



PORTLAND DEVELOPMENT COMMISSION:

Economic development efforts effective, but improvements
needed to measure and manage future success

A REPORT FROM THE CITY AUDITOR
June 2006



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

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June 6, 2006

TO: Tom Potter, Mayor
Sam Adams, Commissioner
Randy Leonard, Commissioner
Dan Saltzman, Commissioner
Erik Sten, Commissioner
Bruce Warner, Executive Director, Portland Development Commission

SUBJECT: Audit of Portland Development Commission economic development,
Report #322

Attached is Report #322 containing the results of our audit of the Portland Development Commission's economic development efforts. The audit was included in our annual audit schedule and was conducted in accordance with generally accepted government auditing standards.

As a follow-up to our recommendations, we ask that the Executive Director prepare a status report in one year, detailing steps taken to address the report recommendations. This status report should be submitted to the Audit Services Division and coordinated through the Mayor's Office.

We appreciate the cooperation and assistance we received from personnel in the Portland Development Commission as we conducted this audit.

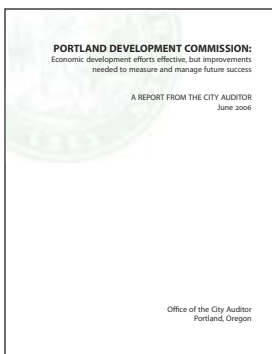

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Attachment

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Production/Design

This report was produced in-house using desktop publishing software on Pentium 4 personal computers, and a Hewlett Packard Laserjet PCL/Postscript laser printer. It was printed at the Printing and Distribution Division of the City's Bureau of General Services. Adobe InDesign CS PageMaker version was used to design and layout the finished product. Tables were created in InDesign. Some text was initially written in Microsoft Word, then imported into InDesign for formatting and layout.

Summary

The Portland Development Commission (PDC) plays an important role in the City of Portland's well-regarded livability. In its 48-year history PDC has been involved in many of Portland's best-known development projects, including Pioneer Courthouse Square, Waterfront Park, the Auditorium District, and more recently, the Pearl and River Districts.

The purpose of this audit was to review the overall economic development efforts of the PDC. For the reader's clarity it is important to note that PDC maintains an Economic Development Department, which is not the sole focus of this audit. As explained in pages 4 and 5 of the report, economic development activities result from work done in all three of PDC's major operating departments.

Our audit of economic development efforts showed that PDC's strategies in the Urban Renewal Areas appear to be somewhat effective in spurring job and wage growth, and in increasing the amount of private, as well as public, capital investment in targeted areas. In our study of five Urban Renewal Areas, we found that while job growth showed only slight improvement over an eight year period (1996 to 2004) the URAs did not see the decline in jobs experienced City-wide. In addition, wages paid for those jobs and the market value of real estate in those areas clearly outpaced the City as a whole.

In our review of specific Economic Development Department programs we found that PDC's technical assistance and outreach programs for businesses appear to satisfy clients. In addition, PDC's Business Loan program appears to be meeting internal objectives. However, a lack of complete and reliable data in some areas complicated our ability to assess the results of some Economic Development

Department programs. Likewise, on an organizational level, we found that PDC lacks clear goals, measures and data it needs to continually improve its decision-making processes and better link its investments to community results.

PDC recognizes many of these areas for improvement and, in fact, requested assistance from the City Auditor before this audit began. During the course of the audit we began working with PDC staff to implement some of the recommendations concerning performance measures and reporting.

We make several recommendations to address the issues we identified. In order to improve the overall collection and reporting of performance information, PDC should:

- 1. Continue its work to develop and implement a more comprehensive and reliable performance measurement system.**

The Auditor's Office will continue to work with PDC to develop a system of measures for the Auditor's annual *Service Efforts and Accomplishments* report. The techniques used in developing this high level system of measures can be applied to all levels of the organization.

- 2. Pay special attention to key programs and long term initiatives such as URA performance.**

While *ad hoc* studies exist, we believe it is important that PDC develop a set of key measures to judge the overall effectiveness of efforts to improve conditions in URAs, and that these measures be regularly and routinely reported.

3. Consider using a single data base for tracking projects in its three operating departments.

One system that comprehensively tracks project-related activities of the Development, Housing and Economic Development Departments would assist PDC in producing more consistent and comprehensive data.

To improve data reliability and quality PDC needs:

4. To adopt data definitions and methodologies to standardize performance information in order to improve data consistency and reliability.

Consistent definitions and methodologies will enable more meaningful analysis.

5. To present information in management and public reports that is clearly defined and traceable to source documents.

Reports should be clear and accurate about the data presented, and backed up by documented support.

In order to improve the business services provided by the Economic Development Department's Business Retention and Expansion group, PDC should:

6. Use data from various sources, including our survey of businesses, to identify specific ways to improve customer assistance.

PDC should monitor customer satisfaction closely by gathering additional information, providing staff training, and making program adjustments where needed.

Chapter 1 Introduction

This audit covers our review of the Portland Development Commission's economic development efforts and overall performance measurement system. It was approved by the City Auditor and placed on our audit schedule for FY 2005-06.

Background

The Portland Development Commission (PDC) plays a primary role in sustaining Portland's well-regarded livability and in carrying out City redevelopment policy. PDC was created in 1958 by City Charter amendment. It was designated as the City's urban renewal agency under Oregon Revised Statutes 457, the State's urban renewal act. The purpose of urban renewal is to improve blighted urban areas as defined by the State statute. Urban Renewal Area (URA) boundaries are designated by City Council. Blighted areas are those that exhibit characteristics such as a declining population base, undervalued, deteriorated, and under-used property, and poor infrastructure. Currently, PDC manages eleven URAs scattered throughout the City. Because most of PDC's funding comes from debt issued against the value of these properties, most of PDC's work is restricted to those areas. Over time, however, PDC's role has expanded to include general economic development and livability issues throughout the City, even though funding for City-wide projects is extremely limited.

The Commission has a large budget compared to City government bureaus, and its work is very visible and at times controversial. Its work to retain and attract new businesses to the City is vital to maintain Portland's standing as one of America's most livable cities. In addition, Audit Services has done very little work at PDC over the years. Because of the potential risk due to its large budget, and because of the impact of its work on the economic vitality of the

City, we placed this performance audit of its economic development activities on our annual schedule. PDC also requested assistance in developing performance measurement information that can be included in a new chapter of the Audit Services Division's annual *Service Efforts and Accomplishments* report.

PDC organization

The Commission is comprised of five non-salaried members appointed by the Mayor and approved by City Council. PDC is organized into five basic departments: Development, Economic Development, Housing, Executive, and Finance. The three operational departments have the following responsibilities:

The Development Department is primarily responsible for bringing together government and private partners to accomplish various types of housing, retail, office and other business projects. Much of what they do entails pulling together tracts of land for development or in financing infrastructure improvements.

The Housing Department attempts to meet City housing objectives by encouraging the development of affordable, mixed use, and transit-oriented housing units.

The Economic Development Department's main objectives are to retain existing businesses, help businesses expand, and to attract new businesses to Portland and the region. The Department uses several strategies to accomplish their goals: business loans, technical assistance in working through City bureaucracy, networking opportunities, workforce assistance, and recruitment of new businesses.

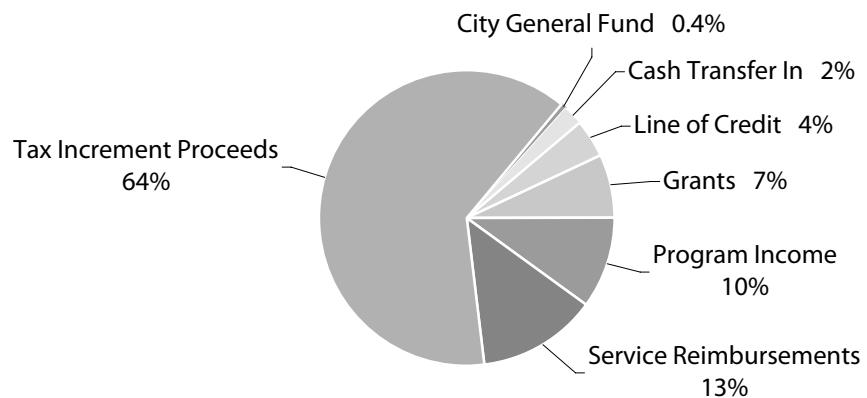
PDC spending and staffing

PDC's budget is primarily supported by Tax Increment Financing (TIF). TIF is revenue derived from selling revenue bonds based on the anticipated increases in assessed value in Urban Renewal Areas (URA) that will result from increased development efforts. Taxes collected over the years from the increased tax base are used to pay off the bonds issued for the URA improvements. TIF money can only be spent in the URAs from which it is derived, and only on "bricks and mortar" activities such as capital improvements. This limits PDC's spending

flexibility to a great extent and limits activities in other parts of the City to what can be done mostly with City General Fund revenues. According to information provided by PDC's Finance Department only about 11 percent of PDC's FY 2006-07 Approved Budget is available to be spent citywide.

The FY 2005-06 Adopted PDC Budget of \$198 million is supported by \$125 million of TIF revenues, which makes up almost two-thirds of the agency's revenue. Other significant sources are Service Reimbursements and Program Income, which make up another 23 percent of PDC's revenues. From FY 2002-03 to the FY 2005-06 Adopted Budget, revenues have increased, with TIF revenues being the most significant increase dollar-wise. City General Fund revenue makes up 0.4 percent of the Commission's total budget.

Figure 1 FY 2005-06 Adopted Budget Resources



Source: PDC budget documents

PDC's total spending over the last four years has increased 167 percent, from actual spending of \$93 million in FY 2002-03 to estimated spending of \$248 million for the FY 2005-06 Adopted Budget. The Development Department comprises the most significant portion of the budget at 45 percent of FY 2005-06 budgeted expenses followed by the Housing Department (31 percent) and the Economic Development Department (15 percent).

Over the last four years, most departments have seen expenditure increases, with the Development Department seeing the largest in terms of total dollars.

PDC's FY 2005-06 Adopted Budget shows 176.5 full time employees. The Finance Department is the largest department with 56 FTEs, with the remaining fairly equally distributed in the other departments. Agency-wide staffing increased by 8 percent (16 positions) from FY 2002-03. Most of the position increases occurred in the Finance Department, while the Housing and Executive Departments experienced significant declines. The Economic Development Department added five staff members between FY 2002-03 and FY 2005-06.

Figure 2 PDC staffing (full-time employees)

Department	FY 02-03 Actual	FY 05-06 Adopted	% change
Development	33.5	34.5	3%
Economic Development	21.0	26.0*	24%
Housing	38.3	34.0	-11%
Executive	44.0	26.0	-41%
Finance	22.0	56.0	155%
Resource Development	5.0	0.0	-100%
TOTAL	163.8	176.5	8%

Source: PDC budget documents

* Includes two unfilled positions moved to Resource Development

What is economic development, and why study it?

Our review of general literature and PDC publications, as well as interviews with PDC staff, leads to the conclusion that the term "economic development" refers to the encouragement of employment and business growth in order to promote better living conditions. Economic development then, is a very important strategy the Commission uses to accomplish its larger goal of improved livability in Portland.

Although it could be argued that almost everything PDC does, whether development-oriented (e.g., arranging blocks of real estate for business to use to expand) or housing-oriented (e.g., promoting affordable housing so workers can afford to live close to work) is intended as economic development, we believe that such a broad and open-ended view unnecessarily obscures our ability to assess what is generally thought of as economic development – that is, job creation and business development. In order to narrow our focus, we assessed those activities that are most directly related to job and business retention, expansion, and recruitment. Future audit work could focus on other major strategies employed by PDC to achieve its objectives.

Audit objectives, scope and methodology

Our audit focused on economic development efforts within the PDC and on their agency-wide performance measurement system. Our review consisted of a three-pronged approach. First, recognizing the contributions of all the major PDC departments, we evaluated the success of economic development efforts PDC-wide by reviewing job, wage, and property value changes over time at the URA level (Chapter 2). Secondly, we evaluated the effectiveness of specific Economic Development Department strategies (Chapter 3). Finally, we assessed the overall status of PDC's performance measurement system, reviewed their current system and reported measures (Chapter 4), and provided recommendations for improvement (Chapter 5).

To accomplish our objectives we collected academic literature from library searches and the Internet. We conducted over 50 interviews, including PDC staff members, local business representatives, and community leaders.

Our specific audit objectives and work we performed to audit each objective were:

- 1. Assess the overall results of economic programs in targeted areas by comparing the economic progress of certain URAs to control areas of the City that received little or no concentrated investments by PDC, and to the City as a whole.**

To accomplish this objective, we entered into an Intergovernmental Agreement with Metro's Data Research Center to produce a set of employment, real estate market value, and social data for URAs, certain control areas, and for the City as a whole. Consulting with Metro economists, we selected five URAs which we determined had economic development as a primary goal and which had enough history that one would expect results to have occurred. For comparison purposes, we selected three separate control areas in the City with land use patterns similar to the URAs. These control areas did not receive concentrated PDC investment during the study period. Our research did not identify any other major government investment in the control areas.

Using confidential employment data obtained from the State Employment Department, Metro staff geographically placed employers, their number of employees, and wages paid in each of these areas. Because we wanted to analyze the longest time period possible, and because Metro had high confidence in the reliability of data going back to only 1996, we chose a study period of 1996 to 2004. Data for 2005 was not available at the start of our study.

Land and building value data were geographically placed by Metro staff using data collected and maintained by the Multnomah County Division of Assessment and Taxation. Metro also provided certain census data derived from U.S. Bureau of the Census block group information, although that information is for slightly different time periods. We supplemented this with information from the Multnomah County Tax Supervising and Conservation Commission.

Metro is considered one of the leading agencies in geographic information and demographic analysis in the region. In addition, our method for determining employment and wage data was reviewed for reasonableness by staff from the State Employment Department's Division of Workforce and Economic Research.

PDC supplied the information on the projects and investments made in these areas during the study period.

2. Assess the efficiency and effectiveness of the Economic Development Department's primary strategies, and testing the accuracy and reliability of certain performance data.

To accomplish this objective, we reviewed selected performance data for FY 2000-01 through FY 2004-05, where possible, from the organization's ACT! data base. PDC staff questioned the reliability of the data base prior to FY 2000-01, so we restricted our review to the latest five-year period.

We examined selected data from the data base against source documents to determine the reliability of the information. We checked the selected information against over 30 source documents for business loans and enterprise zone participants. We also made calculations based on data from the U.S. Department of Labor to replicate information on the concentration of target industries reported by PDC.

In addition, we conducted a mail survey of businesses PDC assisted to assess satisfaction with the Business Retention and Expansion program. We surveyed businesses to determine perceptions about the business services PDC provided. These businesses were selected from all 710 businesses PDC assisted from July 30, 2004 through January 30, 2006. We mailed 340 surveys in February 2006, with a follow-up reminder in March. A total of 122 surveys were returned as of the beginning of April 2006. Discounting 49 undeliverable surveys, the return rate for the survey was 42 percent. We presented the survey results in a summarized form to managers in the Economic Development Department in April.

During fieldwork, we determined that we could not fully assess the efficiency of the Department's strategies, such as cost per job created, due to difficulty in obtaining financial information on a refined program basis and the lack of readily

available actual jobs created and retained data in most programs. Because of this, we limited our scope to assessing measures of effectiveness for the Department's two main programs.

Finally, we did not review significant information about the Business Finance unit's Storefront program. This is a small program, and while it does leverage investment, job creation is not a condition of a Storefront grant, nor a factor in determining the amount of funding for which the businesses are eligible.

3. Evaluate the PDC's performance measurement system and assist the Commission in developing a chapter for the Auditor's annual *Service Efforts and Accomplishments* report.

To understand PDC's prior efforts in performance measurement, we reviewed several PDC documents including budgets, strategic and business plans, and other reports that described PDC's accomplishments. We also reviewed the Government Accounting Standards Board's (GASB) criteria for Service Efforts and Accomplishment reporting. Finally, we interviewed Operation Managers, Directors and other staff among the Development, Economic Development, Housing, Finance and Executive Departments to understand past and current initiatives to collect and report performance information.

To learn about the reporting practices of similar government agencies and to collect best practices information, we used GASB's web site (www.gasb.org) which provides links to cities and counties that publish performance information. Local government agencies with similar responsibilities to PDC were difficult to find. We examined twenty reports and found only four that reported at least one type of activity similar to PDC's community and economic development activities.

To understand the information systems at PDC that track program information, we reviewed the ACT!, MITAS, Asset

Management, Real Estate, Acquisition and Disposition databases. We did not perform a detailed assessment of the management of these systems. Our objective was to understand how and why the systems are used, and what information is stored within them.

To test the reliability of performance information that is reported by PDC's Housing Department, we traced information recorded in MITAS (such as loan amount, type of loan, type of project, and recipient or unit income requirements) for eight housing projects and twelve homeowner loans we selected. The projects and loans were selected from data previously provided to the Auditor for inclusion in the Housing and Community Development chapter of prior years *Service Efforts and Accomplishments* reports.

The reliability of performance information reported by PDC's Economic Development Department was tested under Objective 2 above.

During the course of the audit, we facilitated and documented the results of brainstorming sessions conducted to assist PDC in the development and implementation of a comprehensive performance measurement system. Working with staff in the Executive Department, we facilitated five meetings that included Directors and Operation Managers from the Development, Economic Development, Housing, Finance and Executive Departments. PDC is currently discussing the results of these meetings with its staff to determine the next steps for selecting and developing measures to be reported internally and in a PDC chapter for the Auditor's annual *Service Efforts and Accomplishments* report. We will continue to work with PDC on its performance measurement efforts.

We conducted this audit in accordance with generally accepted government auditing standards.

Chapter 2 **Economic development results: URA economic indicators mixed, but generally positive**

Results from our study of economic indicators in Urban Renewal Areas were mixed but show overall positive progress. Job growth during the period from 1996 to 2004 was mostly flat, without much difference between the URAs and the control areas (which didn't receive concentrated investment activities). The modest URA job growth, however, was much better compared to the decline experienced Citywide, which was due in part to a region-wide recession. It is possible that without PDC's investment in the URAs those areas could have mirrored Citywide losses, or even been worse since URAs started as blighted areas. One concern is that two URAs (the Central Eastside and the Downtown/Waterfront) experienced significant declines similar to the rest of the City. A clearly positive indicator is that wages in the URAs grew significantly faster than in the rest of the City and the control areas, indicating that the URAs may have attracted the higher wage jobs that PDC seeks. In addition, the value of the land in the URAs grew at nearly twice the rate of the rest of the City and the control areas.

Economic development is central to PDC's mission and results from efforts in all departments

Economic development is not the sole purpose of the Portland Development Commission, but it is a key component in creating a sustainable and livable community. In turn, each of PDC's three primary operating departments contribute to economic development objectives through targeted activities primarily in URAs. For example, the Development Department, among other functions, assembles land and buildings, and invests in infrastructure to promote private business investment in areas that may not otherwise be attractive to business. By providing tax incentives and financing, the Housing Department encourages housing development targeting a

mix of incomes to promote healthy neighborhoods where people can live and work. The Economic Development Department encourages existing businesses to expand by providing loans and grants to business owners, and attempts to encourage targeted industries to locate in certain areas. Ideally, staff from all departments work together to bring in businesses (Economic Development Department) to newly assembled or renovated properties (Development Department) in healthy, livable neighborhoods (Housing Department).

To gauge the overall effectiveness of PDC's economic development efforts, we chose to look at a select, manageable number of high-level economic indicators. We understand that other researchers might choose different measures or might see the value in adding to the measures. We encourage PDC to undertake such analyses as resources allow. Chapter 3 of this report focuses specifically on the Economic Development Department.

**Jobs and wages:
important economic
development
indicators**

This chapter focuses on the overall results of direct economic indicators we believe most people think of when they think about economic development: jobs and wages. In this case, "jobs" refers to the number of jobs located within the area of study, not the employment rate of URA residents. Likewise, "wages" refers to the amount of wages paid for those jobs located within the URA. This distinction is important because while a newly created job may pay well, it might be filled by someone who lives outside the URA. Likewise, many URA residents are likely employed outside URA boundaries.

While URA plans do not usually specify job creation for URA residents, we feel that some overall economic benefits should accrue to residents close to a URA in order to make healthy, liveable neighborhoods where people will want to live and work, thereby mitigating blighted conditions. For that reason, we have included some income data from URA-contiguous census blocks.

In addition, we present data on market value of the land and the ratio of building value to land value. These important measures are used to gauge the health of an area in terms of the capital investment and

We understand that changes in these measures are the result of PDC investments, as well as other government agencies and private sector organizations independent of PDC. In addition, the factors we report here are affected by local and regional macroeconomic trends. They remain, however, important goals of PDC in these relatively small areas and can indicate the need to look more closely at individual programs or strategies, as we do in Chapter 3.

We caution against judgments as to the success or failure of broader PDC programs or individual projects that go beyond the relatively narrow scope of this chapter. The information presented here is meant as a broad assessment of the general results of PDC economic development efforts. We do not present a causal interpretation of the information. Instead, we recommend PDC incorporate these types of measures into a higher level performance reporting system (see Chapter 4) so these indicators may be tracked over time.

In addition, describing spending and investment is difficult. Some of PDC's spending is to purchase land that is pieced together and sometimes improved in order to be sold to private developers or to private sector employers. In other cases, millions of dollars are loaned to developers to build housing units. Therefore, PDC has program income that can be used in other projects. We do not attempt a balance sheet approach to describing PDC's projects in this section. Rather, we present a snapshot of expenses for projects with the expectation that some dollars may be returned to PDC to be further leveraged. For that reason, we refer to project expenditures as monetary investment in the area, recognizing that PDC often leverages money into even more projects.

It is not our intention in the accompanying narrative to describe all of PDC's accomplishments during the study period. We only describe major projects with significant expenditures and ones that directly support planned activities. The monetary investments and major project descriptions are meant to be used only as descriptive context for the URA.

URA study results

During the study period (1996-2004), PDC completed many highly visible and important projects in the five selected Urban Renewal Areas. Among those were: infrastructure improvements to Airport Way, including Cascade Station and the airport light rail project; completion of the Eastbank Riverfront Park; the leveraging of large scale housing projects in the River District resulting in thousands of new housing units; the Chinese Classical Garden and the development of South Waterfront Park. In addition, hundreds of business and storefront loans encouraged new and existing businesses to expand in the areas, and many more businesses were provided assistance to help expand or relocate to the area. It would not be possible to list here all the projects PDC took part in during this period. According to documents provided by PDC, the total monetary investment in these five URAs during the period amounted to about \$384 million. Our major findings of results are as follows:

- **Employment production results are mixed.** Improvements to the total employment picture in the URAs when taken as a group are mixed. Total employment in both the URAs and the control areas remained essentially unchanged. Employment in the five URAs increased by only 1 percent during the study period, compared to 3 percent in the control areas. According to Metro and State Employment Department staff, these changes are not large enough to be statistically significant. Also, it should be noted that the starting number of jobs in 1994 was significantly smaller in the control areas and small changes in absolute numbers may have resulted in a larger comparative impact on the change rate. Two URA areas, the Central Eastside and the Downtown/Waterfront, however, had significant decreases in employment, at -9 percent and -8 percent respectively. Collective URA total employment, however, was much better than the 9 percent decline experienced in the rest of the city.
- **Wages and real estate value positive.** Progress in other economic indicators is clearly positive. Despite the fact that net jobs remained essentially unchanged during the period,

the wages paid by the jobs in URAs increased by 25 percent. This compares to a 14 percent decline in the control areas and an 8 percent increase in the rest of the City. This may indicate that URAs added the higher paying jobs that PDC seeks.

In addition, two indicators that demonstrate the economic vitality of the areas increased significantly. Both the average real market value and the value of buildings compared to land value (i.e., the building-to-land ratio) indicate the impact of capital investments in the areas and the value of the areas as places to live and conduct business. These are key indicators of the successful development of urban property. The real market value of the URAs increased almost twice as much as the control areas and the City as a whole. In addition, the ratio of building value to land value (a measure of the value of construction and capital investment) increased 49 percent in the URAs compared to 2 percent in the control areas. All URAs, except the Central Eastside (-4 percent), experienced increases in this measure.

- **URA residents experienced mixed results.** Indicators of progress for persons who live in the areas were mixed. While the persons living in poverty decreased by 6 percent in the URAs, compared to no change in the control areas and a 2 percent decrease in the City as whole, persons living in, or in close proximity to, the URAs did not benefit as much from the higher wage jobs in the URAs. Median household incomes increased only about as fast as the control areas, but lagged the City as a whole. It should be noted that it is not always a goal of PDC to produce jobs specifically for those who reside in URAs.

Figure 4 Percent change in selected economic development indicators during study period

	Selected URAs	Control Areas	City of Portland
ECONOMIC			
Total jobs ⁽¹⁾ (1996-2004)	+1%	+3%	-9% ⁽³⁾
Avg wages for those jobs ⁽¹⁾⁽²⁾ (1996-2004)	+25%	-14%	+8% ⁽³⁾
Real market prop. values ⁽²⁾ (1996-2004)	+138%	+64%	+56% ⁽³⁾
Building/Land value ⁽²⁾ (1996-2004)	+49%	+2%	NA
SOCIAL			
Persons in poverty (1990-2000)	-6%	0%	-2%
Med. HH Income ⁽²⁾ (1990-2000)	+9%	+6%	+30%

Source: Metro analysis of employment, tax, and census data, along with Audit Services' supplemental analysis

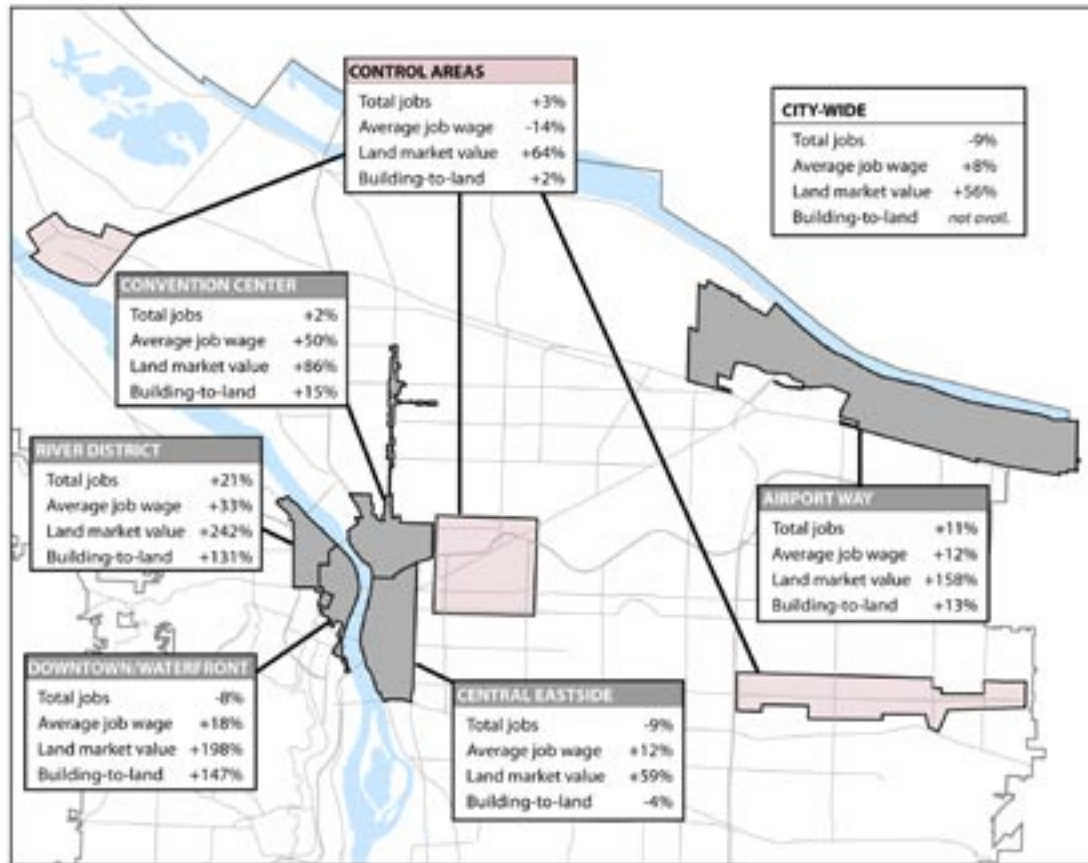
⁽¹⁾ Private sector only

⁽²⁾ Adjusted for inflation

⁽³⁾ Excluding URAs

Figure 5 shows more detailed results for each URA, the aggregated control areas and for the City as a whole. Five sections follow with a narrative description of the major projects undertaken in each URA during the study period, along with comparative economic and social results data. Detailed data used in this analysis can be found in Appendix A.

Figure 5 Changes in economic indicators for each URA, the aggregated control areas and the City⁽¹⁾: 1996-2004



Source: Metro analysis of employment and tax data, along with Audit Services' supplemental analysis

⁽¹⁾ Excluding URAs

Figure 6



Airport Way URA

Creation date: 1986

Expiration date: 2011

Maximum indebtedness: \$72,638,268

2005 indebtedness: \$72,638,268

Figure 7 Airport Way URA Results

ECONOMIC indicators	1996	2004	CHANGE	COMPARISON	
				Control areas	City
Total jobs	12,512	13,915	+11%	+3%	-9%
Average annual job wage	\$33,271	\$37,415	+12%	-14%	+8%
Market value of land (millions)	\$409	\$1,057	+158%	+64%	+56%
Building value to land value ratio	1.48	1.67	+13%	+2%	n/a

SOCIAL indicators	1990	2000	CHANGE	COMPARISON	
				Control areas	City
Persons in poverty	12%	12%	+0%	0%	-2%
Median household income	\$48,453	\$51,320	+6%	+6%	+30%

Source: Metro analysis of employment, tax and U.S. Census data, along with Audit Services' supplemental analysis

Key goals/projects of the Airport Way URA

A fundamental goal of this URA is job creation. The plan calls for the acquisition of property for resale to the private sector for the purpose of producing high wage jobs at high employment companies. A key component of this plan is funding of the Light Rail Transit Line between Gateway Transit Center and Portland International Airport for \$21 million between 1998-2005. Additional transportation improvements including new road construction and interchange improvements costing about \$23 million were included.

Significant projects and accomplishments during study period

PDC contributed \$24 million for the Airport Light Rail line. A significant land purchase was made of the Riverside Corporate Center for eventual resale to a job-producing employer. About \$22 million was expended for infrastructure improvements at Cascade Station.

Figure 8



Central Eastside URA

Creation date: 1986

Expiration date: 2006

Maximum indebtedness: \$66,274,000

2005 indebtedness: \$34,345,000

Figure 9 Central Eastside URA Results

ECONOMIC indicators	1996	2004	CHANGE	COMPARISON	
				Control areas	City
Total jobs	14,588	13,251	-9%	+3%	-9%
Average annual job wage	\$32,581	\$36,430	+12%	-14%	+11%
Market value of land (millions)	\$496	\$791	+59%	+64%	+56%
Building value to land value ratio	2.42	2.33	-4%	+2%	n/a

SOCIAL indicators	1990	2000	CHANGE	COMPARISON	
				Control areas	City
Persons in poverty	15%	25%	+10%	0%	-2%
Median household income	\$29,496	\$22,176	-25%	+6%	+30%

Source: Metro analysis of employment, tax and U.S. Census data, along with Audit Services' supplemental analysis

Key goals/projects of the Central Eastside URA

The largest single project planned for the area was the Eastbank Riverfront Park projected to cost about \$33 million between FY 1997-98 and FY 2004-05. Land acquisition for development and resale to the private sector was included to improve the stability of jobs and incomes for "resident" industry, and for maintaining the Central Eastside as a near-in job center. PDC plans called for expenditures of about \$9 million for land purchase and development between FY 1997-98 and FY 2006-07. Other major projects included street improvements to MLK/Grand Avenue, Water Avenue and various other streets in the area (about \$12 million between FY 2000-01 and FY 2006-07).

Significant projects during study period

The Eastbank Park was completed with PDC expending about \$19 million from the Central Eastside URA fund (an additional \$12 million was spent on the park out of the Oregon Convention Center URA fund). This amount also included the purchase of a lease on the Holman building and some street improvements along MLK. PDC also bought and assembled 5 blocks for development and resale at the Burnside bridgehead.

Figure 10



Downtown/Waterfront URA

Creation date:	1974
Expiration date:	2008
Maximum indebtedness:	\$165,000,000
2005 indebtedness:	\$96,815,000

Figure 11 Downtown/Waterfront URA Results

ECONOMIC indicators	1996	2004	CHANGE	COMPARISON	
				Control areas	City
Total jobs	25,081	23,064	-8%	+3%	-9%
Average annual job wage	\$38,087	\$45,103	+18%	-14%	+8%
Market value of land (millions)	\$644	\$1,918	+198%	+64%	+56%
Building value to land value ratio	1.38	3.41	+147%	+2%	n/a

SOCIAL indicators	1990	2000	CHANGE	COMPARISON	
				Control areas	City
Persons in poverty	26%	27%	+1%	0%	-2%
Median household income	\$36,042	\$46,068	+28%	+6%	+30%

Source: Metro analysis of employment, tax and U.S. Census data, along with Audit Services' supplemental analysis

Key goals/projects of the Downtown/Waterfront URA

The Downtown/Waterfront URA had many important goals during the study period. The two largest categories of projects were housing and employment. Housing projects planned were to provide low interest loans for development of about 1,300 low and moderate income housing units (\$30 million investment), the acquisition and preservation of 650 low income rental housing units (\$14 million investment), and site acquisition for development of about 282 mixed income housing units (\$4.5 million). The plans also called for the acquisition of property for the development of office buildings (\$20 million) with a goal of producing 10,000 new jobs. PDC also budgeted for several important parks developments, including \$3.1 million for the Chinese Classical Garden, \$4.8 million for the extension of south Waterfront Park, \$.9 million for construction of the last North Park Block, and \$8.8 million for transit mall and streetscape improvements.

Significant projects during study period

Several large housing projects were financed including the Pacific Tower, 333 Oak Street, Danmore, the Old Town Lofts, and Union Station. About \$8.7 million was expended to renovate the Creative Services Center, which PDC now occupies. \$6.8 million was spent on the completion of the Chinese Classical Garden and about \$5.8 million was spent to extend Waterfront Park southward.

Figure 12



Convention Center URA

Creation date: 1989

Expiration date: 2013

Maximum indebtedness: \$167,511,000

2005 indebtedness: \$73,705,000

Figure 13 Convention Center URA Results

ECONOMIC indicators	1996	2004	CHANGE	COMPARISON	
				Control areas	City
Total jobs	16,027	16,410	+2%	+3%	-9%
Average annual job wage	\$29,554	\$44,442	+50%	-14%	+8%
Market value of land (millions)	\$934	\$1,734	+86%	+64%	+56%
Building value to land value ratio	2.44	2.80	+15%	+2%	n/a

SOCIAL indicators	1990	2000	CHANGE	COMPARISON	
				Control areas	City
Persons in poverty	33%	24%	-9%	0%	-2%
Median household income	\$24,002	\$30,678	+28%	+6%	+30%

Source: Metro analysis of employment, tax and U.S. Census data, along with Audit Services' supplemental analysis

Key goals/projects of the Convention Center URA

Like the Downtown/Waterfront URA, housing, infrastructure and economic development are the focus of the Convention Center URA. \$7.9 million was budgeted for purchasing land for the purpose of attracting a headquarters hotel with 400-700 rooms. Infrastructure improvements were planned for Broadway and Weidler transportation (\$9.3 million), Lloyd District ornamental lighting (\$4.6 million), and MLK/Alberta street median removal, street trees, and paving (\$20 million). Site acquisition for resale and development in Lloyd and MLK/Alberta was budgeted almost \$23 million. Over \$17 million was planned for developing and extending the Eastbank Park.

Significant projects during study period

PDC contributed over \$18 million to the Convention Center and the Center's expansion. About \$10 million was spent on acquiring land for the headquarters hotel, and \$11 million for land purchases, and eventual resale, along MLK. Street improvements were also made along MLK.

Figure 14



River District URA

Creation date: 1998

Expiration date: 2018

Maximum indebtedness: \$224,780,350

2005 indebtedness: \$89,545,000

Figure 15 River District URA results

ECONOMIC indicators	1996	2004	CHANGE	COMPARISON	
				Control areas	City
Total jobs	11,002	13,275	+21%	+3%	-9%
Average annual job wage	\$34,329	\$45,667	+33%	-14%	+8%
Market value of land (millions)	\$408	\$1,395	+242%	+64%	+56%
Building value to land value ratio	1.62	3.75	+131%	+2%	n/a

Source: Metro analysis of employment, tax and U.S. Census data, along with Audit Services' supplemental analysis

Key goals/projects of the River District URA

Achieving a mix of housing units by income categories is important in the River District plan. Efforts include financial support of projects that produce low and moderate income housing units, and preserving the existing low income units that exist. Job creation activities stressed maximizing the job creation potential in the area. Reclaiming land on the Willamette riverfront and the extension of the North Park Blocks into the area are key parks-oriented goals.

Significant projects during study period

Over \$23 million was invested into a senior housing development at Station Place, along with over \$4 million for development of Lovejoy Station low income housing units. Two new parks were developed, the Centennial Mill site was acquired for commercial development and environmental remediation, and \$8 million in loans and grants were made to the Brewery Blocks project.

Chapter 3 **Economic Development: most customers satisfied, but success difficult to determine**

Our review of the Economic Development Department's two main programs – Business Finance and Business Retention and Expansion – yielded mixed results. Several factors show positive results for the Department's efforts: the Department's business customers we surveyed generally have positive views about the business development services they receive, PDC is meeting its goals for the number and amount of business loan commitments and the number of successful recruitments, and the Portland region's share of targeted industries has increased. Other factors, however, are complicating PDC's efforts to demonstrate its achievements. For example, accomplishments such as the number of jobs created and the amount of investment leveraged for business loans cannot be determined from readily available PDC data sources. In addition, we found that some reported data is unreliable, and that some current performance measures need to more clearly reflect that they are estimates and not "actual" performance results. To be meaningful to decision-makers, economic development measures should present actual performance results.

Department goals and programs focus on job retention and growth

The Economic Development Department's focus is on creating jobs in the Portland area. This is reflected in two of the Department's more significant goals:

- provide resources that help businesses succeed
- retain, expand, and recruit businesses with quality jobs

The Department's organization reflects an emphasis on these goals. The Business Finance program provides a variety of loan options to help stimulate business ownership and expansion. These loans encourage job retention and creation by providing money for capital improvements and equipment in Urban Renewal Areas. In some

cases, the loan amount eligibility is dependent on the number of jobs created or retained. In FY 2004-05, the Business Finance program committed over \$10.5 million in 91 loans to 51 businesses. This investment was projected to create or retain almost 2,500 jobs. This data should not be used at this time to calculate efficiency measures such as cost-per-job. That is because detailed program and financial information which would be needed for such an analysis is not available.

Figure 16 FY 2004-05 Business Finance loan commitments and projected jobs

Loan program	# of loans	Total loan \$ committed	Projected jobs created/retained
Quality Jobs Program	28	\$2,975,850	1,109
Economic Opportunity Fund	35	\$4,078,844	978
Direct Tax Increment Financing	21	\$3,030,865	326
Economic Development Admin	4	\$345,000	58
Enterprise Fund	3	\$135,000	2
TOTAL	91	\$10,565,559	2,473

Source: PDC's ACT! database

Note: Storefront Program is not included

While job creation and retention is encouraged, only one loan program – the Quality Jobs Program (QJP) – has requirements to provide employees a certain level of wages and benefits. The QJP specifies that businesses in the program must provide an average wage of at least 200 percent of the prevailing minimum wage and provide a good benefit package. The QJP is the only program for which actual job data is collected and verified by PDC staff.

The Business Retention and Expansion (BRE) program focuses on retaining existing businesses, helping existing businesses expand, and recruiting new businesses to the region. PDC staff made over 500 contacts in FY 2004-05 to business to provide technical assistance and general information about the area. BRE assistance typically

includes actions such as intervening to help solve problems with City bureaus; providing networking opportunities with other businesses and access to industry, neighborhood, and business associations; providing information on resources available to businesses, such as federal, state, and local financial assistance; and recruiting new businesses to the area. The Business Retention and Expansion strategy focuses on increasing employment in the Portland region in nine industries, as specified in the Department's FY 2005-06 Target Industry Strategy.

The BRE staff also administers the City of Portland's Enterprise Zone (E Zone) program which supports job creation and retention through a five-year property tax abatement on new investment. Participants from FY 2001-02 to FY 2004-05 are projected to have \$5.8 million in property taxes abated through this program, but are estimated to leverage almost \$98 million in private investment and create or retain 1,027 jobs.

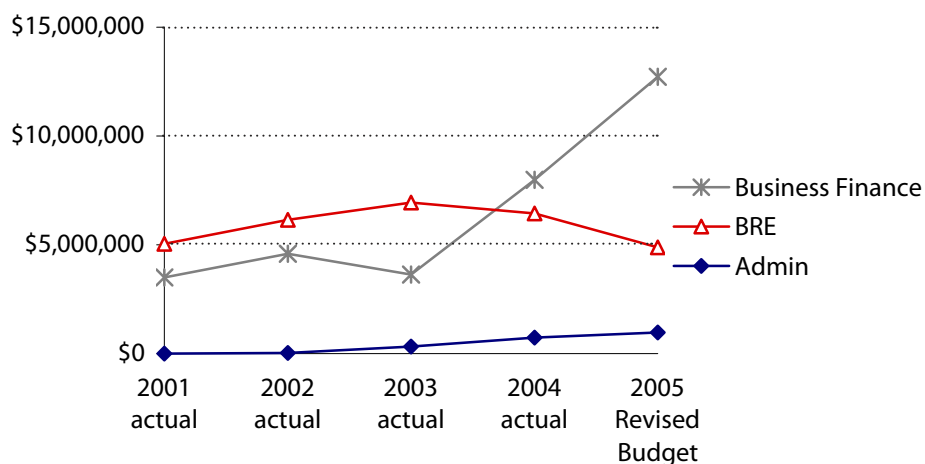
The Department uses the ACT! database to capture the performance data of its two main programs. The database is designed to manage contacts between PDC and its business customers. The database continues to be modified to accommodate the reporting needs of the Department.

**Economic Development
Department spending
and staffing has
increased in recent
years**

Both the number of employees and the Department's expenditures increased over the last five years. Total expenditures increased 117 percent in the last five years, from \$8.5 million in FY 2000-01 to \$18.6 million for the FY 2004-05 Revised Budget. As seen in Figure 17, all programs have experienced growth, though most has been in the Business Finance unit in terms of total dollar amount. Most of this has been used for direct financial assistance in the form of loans to businesses.

The Department has seen a small increase in staff over the last five years, from 21 positions in FY 2000-01 to 24 positions in FY 2004-05. Most of the increase appears to have been in the Business Finance program.

Figure 17 Economic Development Department program expenses (5 years)



Source: PDC's Lawson financial system

Some Department data is not reliable and some may be misrepresented

Data for some reported measures is unreliable: We reviewed 30 out of 152 total Business Finance and E Zone participant files. We traced data on projected loan leverage, projected jobs, loan commitment amounts and QJP average wages. Data for projected loan leverage, loan commitments, and projected jobs did not match source documents, such as Enterprise Zone precertification and loan application reports, in over half of the cases. This is important because data from the ACT! database is used to generate reports to the Commission and the public. We found data for E Zone leverage and loan commitment amounts reliable when checked against source documents.

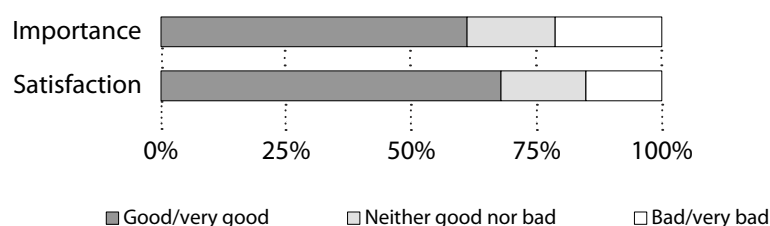
In addition, we also learned through interviews that some of the jobs created/retained that were attributed to efforts of the Business Retention and Expansion program and entered into the database were based on the best judgment of staff. While these estimates may be reasonable, the data lacked any source documents to support the estimates.

Some published performance data are estimates, not “actual” performance results and their current labeling may mislead readers: We found that some performance measure data presented in Department reports and the Commission budget document were not clear in terms of what the data represented. Two prominent measures the Department routinely reports, for example, are the investment leveraged as a result of business finance loans and the number of jobs created or retained. PDC staff indicated, and we found this published data to be based on initial project estimates, and not on actual program results. This was not clearly disclosed in the documents we reviewed and would likely mislead readers. The absence of actual performance data for comparison to projections hinders the ability of decision makers to make meaningful program assessments.

Business Retention and Expansion program has some indications of positive performance

PDC-assisted businesses we surveyed generally gave PDC business services positive ratings: Respondents were positive in their overall satisfaction with their PDC experience. Sixty-eight percent of respondents said they were “Satisfied” or “Very Satisfied”, while only 15 percent said they were “Dissatisfied” or “Very Dissatisfied”. In addition, when asked to rate the importance of PDC’s business services in helping them retain or expand their business, 61 percent said they felt PDC’s services were “Important” or “Very Important”, while 21 percent felt PDC’s services were “Unimportant” or “Very unimportant.” This information is presented in Figure 18. The survey questions are in Appendix B.

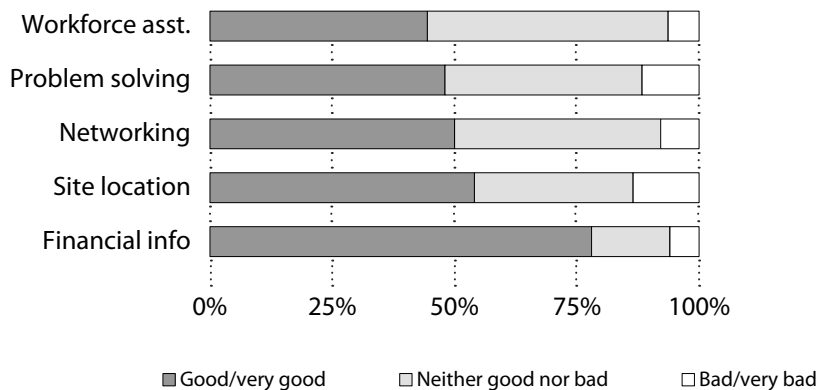
Figure 18 Business responses on satisfaction and importance of PDC services



Source: PDC Business Contact Survey conducted by Auditor’s Office

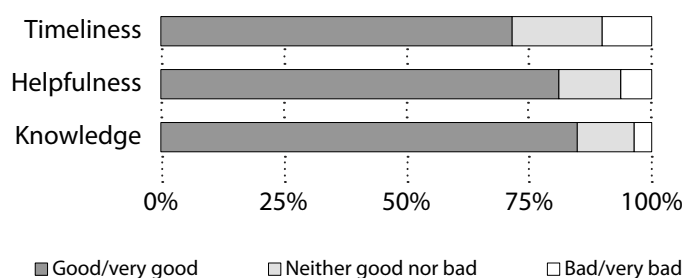
Respondents gave mixed results when asked to rate individual services offered by the BRE program. PDC provides a variety of services, such as information on financial assistance, workforce assistance, site location, networking opportunities, and helping solve problems with local government services. We asked respondents to rate each of these services. Financial information services received the highest score, with 78 percent of respondents feeling “Good” or “Very Good”. About half of respondents felt “Good” or “Very Good” in the other service categories, although there were significant percentages of respondents who were neutral toward those services. As shown in Figure 19, most neutral scores were from 32 to 49 percent.

Figure 19 Business rating of PDC business services



Source: PDC Business Contact Survey conducted by Auditor’s Office

As shown in Figure 20, staff qualities, such as knowledge, helpfulness, and timeliness, were ranked high. About 85 percent of business contacts felt that staff knowledge was “Good” or “Very Good”, whereas 81 percent felt that way regarding staff helpfulness. About 72 percent of contacts felt staff timeliness was “Good” or “Very Good”.

Figure 20 Business rating of PDC staff qualities

Source: PDC Business Contact Survey conducted by Auditor's Office

The Portland area appears to be increasing its share of industries in targeted groups: The FY 2005-06 PDC Economic Development Target Industry Plan, based on the 2002 Economic Development Strategy, identified nine industries of particular importance to the region. It is PDC's policy to target these industries specifically for retention and recruitment. These target industries include the following:

- Activewear/ Outdoor Gear
- Biosciences
- Creative Services
- Distribution and Logistics
- Food Processing
- High Tech
- Metals and Transportation
- Professional Services
- Sustainable Industries

The "location quotient" (LQ) is a recognized technique used by economic development agencies and the U.S. Bureau of Labor Statistics to determine if a particular geographic area (the Portland area, in this

case) has more or less of a particular type of industry employment than another selected reference area (for example, the West Coast). Over time this tool can help determine if an area is improving in growing and attracting employment in particular industry types. If a score is equal to 1, then the industry has the same share of industry employment in the local area (Portland area) as does the reference area (West Coast). A quotient greater than 1 indicates an industry with a greater share of the local employment than in the reference area. In general, if the Portland area is making gains in target industry location versus the West Coast, Portland's location quotient should increase over time.

PDC has calculated the LQ for 2001 versus 2004 for the combination of Multnomah, Washington, and Clackamas counties for seven of the target industries (See Figure 21). The three counties were chosen because they were the closest approximation of the Portland region for the data sets that were available from the Bureau of Labor Statistics.

Figure 21 shows that the region has a smaller proportion of employment in five of the seven targeted industries than does the rest of the West Coast. The figures indicate, however, that there has been improvement between 2001 and 2004 in five industries. It should be noted, however, that industry concentrations are the result of not only PDC efforts but are also affected by other factors independent of PDC.

Figure 21 Location Quotient for Portland region versus the West Coast
>1=more industry in the Portland region

Location Quotient	2001	2004	Improvement
Biosciences	0.47	0.50	Yes
Creative Services	0.44	0.62	Yes
Distribution and Logistics	1.31	1.37	Yes
Food Processing	0.86	0.82	No
High Tech	1.40	1.48	Yes
Metals and Transportation	0.69	0.77	Yes
Professional Services	0.92	0.91	No

Source: PDC FY 2005-06 Economic Development Target Industry Plan

Note: Activewear and Sustainable industry calculations were not possible due to issues with the Department of Labor's classification of some businesses within those categories.

The Department is meeting its goal for the number of successful business recruitments: In FY 2004-05, 10 of 30 short-list recruitment efforts⁽¹⁾ were successful. The Department's goal for FY 2004-05 was five successful recruitments. The businesses recruited represented a variety of different industries, including manufacturing, software, and forestry industries, resulting in a projected 1,134 jobs being created or retained in FY 2004-05. Two significant recruitments were Pierce Pacific Manufacturing and Project Ring (Qwest), which were projected to create or retain 147 and 562 jobs respectively.

A compliance program is in place to verify that Enterprise Zone participants meet program requirements: We reviewed PDC's files and found an annual compliance review of E Zone participants is in place. PDC's compliance review verifies whether businesses meet program requirements, such as job creation/retention, employee benefits and wages.

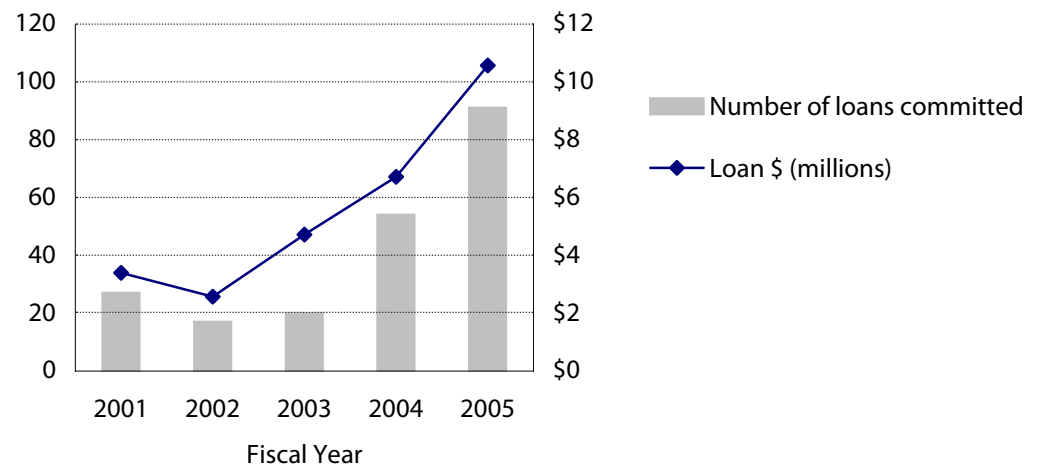
Business Finance program is meeting Department goals and appears to be having a positive impact on participants

The Department is meeting its FY 2004-05 goals for the loan commitments to businesses and the number of loans provided: Two of the Department's FY 2004-05 goals were to provide \$10 million in loan commitments to businesses and 80 loans/grants. We verified the Department met its FY 2004-05 goals by committing over \$10.5 million in business assistance in 91 loans. Loans were made to 51 businesses.

Over the last five years the number of business receiving loan commitments from PDC has increased by 89 percent and the amount of loan commitments has increased 211 percent. Most of this increase has been in the last two years due to more resources being made available for the Business Finance program.

⁽¹⁾ "Short-list" recruitments are efforts where PDC puts forth significant efforts to bring businesses to the region. Some of these efforts include preparing lengthy background materials on the demographics of the area and providing real estate data, site visits, and tours.

Figure 22 Number and amount of loan commitments

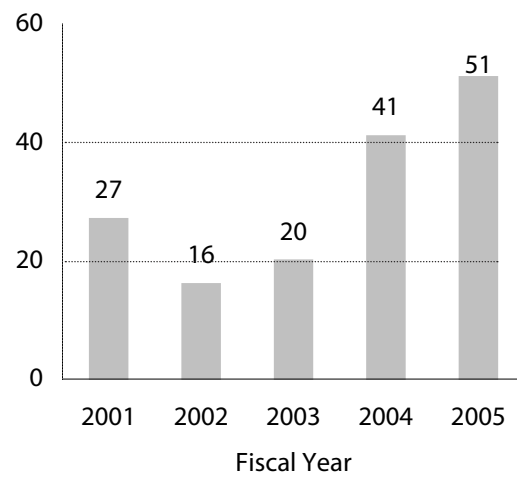


Source: PDC ACT! database

* Does not include Storefront Program

** During five-year period in chart, 13 businesses received loans during multiple years.

Figure 23 Number of businesses receiving loans



Source: PDC ACT! database

Most loan recipients feel the financial assistance and information has been helpful: Starting about two years ago, businesses receiving loans were asked to fill out a customer survey after receiving their loan commitment letters from PDC. Among other items, loan recipients were asked if their project being financed would not have gone forward without public funds. Approximately 72 percent of the businesses responding to the survey indicated that their project would not have gone forward without such assistance. In addition, businesses gave positive survey responses on the financial information services they received from PDC.

A significant percent of businesses receiving Business Finance loans are still in business: We looked at businesses that were given loan commitments from July 2000 through December 2004 that are currently in repayment. Of the 120 businesses in repayment, 94 percent (or 113 businesses) are still in business.

The Business Finance loan default rate appears to compare positively with some federal default rates: The default rate is a ratio of the loan amounts in repayment versus those that are in default. As of November 2004, PDC's Business Finance loans had a default rate of 3.54 percent. The Business Finance program does not have a goal for this measure, and we found limited information on default rates for other public, economic development related entities. The information we found indicated that the rate for various federal programs could be from 3 to 10 percent. Although the sources were limited, it would appear the PDC's rate compares favorably. The Business Loan program should adopt a realistic goal based on industry standards or their own experience that will allow an annual performance comparison.

We found that compliance reviews are being routinely done in the QJP (the only loan program with requirements for wages and jobs): PDC does a mandatory review of the QJP participant's performance against loan requirements at the end of two years. When possible, PDC performs quarterly reviews as well. In addition, each business' employment is checked by Work Systems, Inc., with whom the businesses are required to collaborate for work force placement services.

We examined six compliance reviews of QJP participating businesses, out of a total of 26 QJP loans that were committed from FY 2000-01 to FY 2003-04. All six businesses met their loan requirements. In one case, a business was given an exception approved by Department management.

Chapter 4 **PDC needs to improve its performance measurement system**

Over the past several years, the Portland Development Commission has made attempts to develop a performance measurement system and has developed organizational goals that link to departmental outcomes and activities. Despite these efforts, PDC lacks a comprehensive performance measurement framework to report on its accomplishments.

PDC recognizes the need to improve its performance measurement system. Prior to the start of this audit, PDC sought assistance from Audit Services to develop performance measures to be included in a PDC chapter of the Auditor annual *Service Efforts and Accomplishments* report. During the course of the audit, we assisted PDC with the development of a framework and measures that would enable PDC to systematically collect and report quantifiable results of its work.

PDC lists over two hundred “performance indicators” in its reports and strategic plans, but many indicators do not meet the criteria for good measures and only a few indicators are consistently reported with data. In order to develop good measures that provide the information needed to evaluate the effectiveness of its programs, PDC needs to focus on developing measures that represent the key goal areas of its efforts, and improve data collection and reporting systems so that measures have standardized, reliable data that can be regularly reported. These two steps will help PDC develop good measures that can assist PDC in internal decision-making and public reporting.

With its focused effort and dedicated staff, we believe PDC has the potential to be a national leader in the reporting of economic and community development efforts.

Elements of good performance reporting

To provide accountability to elected officials and the public, and to help evaluate the effectiveness of its programs, government agencies need to measure and report the degree to which they are accomplishing the goals and objectives they have established. A performance measurement system which consistently reports a set of measures that represent an agency's primary goals and objectives accomplishes this accountability. In addition, departments may develop performance measures specific to a particular activity or program. While this report focuses on high level measures that can be used to describe PDC's overall organizational efforts and accomplishments, the following characteristics of good performance measures are relevant to any measures created by PDC.

The following characteristics of good performance measures and measurement reporting are based on the Government Accounting Standards Board's (GASB) suggested criteria.

- Report key measures – Reports of performance should focus on key measures that provide a basis for assessing the results for major or critical programs and, major goals or objectives of the organization.
- Aggregation and disaggregation – Reported performance information should be aggregated or disaggregated based on the needs and interests of intended users. For example, managers may need more disaggregated information than the general public.
- Relevance – The set of measures should provide all data necessary to provide a basis for understanding the accomplishments of the organization's goals and objectives.
- Understandability – They should be readily understandable. The number of measures should be concise yet comprehensive.
- Comparability – Measures should allow for comparison to prior fiscal years, targets set by the entity, external standards, and to other entities.
- Timeliness – Information should be reported while meaningful for decision-makers.

- Consistency – Information should be reported consistently, over time.
- Reliability – Information should be reliable and free from bias. The systems used to produce the data should be controlled and reliable.

We used these criteria to evaluate PDC's existing goals and performance measures (which PDC calls "outcomes and indicators"), and to guide PDC in its development of a performance measurement chapter for the SEA report.

Strengths in PDC's current performance measurement efforts

During the course of the audit, PDC demonstrated a commitment to performance measurement. We found a sound mission statement, reliable data backing most reported performance measures, and improvements in PDC's management information systems over the past several years.

PDC shows commitment to developing a good performance measurement system

PDC recognizes the importance of aligning its work with its mission and goals. Its Strategic Plan and Enterprise Information System Project are cornerstones of its efforts to "identify how each of the operational and support departments' goals, outcomes and performance indicators work together in achieving PDC's mission" (EIS Project Charter, 2004).

Over the past several years, PDC's performance measurement efforts included:

- FY 2003-04 strategic plan which links performance indicators to seven PDC "Organizational Outcomes" and to Department-specific goals, strategies and objectives
- the development of a personnel evaluation system that strives to align employee performance with organizational goals
- recent work to develop a performance measurement chapter in the annual *Service Efforts and Accomplishments* report

PDC's mission statement provides a good foundation for developing a measurement framework

An agency's mission statement is the foundation for performance measurement. A mission statement should succinctly identify the unique purpose of the agency and what the agency does and for whom. PDC's mission statement is "To bring together resources to achieve Portland's vision of a diverse sustainable community with healthy neighborhoods, a vibrant urban core, a strong regional economy and quality jobs for all." We believe that PDC's mission meets the characteristics described above.

For the most part, data supporting currently reported measures are reliable, but some measures should be better defined

We found four documents where performance measures are regularly reported: PDC's annual budget, the Auditor's annual *Service Efforts and Accomplishments* report, the Economic Development Department's activity reports, and the Housing Department's annual Housing Production Report. By tracing reported statistics back to their source documents for a limited set of samples where performance measures are reported, we concluded that overall, the measures are reliable. Figure 24 summarizes the measures and supporting data systems reviewed.

One key measure which we reviewed is the Housing Department reporting of the number and income requirements of rental units funded by PDC. Because PDC often measures *projected* activities and outcomes, it is important that it follow-up on the use of its funds, as PDC does very well in the following example. To check that housing units are available for the intended low-income populations for which they were built, PDC has recently developed a thorough system to annually check compliance of units funded with income and rent restrictions. PDC's housing Asset Management System provides assurance that PDC follows-up with property managers to check compliance with the low-income housing requirements set in PDC funding agreements. Therefore, we concluded that the number of units and targeted income levels of occupants reported by PDC are reliable.

However, we found some other measures that should be better defined. In particular, management indicated and we also found that

Figure 24 Auditor assessment of data reliability on PDC measures reported in PDC Budget document and *Service Efforts and Accomplishments* report

	Reliable data is available	Data must be improved or developed	Recommended source of data
Development Department			
no measures reported		4	data collection systems need to be improved
Housing Department			
Funds and leverage ratio of PDC resources with other private and public resources	4		MITAS (data warehouse)
Percentage of financing for very low-income & special needs housing	4		MITAS
Number of home rehabilitation loans	4		MITAS
Number of lead hazard reduction grants	4		MITAS
Number of housing units preserved or replaced to meet Central City No Net Loss goal	4		MITAS & data analysis
Percentage of mixed-use projects	4		MITAS
Percentage of units [funded by PDC] with rents below 50% of Median Family Income	4		MITAS
Loans and grants awarded for PDC funded housing projects by owner / renter and income type	4		MITAS
Units funded by PDC by owner / renter and income type	4		MITAS
Units receiving System Development Charge or Development Fee waivers	4		MITAS
Economic Development Department			
Business retention / expansion contacts	Not reviewed		ACT!
Recruitments completed	4		ACT!
Enterprise zone participants	4		ACT!
Jobs created / retained		4	ACT!
Business finance loans / grants awarded	4		ACT!
Business finance loan amount awarded	4		ACT!
Investment leveraged, direct business finance		4	ACT!
Storefront grants	Not reviewed		ACT!

Source: Audit Services Division research

the number of jobs reported by the Economic Development Department as “created” or “retained” are jobs *projected* to be established or retained by the business at the time of PDC funding. Because “jobs created” and “jobs retained” are not *actual* counts of jobs at each business, we could not conclude that the number of jobs reported as created by PDC-funded businesses had been realized. Additionally, we found that the Economic Development Department’s reporting of funds leveraged from its Economic Development loans and enterprise zone participation is based on the investment that is *projected* by the business recipient. Additionally, updates to investment records for business loans were not supported by source documents; consequently it was unclear to us why updates occurred. We discuss these problems more fully in Chapter 3.

Recent improvements in management information systems should facilitate future reporting of performance measures

During the course of our audit we noted that several new databases and data collection systems support PDC’s information needs. These new systems include databases for tracking property acquisitions and sales, real estate owned by PDC, and asset management of PDC funded housing projects. Several of these systems are an outcome of PDC’s Enterprise Information System (EIS) Project launched in 2004. Information technology improvements were made as a result of Phase 1 of the EIS which identified and mapped key business processes within its organization.

The acquisition and disposition databases are particularly important to PDC for systematically collecting information on the acquisition and holding costs of properties purchased for projects. One measure that PDC has described in its strategic plan is the amount of other public and private dollars contributed to PDC-funded projects, or “leverage”. While the Housing Department reports leverage as a performance measure of its housing transactions using the actual dollars invested in its projects, the Development department does not have a standardized way to report the leverage outcomes of its property transactions. In order to report the leverage ratio (or total of dollars invested compared to PDC investment), PDC needs to have good systems that track all funds invested in PDC Development projects.

These funds include both PDC costs in the property and also the investment from other sources once the project is underway. These databases may be able to accommodate such tracking.

A potential problem resulting from PDC's development of new data tracking systems is the resulting disparate systems used within and among departments for project tracking. These systems include MITAS, ACT!, and the real estate acquisition and disposition databases. The use of several systems could create inefficiencies and data duplication. For example, because departments use different systems to track projects, counting collective results such as the number of jobs created or funds invested and leveraged through all of PDC activities may be impeded by different data fields, data definitions, and data extraction efforts. Therefore, PDC may wish to consider using a single project database for managing and tracking the attributes of its projects.

Weaknesses in PDC performance measures

Although PDC has worked hard to develop organizational outcomes and performance indicators that reflect the work and values of PDC, it has had difficulty establishing key goals, and developing and consistently reporting on performance measures supported by quantifiable data. We found examples of incomplete, poorly defined and unmeasured performance indicators.

Some of PDC's inability to complete its performance measurement system is due to the inherent difficulties of measuring the end results of economic and urban development activities, as evidenced in the limited measures we found when reviewing other cities' performance measurement reports for similar programs (which we will discuss later in this chapter).

Nonetheless, we believe PDC needs to prune its performance indicators and concentrate on measuring results that summarize the collective efforts of its three operational areas: the Development Department, the Housing Department and the Economic Development Department. Further, some measures are not supported by data, and additional measures are needed to capture the comprehensive results

of PDC activities. Additionally, PDC needs to evaluate its program and activity-specific measures (which it calls “performance indicators”) against the GASB criteria for good measurement.

Goal statements need improvement

Agency goals should be in harmony with the agency’s mission statement, and address the top priorities of the organization. Goals should provide a clear direction to managers, be unrestricted by time, and be relatively few in number. Goals should provide a firm foundation for quantifiable performance measures to follow.

While PDC’s mission provides a good foundation to support its goals, PDC needs to develop better goals. We found that the variety of different goal-like statements impeded our ability to understand PDC’s performance framework. The statements we found that most resembled organization-wide goals are PDC’s seven “organizational outcomes”.

Figure 25 shows the relevancy of PDC’s organizational outcomes to its mission. In comparing these seven outcomes to the mission, we noticed the absence of goals that relate to a “sustainable community,” “healthy neighborhoods” and a “vibrant urban core”. Since PDC’s strategic plan is built around these seven core outcomes, we believe the outcomes should better describe the community results reflected in its mission in addition to the internal strategies that help PDC perform efficiently and effectively.

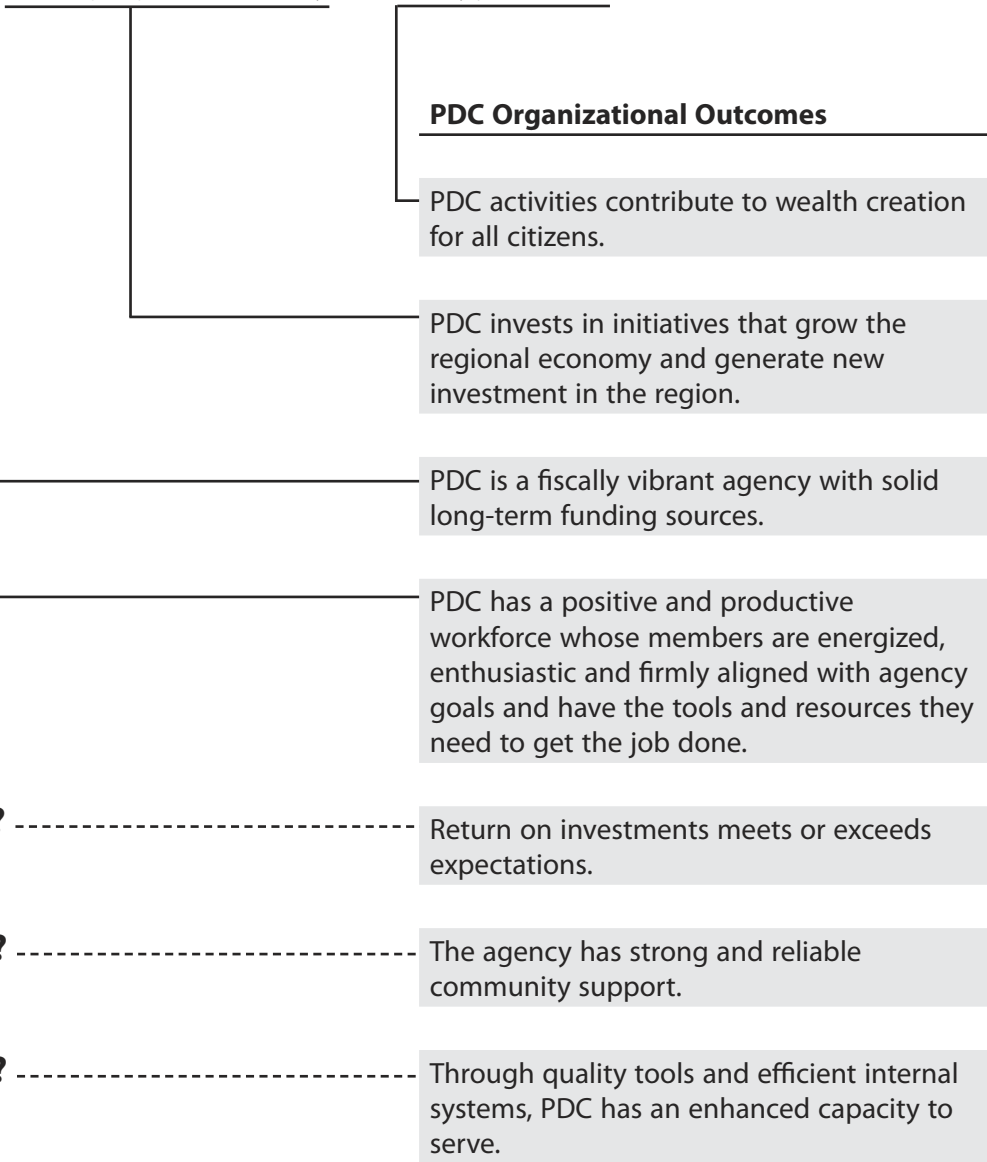
Simplified organizational goals could help frame performance measures

During the course of our audit, we worked with PDC to develop a chapter in the Auditor’s annual *Service Efforts and Accomplishments* report that could describe PDC’s efforts in the community. Recognizing that good performance measures flow from well crafted goals that link to an agency’s mission, we started our work by facilitating meetings that included staff from PDC’s administrative, Housing, Economic Development and Development Departments. At these meetings we asked PDC staff to think about its most important priorities and

Figure 25 Organizational outcomes and relevancy to mission statement

Portland Development Commission Mission:

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



Source: Auditor analysis

what the community looks like as a result of its efforts. From these meetings, and by building on PDC's existing goals, outcomes and departmental missions, PDC crafted three goal statements from which SEA performance measures could flow:

- Invest in projects that yield a positive return for the community
- Create a vibrant Central City that provides a wide range of opportunities for people to live, work, shop, recreate and visit
- Support revitalization of sustainable and livable neighborhoods with access to jobs and housing for all residents

PDC should continue to refine and adopt these or similar statements while developing its performance measurement system. The comprehensive nature of these goal statements may help PDC to develop measures that represent the collective results of its activities, rather than focusing on the specific objectives of each Department. For example, in addition to jobs that are created through direct financial assistance to businesses, job creation can also be measured as a result of commercial development activities and housing construction projects funded by PDC.

Too many measures impedes a focus on key results

The PDC lists 238 indicators (largely with an internal focus) throughout its FY 2002-03 Strategic Plan, includes fifteen performance measures in its budgets (for the Economic Development and Housing Departments), and reports four Housing Department performance measures in the Auditor's annual *Service Efforts and Accomplishments* report. In 2004, PDC also drafted a prototype Metric Report which proposed 21 measures to report on PDC's community outcomes and internal activities.

Performance measures should provide a basis for assessing the results of key or critical programs and services, and the major goals of the organization. Too many measures obscure the key objectives of an organization's programs and activities, wastes agency resources, and overwhelms users with more information than they can assimilate.

Many of PDC's performance indicators are incomplete and are not measured

While we found that the Housing and Economic Development Departments produce reports on a consistent set of measures, many of the indicators that appear throughout PDC's strategic plans have not been reported with data. Consequently, many of these indicators represent statements of what PDC wishes to measure, rather than indicators supported by current data collection systems. Focusing on key measures increases the likelihood that limited resources are spent collecting data for key results.

Several existing measures are poorly defined

A number of indicators found in PDC's FY 2003-04 Strategic Plan do not meet the criteria for good measures. For example, the indicator "A parking plan has been developed in Downtown Waterfront" represents a one-time activity towards an unknown goal. A better indicator would link to a goal that provides rationale of why the parking plan was important to that area, and depending on the goal, measure satisfaction of parking, number of parking spaces available, congestion ratings, or revenue from parking.

Similarly, "Preserve or replace 1,200 of [sic] at-risk affordable housing in the Central City area by 2006" is a strategic target rather than a measure. Periodically reporting the number of affordable housing units preserved in the Central City better indicates progress towards the 1,200 unit target.

An example of a broad and undefined indicator is "PDC initiatives generate revenue for the city's 'top line'." It is unclear what initiatives are counted, what the 'top line' means, and how revenue generation links to PDC's mission.

We believe that by pruning and focusing on key objectives, PDC will be able to reduce unnecessary measures and spend its resources better defining measures that represent its key activities.

Insufficient measures miss the opportunity to explain workload and results in Urban Renewal Areas

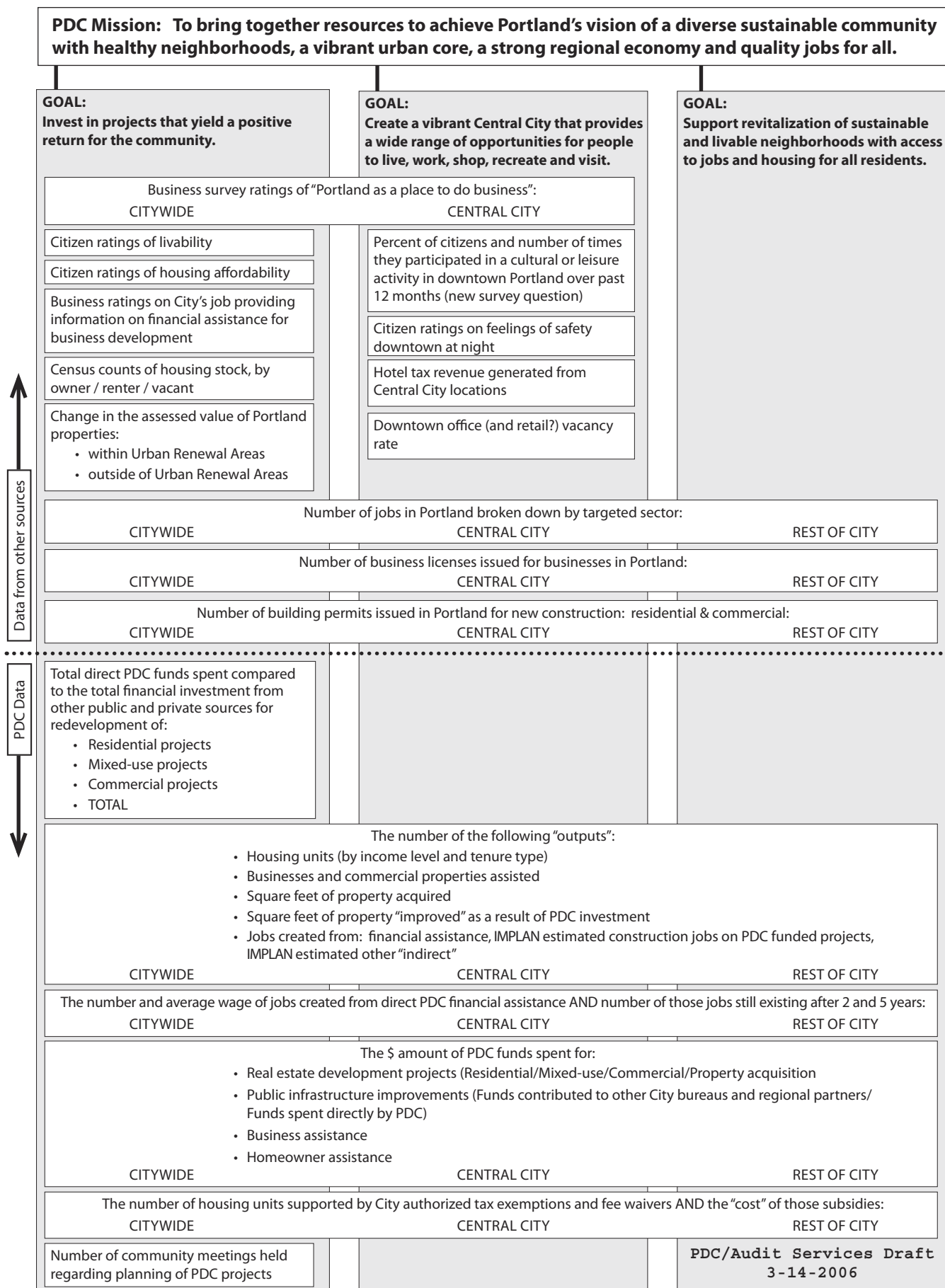
Although it comprises 42 percent of PDC's FY 2005-06 budget, the Development Department, unlike the Housing and Economic Development Departments (at 29 and 14 percent of PDC's FY 2005-06 budget respectively), does not have a set of standardized, annual performance statistics to describe its efforts and accomplishments in Urban Renewal Areas. Major projects and milestones of the Department are listed in the PDC budget, and the Department periodically reports on specific project accomplishments within URAs. Nonetheless, understanding the accomplishments of the Development Department requires reading through volumes of Urban Renewal and projects-specific reports to extract information. Even then, the lack of a consistent baseline among these reports makes summation of similar activities difficult. Additionally, performance indicators listed in the Development Department's Strategic Plan are only linked to URA names, making it difficult to discern the overall intended objective of the URA and the activities within it.

As pointed out in Chapter 2, the Development Department is not solely responsible for the ultimate long-term outcomes of efforts in Urban Renewal Areas such as more jobs and improved properties, and these outcomes may be best measured by data sets external to PDC (like employment and property assessment records). In addition to measures from external data sets, the Development Department should provide an annual accounting of its workload activities that could help establish a relationship between PDC's efforts and its long-range urban renewal outcomes.

Possible workload measures for Development activities that were discussed in our meetings with PDC Directors and Operational staff included:

- the square feet of land or buildings improved through PDC's development agreement process
- the amount of private and other public funds invested in PDC funded development projects
- the amount of PDC funds invested in property and infrastructure improvements

Figure 26 Draft PDC Performance Measurement Framework



Based on our review of project tracking and accomplishments reporting in the Development Department, PDC will have to invest additional efforts to develop standardized data collection, definition and reporting mechanisms to support performance measures.

PDC should strive for depth, rather than breadth, of measures

In our work with PDC to develop its own chapter for the auditor's annual *Service Efforts and Accomplishments* report, we facilitated workshops with PDC Directors and Operational staff to develop broad organizational goals and measures that describe the collective results of PDC's efforts. Figure 26 shows the draft performance measurement framework developed at these meetings.

Several measures in this framework can be reported as summarized information across the organization, but can also be tracked in depth at different layers such as:

- by PDC department (Development, Housing, Economic Development)
- by geography (Urban Renewal Area, Central City, or Citywide),
- by type of development (commercial, residential)
- by type of activity (jobs created from construction opportunities, jobs created from direct financial assistance to businesses)

This approach enables PDC to report its accomplishments at high, summarized levels for public reporting as well as programmatic or geographic levels for internal management analysis. We recommend that PDC refine and build on this framework to develop a performance measurement system that accurately represents its key goals and core activities.

Other cities have limited measures to report on urban development activities

In our review of measurement reports from almost twenty other cities and counties across the country, we found only four cities that included some type of urban, community or economic development measure. The measures we did locate ranged greatly in comprehensiveness and depth – measures included the number of building

permits issued, projected jobs created from economic development loans and reported ratings of citizen satisfaction with Downtown development.

We believe the scarcity of economic development reporting we found reflects the difficulties and tremendous efforts needed to comprehensively develop and report performance measures for economic development activities. Of the few reports we found, we were impressed by the City of San Jose's comprehensive reporting of its Economic and Neighborhood Development service area. We believe that PDC's efforts to develop performance measures that reflect the outputs and results of its activities could position the City of Portland as a leader in economic development reporting.

San Jose, California (www.sanjoseca.gov/quest/Full%20Year-End%20CSA%20PM%20Report.pdf)

One strength of San Jose's Economic and Neighborhood Development City Service area report is its thoughtful measurement framework which aligns mission, goals, 5-year strategic objectives and performance measures. Figure 27 illustrates San Jose's Economic and Neighborhood measurement framework.

Three goals – “Strong Economic Base”, “Diverse Range of Housing Opportunities”, and “Safe, Healthy, Attractive and Vital Community” align with the mission “To manage the growth and change of the City of San Jose in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities.” Each of these goals link to time-base strategic objectives. A total of 47 performance measures illustrate efforts towards and accomplishment of the strategic objectives. Measures have numeric 5-year and fiscal-year targets. Some measures are broken down into geographic or demographic subsets. Additionally, terms like “estimated” and “direct significant [funds]” are used to clearly define what is being measured. Finally, the San Jose report provides explanatory remarks to help users understand the measures and assess the City's performance. GASB identifies explanatory information as an important element in performance reporting.

Figure 27 City of San Jose Economic and Neighborhood Development performance measurement framework

San Jose Economic and Neighborhood Development city service area mission:

To manage the growth and change of the City of San Jose in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities.

Strategic objectives		# of measures
Safe, healthy, attractive and vital community.		
• Ensure structural life and safety in built environment.		2
• Integrate safe design principles into development review process to create safe public spaces.		1
• Revitalize and rehabilitate uses, sites and structures in neighborhoods, commercial and industrial areas.		2
• Quality living and working environment.		2
• Public services to meet demands of users.		2
• Active business and community partnerships.		1
• Provide seamless and effective development review, including implementation of environmental regulations, in a customer-friendly fashion.		6
• Economic and Neighborhood Development CSA delivers quality CIP projects on-time and on-budget.		5
• Utilize green building design to reduce energy demands in all public development.		1
Attract, retain and expand business.		
• Facilitate major corporate development (Focus in Downtown and S. San Jose).		2
• Satisfy demand for convention, meeting, event and visitor needs.		5
• Facilitate retail development in the Downtown.		1
• Facilitate major sales tax generators.		
• Retain industrial jobs, suppliers and industrial land uses.		2
• Facilitate small business expansion.		1
• Be active partner in developing a skilled workforce.		1
Increase the supply of housing for all income levels.		
• Approve building permits for residential construction for a variety of housing types.		1
• Increase the number of housing units developed in Greater Downtown Area.		1
• Increase the number of high density for-sale housing units as a percent of total high-density units built.		1
• Increase the City's housing unit capacity.		1
• Increase homeownership in SNI areas.		1
• Speed development process for affordable housing projects.		1
• Increase the supply of affordable housing.		1
• Disperse affordable housing throughout the City.		1
• Direct significant affordable housing resources to lower-income households.		1
• Provide incentives to homeowners and rental property owners to rehabilitate their dwellings.		1
• Assist the homeless.		1
• Provide housing assistance to teachers.		1

Chapter 5 **Recommendations**

Our review showed that economic development efforts are likely making a difference in producing jobs and increasing wages in many of the Urban Renewal Areas. Additionally, many of the Economic Development Department's loan programs and efforts to assist businesses are meeting internal goals and satisfying customers' needs. Furthermore, PDC has actively sought assistance to develop a meaningful system of measuring and reporting on overall performance.

In spite of these positive efforts, PDC's current data collection methods and presentation needs improvement. We were not able to identify specific accomplishments of the Economic Development Department due to a lack of comprehensive, reliable information in its existing database. Some published PDC performance data is not clearly defined and may mislead readers. In addition, external data is not being fully used to enable comparison of actual outcomes to performance projections, limiting the ability of decision makers to make meaningful program assessments.

Performance information improves organizational decision-making and overall public accountability by helping organizations evaluate if resources are spent wisely and programs are having the intended effect. In order to improve the overall collection and reporting of performance information, PDC should:

- 1. Continue its work to develop and implement a more comprehensive and reliable performance measurement system.**

The Auditor's Office will continue to work with PDC to develop a system of measures for the Auditor's annual Service Efforts and Accomplishments Report. The techniques used in developing this high level system of measures can be applied to all levels of the organization. Some of our key observations for the overall measurement system include the following:

PDC should adopt a limited number of goals that describe the key areas of its community efforts and that align with its mission statement. From these goals, key performance measures can follow.

In developing key performance measures, PDC should define measures that describe the results of its community efforts. When developing measures, PDC should follow the good measure criteria outlined in Chapter 3 of this report. The draft measurement scheme on page 55 is a good start towards a measurement system that features key goals and results.

Also, as suggested by PDC, a few comparative measures for other city comparisons can be selected in order to improve economic development comparisons among cities. PDC and the Auditor's Office could work together to determine what data for these measures can be collected and compared from the six cities used for comparison in the Auditor's annual Service Efforts and Accomplishments Report.

Once a set of measures is adopted, PDC needs to gather data and regularly report on the measures.

2. Pay special attention to key programs and long term initiatives such as URA performance.

The improvement of blighted conditions in the Urban Renewal areas is a primary reason for the existence of PDC. We did not find consistent information on the status of blighted conditions in URAs. While ad hoc studies exist, we believe it is important that PDC develop a set of key measures to judge the overall effectiveness of efforts to improve conditions in URAs, and that these measures be regularly and routinely reported. PDC

should use a standard set of key measures for all urban renewal areas. These measures should include both PDC inputs (e.g. funds invested) and outputs such as market value of property, number of jobs by different sector, and square feet of property improved for different purposes. The measures and methods we used in Chapter 2 of this report would be a good start on URA reporting.

3. Consider using a single data base for tracking projects in its three operating departments.

A single system to comprehensively track project-related activities of the Development, Housing and Economic Development Departments would assist PDC in producing more consistent and comprehensive data. For example, properties that receive loans for different purposes from different operating departments could be readily identified. In addition, private and other public funding sources could be more consistently tracked. When analyzing its information systems needs and evaluating current systems, PDC should consider moving towards a single database approach.

The following recommendations to improve data reliability and quality is the result of our work in the Economic Development Department, but are applicable to all departments and functions as PDC goes about creating an enhanced performance measurement system:

4. Data definitions and methodologies should be adopted to standardize performance information in order to improve data consistency and reliability.

Consistent definitions and methodologies will enable more meaningful analysis. For example, PDC should develop definitions to distinguish terms, such as “jobs created or retained”. Specific terms should be used to distinguish job estimates originating from businesses, versus PDC’s modeled projections, versus actual verified employment counts. Data

collection methodologies can then be implemented that support the definitions. Methodologies should define how data is to be gathered, what data is modeled, and what sources are used.

5. Information presented in management and public reports should be clearly defined and traceable to source documents.

Reports should be clear and accurate about the data presented. For example, measures reporting projected results such as “jobs created or retained” should be clearly labeled as projections. Similarly, funds committed or awarded to a project should be distinguished from funds actually disbursed. Information presented should be traceable to source documents.

In order to improve the business services provided by the Economic Development Department’s Business Retention and Expansion group PDC should:

6. Use data from various sources, including our survey of businesses, to identify specific ways to improve customer assistance.

Business contacts we surveyed generally gave PDC business services positive ratings. There were, however, a significant percent of respondents that gave particular PDC services neutral ratings and lower ratings in areas such as networking, problem solving, and workforce development. We recommend that PDC monitor customer satisfaction closely by gathering additional information, providing staff training, and making program adjustments where needed.

APPENDICES

Appendix A **URA study data**

	# Jobs	Avg. Annual Job Wage ⁽¹⁾	Real Market Value ⁽¹⁾	Bldg. to land Value ratio	Median HH Income ⁽¹⁾⁽²⁾	Persons in Poverty ⁽²⁾
Airport Way						
1996	12,512	\$33,271	\$408,982,834	1.48	\$48,453	12%
2004	13,915	\$37,415	\$1,057,172,580	1.67	\$51,320	12%
Change	+11%	+12%	+158%	+13%	+6%	0%
Central Eastside						
1996	14,588	\$32,581	\$496,531,768	2.42	\$29,496	15%
2004	13,251	\$36,430	\$791,228,650	2.33	\$22,176	25%
Change	-9%	+12%	+59%	-4%	-25%	+10%
DT/Waterfront						
1996	25,081	\$38,087	\$644,214,294	1.38	\$36,042	26%
2004	23,064	\$45,103	\$1,917,792,650	3.41	\$46,068	27%
Change	-8%	+18%	+198%	+147%	+28%	+1%
Or. Convention Center						
1996	16,027	\$29,554	\$934,431,888	2.44	\$24,002	33%
2004	14,410	\$44,442	\$1,734,006,110	2.80	\$30,678	24%
Change	+2%	+50%	+86%	+15%	+28%	-9%
River District						
1996	11,002	\$34,329	\$408,419,221	1.62	NA	NA
2004	13,275	\$45,667	\$1,395,089,040	3.75	NA	NA
Change	+21%	+33%	+242%	+131%	NA	NA
Aggregate Control						
1996	14,070	\$28,060	\$1,638,545,260	2.01	\$33,596	13%
2004	14,484	\$24,134	\$2,688,235,580	2.05	\$35,741	13%
Change	+3%	-14%	+64%	+2%	+6%	0%
Portland City						
1996	308,057 *	\$35,413 *	\$48,597,093,905 *	NA	\$30,836	15%
2004	280,411 *	\$38,140 *	\$31,220,124,622 *	NA	\$40,146	13%
Change	-9%	+8%	+56%	NA	+30%	-2%

Source: Metro special report on URAs for this audit, Audit Services Division analysis

* Excludes URA data

(1) Adjusted for inflation to 2004 dollars

(2) Data from 1990 U.S. Census and 2000 U.S. Census

Appendix B **Results of 2006 Business Contact Survey**

RESULTS of 2006 Business Contact Survey

Conducted by City Auditor's Office February through March 2006

1	Who initiated the contact?	PDC	Your Business				Number of responses
		30%	70%				108
2	Please rate the service(s) provided to your business during your contact(s) with PDC:	Very Good	Good	Neither	Bad	Very Bad	Number of responses
	Information on PDC loans or other financial assistance	33%	45%	16%	2%	4%	100
	Identifying and/or solving problems with local government services (e.g. permits, zoning, etc.)	19%	29%	40%	6%	5%	77
	Workforce/training	10%	35%	49%	3%	3%	63
	Site location/ real estate options	19%	35%	32%	5%	8%	74
	Opportunities for networking and industry involvement	16%	34%	42%	4%	4%	76
3	Please rate the PDC staff you interacted with on the following qualities:	Very Good	Good	Neither	Bad	Very Bad	Number of responses
	Their knowledge?	51%	34%	12%	3%	1%	112
	Their helpfulness?	55%	26%	13%	5%	2%	111
	Their timeliness?	44%	28%	18%	6%	5%	109
4	Based on your OVERALL experience(s), how would you rate the importance of PDC's business services in helping you retain or expand your business?	Very Important	Important	Neither	Unimportant	Very Unimportant	Number of responses
		28%	33%	18%	10%	11%	108
5	What is your OVERALL satisfaction with the experience(s) you had?	Very Satisfied	Satisfied	Neither	Dissatisfied	Very Dissatisfied	Number of responses
		33%	35%	17%	11%	4%	112
6	Based on your experience(s), would you contact PDC in the future for assistance?	Yes	No				Number of responses
		83%	17%				111

RESPONSES TO THE AUDIT

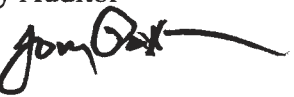


Office of Mayor Tom Potter
City of Portland

MEMORANDUM

DATE: May 26, 2006

TO: Gary Blackmer, City Auditor

FROM: Tom Potter, Mayor 

CC: Bruce Warner, Executive Director, Portland Development Commission

SUBJECT: Audit of Portland Development Commission economic development activities, Report #322

Thank you for your review of the Portland Development Commission's Economic Development activities. I am in full support of the findings and recommendations of this audit.

I agree with the recommended improvement of data collection methods and presentation relative to the economic development work of the PDC. I appreciate and understand the value of comprehensive and clear measurements as well as methods for communicating and applying findings toward ongoing economic development efforts and overall public accountability.

In the months ahead, I expect to work with fellow city commissioners and PDC commissioners on defining roles and responsibilities relative to all of PDC's programs and projects in the areas of housing, development and economic development. Your report will certainly help inform these conversations.

I look forward to the successful implementation of the recommendations from this report and thank you again for your thoughtful analysis and insight.

May 26, 2006

Eric E. Parsons
Commission Chair

Douglas C. Blomgren
Commissioner

Bertha Ferrán
Commissioner

Sal Kadri
Commissioner

Mark Rosenbaum
Commissioner

Tom Potter
Mayor

Bruce A. Warner
Executive Director

Mr. Gary Blackmer
City Auditor
1221 SW 4th Avenue
Portland, Oregon 97204

Dear Mr. Blackmer:

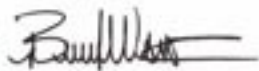
On behalf of the Portland Development Commission, I am pleased to respond to your audit of the PDC's economic development efforts. I generally agree with your analysis, conclusions and recommendations and I look forward to continuing to work with the Audit Services Division to implement the recommendations contained in the final report.

The audit identifies several areas for improvements and makes six recommendations. We are, as you know, already at work on all of them. We are collaborating with the Audit Services Division on including PDC in the City's annual Service, Efforts and Accomplishments Report scheduled for release this Fall. I believe this effort will result in useful and timely information for decision makers and citizens interested in PDC's performance.

I appreciate the comprehensive nature of your approach to this effort, and I also appreciate your acknowledgement that quantitatively measuring something as inherently imprecise as economic development is a significant challenge, as evidenced by the experience of other cities across the country. The audit concludes that PDC's efforts are generally accomplishing what they intend: PDC appears to be making a positive difference in the areas in which we provide our services and products.

The recommendations contained in the report provide valuable guidance on where to focus our efforts. During the coming weeks we will be working with our Commission to revise PDC's Strategic Plan and including a strong performance management program will be essential to improving our effectiveness as an agency. We will share with you and Mayor Potter our detailed plan to continue this work in the near future.

Sincerely,



Bruce A. Warner
Executive Director

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cc: PDC Commissioners

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Portland Development Commission: Economic development efforts effective, but improvements needed to measure and manage future success

Report #322, June 2006

Audit Team Members: Ken Gavette, Sharon Meross, Kristine Adams-Wannberg, Tesia Forbes

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available for viewing on the web at: www.portlandonline.com/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

Gary Blackmer, City Auditor
Drummond Kahn, Director of Audit Services

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(#324A, May 2006)

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City of Portland Service Efforts and Accomplishments: Fifteenth Annual Report on City Government Performance
(#320, November 2005)

