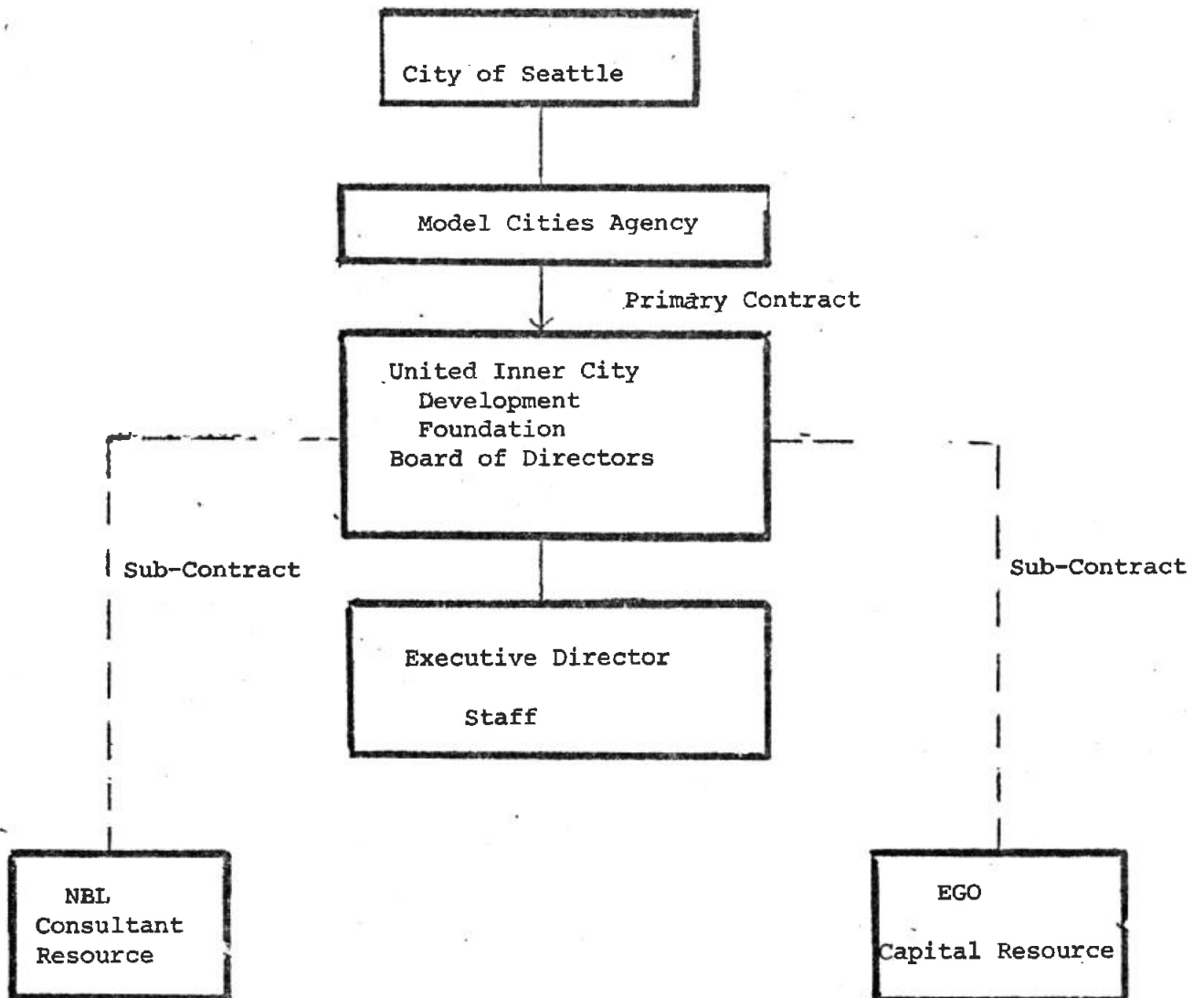
#### Fresno, California

Fresno employs a totally integrated local development corporation. A unitary organization under contract to the Fresno Model Cities Program, Fresno West Development Company (FWDC) is a private non-profit corporation which combines planning, technical assistance, coordinative, and investment functions under the management of a single executive director. The Director is responsible to a resident elected board seventy five per cent of whom are model neighborhood residents; the remainder is composed of experienced individuals representing the greater Fresno business community. In addition, each project proposed for FWDC participation requires approval from a board selected screening committee comprised of both non-residents and residents.

Although completely integrated into FWDC, the program includes working agreements with two sub-contractors, facilitating

Figure One: Contractual Relationships by Function

## Seattle Model Cities Economic Development Program





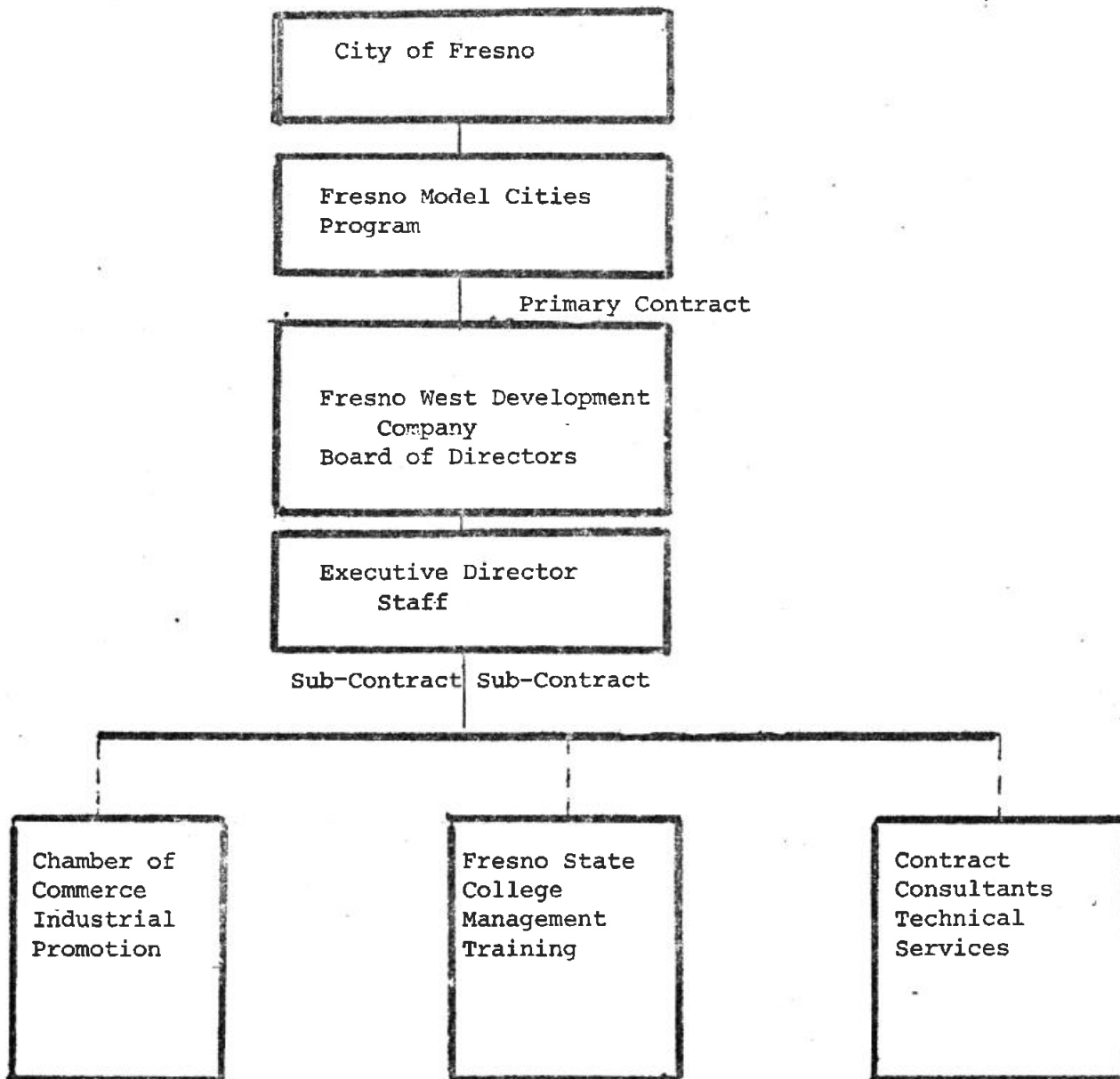
implementation of important activities. FWDC provides the greater Fresno Chamber Of Commerce with resources necessary to attract industry to the model neighborhood and adjacent areas; also included in the Fresno West Budget are monies earmarked to host industrial prospects. The corporation also relies on the expertise of the Fresno State College School of Business for operation of its management training and entrepreneurial development programs. As well, FWDC contracts outside consultants when needed to perform intensive economic feasibility studies and business planning, supplementing its own technical assistance capability. These relationships are depicted in figure two below. Significantly, virtually all aspects of the program are financed with Model Cities Administration supplemental funds, including client seed capital loans and expenditures for preparation of industrial sites and commercial facilities.

#### Butte, Montana

Butte's operating agency is also a local development corporation licensed for participation in Small Business Administration lending programs. The company is under contract to the City and Model Cities Agency to perform specific services in and around the immediate model cities area. Conditions in Butte, however, are more rural in character: the problem of high unemployment and the absence of economic diversification in Butte is not complicated by non-economic factors associated with the dilemma of inner city stagnation and

Figure Two: Contractual Relationships by Function

## Fresno Model Cities Economic Development Program



is consequently more amenable to orthodox techniques of economic planning and industrial promotion.

Portland: Strategic Emphasis

The goals of Fresno and Seattle are roughly similar to those in the original Portland proposal. Problems approached and the environment in which solutions are sought nevertheless vary by location. The West Fresno target area is a sprawling quasi-suburb populated by substantial numbers of black persons barred from meaningful economic opportunity as much by geographic considerations as the momentum of tradition. The program consequently stresses localized industrial development to maximize immediate employment impact. UICDF, on the other hand, operates in a true inner city environment--- extensive industrial growth in the Seattle core area is unlikely because of established and accelerating trends toward suburban plant location. Accordingly, primary Seattle program emphasis is on resident entrepreneurial development, particularly in service businesses.

Conditions in Portland are substantially different. The urgent need to develop resident managers-entrepreneurs is apparent while the close proximity of Swan Island and Rivergate industrial parks recommends a concerted industrial development-promotion effort. A dual approach is appropriate. Commercial services should be improved through innovative assistance to existing and prospective

resident entrepreneurs as the more traditional techniques of industrial development are employed to generate the growth of employment opportunities convenient from the area. Successful program implementation requires a strategic balance of the two approaches.

Problem Review: The Original Program

Both legal-Constitutional and structural problems inhibit program implementation. The City Attorney has this to say of the original proposal:

The Constitution of the State of Oregon at Article XI. Section 9 provides as follows:

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

A thorough investigation of the Oregon cases, including *Miles v. City of Eugene*, *Sprague v. Straub*, and *Carruthers v. Port of Astoria*, reveals certain relationships between a municipality and private endeavors are prohibited. Moreover, a municipality is prohibited from lending its credit or donating assets, or assuming the debt of a private organization. In view of this, I recommend that this section of the Model Cities Program be given careful consideration to insure its implementation does not offend the limitations imposed by Article XI, Section 9 of the Oregon Constitution.

The Department of Housing and Urban Development requires definitive provision for recognized expertise on the proposed corporation's governing board and further clarification of the organization's relationship with important sources of assistance external to the model

cities community.

In the first instance, elaboration of the City's relationship with the operating agency and resolution of the issue involving extension of credit and donation of assets is required. The Fresno City Attorney supplies the following comments regarding the conditions under which the City of Fresno distributes Model Cities supplemental funds through that city's private non-profit local development company:

..... The City of Fresno helped set up a non-profit corporation to distribute federal Small Business Administration loans and other loans to private businesses which were presently in existence and which we hoped would spring into existence in the future. I understand you have the articles of incorporation of this company, the Fresno West Development Company. This company was designed (so far as any of the City's promises to it are concerned) to receive only Model Cities grant money, although the articles allow it to receive money from almost any source to accomplish its purposes.

Though the undersigned prepared the articles of incorporation and aided in the establishment of the company, this office has treated it as a stranger to the City. Mr. Williams, a City employee, has worked with the company, but so far as we are concerned, it is officially not a City entity and is a private corporation. Basically, our approach to it will be to give it the aid and help that we would give to any other citizen (such as a contractor or developer) who regularly works closely with City staff. As such time as any possible conflict of interest arises, we will urge that the corporation secure its own attorney and outside advice. Should we find that it violates any agreement with the City, we will not hesitate to take it to court, offset our claims against any funds that we might owe it, etc.

The California Constitution prohibits the extension of state credit or the gift of state funds to any private person, including non-profit corporations. Part of the prohibition is found in Article 4, Section 31, and Article 12, Section 13 of the California Constitution. I am citing the old sections, under which most of the case law was established. These sections have since been renumbered. Basically, the extension of credit is making of a gift which will come into

fruition in the future. Therefore, the basic prohibition is against the gift of public funds.

However, it is well established that if there is a public purpose involved in the claimed "gift", then it is not a gift at all, but is the expenditure of public monies for the public purpose. The purpose must be one in which the organization has at least a minimal or substantial interest. In other words, when a public purpose enters the picture, the work "gift" disappears.

As to the extension of credit, a contract for future services and agreement to pay for them when rendered is not the extension of credit. An extension of credit which might be called upon without the rendering of offsetting services in the future, would also be contrary to the rule that the City may not encumber future City Councils with debt. Specifically, this prohibition is found in Article 11, Section 18, of our California Constitution which says, "No... City ... shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year ..." without a vote of the people, etc. The granting of credit to a private corporation, not offset with value to be received for a public purpose, would be the incurring of future debt exceeding current income or revenue.

When the undersigned went over the Model Cities program, the prohibition against the extension of credit or gift of public funds did not occur to be a problem. The reason was that the City has not used any of its general funds. The program is that under our contracts with the West Fresno Development Company, we will use Model Cities grant (federal) funds only. The undersigned does not consider the administrative time in aid of the company to be either gift of funds or extension of credit.

I have not researched this question recently though several years ago I made an extensive study on gift of public funds. In the case of *Carpenter v. Pacific Mutual Life Insurance*, 10 Cal 2d 307, 340, 74 Pac 2d, 761, ..... so long as the state insurance commissioner only used assets of an insolvent company to purchase outstanding stock of a new insurance company, it was not a violation of the loaning of credit or the purchasing of stock in any company and the state itself was not "interested" in the matter. The state's interest in the matter was the resurrection of the insurance company the court put it this way: "Not a penny of state money has gone into the treasury of the new company." By analogy, I say that we can apply the federal funds through the private company, and while we are concerned with the development of business in the City, we do not have a property type interest in either the Fresno West Development Company or the businesses which it aids.

In regard to the point that the City has "not a penny" of City money going to the Fresno West Development Company, we have the following paragraph in the agreement:

7. Availability of funds. The funds to be utilized by the CDA for payments hereunder are supplemental funds as described in section 69201, Model Cities Program, and are grant funds under the above said agreement with the United States. The availability of such funds are subject to the control of the United States Government and HUD, and should said funds be encumbered, withdrawn, or otherwise made unavailable, whether earned or promised to by the contractor, the contractor shall not be paid such funds until they are available for payment. No other funds owned or controlled by CDA shall be paid under this contract unless specifically permitted by the Council or CDA.

We believe this paragraph takes care of the point.

Spencer Thomas, Jr.  
City Attorney  
Fresno, California

In another area, policy formulation and project decision making clearly cannot be restricted solely to residents and operating agency staff. To obtain support from the greater Portland business-financial community and fulfill explicit federal requirements, operating agency structure and procedure must be broadened to incorporate working relationships with non-resident organizations and individuals. These elements will be examined below in conjunction with possible organizational strategies.

#### Strategy Options

That economic development is a legitimate area of Model Cities

participation has been established. What remains is to consider appropriate methods of program implementation. The basic issue is whether to channel the program through an existing institution or create a new apparatus as done in the examples cited. In either case, analysis will be facilitated if the process is divided into discrete organizational and operational stages.

#### Port of Portland, Organize and Operate

Investigation has narrowed the field of existing agencies possibly able to undertake the complete range of proposed program activities to the Port of Portland. A municipal corporation already engaged extensively in industrial development and promotion, the Port is well suited to at least this aspect of the program. Structurally, Port operation could parallel the role of Fresno West Development Company, administration of a totally integrated system of planning, technical assistance, coordination and investment activities. Port participation could possibly diminish the legal problems, if any, as it would be a public agency contracting to perform services for the City and Model Cities Agency. The Port already possesses a sophisticated planning and administrative staff and is capable of adding personnel to manage the program.

Operationally, however, there is another way the Port might approach the program. Specifically, if for Constitutional reasons similar to those supposedly limiting the extent of City participation,



it is unable directly to administer the proposed seed capital fund, the agency may function as a planning, technical assistance, and coordinative body. In this instance, the Port's role will be similar to that of Seattle's UICDF, acting as a catalyst to organize an appropriately structured local development corporation. As is the case with EGO, Model Cities funds could be channeled through the Port Commission to finance the operation to the extent necessary to attract investment capital from external sources. Figures three and four below outline possible Port program relationships in terms of both the integrated and coordinative option.

#### New Organizations

Consideration of new organizational forms has so far been limited to two basic models as the most substantive alternatives available in Portland. If in fact the City is not Constitutionally able to transfer federal monies to a privately administered loan fund, a variation of the Seattle program is appropriate although it is bound to be less effective than if seed money is available. In this instance, the local development corporation will be limited to planning, technical assistance, and coordination. As coordinator of model neighborhood economic development, however, the company must have sufficient funds to recruit capital from other sources. Unlike Seattle, it is probably unnecessary to organize and staff a subsidiary organization for this purpose.

Figure Three: Contractual Relationships by Functiona  
Coordinative Port Program Operation

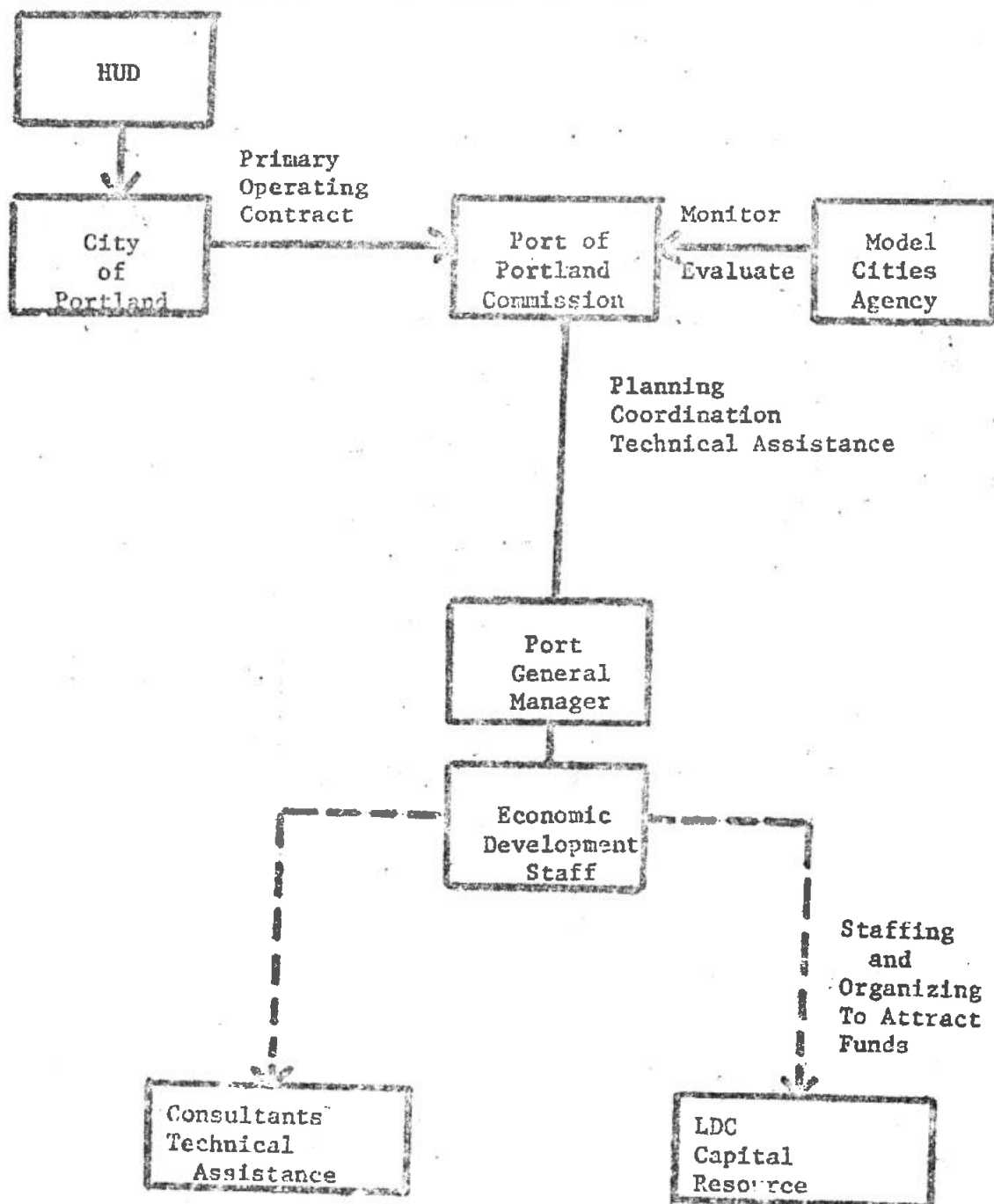
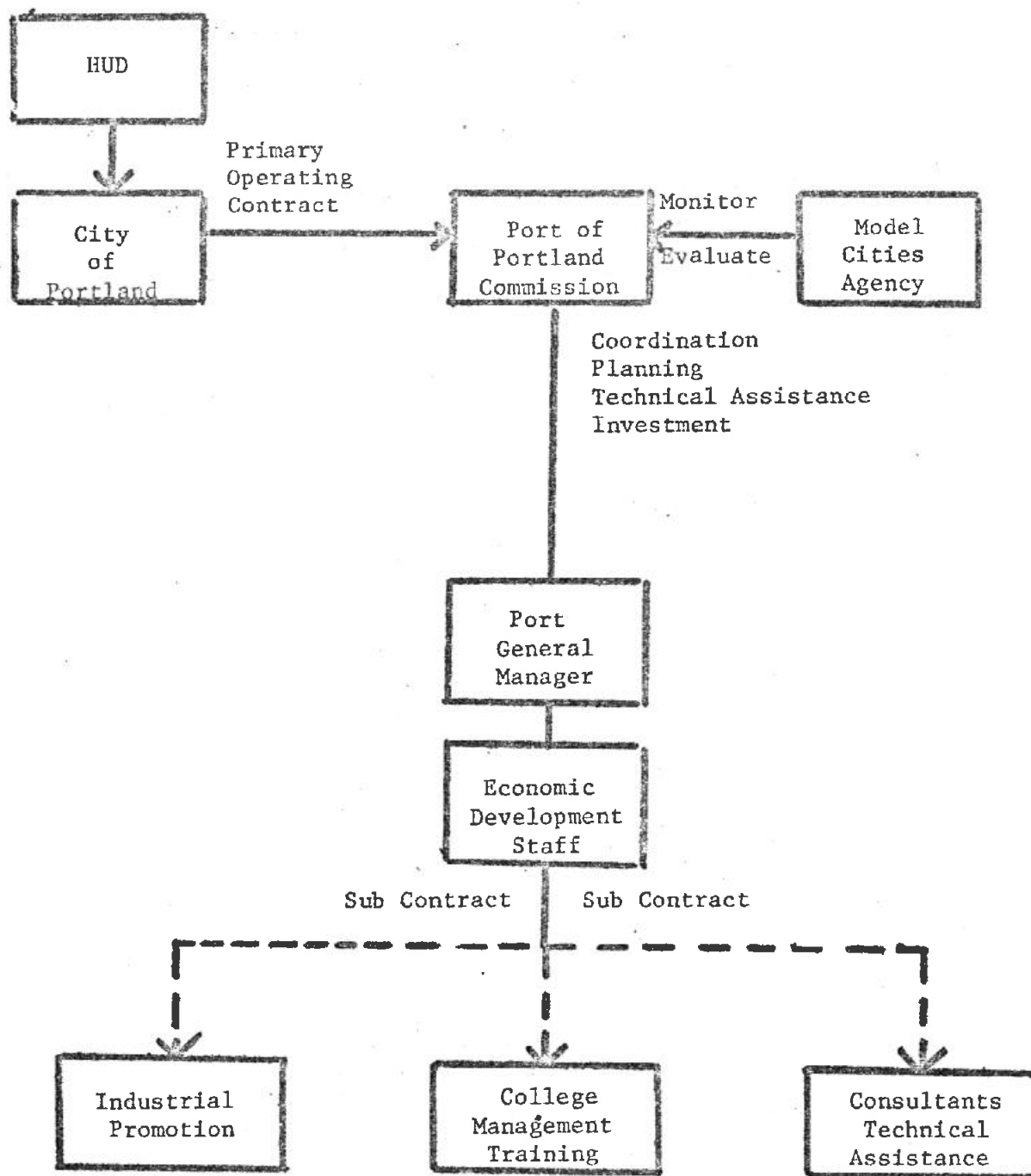


Figure Four: Contractual Relationships by function,  
Integrated Port Program, Operation



Nevertheless, the argument supplied by the Fresno City Attorney should be considered seriously by the City as well as the task force. The City of Fresno has not restricted its participation even though the California Constitution also prohibits municipalities from lending credit or donating assets to private organizations. Because of the smooth working relationships Fresno West Development Company enjoys with the City, the Model Cities Agency, available resource agencies, and client concerns, Fresno's program is one of the most successful in the country and a model to be emulated.

If a local development corporation is the mechanism recommended to implement and administer the proposed Community Development Program, consideration must also be given to alternative methods of organizing the entity. The procedure followed must ensure widespread acceptance of the program on the part of all important sectors of the Portland economic community. Of particular importance is the requirement that the operating agency--- its policy making board, operational functions, and declared objectives--- be accepted by the community it is to serve.

#### Strategy Summary

These then are the available strategy options from which the method of implementation should be selected:

- (1) A totally integrated Port of Portland operation with

provision for seed capital and business loan funds financed by Model Cities supplemental monies;

(2) A coordinative Port of Portland operation utilizing a subsidiary local development corporation to secure capital from sources other than the Model Cities Program;

(4) A coordinative local development corporation without a direct Model Cities Administration capital input but with resources sufficient to launch a concerted effort to attract funds from other sources.

---

#### The Task Force Recommendations

The foregoing by no means presents all the material considered by the task force during its deliberations. It does, however, generally describe the issues and evidence which contributed to the character of the group's final recommendations. Below is the text of those recommendations as presented to Mayor Schrunk and the Model Cities Economic Development Working Committee. The deliberative process and the following final report will be critiqued in the final section of this report.

THE MODEL CITIES COMMUNITY DEVELOPMENT PROGRAM

RECOMMENDATIONS ON OPERATION AND ADMINISTRATION

Prepared by: The Portland Model Cities Economic Development  
Task Force

Submitted to: The Honorable Terry D. Schrunk, Mayor

The Model Cities Economic Development Working  
Committee

May 15, 1970

Model Cities

Phone 288-7051

(33)

Room 210 • 5329 N.E. UNION AVENUE

Portland

OREGON 97211

May 11, 1970

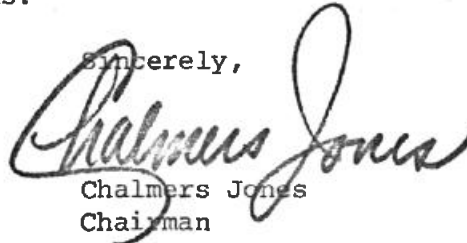
The Honorable Terry D. Schrunk  
Mayor  
City Hall  
1220 S.W. 5th  
Portland, Oregon 97204

Dear Mayor Schrunk:

Your task force is pleased to submit its recommendations on the proposed Model Cities Community Development Program. The following report was developed jointly with the Economic Development Working Committee and reflects our careful evaluation of all factors relating to desired program activities and method of administration.

The task force concludes economic development should be of the highest priority in the Model Cities Program and urges favorable consideration of its recommendations.

Sincerely,

  
Chalmers Jones  
Chairman

CJ/kb  
Enclosure

## TASK FORCE MEMBERS

Mr. Chalmers Jones	Oregon Employment Division
Mr. Miles Hutchins	Urban Affairs Department United States National Bank
Mr. Clyde Sanders	Chief Financing Division Small Business Administration
Mr. Stanley Sackett	First National Bank of Oregon
Mr. Adam Heineman	Assistant General Manager Port of Portland
Mr. Allen Mann	Industrial Development Manager Division of Economic Development State Office Building
Mr. Lloyd Hammel	General Attorney Pacific N. W. Bell
Mr. James Goodsell	Director Portland Field Office U. S. Department of Commerce
Mr. Ralph Miller	Vice President Acme Trading and Supply
Mr. Dean Schamp	General Manager Peco Manufacturing Company
Mr. Gene Pfeifer	Division Manager Pacific N. W. Bell
Mr. Harvey Rice	Working Committee
Mr. Al Dvorak	Working Committee
Mr. V. F. Booker	President Freedom Bank of Finance
Mr. Mayfield Webb	President Albina Corporation



## TASK FORCE MEMBERS

(Continued)

Mr. David Burgess

Albina Community Action Center

Mr. James Brooks

Director  
Urban League  
Project Outreach

Mr. Nate Nickerson

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(Ex-Officio)Economic Consultant  
Model Cities Program

Model Cities

Phone 288-7051

(36)

Room 210 • 5329 N.E. UNION AVENUE

Portland, OREGON 97211

May 15, 1970

The Honorable Terry D. Schrunk  
Mayor  
City Hall  
1220 S. W. 5th  
Portland, Oregon 97204

Dear Mayor Schrunk:

This is to inform you the Model Cities Economic Development Working Committee has read and endorses the attached recommendations on the proposed Community Development Program. The Committee has worked closely with the task force in formulating this report and urges the City give it prompt consideration.

Sincerely,



Roland Christian

Chairman

Economic Development Working Committee

RC/kb

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Summary of Recommendations

This city-wide Model Cities Community Development Task Force recommends to the City of Portland and the Model Cities Economic Development Working Committee:

(1) That no existing agency, public or private, is fully qualified to operate successfully the proposed Community Development Program.

(2) That the City and working committee support and encourage formation of a model neighborhood based, non-profit corporation to operate the proposed Community Development Program.

(3) That the task force and the Economic Development Working Committee are prepared to obtain the formation of the proposed non-profit corporation and the participation of outstanding community leaders skilled in business and financial management on the organization's board of directors.

(4) That the City enter into an agreement with the proposed corporation giving its Board of Directors authority and responsibility to carry out the economic development program embraced within the working committee proposal.

(5) That original program objectives directly address area economic problems and should be included in the re-developed program.

(6) That financial assistance activities are critical to successful program implementation.

(7) That the corporation may utilize Model Cities Administration supplemental funds for the following financial assistance activities:

(a) Loan seed monies to client business concerns, enabling more extensive Model Cities community participation in Small Business Administration and other lending programs.

(b) Loan monies to client business concerns for use as either fixed or operating capital to accelerate the rate of resident new business formation as well as expansion of existing enterprise.

(c) Use monies for investment in industrial or commercial site development, plant construction, etc., for lease back to tenants employing area residents.

(8) That the proposed Community Development Program be viewed as an addition to existing programs. The corporation should be basically an economic planning and business technical assistance organization, seed capital and direct loan funds to be utilized when other resources are unavailable.

Introduction

As a device to improve the quality of model neighborhood life, economic development and enterprise assistance is probably more significant than any other part of the Model Cities Program. If the overall effort is unable to foster a more favorable inner city entrepreneurial environment and expand the number of meaningful resident employment opportunities, it is in danger of attacking symptoms only while failing to address the most glaring cause of area problems. Economic development's overwhelming importance is reflected by its prominence in Portland's first year action program. Of the total \$3.745 millions reservation, \$1.4 millions are devoted to the original Community Development Program. As yet, however, it remains unapproved and unfunded.

Mayor Schunk has therefore appointed this task force to assist the Model Cities Economic Development Working Committee by re-evaluating the scope of the program and refining the component for re-submission and implementation during the 1970-71 action year. Represented on the task force are working committee members, other Model Cities area business and community leaders, and the leadership of the greater Portland economic community. Our purpose is to advise the full working committee and the City on the desired range of Community Development Program activities and the manner in which it can best be operated. Recommendations consider the

availability and qualifications of prospective operating agencies, experiences in other first round cities, and factors unique to the Portland economic environment.

Critique: The Original Program

As originally developed, the program proposes a non-profit corporation to deliver a comprehensive system of technical and financial assistance to area enterprise while encouraging new industry to locate in or near the model neighborhoods. As last amended, the Citizens Planning Board was designated as the policy and decision making entity and directed to appoint an executive director and staff to manage the program. The general approach paralleled similar efforts in other cities. In specific application, however, the proposal either was too restrictive or failed to clarify relationships central to program organization and administration. The following specific criticisms have been made by the City and the Model Cities Administration:

1. The operating agency's relationship with the City and the Model Cities Agency and its role in policy formulation and project decision making required further definition.

2. Selection of the original policy board only from among area residents limited the potential contribution of non-resident expertise and financial resources.

3. The exact manner in which resources other than Model Cities supplemental funds would be utilized to achieve program objectives requires further definition.

#### Problems Approached

Isolated pockets of stagnation such as the Model Cities area are basic to the inner city crisis. The resident owned and operated share of area enterprise is abnormally low while the characteristic effect of highly concentrated unemployment is aggravated by the practically inaccessible locations of available job opportunities. Under these conditions, model neighborhood capital resources are drained while net resident income is reduced because the area's unemployed are forced to seek jobs in other sections of the city.

This is over simplified but it points up the necessity of a dual approach to the problems of model neighborhood underdevelopment. The program should include assistance to prospective and existing area based entrepreneurs as well as an intensive effort to attract new industry to locations more convenient for unemployed residents. As the share of resident controlled capital investment grows so will the incentive to re-invest profits in the area, expanding the model neighborhood economic base and providing residents improved access to quality



shopping and service facilities. A concurrent expansion in conveniently located employment opportunities is expected to reduce unemployment, increase area income, and establish a more profitable market for resident owned and operated business.

### The Operating Agency

The proposed program's unique character imposes special requirements on potential operating agencies. That the operating organization have or be able to acquire an intimate knowledge of client problems and aspirations while enjoying productive working relationships with resource agencies outside the Model Cities area is essential to the program.

Careful study of possible operating agency alternatives narrows the field of likely public agencies to the Port of Portland. The Port, however, is a limited purpose, municipal corporation restricted by statute to specific activities. Its management and staff are eminently qualified in areas of specialized economic planning, land development, and industrial promotion but the Port is unable to undertake other important program elements such as provision of technical assistance to operational client business concerns. This limitation effectively eliminates the Port as a candidate for overall program administration. It can, however, play an important role in activities particularly suited to its capabilities through advice and sub-contract.

An equally thorough survey of private sector possibilities recommends no existing organization as especially qualified to implement the complete range of proposed program functions although the active support of the city's banks, chamber of commerce, and agencies such as the National Alliance of Businessmen will be required to ensure successful operation.

We therefore recommend Portland follow the lead of other first round cities and utilize a non-profit corporation to operate the Community Development Program. The organization selected should be model neighborhood based and satisfy the following criteria:

- (1) The corporate structure should provide for and embrace extensive resident participation in areas of both general program approaches and specific project decisions.

- (2) The corporate board of directors, executive director and staff should be composed of individuals demonstrably competent in economic planning, business development, enterprise management, loan administration, and fiscal control.

- (3) The organization should currently enjoy or be capable of establishing the relationships required for effective program operation in the following areas:

- (a) Recruitment of prospective and existing model neighborhood resident businesses for participation in the complete range of proposed program activities.

(b) Negotiation of loans for client business concerns with government agencies, financial institutions, and other channels of assistance.

(c) Negotiation of agreements with specialist organizations capable of performing technical services for client concerns and promoting the model neighborhoods or conveniently accessible areas as locations for new, job-productive investment.

#### Program Objectives

The task force concludes the original program objectives are directly related to area problems of economic stagnation, isolation, and general underdevelopment. We therefore recommend they be included in the re-developed program substantially unchanged. These objectives are:

Objective One: Increase the number, size, influence (community leadership capacity), and resources of resident owned and operated enterprise.

Objective Two: Increase the number and quality of management level positions held by residents in non-resident owned and operated enterprise.

Objective Three: Increase the number of non-resident owned

businesses in or near the Model Cities area to provide residents with more genuine job and management opportunities in locations more convenient from the model neighborhoods.

### Program Content

Careful study of specific area problems, similar operations in other cities, and model neighborhood community goals reflects a legitimate requirement for both informational and financial assistance.

### Informational Functions

We recommend the operating agency undertake the following information related activities:

1. Through the provision of business counseling, feasibility studies, and general planning assistance to prospective and existing resident entrepreneurs, accelerate the rate of successful new business formation and expand the scale of existing area enterprise.
2. Match client needs with available financial resources by assisting in the preparation of SBA and other business loan applications and encouraging the city's financial institutions to make available capital for the use of client entrepreneurs.

3. Request business and other organizations to employ resident understudies in positions affording the managerial and operating experience necessary for success in new business formation.

4. Secure the assistance of all resource agencies in a coordinated effort to attract desirable enterprise to locations in or convenient from the model neighborhoods which will employ residents and contribute to the area's balanced economic development.

#### Financial Assistance

A primary goal is to prepare resident entrepreneurs for more extensive participation in established credit markets. Many clients are nevertheless expected to require assistance over and above that normally available through either SBA or the city's lending institutions. Successful efforts to enhance existing enterprise and attract desirable businesses to the area should also entail the use of special investment incentive devices. We therefore recommend the following financial assistance activities:

1. Loan seed money on advantageous terms to client business concerns to be utilized as the requisite 10 per cent share for participation in Small Business Administration "502" direct and guarantee loan programs.

2. Loan money on advantageous terms to client business concerns

for use as either fixed or operating capital. Funds provided clients through this activity should be deposited at local banking institutions to establish client credit.

3. Loan money to client concerns or invest directly in industrial-commercial site preparation, plant construction, etc. In cases of direct investment, facilities should be constructed on a lease-back basis as a device to attract outside investment to desirable locations.

### Critical Relationships

#### City-Corporation

The task force is advised the Department of Housing and Urban Development urges the City favorably consider a program developed on the basis described above. Your task force is mindful that while the program is federally funded, the City is the fiduciary conduit through which these funds are transferred. This means that the contract between the City and the corporation must delegate adequate authority as well as responsibility to perform all program activities, at the same time imposing sufficient restrictions, audit, reporting, and indemnification duties to protect the City and City Council.

We therefore recommend the City and the proposed non-profit corporation enter into an agreement which grants the corporation sufficient authority to exercise responsible and expert judgment in carrying out the complete range of recommended activities. Corporation performance under the agreement should be evaluated by the Model Cities Agency through periodic reports concerning projects undertaken, disbursement of funds, and other matters relating to operational program management. The agreement should also specifically stipulate that funds transferred to the corporation, including those utilized for financial assistance to client business concerns, are of federal origin only and the City does not by their transfer make any grant or lend its credit, guarantee, or financial endorsement to the activities or obligations undertaken by the corporation or its clients.

#### Corporation-Resource Agencies

The Small Business Administration and several of the city's financial institutions are already actively seeking to deliver management assistance and an increased volume of commercial credit to area business concerns. The Community Development Program should not supplant these efforts. The proposed program is designed to concentrate diverse elements of demand to make them more accessible to alternative avenues of financing. Direct lending services should similarly be considered complimentary. For purposes of conserving limited Model Cities Program resources and encouraging integration of the Model Cities and greater Portland economic communities, we recommend the proposed non-profit corporation be viewed as a lender

when direct loan and seed capital funds from other sources are unavailable.

#### Organizational and Contractual Summary

Our purpose is to consider organizational alternatives as well as program content and objectives. Use of a model neighborhood based non-profit corporation to operate the Community Development Program is recommended. Although we conclude this choice to be optimal, the task force recognizes its proper consideration requires additional information on corporate structure and the organization's relationship to the City and model cities economic community. We are therefore submitting appropriate articles of incorporation, by-laws and a proposed operating agreement with the City for review by the City and Economic Development Working Committee. These documents are intended to be a structural and contractual model on the basis of which organization of the operating agency and implementation of the program can proceed.

#### Proposed Articles and By-Laws

The following articles of incorporation and by-laws set forth the minimally acceptable structural and organizational elements we conclude are necessary for effective program management. The documents are purposely general because precise definition of committee structure and operating procedures are better left to the specific program proposal to be developed



by the Economic Development Working Committee. This task force is prepared to assist the Committee and any other interested individuals or organizations in obtaining the corporation's formation. As the corporation has yet to be organized, these documents should be viewed primarily as general guidelines to be followed in developing operating structure. The proposed articles and by-laws are in Appendix "A" attached.

#### Proposed Contract

The proposed operating agreement should similarly be viewed as a guide, defining the minimally acceptable operational relationship between the City and proposed corporation. In the last analysis development and negotiation of the proposed agreement should be accomplished jointly by the City and corporate board of directors. The model presented, however, does spell out the corporation's role as an independent contractor with the City and meets the minimum procedural criteria felt to be critical to effective operation of the program. We urge the agreement negotiated meet the criteria set forth in the following document to the greatest extent possible. The proposed operating agreement is in Appendix "B" attached.

APPENDIX "A"

PROPOSED ARTICLES AND BY-LAWS

ARTICLES OF INCORPORATION  
OF

KNOW ALL MEN BY THESE PRESENTS, That we, the undersigned, being natural persons of full age, residents of the State of Oregon and citizens of the United States of America, in order to form a non-profit corporation under the laws of the State of Oregon (ORS 61.005 et seq.) for the purposes hereinafter specified, do hereby make and subscribe to the following written articles of incorporation, in duplicate original:

ARTICLE I

The name of the corporation shall be  
and its duration shall be perpetual.

ARTICLE II

The objects and purposes for which this corporation is formed are as follows:

1. To plan, develop, adapt and coordinate business and economic development in target areas of poverty to the end that the cycle of poverty may be alleviated and eradicated in the City of Portland, Multnomah County, and other adjacent areas.

2. To increase the number, size, influence and resources of resident-owned and operated enterprises in the Portland Model Cities Area.

3. To increase the number and quality of management level positions held by residents of the Portland Model Cities Area in non-resident owned operated enterprises.

4. To increase the number of non-resident owned businesses in or near the Portland Model Cities Area to provide residents with more genuine job and management opportunities in locations more convenient from the model neighborhoods.

5. To do all other acts and things which are not prohibited to a non-profit corporation organized under Chapter 61 of the Oregon Revised Statutes, and which are necessary, desirable or appropriate to the accomplishment of the other objects, purposes and powers of this corporation.

## ARTICLE III

The corporation is organized for non-profit community service and shall not have capital stock. No part of any net earnings shall inure to the benefit of any member or any other individual. The interest of each incorporator or member shall be equal to that of any other, and no incorporator or member can acquire any interest which will entitle him to any greater vote or interest than any other member. The private property of the members of this corporation shall not be liable for the debts of the corporation.

## ARTICLE IV

Although this corporation shall not have or issue any capital stock it may, if and to the extent authorized by the bylaws, issue cards, certificates or other indicia of membership..

## ARTICLE V

The grants, property, assets or other monies, if any, received by this corporation shall at no time be distributed as dividends to the members of the corporation but shall instead be placed in the capital fund for further use, consistent with the purposes of the corporation as set forth in Article II above.

## ARTICLE VI

The persons who are on the initial Board of Directors shall be members of this corporation.

Thereafter each director shall automatically become a member of the corporation and remain such during his tenure on the Board of Directors, Other persons may become members of this corporation and the Board to the extent authorized by the bylaws of this corporation.

## ARTICLE VII

This corporation shall be located in the City of Portland, County of Multnomah, State of Oregon, its initial registered agent shall be \_\_\_\_\_, whose address is the initial registered office of this corporation, at

## ARTICLE VIII

The Board of Directors of this corporation shall consist of not less than three members. The total number of Board members, their qualifications, terms of office, manner of election or appointment, time and place of meetings and their powers and duties shall be set forth from time to time in the bylaws of this corporation. Each of the members of the Board of Directors shall hold office until a successor is duly elected or appointed or until he is removed as provided in the bylaws. The number of directors constituting the initial Board of Directors shall be ten and respective names and addresses of persons who are to serve as the initial directors are:

NameAddress

## ARTICLE IX

The Board of Directors of this corporation shall adopt such bylaws not inconsistent with these articles as shall be appropriate to the conduct of its affairs. The right to alter, amend and repeal such bylaws in such manner as the purposes of this corporation may from time to time require is reserved to the Board of Directors, and any such action to be taken in accordance with such procedure as is provided in the bylaws.

## ARTICLE X

Upon dissolution of the corporation, the assets shall be distributed to charitable, educational religious or community organizations in a manner not inconsistent with Section 501(c)(3) of the Internal Revenue Code. This corporation shall not conduct any activities not permitted to be conducted by an organization exempt under the aforementioned code.

## ARTICLE XI

The name and address of each incorporator is:

Name

Address

IN WITNESS WHEREOF, we have hereunto set our hands in  
duplicate this \_\_\_\_\_ day of \_\_\_\_\_, 1970.

STATE OF OREGON       )  
                              ) ss.  
County of Multnomah )

We

being first duly sworn, depose and say that we have read the foregoing  
articles of Incorporation and all things set forth therein are true.

\_\_\_\_\_  
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_,  
1970.

\_\_\_\_\_

Notary Public for the State of Oregon

My commission expires:



## BYLAWS

of

## ARTICLE I

Members - Board of Directors

1. Number and Status: There shall be no less than ten (10) members of this corporation and no more than the Board of Directors shall approve. Membership in the corporation shall be deemed membership on the Board of Directors of the corporation. Wherever in these bylaws the word "membership" is used it shall also mean membership on the Board of Directors, and wherever in these bylaws the words "Board of Directors" are used, it shall also mean the word "membership".

2. Obtaining Membership: Any person whose business is located in the model neighborhood, is knowledgeable of the economic problems of the model neighborhood or possesses the business or technical expertise needed to solve those problems and is interested in and wishes to participate in the purposes of this corporation as set forth in the articles of incorporation, shall, if approved by the Executive Committee and accepted by a majority of the Board of Directors present at a duly constituted meeting at which a quorum is present, become a member of this corporation. A prospective member shall be proposed at one meeting and voted on at the next meeting.

3. Termination of Membership: Any member may voluntarily withdraw as a member of this corporation by submitting written notice thereof to the president. Upon the death of any member, all of his right, title and interest as a member shall automatically cease, and neither his heirs nor his personal representative shall have any claim to membership. Membership in this corporation shall not be assignable. Any member of this corporation may be removed by a majority vote of the membership of the corporation at any regular or special meeting of the membership; provided, that written notice of such proposed removal and the basis therefor shall be given to the member sought to be removed not less than ten days prior to the meeting at which such proposal is to be voted upon.

Any member of the corporation who is such by reason of his acting in a representative capacity for an organization or body, shall have his membership in such corporation terminated automatically by his organization or body officially removing him from that capacity and by notifying this corporation in writing of his removal or replacement. Such person's replacement shall automatically commence membership in such capacity. The removed person shall be eligible to be a member of this corporation in his individual capacity pursuant to the provisions of Article I, Section 2, of these bylaws.

4. Vacancies: Vacancies on the Board of Directors shall be filled by appointment of the Executive Committee with the approval of a majority of the Board of Directors present at a duly constituted meeting at which a quorum is present.

## ARTICLE II

### MEETING OF BOARD OF DIRECTORS

1. The members of this corporation, shall meet once every two months, commencing with the month in which these bylaws are adopted, or at such time or place, and with such frequency, as may, from time to time be fixed by the membership.

In January of each year there shall be an annual meeting on such date and day as is fixed by the Executive Committee. Such annual meeting shall include an election of officers, a report to the members of the operation, activities and financial condition of the corporation, and the transaction of any other business that may regularly come before such meeting.

2. Special Meetings: Special meetings of the members of this corporation may be called at any time by the president of this corporation at his discretion, and shall be called by him upon request to him of ten percent of the members of this corporation.

3. Notice of Meetings: Each member of this corporation shall be given not less than five days' written notice of the time and place of each annual or special meeting of the members; provided, that any member may, before or after any such meeting, waive notice thereof and any member who shall attend such meeting shall be deemed to have so waived notice thereof.

4. Quorum: The membership of the corporation present in person at any meeting of the membership constitute a quorum for the transaction of any business which may come before such meeting.

5. Voting: Each member shall be entitled to one vote at all membership meetings, which vote must be exercised in person. Unless otherwise provided by statute or rule of law, or by the articles of incorporation or any amendment thereto, or by the bylaws, the vote of a majority of the members constituting such quorum shall be binding upon all such members and upon this corporation. Voting by proxy shall be prohibited.

## ARTICLE III

Officers

1. Principal Officers: The principal officers of this corporation shall be a president, a vice president, a secretary and a treasurer, all of whom shall be members of the Board of Directors. These officers shall receive no compensation for their services as such, but may receive reimbursement for expenses.

2. Election: The principal officers of this corporation shall be elected annually by the membership at the annual meeting and shall hold office for a term of one year and until their successors shall be elected, or until their earlier death, resignation, disqualification, or removal; provided, that the first officers of the corporation shall serve until the meeting of the membership first immediately following the end of the calendar year 1970. No officer shall be re-elected to the same office for more than three consecutive terms.

3. Other Officers: The Board of Directors may elect an executive director and such other officer or officers as the business of this corporation may require, each of whom shall hold office for such period, receive such compensation, have such authority and perform such duties as the Board of Directors may from time to time direct. The executive director shall obtain his direction and authority from the Board of Directors or the executive committee, and the corporation staff shall act by direction of the executive director only. The executive director is not to take any major independent action affecting the corporation without approval of the Board or executive committee. Hiring and firing of staff is to be done by the executive director, subject to confirmation of the executive committee.

4. President: The president of this corporation shall be its chief executive officer and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the affairs and officers of this corporation. He shall preside at all meetings of the membership of this corporation and the Board of Directors. He shall be a member of all committees, except the nominating committee, and shall have the general powers and duties of management which usually inhere in the office of president of a corporation. He shall have the power of appointment to committee membership.

5. Vice President: In the absence or disability of the president, the vice president shall act for the president, and in so doing shall have all of his powers and perform all of his duties. The vice president shall have such other powers and duties as the Board of Directors may from time to time direct.

6. Secretary: The secretary shall keep or cause to be kept a book of minutes of all meetings of the Board of Directors, and shall give or cause to be given notice of all the Board of Directors and of the executive committee required to be given by law or by these bylaws. He shall keep the seal of this corporation and shall have such other powers and duties as the Board of Directors may from time to time direct.

7. Treasurer: The treasurer shall keep or cause to be kept adequate and correct accounts of the financial transactions of this corporation. He shall deposit or cause to be deposited all monies and other valuables to the name and credit of this corporation with such depository as may be designated by the Board of Directors. He shall disburse the funds of this corporation under the policy direction of the Board of Directors, shall upon request render to the president, or the Board of Directors, or the executive committee, or any one or more of them, an account of his transactions as treasurer and of the financial condition of this corporation, and shall have such other powers and duties as the Board of Directors may from time to time direct. He shall give a surety bond as provided herein.

8. Resignation or Removal: Any officers of this corporation may resign from such office by submitting written notice thereof to the Board of Directors or the the president or secretary of this corporation. Any such officer may be removed from office with or without cause by the affirmative vote of a majority of the members of the Board of Directors at any regular or special meeting of the Board; provided, that written notice of such proposed removal shall be given to the officer sought to be removed not less than ten days prior to the meeting at which such proposal is to be voted upon.

9. Vacancies: A vacancy in any office caused by resignation, disqualification, removal from office or any other cause shall be filled by the Board of Directors.

10. Executive Director: The executive director of the corporation as part of his duties shall be present at all meetings of the Board of this corporation. He shall, however, not be a member of the Board, and shall have no vote at any meetings of the Board. He shall give a surety bond as provided herein.

## ARTICLE IV

Committees

1. Executive Committee: There shall be an executive committee which shall consist of the president, the vice president, the secretary, the treasurer and one other member elected by the Board. The executive committee shall have and may exercise the powers of the Board of Directors in the management of the affairs of this corporation when the Board is not in session. Meetings of the executive committee shall be held at the call of the president (or in the absence of the president the vice president) upon not less than one day's notice and a majority of the members of said committee shall constitute a quorum. All action taken by the executive committee shall be promptly reported to the Board of Directors.

2. Review Committee: There shall be a review committee consisting of a chairman who shall be a member of the Board of Directors and shall include persons who possess expertise in financial management and control, banking and enterprise management. Such persons shall be members of the Board of Directors of the corporation and shall be appointed by the president and approved by the Board. This committee shall examine and make recommendations to the Board regarding all applications for loans, assistance, investment, training, counseling and other services requested of this corporation. It may do so by the use and delegation of authority to various subcommittees which it shall have authority to appoint. The review committee shall establish or cause to be established an orderly process for such client services and shall work closely with public and private agencies to implement and broaden the scope of the program, to insure its effectiveness in the target community, and to do all other things consistent with the purposes set forth in the articles of incorporation. It shall make determinations as to the success of the various programs of the corporation, evaluate the development of new techniques especially suitable for the corporation's participation in the target areas, determine training and counseling and investment procedures, identify suitable opportunities, areas and economic activities and enterprises and other projects in which the corporation should participate and in which it can or should assist in its various ways.

The members of any subcommittees created by the review committee may be either members of the Board or not, with the exception of the chairman who must be a member of the Board. Those members of the subcommittees who are not members of the Board, must be people whose participation is based on interest and expertise in the areas involved in the subcommittee's work, and in the general purposes of this corporation. An employed staff member of the corporation may serve as a staff assistant to each subcommittee.

3. Citizens' Advisory Committee: The Board of Directors shall have the responsibility, and the executive director shall have the particular responsibility, of creating a citizens' advisory committee of which at least eighty percent (80%) shall be members of a target area. The members of the citizens' advisory committee shall not be members of the Board of Directors, but shall have as broad a representative base of the target areas as possible. Said committee shall meet at least quarterly, and the meetings shall be open to the public. At such meetings the corporation shall solicit public suggestions, community desires, concerns, needs and criticisms, and attempt to create community involvement and response. The basic legitimacy of this corporation must come from the community and therefore the Board of Directors is charged with considering most carefully and being as responsible as possible to the voice of the community as expressed generally and as specifically expressed through the citizens' advisory committee.

4. Other Committees: There shall be such other committees as may from time to time be created by resolution of the Board of Directors or the executive committee, in furtherance of the objects and purposes of this corporation. Any such committee may, in the discretion of the appointing authority, be composed in whole or in part of members of the Board or of other persons of ability, dedication, training or experience who might be of assistance to the Board of Directors and further the purposes of this corporation.

5. Quorum of Committees. A majority of the members of a committee or subcommittee must be present in person at any meeting thereof to constitute a quorum for the transaction of any business that may come before the committee.

## ARTICLE V

### Miscellaneous

1. Surety Bonds: The Board of Directors shall require the treasurer, executive director, and may at its discretion require any other officer or employee of this corporation to give a surety bond for the faithful performance of his duties in such form and amount and by such surety company as the Board may determine. All such bonds shall be for the benefit of and payable to this corporation.

2. Fiscal Year. The fiscal year of this corporation on the basis of which the accounts and records shall be kept shall be the period beginning on January 1 of each year and ending on December 31 of said year or for any other period consistent with good accounting principles at the discretion of the executive committee.

## ARTICLE VI

The Board of Directors is authorized to enter into any and all reasonable arrangement with businesses, corporations, persons, governmental agencies or any other bodies, organizations or individuals so as to further the corporate purposes of proper economic development of the target area. The Board of Directors is authorized to cooperate and involve itself closely with any activities, or organizations, public or private, which shall serve the purposes of this corporation.

## ARTICLE VII

Where the Board of Directors shall enter into arrangements for assisting persons, firms, corporations or groups relative to economic development and enterprise, the agreements and arrangements between this corporation and the party assisted shall have certain requirements so that the soundness of the arrangement is maximized. Said requirements shall be determined by the Board or executive committee and be included in the arrangement. As a minimal part of said arrangement, however, the assisted party shall make available at all reasonable times and places the books and records relative to said assisted enterprise and such other knowledge as may reasonably be requested by this corporation, so that the assisted operation and enterprise may be evaluated by this corporation. The arrangements between this corporation and the assisted party shall be specific and legal, and at least the minimal requirements of said agreements and arrangements shall be maintained until such time as any loans, investments or other financial assistance shall have been repaid to this corporation.

## ARTICLE VIII

The executive director, with the confirmation of the executive committee, shall hire such clerical, technical, and other staff as may be reasonable and necessary for the operation of the corporation. Salaries shall be set by the executive committee, with the confirmation of the Board.

## ARTICLE IX

Dealing of Members of the Board With  
The Corporation

Any member of the corporation or any staff person in the corporation who is a party, or holds ten percent or more of the ownership interest in a firm or corporation which is an applicant or party to an agreement or proposed arrangement with this corporation, shall not in any way participate in or be present at any of the deliberations or decisions relative to such transactions.

## Article IX continued

He shall be required to go through the usual and ordinary procedures relative to obtaining such assistance and shall be required to make full disclosure of his being a party or having a sufficient ownership interest in a firm or corporation which is a party attempting to obtain assistance at the time of the application to this corporation. Said disclosure shall be made to the membership and committees of this corporation, at the first contact relative to the transaction, or at the earliest possible time. The foregoing shall likewise apply to a member or staff person who obtains a ten percent or more interest in an enterprise which already has an existing arrangement with this corporation.

## ARTICLE X

Waiver of Notice

Whenever any notice is required to be given to any member of this corporation under the provisions of these bylaws or under the provisions of the articles of incorporation or under the provisions of the Oregon Business Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

## ARTICLE XI

The corporation shall indemnify and hold harmless its officers, directors and employees through the purchase of liability insurance in accordance with and to the extent authorized by Chapter 61 of the Oregon Revised Statutes as amended by 1969 Oregon Laws, Chapter 364, Section 10.

The rights accruing to any person under the foregoing provisions of this article shall not exclude any other right to which he may be lawfully entitled, nor shall anything herein contained restrict the right of the corporation to indemnify or reimburse such person in any proper case even though not specifically herein provided for. The corporation, its directors, officers, employees and agents shall be fully protected in taking any action or making any payment under this article XI, or in refusing so to do, in reliance upon the advice of counsel.



## ARTICLE XII

In the event of dissolution of this corporation, the assets shall be distributed to charitable, educational, religious or community organizations in a manner not inconsistent with Section 501(c)(3) of the Internal Revenue Code. This corporation shall not conduct any activities not permitted to be conducted by an organization exempt under the aforementioned code.

## ARTICLE XIII

Amendments

These bylaws may be altered, amended or repealed and new bylaws may be adopted by majority vote of the Board of Directors of this corporation any any regular or special meeting of the Board of Directors, provided that then days' prior written notice of such meeting, together with the proposed amendment, shall have been given to the members.

## CERTIFICATE OF ADOPTION OF BYLAWS

KNOW ALL MEN BY THESE PRESENTS: That we, the undersigned, President and Secretary of  
do hereby certify that the foregoing code of bylaws was properly and legally adopted by unanimous affirmative vote at a duly called meeting of the Board of Directors of the corporation held on the \_\_\_\_\_ day of \_\_\_\_\_, 1970, at Portland, Oregon.

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President

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Secretary

APPENDIX "B"

PROPOSED OPERATING AGREEMENT

## AGREEMENT

This Agreement made this \_\_\_\_\_ day of \_\_\_\_\_, 1970,  
by and between the City of Portland, hereinafter called "City" and  
\_\_\_\_\_, hereinafter called  
"Corporation" or "Operating Agency".

## W I T N E S S E T H:

WHEREAS, the City has entered into a contract with the United States of America through the Secretary of Housing and Urban Development for grant and assistance to carry out a comprehensive City Demonstration Program under Title I of the Demonstration Cities and Metropolitan Development Act of 1966; and

WHEREAS, the cooperation of the City and the Corporation is necessary and essential for the successful operation and completion of the Portland Model City Program; and

WHEREAS, the City desires to fund certain project activities which are within the scope of the ability of the Corporation to perform;

NOW, THEREFORE, the parties do mutually agree as follows:

## SECTION I.

Definitions

The following are definitions used in this Agreement:

- (A) "Act" means Title I of the Demonstration Cities and Metropolitan Development Act of 1966.
- (B) "Area" means the Model Neighborhood designated in the Program.

- (C) "Contractor" means an entity (other than the Corporation) that furnishes supplies or services to the City (other than standard commercial supplies, office space, or printing services).
- (D) "Grant" means the financial assistance being provided pursuant to Sections 105 and 107 of the Act.
- (E) "HUD" means the Secretary of Housing and Urban Development or a person authorized to act on his behalf.
- (F) "Operating Agency" means an entity that has the responsibility for administering a project or activity, herein called "Corporation".
- (G) "Program" means the HUD approved Comprehensive City Demonstration Program as the same may from time to time be amended.
- (H) "Program Administration" means the planning, programming, evaluating and budgeting of the Program and the overseeing and coordinanting of the Operating Agencies.
- (I) "Projects and Activities" means those undertakings (including relocation but not including Program Administration) which are included in the Program and are funded in whole or in part by the Grant.
- (J) "Other Projects and Activities" means those undertakings included in the Program which are funded entirely from other sources and require no Grant funds.
- (K) "Work Program" means the statement describing the scheduled status of a Project or Activity which is or will be a part of the Comprehensive Demonstration Program.

## SECTION II.

### Performance by Corporation

Corporation agrees to carry out the services specified in Section V of this Agreement in a lawful, satisfactory and proper manner and in accordance with the policies, procedures and requirements established during the term of this Agreement, or upon any extension thereof, by the City or HUD.

## SECTION III.

Grant

The City shall pay to the Corporation for the services rendered hereunder the sum of \_\_\_\_\_ Dollars, (\$ \_\_\_\_\_).

Such grant shall be used in conformity with the project budget which is attached hereto marked "Exhibit A", and by reference made a part hereof. The Corporation may re-allocate any budget item within said Exhibit "A" without City approval only as long as said budget item is not increased by more than ten percent (10%), or Fifteen Thousand Dollars (\$15,000), whichever is less. In the event that such budget item is increased in violation of this Section, the Corporation shall be solely liable for such increase.

## SECTION IV.

Review, Order and Additional  
Financial Assistance

The project activities and project budget of the Corporation may be reviewed on any periodical basis by the City. Additional financial assistance by the City to the Corporation for any period beyond the term of this Agreement shall be conditioned upon:

- (a) Satisfactory performance of the Agreement by the Corporation, and
- (b) Availability of "Model City" Funds.

## SECTION V.

The services to be rendered by the Corporation in conformance with the Model City Program are as follows:

(1) Through the provision of business counseling, feasibility studies, and general planning assistance to prospective and existing resident entrepreneurs of the Model Cities Area, accelerate the rate of successful new business formation and expand the scale of existing area enterprise.

(2) Match client loan applicant's needs with available financial resources by assisting in the preparation of Small Business Administration and other business loan applications and encouraging the metropolitan area financial institutions to make available capital for the use of client entrepreneurs.

(3) Implement a program in which business and other organizations employ Model Cities Area residents as understudies in positions affording the managerial and operating experience necessary for success in business.

(4) Secure the assistance of all resource agencies in a coordinated effort to attract desirable enterprise to locations in or convenient from the model neighborhoods which will employ residents and contribute to the area's balanced economic development.

(5) Loan seed money on advantageous terms to client business concerns to be utilized as the requisite 10 percent share for participation in Small Business Administration "502" direct and guarantee loan programs.

(6) Loan money on advantageous terms to client business concerns for use as either fixed or operating capital. Funds provided clients through this activity may be deposited at local banking institutions to establish client credit.

(7) Loan money to client concerns or invest directly in industrial-commercial site preparation, plant construction, etc.

In cases of direct investment, facilities may be constructed on a lease-back basis as a device to attract outside investment to desirable locations.

## SECTION VI.

### Term of Agreement

The project activities of the corporation are to be commenced as soon as possible after the execution of this Agreement, but in no event less than thirty (30) days after such execution, and shall be undertaken and completed so as to effect the efficient and expeditious performance of this Agreement on project activities required to be completed by this Agreement by \_\_\_\_\_.

## SECTION VIII.

### Method of Disbursement of Grant

The City agrees to disburse the grant funds provided in Section III of this Agreement in the following manner:

(1) The Corporation designates \_\_\_\_\_ and/or \_\_\_\_\_ as persons authorized to submit requisitions for disbursements.

(2) The corporation shall submit a requisition for disbursement upon form provided by the City. Each requisition shall state the services performed to the date of the requisition, the amount of services performed to the date of the requisition, the amount of services performed or costs expended, the budget item authorizing such expenditure, any changes made in budget items, together with reasons

therefor and the use to be made of the funds requisitioned.

(74)

#### SECTION VIII.

##### Restrictions on Disbursements by Corporation

Money disbursed under this Agreement by the Corporation to contractors shall be by a written contract which incorporates the applicable Supplementary General Conditions and requires the contractor to comply with HUD requirements with regard to accounting and fiscal matters, to the extent they are applicable.

#### SECTION IX.

##### Records

Records shall be maintained in accordance with requirements prescribed by HUD or the City with respect to all matters covered by this Agreement. Except as otherwise authorized by HUD, such records shall be maintained for a period of three years after receipt of the final payment under this Agreement.

All costs shall be supported by properly executed payrolls, time records, invoices, contracts, or vouchers. Orders, or other accounting documents pertaining in whole or in part to this Agreement, shall be clearly identified and readily accessible.

#### SECTION X.

##### Use of the Project Funds

Project funds shall be used only for those purposes which are applicable to this Agreement.



## SECTION XI.

Safeguarding of Funds

The Corporation shall deposit all Project Funds in a depository acceptable to the City and otherwise safeguard such funds pursuant to such instructions as HUD or the City may from time to time issue. If any interest shall be earned on the funds, the interest shall accrue to the benefit of the Project.

## SECTION XII.

Termination of Agreement for Cause

(a) If, through any cause, the Corporation shall fail to fulfill in timely and proper manner its obligations under this Agreement, or if the Corporation shall violate any of the covenants, agreements, or stipulations of the Agreement, the City shall thereupon have the right to terminate this Agreement by giving written notice to the Corporation of such termination and specifying the effective date thereof, at least five (5) days before the effective date of such termination. In such event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs and reports prepared by or for the Corporation under this Agreement shall, at the option of the City become its property and the Corporation shall be entitled to receive just and equitable compensation for any work satisfactorily completed hereunder.

(b) Notwithstanding the above, the Corporation shall not be relieved of liability to the City for damages caused by the Corporation, and the City may withhold any payments to the Corporation for the purpose of set-off until such time as the exact amount of damages due the City from the Corporation is determined.

## SECTION XIII.

Availability of Funds

The funds to be used by the City for payments hereunder are supplemental funds under the City's Comprehensive City Demonstration Program, and are grant funds under the above said agreement with the United States. The availability of said funds are subject to the control of the United States Government and HUD and should said funds be encumbered, withdrawn or otherwise made unavailable to the City, whether earned or promised to or by the Corporation, Corporation shall not be paid said funds until they are made available by the United States Government for payment. No other funds owned or controlled by the City shall be paid under this contract, nor shall the City have any general or special tax liability hereunder.

It is expressly understood that by transferring federal grant funds hereunder the City does not become a stockholder or member of the Corporation, lend its credit, guarantee or financial endorsement to the Corporation or any of the activities or obligations undertaken by the Corporation.

## SECTION XIV.

Changes

The City may request changes in the scope of the services to be performed by the Corporation. Such changes, including any increase or decrease in the amount of the Corporation's compensation, which are mutually agreed upon by and between the City and the Corporation, shall be incorporated in written amendments to this Agreement.

## SECTION XV.

Personnel

(a) The Corporation represents that it has, or will secure at its own expense, all personnel required in performing the services under this Agreement. Such personnel shall not be employees of or have any contractual relationship with the City.

(b) All of the services required hereunder will be performed by the Corporation or under its supervision and all personnel engaged in the work shall be fully qualified and shall be authorized or permitted under State and local law to perform such services.

(c) None of the work or services covered by this Agreement shall be subcontracted except in accordance with Section XIII hereof. Any work or services subcontracted hereunder shall be specified by written contract or agreement and shall be subject to the provisions of this Agreement. All contracts and subcontracts, including employment, shall contain the express language of Section XIII hereof.

## SECTION XVI.

Assignability

The Corporation shall not assign any interest in this Agreement, and shall not transfer any interest in the same (whether by assignment or novation), without the prior written consent of the City thereto; provided, however, that claims for money due or to become due the Corporation from the City under this Agreement may be assigned to a bank, trust company, or other financial institution without such approval. Notice of any such assignment or transfer shall be furnished promptly to the City.

## SECTION XVII.

Identification of Documents

All reports, maps, and other documents completed as a part of this Agreement, other than documents exclusively for internal use within the Corporation, shall contain the following information on the front cover or title page (or in case of maps, in an appropriate block): name of the City, month and year of the preparation, name of the Corporation, name of the Model Neighborhood Area or portion thereof, and the following notation covering Federal assistance:

"The preparation of this (report, map, document, etc.) was financed in part through a grant from the Department of Housing and Urban Development, under the Provisions of Section 104 of the Demonstration Cities and Metropolitan Development Act of 1966."

## SECTION XVIII.

Reports and Information

At such times and in such forms as HUD or the City may require, there shall be furnished to HUD or the City such statements, records, reports, data and information pertaining to matters covered by this Agreement and any information pertaining to other project activities of the Corporation as may be deemed necessary to the efficient planning and evaluation of the program by the City.

(a) Regular reports required shall consist of:

1. Monthly submission of financial statement.  
The time of submission will be the last Friday of the month following the period for which the report is prepared.

2. Quarterly submission of status of work program. The time of submission will be by the 5th day of the month for which the quarterly report becomes due.

(b) Sanctions:

Recurring failure of the Corporation to submit reports on time will be considered a breach of the Agreement and sufficient reason to withhold approval for further compensation under this Agreement.

#### SECTION XIX.

##### Audits and Inspections

At any time during normal business hours and as often as the City, HUD and/or the Comptroller General of the United States may request, there shall be made available to the requestor, the Corporation's records with respect to all matters covered by this Agreement and will permit the City, HUD and/or representatives of the Comptroller General to audit, examine and make excerpts of transcripts from such records of personnel, conditions of employment and other data relating to all matters covered by this Agreement. In addition to the above, at the close of each fiscal year, there shall be an audit of the Corporation's business activities by an independent certified public accountant, a copy of which shall be delivered to the City.

#### SECTION XX.

##### HUD Requirements

Unearned payments under this Agreement may be suspended or terminated upon refusal to accept any additional federal conditions that may be imposed by HUD at any time, or if the grant to the City under Title I of the Demonstration Cities and Metropolitan Development Act of 1966 is suspended or terminated.

## SECTION XXI.

Conflict of Interest

No officer, employee, or agent of the City who exercises any function or responsibilities in connection with the planning and carrying out of the Program, or any other person who exercises any functions or responsibilities in connection with the Program, shall have any personal financial interest, direct or indirect, in this Agreement; and the Corporation shall take appropriate steps to assure compliance.

The Corporation further agrees that it will incorporate into every Corporation contract required to be in writing the following provision:

"The parties to this contract covenant that no person who presently exercises any functions or responsibilities for the Corporation and holds 10 percent or more of the ownership interest in a firm or corporation which is a party to this contract has or shall in any way participate in or be present at any of the Corporation's deliberations or decisions relative to the contract. The parties further covenant that in the performance of this contract no person having any such conflicting interest shall be employed."

Any interest in such contract on the part of the parties to the contract or their employees must be disclosed to the City. However, this section shall be interpreted in such a manner so as not to unreasonably impede the corporation's ability to obtain the services of qualified persons nor the statutory requirement that maximum opportunity be provided for employment of and participation by residents of the area.

## SECTION XXII.

Opportunities for Residents

In all work made possible by or resulting from this Agreement, affirmative action will be taken to ensure that residents of the Model Neighborhood Area are given maximum opportunities for training and employment and that business concerns located in or owned in substantial part by residents of the Model Neighborhood Area are to be permitted maximum feasible participation.

## SECTION XXIII.

Discrimination Prohibited

(a) In all hiring or employment made possible by or resulting from this Agreement, (1) there will not be any discrimination against any employee or applicant for employment because of race, color, religion, sex or national origin, and (2) affirmative action will be taken to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. This requirement shall apply to but not be limited to, the following: employment, upgrading, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. There shall be posted in conspicuous places available to employees and applicants for employment, notices to be provided by HUD setting forth the provisions of this clause. All solicitations or advertisements for employees shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion sex or national origin.

(b) No person in the United States shall, on the ground of race, color, religion or national origin, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity made possible by or resulting from this Agreement. The Corporation and each employer will comply with all requirements imposed by or pursuant to the regulations of HUD effectuating Title VI of the Civil Rights Act of 1964.

(c) The Corporation hereby agrees that it will incorporate into any contract for construction work, or modification thereof, as defined in the regulations of the Secretary of Labor at 41 CFR Chapter 60, which is paid for in whole or in part with funds obtained pursuant to this Contract Agreement, the equal opportunity clause which is a part of the labor standard provisions attached hereto.

The Corporation further agrees that it will be bound by the equal opportunity clause and other provisions of CFR Chapter 60 with respect to its own employment practices when it participates in federally assisted construction work; provided, however, that if the Corporation so participating is a State or local government, the above equal opportunity clause is not applicable to any agency, instrumentality, or subdivision of such government which does not participate in work on or under the Agreement.

The Corporation agrees that it will assist and cooperate actively with HUD and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations, and relevant orders of the Secretary of Labor, that it will furnish HUD and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it will otherwise assist HUD in the discharge of its primary



responsibility for securing compliance.

The Corporation further agrees that it will refrain from entering into any contract or contract modification subject to Executive Order 11246 of September 24, 1965, with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to the Executive Order. In addition, the Corporation agrees that if it fails or refuses to comply with these undertakings, the City may take any or all of the following actions: Terminate or suspend in whole or in part this Agreement; refrain from extending any further assistance to the Corporation under the program with respect to which the failure or refusal occurred until satisfactory assurance of future compliance has been received from such Corporation; and refer the case to the Department of Justice for appropriate legal proceedings.

#### SECTION XXIV.

##### Labor Standards

There shall be included in all construction contracts, made possible by or resulting from this Agreement, with appropriate entities the applicable labor standard provisions, if the work being carried on is not otherwise subject to provision of Federal law imposing labor standards on federally assisted construction and in the case of residential projects if the project is designed for the residential use of eight or more families.

## SECTION XXV.

Copyrights

If this Agreement results in a book or other copyrightable material, the author is free to copyright the work but HUD reserves a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, all copyrighted material and all material which can be copyrighted.

## SECTION XXVI.

Patents

Any discovery or invention arising out of or developed in the course of work aided by this Agreement shall be promptly and fully reported to HUD as to whether patent protection on such invention or discovery shall be sought and how the rights in the invention or discovery, including rights under any patent issued thereon, shall be disposed of and administered, in order to protect the public interest.

## SECTION XXVII.

Political Activity Prohibited

None of the funds, material, property or services provided directly or indirectly under this Agreement shall be used in the performance of this Agreement for any partisan political activity, or to further the election or defeat of any candidate for public office.

## SECTION XXVIII.

Lobbying Prohibited

None of the funds provided under this Agreement shall be used for publicity or propaganda purposes designed to support or defeat

legislation pending before the Congress, the State or any municipal legislative body.

#### SECTION XXIX.

##### Entire Agreement Herein

This Agreement states the entire terms and conditions under which the Grant is provided by the City to the Corporation, and no other conditions or terms, whether in writing or oral, not contained herein shall be deemed to exist or be binding upon the parties hereto.

#### SECTION XXX.

##### Liability of Members of Model City Agency

No individual member of the Portland City Council or employee of The City of Portland shall be held personally liable for any reason in any action or upon any claim by reason of any term or condition of this contract.

Provided further that no member of the Board of Directors or officer of the Corporation shall be held personally liable for any reason in any action at law or otherwise or upon any claim by reason of any term or condition of this contract.

#### SECTION XXXI.

All property, real or personal, which is purchased to perform and execute the scope of services as defined in this agreement shall be and remain the property of the Corporation during the term of this Agreement and at conclusion thereafter. It is agreed that as far as practicable, that after the end of this Agreement such property shall be used for public purposes within the framework of the scope of services

as defined herein.

IN WITNESS WHEREOF, The City and the Corporation have  
caused this Agreement to be duly executed on their behalf and their  
seals to be hereunto affixed and attested this \_\_\_\_\_ day  
of \_\_\_\_\_, 19\_\_\_\_.

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Critique: Final Task Force Recommendations

The substance of this section appears in the cover letter of this report summarizing the deliberative process and the conclusions reached by the task force.

From the outset, the task force was faced with two basic problems:

(1) To find an appropriate operating agency which would be readily acceptable to the model cities business community and to which the City can confidently delegate authority and responsibility sufficient to ensure effective implementation of a highly technical program;

(2) To determine whether the lending of seed capital as well as provision of technical assistance services to client concerns should be retained in the face of possible Constitutional limitations on and legal questions about the City's ability to supply supplemental for proposed program activities.

The task force reached explicit conclusions on each of these points. Based on the common experience of the other first round cities studied and the virtual non-existence of an agency, public or private, fully qualified to undertake the complete range of necessary services, the recommendation is that a local development corporation, licensed for participation in Small Business Administration lending programs, be organized to operate the program. The proposed corporation would be model

neighborhood based but enjoy substantial participation, both on the board of directors and in advisory capacities, from persons throughout the metropolitan economic community of recognized technical and administrative competence.

Although it is the considered opinion of the task force that the possible Constitutional limitations on program implementation have been resolved by the structure and form of the proposed local development corporation, it is recognized that the issue of seed capital and business loans still represents a potential legal problem, at least in the context of the opinion rendered by the Portland City Attorney in response to the original program. The advice then was to take great care in designing the program relationships to ensure they do not offend provisions of the Oregon Constitution. This was the task force's overriding objective. The corporation's proposed relationship with the City is that of an independent contractor agreeing to perform specific services for the City, utilizing only Model Cities Administration supplemental funds and no monies from the City of Portland general fund. In these terms, the City will be the transfer channel through which federal monies will flow to the corporation for purposes spelled out in the proposed program. The contractual relationship defined in the task force recommendations should eliminate any question of the City lending credit or donating assets to a private organization either in the case of the local development corporation or participating client business concerns. In addition, the proposed operating agreement is directed toward eliminating the City from any possible general fund liability due

either to the actions of proposed local development corporation or its clients.

The task force and the Model Cities Economic Development Working Committee are presently awaiting an opinion from the City Attorney and the Office of the Mayor as to the acceptability of the plan. The strategy is to gain approval of the general concept and proceed to development of a specific plan for submission to H.U.D. The task force, or a sub-committee thereof, has volunteered to secure the participation of experienced and qualified individuals on the proposed corporation's board of directors. This course of action is recommended to organize the operating agency. As the members of the task force are talented and experienced individuals with a demonstrated interest in the Community Development Program, this initiative with the advice and counsel of the Office of the Mayor is probably the most straightforward approach to the problem of organization.

It is important to note that the task force process itself has fulfilled a function essential to the ultimate success of the program. By bringing together representatives of virtually every resource agency potentially useful to the proposed economic development effort and the leadership of the model cities business community, the study has established critical lines of communication. The dialogue generated by the inquiry has developed a new level of interest on the part of many groups and individuals who might not otherwise have become concerned with the issues. Those who participated invested considerable time and unquestioned