



PORTLAND JOB CREATION AND STIMULUS:

Construction spending is up,
while actual job creation remains unknown

June 2010

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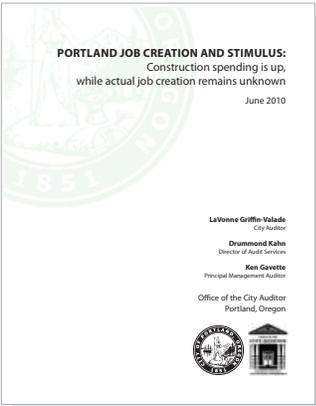
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June 28, 2010

TO: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman

SUBJECT: Portland Job Creation and Stimulus: Construction spending is up, actual job creation remains unknown (Report #388)

The attached report contains the results of our audit of the Portland Job Creation and Stimulus Program. The program was announced in January 2009 as an effort to stimulate the local economy and encourage job creation primarily by accelerating spending on construction projects. The program also included changes in small business programs to provide incentives to help them maintain or expand their competitive positions.

We found that, as promised, construction spending in 2009 was higher than previous years, even though the final set of approved projects were not the exact ones listed in the original proposal. However, the City has not determined actual job creation numbers because staff are only now beginning to implement a method to calculate job creation.

Our audit also studied other areas such as small business programs and housing efforts and found mixed results.

We applaud the efforts of City staff who moved quickly to implement most aspects of this local stimulus program. But to better understand the results of this program, and inform future efforts, we recommend City staff continue to implement a means to accurately establish job creation results. We also encourage City staff to continue to innovate even as the economy begins to improve.

LaVonne Griffin-Valade
City Auditor

Audit Team: Drummond Kahn
Ken Gavette

Attachment

PORTLAND JOB CREATION AND STIMULUS:

Construction spending is up,
while actual job creation remains unknown

Summary In January 2009, to mitigate the effects of the current economic recession, the Mayor and other City Commissioners announced a plan to “fast-track” \$500 million in construction projects. The goal was to spur the local economy by beginning work on some projects sooner than originally planned. Termed the “Portland Job Creation and Business Stimulus Program,” the effort involved actions by City staff and was spread among four areas – construction projects, housing projects, local business and development projects, and workforce development.

City staff and City Council moved quickly to improve and expand existing programs. But more than a year after the program was announced, our review found mixed results. While the total value of construction contracts increased over previous years, the specific number of jobs created is unknown. One reason: actual job creation data gathering methods were not implemented at the outset of the initiative. However, based on the City’s estimating methods, just over half the final predicted number of almost 5,000 jobs may have been created.

Our review also showed that instead of increasing, most activity in the two business finance programs specifically mentioned in the original proposal, declined in 2009. In response, PDC reported that several other programs did show improvement.

It should be noted that the original overall program announcement did not contain specific due dates for program results. While this means that the City has not been unable to meet a specific goal, it also means that the City’s achievement of the goals may be more difficult to demonstrate.

It is too early to determine the broad outcomes of this program. Although specific components of the program are showing early

results, some of these results are favorable and some are not. Construction spending is up, which was a key program goal. Major projects are in the design phase and may begin soon. But, evaluating the results of fast-tracked projects is difficult. Not only is it hard to link overall economic improvement to specific projects, it is also difficult to determine if specific projects would have been undertaken even without the City's stimulus efforts.

To better understand the results of this program and better inform future decisions on such efforts, we recommend that City staff continue to implement and refine a reliable method to calculate job creation. We also recommend they continue exploring ways to speed contract processing and construction permits as the economy improves.

Background

In January 2009, in the midst of a severe economic downturn felt locally and nationally, the Mayor announced a wide ranging economic improvement program. The purpose of the program is to invest directly and indirectly in several key areas to retain and create jobs, slow the home foreclosure rate, and provide incentives to local businesses to expand, or at least maintain, their competitive positions.

At the time the program was announced, the local economy was in poor condition. The Portland metropolitan area's unemployment rate climbed from 4.8 percent in January 2008 to 9.1 percent in January 2009. Job losses totaled 27,100 for that period. The number of foreclosures in Multnomah County was estimated to be one in every 408 homes. Job losses continued to mount during the remainder of 2009.

The Mayor's program consisted of four main areas:

- public infrastructure projects;
- housing projects;
- local business and development projects; and
- workforce development.

The Mayor announced that many of these projects, which included over \$500 million in capital construction projects alone, were already planned over the next five years, but were being fast-tracked. He added that no additional debt burden over what was already planned would be needed. He also noted that the projects would likely be cheaper than originally planned because accomplishing them in advance would spend the money sooner, avoiding inflation that could impact future spending.

City documents and the data presented in this report reflect “approved” spending at a budgeted level, rather than “actual” spending, which is calculated after funds are spent. This is due to time lags in the data between the point a project is approved and the point when it is completed and the spending is complete. We chose this cut-off point because it best reflects City efforts to obligate funds and begin work, which was a key purpose of the initiative.

**Why we conducted
this review**

This audit was planned as part of our multi-year, broad examination of economic stimulus efforts, including the federal stimulus program and local stimulus work. Because of the large size of this local program, its expected importance to Portland’s economy, and the increased public awareness and demand for public accountability on stimulus expenditures, we felt it warranted a separate examination. Also, it should be noted that because the program is funded primarily with local money and does not rely on federal support, stringent federal reporting and expenditure requirements do not automatically apply.

Increased media attention on this local stimulus effort also informed our review. A November 2009 *Daily Journal of Commerce* article concluded that toward the end of the 2009 calendar year, many construction projects were still being designed, and several of the largest construction projects were stalled due to a lack of money. A January 2010 *Oregonian* article reached similar conclusions, indicating that the pace of construction projects planned during 2009 was below what was expected when the program was announced.

However, the Mayor's program was not just focused on construction, even though construction is a key item driving the effort. The local stimulus program should be judged on all four components, including construction projects as well as the other three components -- housing projects, local business and development projects, and workforce development.

Audit Results

The Portland Job Creation and Economic Stimulus Program has yielded mixed results. While many of the planned components of the program have been implemented by City staff, some results are hard to identify. For example, actual job creation is difficult to assess because a method to determine progress on this goal was not developed at the outset of the program. Although staff are working to implement a method, actual job creation numbers to date have not been quantified.

Another key goal of the program was to fast-track construction projects in order to increase construction spending and quickly produce jobs. While construction spending was up over prior years, only four of the eleven large construction projects individually described in the original announcement were awarded contracts during 2009 through the first quarter of 2010. The estimate of jobs created, using the Mayor's methodology, was just over half the final predicted number of 4,985.

City staff moved quickly to improve existing housing and local business development programs. The Bureau of Housing, the Portland Development Commission, and the Bureau of Development Services implemented important changes to programs. These changes increased funding for grants and loan programs to help preserve and rehabilitate homes and give incentives to businesses to pay good wages and maintain their competitive positions.

However, the results of these efforts have been mixed. While PDC reports that some business programs did better in 2009, results for the two large programs specifically mentioned in the original proposal declined significantly. At the Bureau of Development Services the time to review construction plans, a key item to help businesses fast-track projects, has improved over prior years.

This section of our report reviews City progress in areas we identified as readily measurable. Each category shown is followed by a brief description and the status of projects.

Category: Public Infrastructure

CONSTRUCTION PROJECTS

Description:

The original proposed list included 83 projects with a total estimated value of \$503 million. These were relatively large capital projects which were expected to be implemented quickly in order to maximize the impact of job creation.

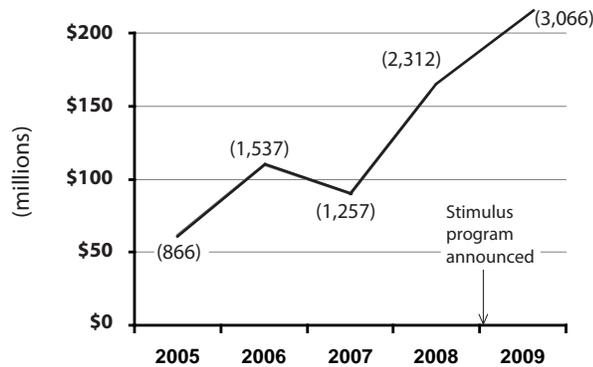
Status:

Through the first quarter of 2010, approximately 14 months after the program was announced, contracts had been awarded for 35 projects from the original list of 83. Of the \$503 million in originally estimated project dollars, \$123.5 million had been approved in construction contracts. Audit staff made every effort to match actual projects with the proposed list. However, it should be noted that projects may have been consolidated or had name changes, making it difficult to match some proposed projects with the final approved list.

Although \$123.5 million from the originally proposed set of projects were approved by City Council, ultimately the Council approved a grand total of \$219 million in construction contracts in 2009. This is \$53 million more than in 2008, and includes \$30 million to finance a portion of the construction of the Resource Access Center, a housing project managed by the Housing Authority of Portland. Figure 1 shows the total value of construction contracts awarded in the past five years, as well as the estimated number of jobs created using the Mayor's Office methodology.

Despite the fact that total construction spending was up over previous years, many of the larger, high impact projects which were described in detail in the original plan have not been started. See Figure 2 for a list of those projects and their status. Each of the four major projects funded to date have been approved for less than the original estimated amount.

Figure 1 Approved value of construction projects, City-wide total
(estimated jobs in parentheses)



Note: Jobs are an Audit Services Division calculation, based on 14 jobs per \$1 million in contract value, per the City's estimating methodology.

Source: Procurement Services Division, Office of Management and Finance

JOB RETENTION AND CREATION

Description:

Fast-tracked construction projects were intended to retain or create jobs. Although some large project estimates differ slightly, the announced program generally estimated that 14 jobs would be created for every \$1 million spent.

Status:

Using that particular jobs creation methodology yields an estimate of approximately 3,066 jobs created in 2009. That is about seven hundred more jobs than were created in 2008, but short of the final total goal of 4,985 jobs.

The City does not yet have a firm calculation for the number of actual jobs retained or created. Assessing that outcome was not made part of the contracting process. Procurement Services staff are now implementing a requirement that contractors report actual jobs created by construction projects.

In addition, Procurement Services has instituted monthly meetings with large bureaus to identify upcoming projects. This should enable Procurement staff to prepare for busy periods and speed contract processing.

Figure 2 Status of major capital projects

Project	Announced		Approved 2009 or 2010		Status ⁽³⁾
	Budget (millions)	Predicted Jobs	Budget ⁽¹⁾ (millions)	Estimated Jobs ⁽²⁾	
POEM and Water co-locate at Emergency Communications Center (Water)	\$19	165			In design. No construction anticipated until 2011-12. Original plan had a wide range of dates for completion.
River District Fields (Parks)	\$3.1	43			In design. Difficulty acquiring property.
South Waterfront Greenway (Parks)	\$4	56			Site contaminated. Plan to meet w/owner to acquire easement, not purchase.
South Waterfront Neighborhood Park (Parks)	\$2.8	39	\$2.1	29	APPROVED
East Burnside and Couch (PBOT)	\$25	351	\$6	84	APPROVED
Gibbs St. Pedestrian Bridge (PBOT)	\$11	157			Bid higher than expected. Redesigning and hope to re-bid in Sept or Oct., 2010
Replace N. Vancouver Bridge over Columbia Slough (PBOT)	\$10	146	\$4	58	APPROVED
Cully Blvd. Green St. Project (PBOT)	\$6.4	90			Bid recently awarded. Contract likely in June.
Powell Butte II, Underground Res. (Water)	\$138	1,507			Site preparation done. Contract likely to be bid in December 2010.
Resource Access Center (Housing)	\$48	125	\$30	420	APPROVED
Veteran's housing project (Housing)	\$53	150			Project in negotiation w/ developers.
TOTAL	\$320.3	2,829	\$42.1	591	

Sources: (1) Procurement Services Division report of approved contracts. (2) Audit Services Division calculation based on Mayor's Office estimate of 14 jobs per \$1 million spent. Actual job creation data has not been collected. (3) Information from project managers from individual bureaus.

Category: Housing**NEIGHBORHOOD STABILIZATION FUNDS****Description:**

The plan was to use \$3.6 million in federal money to buy foreclosed properties in order to create affordable home ownership opportunities for modest-income families.

Status:

\$2.1 million has been put out in Request for Proposals to the development community to buy and rehabilitate foreclosed properties. \$1.2 million has been allocated for a home buyer assistance program. The Portland Housing Bureau plans to obligate all funds by a deadline of September 15, 2010.

SECTION 108 LOAN POOL LINE OF CREDIT**Description:**

Create a line of credit up to \$15 million to preserve 11 federally subsidized housing projects by 2013.

Status:

Line of credit has been created. Two housing projects for seniors have been funded. Three more projects are scheduled to be funded in FY2009-10.

Category: Local Business Development

ECONOMIC OPPORTUNITY FUND (EOF) GRANT AND QUALITY JOBS PROGRAM (QJP) LOANS

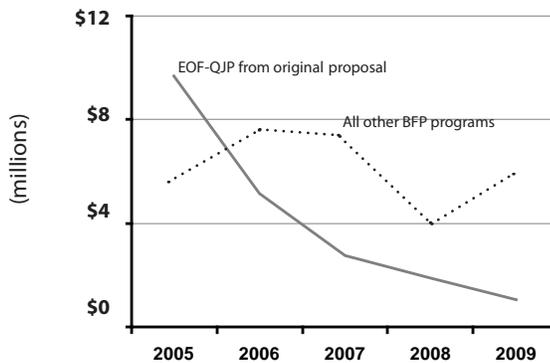
Description:

These two programs are linked. In order to qualify for a grant, a business must participate in the loan program. The QJP makes loans to businesses that pay higher than average wages. QJP loans are intended to cover a business' expansion or relocation needs. The plan was to double EOF grants from \$100,000 to \$200,000. These two programs were specifically listed in the original proposal.

Status:

Maximum grant awards have been more than doubled to up to \$300,000. QJP loans have increased from \$750,000 to \$1 million. However, the activity in these two programs has decreased, from \$9.7 million and 69 loans and grants in 2005, to \$1 million and 13 loans and grants in 2009. PDC reports that other programs not specifically listed in the original program have done better, as shown in Figure 3.

Figure 3 Value of Business Finance Program (BFP) grants and loans



Source: Portland Development Commission

TRANSIT ORIENTED DEVELOPMENT (TOD) TAX ABATEMENT

Description:

TOD tax abatements provide an incentive for high density residential and mixed use development in areas of the City with good transit service. The plan was to increase incentives for development along transit lines by removing a restriction on the total amount of exemptions available in a year. The maximum total was \$20 million.

Status:

The restriction has been lifted, but only one project has been accepted: the Albert, a mixed use apartment building, with about \$5.1 million in improved value.

STOREFRONT IMPROVEMENT PROGRAM

Description:

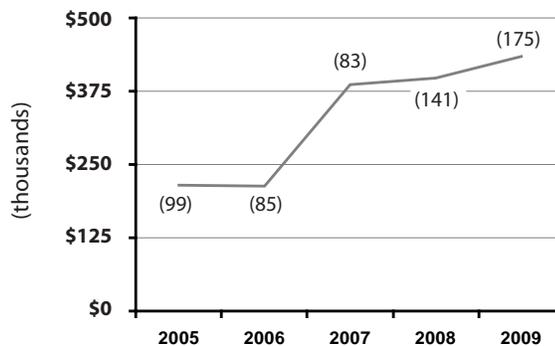
This program provides matching grants to businesses to improve their storefronts. The plan was to decrease a business' matching requirement from 50 percent of the improvement cost to 25 percent.

Status:

The matching requirement was changed as planned. The number of grants and the amount of the grants have nearly doubled from \$215,535 and 99 grants in 2005, to \$433,883 and 175 grants in 2009.

Figure 4 Value and number of Storefront Improvement grants

(number of grants in parentheses)



Source: Portland Development Commission

STREAMLINE PLAN REVIEW (PERMITTING) PROCESS

Description:

The idea was to consolidate the plan review functions of eight separate bureaus under BDS.

Status:

Separate bureau plan review staff were not consolidated under BDS, but were co-located at the 1900 Building location. City staff told us that it is hard to tell the impact on the plan review process because business is slow. However, bureau reports indicate that processing times have improved in the current fiscal year. For example, the goal is to process 75 percent of commercial construction plans within 10-20 days depending on the plan type. In FY2007-08 plan review staff met this goal 73 percent of the time, compared to 83 percent so far in FY2009-10.

LOCALLY OWNED BUSINESS ENTERPRISE

Description:

This program was originally intended to give preference to Portland businesses in certain contracts for construction and goods and services.

Status:

The City Council approved this program only for goods and services after it was determined that State law does not permit preferential treatment for local companies in construction contracts.

Recommendations

In order to provide increased public accountability for this effort, inform future decision making, and help speed construction spending as the economy recovers, we recommend:

- 1. City Procurement Services staff continue to implement and refine a reliable method of calculating actual jobs created.**
- 2. Procurement Services and BDS continue efforts to speed the processing of contracts and permits as the economy improves.**

Objective, scope, and methodology

Our objective was to produce a status report to determine and document City progress on key items in the local stimulus program. It is meant to be a snapshot of the progress the City made in 2009 and the first quarter of 2010 in implementing the program.

To accomplish our objective, we interviewed City staff charged with implementing specific parts of the program and reviewed information provided by implementing bureaus. In the case of the construction project awards data, we relied on information from the City's Procurement Services Division. Other information contained in this report was provided by City staff in response to our requests. We reviewed this data for reasonableness, but did not independently assess the data at a detailed level.

The Mayor's original plan contains many diverse elements, some of which are expressed as quantitative goals, and some as efforts to improve coordination and communication. We focused our efforts on those items which have dollar or quantitative targets. We did not specifically audit contract compliance, nor did we perform work to assess internal controls or compliance with regulations. Our primary criterion was the Mayor's original plan as presented on January 13, 2009 (see Appendix A).

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. These standards require

that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A

Portland Job Creation and Business Stimulus Program:

Official Announcement Material

City of Portland Economic Stimulus Initiative

January 13th, 2009

Multnomah County Economic Indicators¹

- Unemployment: 7.4%
- Job growth: -1.1%
- Median house value: -8.6% from 12 months ago
- Foreclosure rates: 1 of 408 housing units
- Construction industry growth: -3.9% from 12 months ago
- Manufacturing industry growth: -0.8% from 12 months ago

Goals of the Stimulus Package

- Retain existing jobs and create 4,985 local jobs
- Keep and expand local businesses and attract new employers;
- Connect vulnerable families to supportive services;
- Keep qualified home buyers on the homeownership track and at-risk mortgage holders in their homes;
- Skill-up unemployed and dislocated workers; and
- Save city taxpayer costs by fast-tracking public projects and avoiding out-year inflation costs of up to 15% and reduce risk of asset failure.

Process

- City Council held multiple stakeholders forums [*See Attachment A for complete list of participants*].
- This will be more than just a one-time announcement:
 - Staff will initiate a quarterly “Portland City Council Bulletin” that will be sent to all Portlanders to keep them informed not only about the economic stimulus package but other important programs and projects being undertaken by your city.

Key Terms

Economic Stimulus: Investments and incentives intended to rapidly boost the economy in order to avert or ameliorate a recession.

Economic Development: Preserves and raises the standard of living through a process of human and physical infrastructure development for a community, region or nation.

Recession: A period of general economic decline; specifically, a decline in Gross Domestic Product for two or more consecutive quarters.

¹ Multnomah Economic Indicators, December 2008 – WorkSource Oregon

Elements of the Package

Recognizing that the federal and state governments have important roles to play in reinvigorating our economy, here are some steps the City of Portland will take to use available resources in ways that will immediately benefit our vulnerable families and businesses — while we continue to move forward with the long-term strategies that will help our region thrive.

PUBLIC INFRASTRUCTURE

Context: As of November 2008 Oregon had lost 12,500 jobs in the construction industry since Nov. 2007; Multnomah County’s construction industry had declined by 6.3% during the same period². At the same time, in transportation infrastructure alone, the City has a \$422 million backlog of maintenance projects.

Strategies/Tactics

1. **Fast-track locally funded public projects using existing pipeline resources.**
 - a. Prioritize projects based on:
 - i. Local funding available or possible (utility rates, TIF, GF loan)
 - ii. Ready-to-go
 - iii. Job creation
 - iv. Local supplier opportunities
 - v. Multiple benefits (i.e. risk reduction of existing assets)
 - vi. Priorities as identified through previous plans such as the East Portland Action Plan, Asset Management work, TSP

HOUSING

Context: Oregon foreclosures are from Nov. 2007 with 912 notice of defaults and 1,448 notices of trustee sales in November 2008 up 152% and 244% respectively over last year³. Oregon is experiencing one foreclosure for every 532 households. In Multnomah County, the number of foreclosure is estimated at one for every 408 households.

Strategies/Tactics

2. **Keep qualified home buyers on the homeownership track and at-risk mortgage holders in their homes.**
 - a. Promote “silver lining” opportunities for qualified home buyers; utilize Operation HOME networks to connect with minority buyers.
 - b. Work with lenders to promote streamlined processes and workable timelines for foreclosure mitigation for borrowers working on modifications “in good faith.”
 - c. Find channels to reach sub prime lenders and seek assistance for at-risk homeowners.
 - d. Create partnerships to fund additional pre-foreclosure counseling by proven community-based homeownership organizations.
 - e. Host “Homeowner Connect,” an easily accessible Foreclosure Prevention Fair to connect lenders and homeowners.

² Oregon Employment Department/Worksource Oregon: qualityinfo.org

³ RealtyTrack: realtytrack.com



- f. Crack down on foreclosure fraud.

3. Bridge financing gaps in affordable housing projects.

- a. Secure gap financing for affordable housing projects that are construction ready; save the increased equity gap needed due to economic downturn.
- b. Promote new investments in affordable workforce multifamily housing and homeownership.
- c. Utilize Portland's allocation of federal Neighborhood Stabilization Funds (approximately \$3.6 million) to buy foreclosed properties in order to create affordable homeownership opportunities for modest-income families.
- d. Create a Section 108 Loan Pool line of credit of up to \$15 million to preserve approximately 11 federally subsidized affordable housing projects by 2013.
- e. Build a Resource Access Center that will provide services and housing for homeless populations.

LOCAL BUSINESSES AND DEVELOPMENT

Context: Gross Regional Product is projected to grow by only 1.4% in 2009, while the population is expected to increase by 1.7%. Manufacturing and construction are expected to take the largest hits – with manufacturing expected to lose 5,900 jobs and construction another 3,900 jobs in the region.⁴

Strategies/Tactics

4. Support local businesses.

- a. Pursue Locally-Based Enterprise (LBE) program to ensure that Portland's construction firms get preference for subcontracting opportunities on large-scale City projects.
- b. Reconstitute Fair Contracting and Employment forum
- c. Create working groups charged with (1) developing micro-lending / micro-credit programs that would provide capital access to local entrepreneurs and (2) developing a microexchange that would allow local investors the opportunity to own/invest directly in local non-public companies. The goal of the charge is to keep capital within the community through a form of a localized stock exchange.

5. Support small and start-up businesses.

- a. Create a New-Opportunity Fair that would make it easier for people with business ideas to connect with partners (angel investors and venture capital firms).
- b. Support microenterprise projects; pursue a loan guarantee fund for the current downturn period with Albina Bank.
- c. Streamline permitting processes.
- d. Increase support within PDC for small businesses during this period:
 - i. Double the Economic Opportunity Fund grant from \$100K to \$200K as incentive package for businesses that invest in physical improvements within the next 12 months.

⁴ Global Insight data solicited by Green Light Greater Portland, GreenlightGreaterPortland.com



- ii. Provide a six-month moratorium on existing loans where there is a demonstrated need and a solid history of making payments. Deferring payments (interest will not accrue) will allow businesses to save and build capital reserves for operations.
- iii. Reduce public/private (leverage) ratio from 1:4 to 1:2 for a 12-month window to provide more public resources to fill a gap.
- iv. Provide a 12-month window of opportunity to allow the use of Business Finance Program tools to support non-owner-occupied small redevelopment of empty and/or dilapidated commercial buildings.
- v. Create a pilot program using TIF as loan guaranty up to \$100K of bank loan.
- vi. Streamline the loan application and approval process by delegating approval authority of up to \$50K to the Business Finance and Community Development Manager.
- vii. Increase storefront grant budget and provide a 75/25 matching grant (instead of a 50/50 matching grant) to revitalize local commercial corridors and increase work for small contractors
- viii. Establish a permit assistance program that will pay 50% (up to \$10K) of the permit cost for the rehabilitation of empty and/or dilapidated commercial buildings

6. Incent new development with property tax investment programs.

- a. Lift the \$20 million cap on Transit-Oriented Development tax abatement program to allow more than one or two projects per year.
- b. Initiate, in collaboration with Multnomah County, an application to the State for a Strategic Investment Zone in Portland, to encourage large-scale redevelopment by a relocating business outside of E-Zone and Urban Renewal Areas.

7. Increase exports and Foreign Direct Investment (FDI).

Trade-related employment accounts for about 1/3 of total employment in the region. Moreover, annual pay in these industries averages about \$50,000 per year, above the regional average (\$44,000). By increasing capacity of local companies to export and attracting FDI into the region, we have the opportunity to bring new resources into the region even as our national economy slows.

- a. Help clean-tech and green building companies access foreign markets (i.e., China, India, Russia, Middle East, Mexico) by launching regular communication with state foreign representatives to develop specific company targets abroad and for investment in Portland.
- a. Launch the International Roadshow to bring all of the foreign representatives of the State back to Portland for a week to meet with qualified export-ready companies from the city, and help them find partners in these global markets that will generate significant export sales and increase jobs for Portland companies. In addition, we will brief the foreign representatives on the unique competitive advantages to encourage more foreign investment of major companies in Portland.

WORKFORCE DEVELOPMENT

Context: With higher unemployment levels, more job seekers need to access job placement support at our regional Worksource centers. These centers also facilitate access to the skills and training needed to get into sectors that remain strong and offer family-wage jobs.

Strategies/Tactics



8. Increase training and support for dislocated workers.

- a. Increase access to assessment and training at Worksource centers to train and place the increased number of job seekers.
- b. Launch Prosperity Alliance, a region-wide effort in partnerships with the City of Gresham, Multnomah County and community groups to solidify ongoing, collaborative efforts to help increase the income and assets of vulnerable families.
- c. Provide scholarship opportunities for basic skills remediation, high school completion and trade-specific training.



City-Funded Capital Projects: 4,985 jobs created

Overview

In November 2008, Mayor-elect Sam Adams and Commissioner Randy Leonard convened a work group of City Infrastructure Bureaus (Environmental Services, Water, Parks, Portland Bureau of Transportation, the Portland Development Commission and Office of Management and Finance) to discuss the development of capital programs in each bureau in a manner that maximizes the impact of those projects on the local economy. Specifically, bureaus were asked to present potential capital projects in terms of the number of jobs and the economic activity that results from employing citizens in the region (multiplier effect). As a result of those efforts, the Bureaus developed a list of projects that were submitted to the City's federal delegation requesting resources from the upcoming stimulus package being championed by President Obama. In addition to that, bureaus were asked to identify projects that could be funded by the City Council that would yield the greatest economic benefit.

The rationale for focusing on infrastructure in the City is the same as it is on the federal level: every \$1 of direct economic impact in expenditures and corresponding jobs generates between \$1.47 and \$2.02 of economic activity in Portland as the workers and companies employed by the project invest those dollars elsewhere in the local economy¹. The multiplier effect varies based on variables such as the type of project, source of funding, and the labor-intensiveness of the project, etcetera.

Where projects require additional funding to be activated, the City will need to identify the returns to scale for any increased costs that may be shared with taxpayers and/or ratepayers to insure that the benefits yielded by the infrastructure projects exceed any negative impact to the economy suffered by taxpayers and ratepayers.

The following is an overview of the capital programs in infrastructure bureaus and priority projects for which City Council plans to fast-track implementation and identify funding in a way that will yield the maximum benefit to our local economy. In total, the capital programs of these City bureaus total **\$503 million of investment** that will create approximately **4,985 jobs** in our city.

Bureau of Environmental Services

The Bureau of Environmental Services is undertaking approximately \$167 million in capital projects that will be in motion by the end of 2009. These projects incorporate a broad range of sewer system upgrades, and maintenance and repair activities throughout the city. The Bureau estimates that these projects will create approximately **1,911 jobs**, between now and the summer of 2011.

¹ Source: ECONorthwest, January 2009; "Comparison of Economic Multipliers of Proposed Projects: An Analysis for the City of Portland." Refers to local economic impacts for public works projects that are federally funded or locally funded without increasing fees or taxes.

In the event resources become available through a rate increase above the current financial plan or elsewhere, the Bureau of Environmental Services would undertake additional infrastructure maintenance and repair projects totaling up to \$20 million that could be activated quickly, generating up to **168 jobs**.

Bureau of Housing

The Bureau of Housing's capital program includes the development of two major projects that, if funded, will yield significant economic impacts:

- **The Resource Access Center** – The Resource Access Center will be a one-stop center for homeless services and housing. If the Council identifies the remaining funding necessary to implement this project, the \$48 million investment will generate an estimated **125 jobs**.
- **Veteran's Housing Project** – This project, if fully funded at the estimated cost of \$53 million, will generate an estimated **150 jobs**.

Portland Office of Emergency Management

The Portland Office of Emergency Management (POEM), in concert with the Portland Water Bureau, have acquired the property and are in the process of designing a facility that will allow POEM and the Water Bureau Security and Emergency Management functions to co-locate with the existing Emergency Communications Center on SE Powell and 92nd Avenue. Funding would come proportionally from the Portland Water Bureau and from the General Fund. This project has an estimated cost of \$19 million, and if funding is provided by the City Council, it would generate an estimated **165 jobs**.

Portland Parks and Recreation

The Portland Parks Bureau is budgeted to undertake approximately \$10 million in capital projects over the next year, generating an estimated 117 jobs and an economic multiplier of approximately \$15.8 million. Those projects are as follows:

- **River District Fields (\$3.1 million cost; 43 jobs)** – Develop a 2 acre park utilizing PDC resources to provide recreation opportunities within the River District
- **South Waterfront Greenway (\$4 million cost; 56 jobs)** -- Construct the central South Waterfront District Greenway utilizing PDC resources including multi-modal trails along the waterfront.
- **South Waterfront Neighborhood Park (\$2.8 million cost; 39 jobs)** – Develop a 2 acre park utilizing PDC resources to provide local recreation opportunities for the South Waterfront community.

The Parks Bureau has also developed its Master Plan to redevelop the Bureau's Mt. Tabor Maintenance Yard. The total cost of this project is estimated between \$53 million - \$85 million, but the Parks Bureau has broken the project into phases which will enable the City Council to fund the project in manageable increments. For Phase I, the Parks

Bureau will need approximately **\$10 million** in funding. This phase would create **102 jobs**.

Portland Bureau of Transportation (PBOT)

The Portland Bureau of Transportation is budgeted to undertake approximately \$86 million in Transportation Infrastructure projects that will begin in the 2009-2010 budget year. This capital program, if fully executed, will generate approximately **1,209 jobs**. Highlights of PBOT's capital program include:

- **East Burnside and Couch Project (\$25 million cost; 351 jobs)** – This project will create a couplet with eastbound traffic on Burnside and westbound traffic on Couch. Includes streetscaping, and stormwater swales.
- **Gibbs Street Pedestrian Bridge (\$11 million cost; 157 jobs)** – This project includes the design and construction of the SW Gibbs Street Pedestrian Bridge over the I-5 freeway. The project will include elements to manage stormwater in the form of a swale or planter box.
- **Replacement of N. Vancouver Bridge over Columbia Slough (\$10 million cost; 146 jobs)** – This project will replace the existing weight restricted timber bridge with a new concrete bridge across the Columbia Slough. The project will include elements to manage stormwater in the form of a swale or planter box.
- **Cully Boulevard Green Street Project (\$6.4 million cost; 90 jobs)** – This project will plan and design street improvements for NE Cully Boulevard between NE Prescott St. and NE Killingsworth Street. Improvements will include bike lanes, street trees, and safety enhancements.

Additionally, the Portland Bureau of Transportation has submitted requests to the City's Federal Congressional delegation totaling \$87 million. If wholly funded, this package could generate an additional **1,271 jobs**.

Portland Water Bureau

The Portland Water Bureau's current Capital Improvement Program includes a \$138 million dollar capital investment in the construction of a 50 million gallon underground reservoir at Powell Butte, known as Powell Butte II. This project improves the Portland Water Bureau's in-town storage capacity, and greatly enhances the Bureau's options in the likely event that the EPA requires them to decommission or cover the open reservoirs at Mt. Tabor. This project alone is estimated to create more than **1,507 jobs**, and is scheduled to break ground in the Spring of 2009.

City-Funded Capital Projects					
Bureau	Project Title	Estimated Cost	Jobs Created (14 per \$1M Direct Construction)	Date Funds Obligated for Construction	Schedule
BES	Ash Creek Sewer Rehab Dickinso	\$900,000.00	10	9/6/2008	11/25/2008
BES	Portsmouth FM Seg 2	\$25,000,000.00	285	10/20/2008	2/17/2009
BES	FABA Pump Station Diversion	\$150,000.00	2	10/22/2008	11/5/2008
BES	CBWTP Office Trailer Replc	\$160,000.00	2	10/27/2008	12/1/2008
BES	Portsmouth FM Seg 1	\$39,145,000.00	446	11/18/2008	3/18/2009
BES	NE 112th Ave. Storm Sewer	\$175,000.00	2	12/1/2008	3/1/2009
BES	S Airport 5	\$2,100,000.00	24	12/1/2008	3/31/2009
BES	Sumner & Killingsworth	\$435,000.00	5	12/1/2008	3/1/2009
BES	Oak Basin CP-B	\$13,284,000.00	151	12/15/2008	4/14/2009
BES	Foster Sewer Rehab	\$4,075,000.00	46	12/15/2008	4/14/2009
BES	Miles Place PS- Pump Replace	\$79,000.00	1	1/5/2009	4/5/2009
BES	NE 87th & Columbia	\$155,000.00	2	1/5/2009	4/5/2009
BES	CS Confluence Rest	\$309,000.00	4	1/9/2009	4/9/2009
BES	Cherry Park PS Imp Construction	\$250,000.00	3	1/15/2009	4/15/2009
BES	NW Irving & I-405	\$1,320,000.00	15	1/15/2009	5/15/2009
BES	NE 32nd Ave & Weidler	\$750,000.00	9	1/15/2009	5/15/2009
BES	Marine Drive PS	\$300,000.00	3	1/15/2009	4/15/2009
BES	Fenwick Bsn Rehab #1	\$720,000.00	8	1/15/2009	4/15/2009
BES	Sellwood Interceptor Upgrade	\$2,175,000.00	25	1/18/2009	5/18/2009
BES	SE 18th & McLoug: CS Replc	\$161,000.00	2	2/1/2009	5/2/2009
BES	SW Edgewood Dr: CS Recon	\$220,000.00	3	2/1/2009	2/15/2009
BES	Errol Confluence	\$554,000.00	6	2/1/2009	6/1/2009
BES	Elk Rock PS- Site Imprvmts	\$42,000.00	0	2/1/2009	5/2/2009
BES	CBWTP WW Headworks	\$8,473,000.00	97	2/1/2009	6/1/2009
BES	SE Clay-Taylor GRST	\$3,911,000.00	45	2/1/2009	6/1/2009
BES	SE Bybee Sewer Rehab	\$2,787,000.00	32	2/2/2009	6/2/2009
BES	FABA PS FM: Multnomah	\$7,000,000.00	80	2/6/2009	6/6/2009
BES	Elk Rock Bypass @ RD Sch	\$254,000.00	3	2/25/2009	5/26/2009
BES	WQF @ Outfall ACM139	\$79,000.00	1	2/28/2009	5/29/2009

BES	SE 2nd Sewer Replace	\$490,000.00	6	3/1/2009	5/30/2009
BES	NE 33rd & Hancock	\$165,000.00	2	3/1/2009	5/30/2009
BES	NE 45th & Davis	\$150,000.00	2	3/1/2009	5/30/2009
BES	NE 60th Sewer Rehab	\$1,203,000.00	14	3/1/2009	6/29/2009
BES	PCC Stormwater Retrofit	\$22,000.00	0	3/1/2009	5/30/2009
BES	Laurelhurst School	\$250,000.00	3	3/2/2009	5/31/2009
BES	CBWTP Digester Expansion	\$24,500,000.00	279	3/3/2009	7/1/2009
BES	Ash Creek Sewer Rehab	\$671,000.00	8	3/15/2009	7/13/2009
BES	Fanno PS Div MH Rehab	\$115,000.00	1	3/30/2009	6/28/2009
BES	Woods & Thomas PS Deco.	\$90,000.00	1	3/31/2009	6/29/2009
BES	Swan Island PS Ph2	\$6,000,000.00	68	4/1/2009	7/30/2009
BES	Lents San Swr Ext	\$4,590,000.00	52	4/1/2009	7/30/2009
BES	92nd & Marx H2S Removal	\$90,000.00	1	4/1/2009	6/30/2009
BES	Wellhead Storm.Treat.Fac.	\$202,000.00	2	4/1/2009	6/30/2009
BES	SE 83rd Pump Station	\$892,000.00	10	4/1/2009	7/30/2009
BES	UIC CAT2 Non-Compliant	\$1,464,000.00	17	4/1/2009	7/30/2009
BES	Tabor School 3	\$243,000.00	3	4/1/2009	6/30/2009
BES	Nob Hill Sewer Rehab	\$1,199,000.00	14	4/1/2009	7/30/2009
BES	Oak Basin CP-C/1	\$203,000.00	2	4/6/2009	7/5/2009
BES	S Airport 4	\$2,086,000.00	24	4/15/2009	8/13/2009
BES	SE Stark and 65th	\$328,000.00	4	4/16/2009	7/15/2009
BES	NE Skidmore: 22nd-29th Ave	\$1,083,000.00	12	5/1/2009	8/29/2009
BES	SE 41st & Alder	\$364,000.00	4	5/1/2009	7/30/2009
BES	N Fowler Sewer Rehab	\$244,000.00	3	5/4/2009	8/2/2009
BES	NE 122nd Ave WQF	\$466,000.00	5	5/5/2009	8/3/2009
BES	Umatilla PS Upgrade	\$785,000.00	9	5/29/2009	9/26/2009
BES	NE 148th Basin WQF Ph 2	\$4,275,000.00	49	5/31/2009	9/28/2009
BES	SE Harrison San Ext	\$115,000.00	1	6/1/2009	8/30/2009
BES	Royal Highlands LID	\$65,000.00	1	6/2/2009	8/31/2009
BES	SE 62nd & Morrison Rehab	\$332,000.00	4	6/30/2009	9/28/2009
Subtotal		\$167,645,000.00	1,911		
POEM	Emergency Communication Center	\$19,000,000.00	165		
Subtotal		\$19,000,000.00	165		
Housing Bureau	Resource Access Center	\$48,000,000.00	125	12 months	

Housing Bureau	Veteran's Housing Project	\$53,000,000.00	150	12 months	
Subtotal		\$101,000,000.00	275		
Parks	River District Fields	\$3,100,000.00	43	6 months from receiving go ahead by PDC	Start Design April 2009
Parks	South Waterfront Greenway	\$4,000,000.00	56		Estimated construction start Aug. '09
Parks	South Waterfront Neighborhood Park	\$2,800,000.00	39	3months	Start construction Feb 2009
Subtotal		\$9,900,000.00	139		
PBOT	47th & Columbia	\$4,100,000.00	57	6/9/2009	Summer 09
PBOT	Alderwood: 82nd/Cornfoot	\$2,355,066.00	33	5/9/2009	6/9/2009
PBOT	Kenton/Denver St Improvements	\$2,722,170.00	38	6/9/2009	Summer 09
PBOT	Russell St Improvements	\$2,990,836.00	42	1/9/2009	6/9/2009
PBOT	Leadbetter Overcrossing	\$10,446,000.00	146	4/9/2009	6/9/2009
PBOT	Cully Blvd	\$6,424,726.00	90	6/9/2009	Summer 09
PBOT	Gibbs Street Ped Bridge	\$11,249,440.00	157	6/9/2009	10/9/2009
PBOT	East Burnside	\$25,051,393.00	351	7/9/2009	Summer 09
PBOT	87th Ave LID	\$366,100.00	5	6/9/2009	Summer 09
PBOT	92nd Ave LID	\$2,406,500.00	34	6/9/2009	Summer 09
PBOT	N Burgard Bridge replacement	\$2,537,104.00	36	Funds available	Summer 2009.
PBOT	N Going Bridge over Railroad seismic strengthening	\$4,290,000.00	60	Funds available	Summer 2009
PBOT	Sandy & 57th	\$500,000.00	7	4/9/2009	Summer 09
PBOT	S Auditorium Street Lighting	\$500,000.00	7	3/9/2009	Summer 09
Subtotal		\$75,939,335.00	1,063		
Water Bureau	Automated Water Meter Reading Installation	\$50,000,000.00	550	9 months	
Water Bureau	Watershed Roads and Bridges Reconstruction	\$10,000,000.00	110	9 months	
Water Bureau	Eastside Streetcar	\$10,000,000.00	110	9 months	
Water Bureau	Forest Park Tank	\$5,000,000.00	55	9 months	
Water Bureau	PWB Interstate Maintenance Building Replacement	\$55,000,000.00	605	12 months	
Subtotal		\$130,000,000.00	1430		
TOTAL		\$503,484,335.00	4,985		

Responses to the Audit



OFFICE OF MAYOR SAM ADAMS
CITY OF PORTLAND

TO: LaVonne Griffin-Valade, City Auditor

FROM: Sam Adams, Mayor *SA*
Nick Fish, Commissioner *NF*
Randy Leonard, Commissioner *RL*

DATE: June 9, 2010

SUBJECT: Response to Final Draft of Audit of Portland Job Creation and Stimulus, Report # 388

Thank you for the opportunity to comment on the audit report referenced above. As you mention, City staff have "moved quickly to improve and expand existing programs" in the last 18 months as part of the City of Portland's local stimulus initiative. We applaud the City-wide coordination and work to implement this initiative.

We are proud of the results of the stimulus initiative to date. As your report indicates:

- 1) \$219 million in construction contracts were issued in 2009, an increase of \$53 million over the value of construction contracts issued in 2008;
- 2) By accelerating construction schedules and taking advantage of the construction industry's highly competitive market the construction contracts represented significant savings over the engineers' estimates;
- 3) As a result of the effort to streamline the permitting process 83% of commercial construction plans were processed within 10-20 days in FY09-10, up from 73% in FY08-10;
- 4) The Portland Development Commission, Portland Housing Bureau and Bureau of Development Services "implemented important changes to programs which increased funding for grants and loan programs." As a result, for example, the value and number of Storefront Improvement Grants increased by 25% in 2009 over the previous year.

We agree with the report's following two recommendations and have taken action to implement them:

- 1) "Continue to implement and refine a reliable method of calculating actual jobs created"

Since January 2010, Procurement Services staff has been requiring contractors to provide the actual number of employees working on the project along with the total number of labor hours for that project. This information is collected by staff, which can then be used to calculate the number of jobs created and retained on each construction project.



OFFICE OF MAYOR SAM ADAMS
CITY OF PORTLAND

- 2) "Continue efforts to speed the processing of contracts and permits as the economy improves"

As you report, Procurement staff have instituted "monthly meetings with large construction bureaus to identify upcoming projects" to enable them to prepare for busy periods and speed processing. This meeting is also used to develop and update the project forecast calendar to identify upcoming construction projects.

Additionally City Council will consider an ordinance later this month delegating signature authority to execute construction contracts up to \$5 million to the Chief Procurement Officer as a way to continue fast tracking construction projects over the next year.

We would like to comment on three items from the report and provide additional information:

- 1) In your discussion of job retention and creation you reference the "Mayor's office methodology." We would like to clarify that the expenditure-based method is widely used by federal, state and local public bodies to estimate the direct and indirect jobs created through capital improvement projects. The method used in the original announcement material applied an analysis done for the local context by EcoNorthwest. Using this method, approximately 2750 direct, indirect and induced jobs are estimated to have been created or retained through City of Portland construction spending since January 2009¹.
- 2) Your report notes the decrease in activity in two of Portland Development Commission's business finance programs - the Quality Jobs Program (QJP) and Economic Opportunity Fund (EOF). These programs provide gap funding to business through tax increment resources to be used for physical improvements in accordance with State law.

The significant downward trend in PDC expenditures in these programs from 2005 to 2006 was a product of PDC re-engineering the QJP from a conditional grant to a direct loan – and occurred more than three years before the local stimulus initiative was instituted. This change, which occurred in October 2005, enabled PDC to create a more efficient and sustainable pool of public funds and to deliver assistance to a greater number of businesses in proportion to expenditures. This is demonstrated by only a seven percent reduction in loans to businesses.

- 3) Since the completion of your analysis, the Portland Housing Bureau has taken steps to solidify a financing plan on the Veteran's Housing Project, Block 49 in North Macadam and, pending completion of negotiation with developers, will be breaking ground in November, 2010.

¹ Total jobs impact on the City (i.e. direct, indirect and induced jobs) are the following for public works projects that are federally funded or locally funded without increasing fees or taxes: 14.6 for a park project, 11.4 for sewer and water construction project and 12.7 for street repair project. Source: ECONorthwest, January 2009; "Comparison of Economic Multiplier of Proposed Projects: An Analysis for the City of Portland."



CITY OF PORTLAND
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MEMORANDUM

TO: LaVonne Griffin-Valade, City Auditor
FROM: Kenneth L. Rust, Chief Administrative Officer *KLR*
SUBJECT: Response to Portland Job Creation and Stimulus Audit
DATE: June 4, 2010

Thank you for the opportunity to respond to your audit of the City's Job Creation and Stimulus Program. As noted in the audit, this program was designed to expedite construction opportunities in order to spur the local economy and provide jobs within the construction industry that has been hit particularly hard during this recession.

I wanted to touch on the fact that the audit denotes that only 35 projects from the original list of 83 have been awarded. Also mentioned in the audit is the fact that matching actual projects to the original proposed list was challenging because projects periodically get consolidated and often times their names change. To date, the City has awarded 90 construction contracts in 2009 and 82 in 2010 for a total investment of \$293M in the local economy.

Your audit recommends developing a reliable method of calculating actual jobs created and to continue efforts to expedite the contract award process. I am pleased to report that Procurement Services has been actively implementing these two recommendations over the past several months. For example, all construction contracts executed since January 2010 require contractors to provide the actual number of employees working on the project along with the total number of labor hours for that project. This information is collected by staff and is then used to calculate the number of "jobs" on each project. In regard to speeding up the processing of contracts, all reports requesting City Council permission to execute construction contracts exceeding \$500,000 are directly filed through the Mayor's Office in order to appear on the Council Agenda the following week. Additionally an Ordinance is scheduled to be heard at the June 9th Council meeting delegating signature authority to execute construction contracts up to \$5M to the Chief Procurement Officer. These two actions are intended to expedite the contract award process while retaining a balance between accountability and expediency.

We appreciate the opportunity to respond and look forward to continuing our efforts to ensure a reliable job reporting method and expediting contract awards while meeting these Council objectives.

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Portland Job Creation and Stimulus: Construction spending is up, while actual job creation remains unknown

Report #388, June 2010

Audit Team Members: Ken Gavette

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.portlandoregon.gov/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Emergency Management: Coordination limited and essential functions incomplete (#389, May 2010)

Portland Police Bureau: Drug training aid procedures strengthened, recently improved practices should continue (#391, May 2010)

City Sheltered Market Program: Need for clearer focus and stronger management (#379, January 2010)

*City of Portland 2009
Resident Survey Results
(#380A, November 2009)*

