OFFICIAL STATEMENT

NEW ISSUE | **RATING: Moody's "Aa2"**
BOOK ENTRY ONLY | *See "UNDERWRITING AND LEGAL – RATING"*

In the opinion of Preston Gates & Ellis LLP, Bond Counsel to the City ("Bond Counsel"), assuming compliance with certain covenants of the City, interest on the 2005 Bonds is excluded from gross income of the owners of the 2005 Bonds for federal income tax purposes under existing law. Interest on the 2005 Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2005 Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX EXEMPTION" herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the 2005 Bonds is exempt from Oregon personal income tax and Multnomah County personal income tax under existing law.

CITY OF PORTLAND, OREGON

$10,480,000
Limited Tax Housing Revenue Bonds, 2005 Series A
(Headwaters Apartments Project)

$1,260,000
Limited Tax Housing Revenue Bonds, 2005 Series B
(Headwaters Apartments Project)

DATED: Date of Issue | **DUE:** As shown on the inside cover

The City of Portland, Oregon (the "City"), Limited Tax Housing Revenue Bonds, 2005 Series A (Headwaters Apartments Project) (the "2005 Series A Bonds"), and Limited Tax Housing Revenue Bonds, 2005 Series B (Headwaters Apartments Project) (the "2005 Series B Bonds" and, collectively with the 2005 Series A Bonds, the "2005 Bonds"), will be issued in fully registered form and, when issued, initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the 2005 Bonds. Purchases of interests in the 2005 Bonds will be made in book-entry form only, in denominations of $5,000 and integral multiples thereof within each series and maturity. Purchasers will not receive certificates representing their interest in the 2005 Bonds purchased, except as described herein.

Interest on the 2005 Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2005, until maturity or prior redemption, whichever occurs first. Principal of the 2005 Bonds is payable in accordance with the schedules set forth on the inside cover. As long as the 2005 Bonds are registered in the name of DTC or its nominee, principal of, premium, if any, and interest on the 2005 Bonds will be paid by U.S. Bank National Association, as paying agent and registrar for the Bonds (the "Paying Agent") to DTC, which will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the purchasers of interest in the Bonds. See "APPENDIX F - Book-Entry System."

The 2005 Bonds are being issued to finance all or part of the cost of constructing, acquiring and developing a 100-unit rental housing development to be known as the Headwaters Apartments located in southwest Portland (the "2005 Project"). See "THE 2005 PROJECT."

The principal of and interest on the 2005 Bonds will be payable from and secured by a pledge of certain revenues and receipts available from the 2005 Project and cash and investments on deposit in certain funds and accounts created under the Master Bond Declaration of the City dated as of April 18, 2005. While such revenues are expected to be sufficient to pay debt service on the 2005 Bonds, the 2005 Bonds are also payable from certain funds of the Portland Development Commission (as more particularly described in the Master Bond Declaration) and the City's Available General Funds, as defined in the Master Bond Declaration. The City has pledged its full faith and credit to pay the 2005 Bonds. The 2005 Bonds are limited tax revenue bonds of the City and the City is not authorized to levy additional taxes to pay the 2005 Bonds. See "THE 2005 BONDS – Sources of Payment and Security for the 2005 Bonds" herein.

The 2005 Bonds are subject to optional, mandatory and extraordinary mandatory redemption prior to maturity at the redemption prices and under the circumstances described herein. See "THE 2005 BONDS - Redemption Prior to Maturity."

This cover page contains certain information for quick reference only and is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2005 Bonds are offered when, as and if issued by the City and received by the purchasers thereof, and subject to the final approving opinion of Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel, as to the validity and tax-exempt status of the 2005 Bonds and to certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel, Foster Pepper & Shefelman PLLC, Seattle, Washington. The City expects that the 2005 Bonds will be available for delivery through the facilities of DTC in New York, New York, or to the Paying Agent on behalf of DTC by Fast Automated Securities Transfer ("FAST"), on or about April 18, 2005.

KeyBanc
Capital Markets

Dated: April 6, 2005

CITY OF PORTLAND, OREGON

$10,480,000
Limited Tax Housing Revenue Bonds,
2005 Series A
(Headwaters Apartments Project)

$1,260,000
Limited Tax Housing Revenue Bonds,
2005 Series B
(Headwaters Apartments Project)

2005 SERIES A BONDS MATURITY SCHEDULE

Due April 1	Amount	Interest Rate	Price or Yield	CUSIP Number
2008	$ 155,000	3.00%	100%	736704AA5
2009	170,000	3.17	100	736704AB3
2010	190,000	3.35	100	736704AC1
2011	210,000	3.51	100	736704AD9
2012	230,000	3.69	100	736704AE7
2013	245,000	3.83	100	736704AF4
2014	255,000	3.93	100	736704AG2
2015	270,000	4.03	100	736704AH0

$3,440,000 5% Term Bonds, Due April 1, 2025 (priced at 103.973 to yield 4.50%) CUSIP Number 736704AJ6
$5,315,000 5% Term Bonds, Due April 1, 2035 (priced at 102.280 to yield 4.71%) CUSIP Number 736704AK3

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2005 SERIES B BONDS MATURITY SCHEDULE

$1,260,000 4.70% Term Bonds, Due April 1, 2035 (priced at 100 to yield 4.70%) CUSIP Number 736704AL1

No dealer, broker, salesman or other person has been authorized by the City or KeyBanc Capital Markets, A Division of McDonald Investments Inc. (the “Underwriter”), to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2005 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Bond Counsel’s review of this document is limited; see “Legal Matters” herein.

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CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “FORECAST,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND OTHER SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other person described herein since the date thereof.

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The information set forth and referred to in this Official Statement was obtained by the City from sources believed to be reliable. The Underwriter has reviewed the information set forth in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances concerning the issuance of the 2005 Bonds, but the Underwriter does not guarantee the accuracy or completeness of such information.

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THE 2005 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 AND MASTER BOND DECLARATION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON SPECIFIC EXEMPTIONS CONTAINED IN SUCH ACTS. THE 2005 BONDS MAY, HOWEVER, BE SUBJECT TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF VARIOUS STATES, AND MAY NOT BE TRANSFERRED IN VIOLATION OF SUCH STATE LAWS. THE REGISTRATION OR QUALIFICATION OF THE 2005 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE 2005 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NO STATE NOR ANY STATE OR FEDERAL AGENCY HAS PASSED UPON THE MERITS OF THE 2005 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION, EXPRESSED OR IMPLIED, TO PURCHASE THE 2005 BONDS OR ANY OTHER 2005 BONDS OF THE CITY.

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In connection with the offering of the 2005 Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the 2005 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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For further information with respect to the issuance of the 2005 Bonds, reference is made to the Master Bond Declaration and the other documents authorizing the 2005 Bonds. Each statement made in this Official Statement referring to any of the foregoing documents is qualified in its entirety by reference to the document for a complete statement of its terms and conditions. Copies thereof may be obtained from the Underwriter during the offering period and from the City thereafter.

CITY OF PORTLAND, OREGON

1851

OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON

$10,480,000	**$1,260,000**
Limited Tax Housing Revenue Bonds, 2005 Series A (Headwaters Apartments Project)	**Limited Tax Housing Revenue Bonds, 2005 Series B (Headwaters Apartments Project)**

CITY COUNCIL

Tom Potter,
Mayor and Commissioner of Finance and Administration

Sam Adams, Commissioner of Public Utilities
Randy Leonard, Commissioner of Public Safety
Dan Saltzman, Commissioner of Public Affairs
Erik Sten, Commissioner of Public Works

CITY OFFICIALS

Gary Blackmer, City Auditor
David E. Thurman, City Treasurer
Linda Meng, City Attorney

Timothy Grewe, Chief Administrative Officer, Office of Management and Finance
Kenneth L. Rust, Chief Financial Officer, Bureau of Financial Services

DEBT MANAGEMENT

Eric H. Johansen, Debt Manager
City of Portland
1221 SW Fourth Avenue, Room 120
Portland, Oregon 97204
Phone: (503) 823-6851
Fax: (503) 823-4209
ejohansen@ci.portland.or.us

BOND COUNSEL

Preston Gates & Ellis LLP
Portland, Oregon

UNDERWRITER

KeyBanc Capital Markets,
A Division of McDonald Investments Inc.
Portland, Oregon

CITY OF PORTLAND, OREGON
1851

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SUMMARY STATEMENT

THE FOLLOWING SUMMARY STATEMENT IS FURNISHED SOLELY TO PROVIDE LIMITED INTRODUCTORY INFORMATION REGARDING THE TERMS OF THE 2005 BONDS AND DOES NOT PURPORT TO BE COMPREHENSIVE. ALL SUCH INFORMATION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED DESCRIPTION APPEARING IN THE OFFICIAL STATEMENT. THE OFFERING OF THE 2005 BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

THE 2005 BONDS: The 2005 Bonds are being issued by the City of Portland, Oregon (the "City"), in the aggregate principal amount of $11,740,000, of which $10,480,000 are 2005 Series A Bonds and $1,260,000 are 2005 Series B Bonds. The 2005 Bonds will be dated and bear interest from their date of issue. Interest on the Bonds will be payable semiannually on each April 1 and October 1, commencing October 1, 2005, until maturity or prior redemption, whichever occurs first. The Bonds will be issued as fully registered bonds in denominations of $5,000 and integral multiples thereof within a single maturity.

PURPOSE: Proceeds of the Bonds will be used to (1) finance all or part of the costs, including interest during construction, of constructing, acquiring and developing a 100-unit rental housing development to be known as the Headwaters Apartments located in southwest Portland (the "2005 Project") and (2) pay certain costs associated with the issuance of the 2005 Bonds. See "2005 PROJECT DESCRIPTION" for a more detailed description.

OPTIONAL REDEMPTION: The 2005 Series A Bonds maturing on or before April 1, 2015, are not subject to optional redemption prior to their maturity. The 2005 Series A Bonds maturing on April 1, 2025, and April 1, 2035, are subject to optional redemption in whole or in part on any date on or after April 1, 2015, as set forth herein. The 2005 Series B Bonds are subject to optional redemption in whole or in part on any date as set forth herein. Notwithstanding the foregoing, 2005 Series A Bonds will not be optionally redeemed until such time as no Series B Bonds remain Outstanding. See "THE 2005 BONDS — Redemption Prior to Maturity — Optional Redemption."

MANDATORY REDEMPTION: The 2005 Series A Bonds maturing on April 1 in the years 2025 and 2035, and the 2005 Series B Bonds are Term Bonds. Term Bonds not called for prior redemption under the optional redemption provisions described above are subject to mandatory sinking fund redemption randomly within each maturity of Term Bonds as set forth on the schedule herein under "THE 2005 BONDS – Redemption Prior to Maturity – Mandatory Redemption."

SPECIAL REDEMPTION OF 2005 SERIES B BONDS The 2005 Series B Bonds are subject to special redemption on any interest payment date, in whole or in part, in Authorized Denominations, at par plus accrued interest to the redemption date, to the extent that Excess Revenues from the 2005 Project are available in the Bond Fund for that purpose. See "THE 2005 BONDS – Redemption Prior to Maturity – Special Redemption of 2005 Series B Bonds."

EXTRAORDINARY MANDATORY REDEMPTION: The 2005 Bonds are subject to extraordinary mandatory redemption prior to maturity at a redemption price equal to the principal amount to be redeemed plus accrued interest thereon to the date of redemption as set forth herein under "THE 2005 BONDS — Redemption Prior to Maturity — Extraordinary Mandatory Redemption."

***SECURITY*:**	The City has pledged its full faith and credit to pay the 2005 Bonds. The 2005 Bonds are limited tax revenue bonds of the City and the City is not authorized to levy additional taxes to pay the 2005 Bonds. The principal of and interest on the 2005 Bonds will be payable from and secured by a pledge of certain revenues and receipts available from the 2005 Project and cash and investments on deposit in certain funds and accounts created under the Master Bond Declaration. While such revenues are expected to be sufficient to pay debt service on the 2005 Bonds, the 2005 Bonds are also payable from certain funds of the Portland Development Commission and the City's Available General Funds, as defined in the Master Bond Declaration. See "THE 2005 BONDS – Sources of Payment and Security for the 2005 Bonds."
PARITY INDEBTEDNESS:	The City reserves the right to issue Parity Indebtedness which will be secured by a lien on the Net Revenues, as defined in the Master Bond Declaration, on a parity with the lien of the 2005 Bonds as described herein under the heading "THE 2005 BONDS – Parity Indebtedness."
TAX EXEMPTION:	In the opinion of Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2005 Bonds is excluded from the gross income of the owners of the 2005 Bonds for federal income tax purposes under existing law. Interest on the 2005 Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2005 Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. In the opinion of Bond Counsel, interest on the 2005 Bonds is exempt from Oregon personal income tax and Multnomah County personal income tax under existing law. See "TAX EXEMPTION."
CONTINUING DISCLOSURE:	To meet the requirements of the United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the City will undertake for the benefit of holders of the Bonds to provide annual financial information and notice in accordance with provisions of the Rule of the occurrence of certain material events with respect to the 2005 Bonds. See "CONTINUING DISCLOSURE."
NOT QUALIFIED TAX EXEMPT OBLIGATIONS:	The City has not designated the 2005 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON
RELATED TO

$10,480,000
Limited Tax Housing Revenue Bonds,
2005 Series A
(Headwaters Apartments Project)

$1,260,000
Limited Tax Housing Revenue Bonds,
2005 Series B
(Headwaters Apartments Project)

INTRODUCTION

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the "City"), and its Limited Tax Housing Revenue Bonds, 2005 Series A (Headwaters Apartments Project) (the "2005 Series A Bonds"), and its Limited Tax Housing Revenue Bonds, 2005 Series B (Headwaters Apartments Project) (the "2005 Series B Bonds"). The 2005 Series A Bonds and the 2005 Series B Bonds are collectively referred to herein as the "2005 Bonds."

The 2005 Bonds will be issued pursuant to Oregon's Uniform Revenue Bond Act (Oregon Revised Statutes 288.805 to 288.945), City Ordinance No. 178341 passed by the City Council on April 21, 2004, and City Ordinance No. 178905 passed by the City Council on November 24, 2004 (collectively the "Ordinance"), and the Master Bond Declaration of the City (the "Declaration"), dated as of April 18, 2005.

The summaries and descriptions of and references to statutes, ordinances, the Declaration, and other agreements which are included in this Official Statement do not purport to be comprehensive or definitive and such summaries, descriptions, and references are qualified by reference to each such statute, document or instrument. Capitalized terms used herein, if not specifically defined, are used as defined in the Declaration.

THE 2005 BONDS

GENERAL

The 2005 Bonds will be dated and bear interest from their date of issue. The 2005 Bonds will mature on the dates and in the principal amounts and will bear interest (payable semiannually on each April 1 and October 1, commencing October 1, 2005, until maturity or prior redemption) at the respective rates set forth on the inside cover of this Official Statement. Interest on the 2005 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The 2005 Bonds are issued as fully registered bonds, and when issued, will be registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as initial securities depository for the 2005 Bonds. Purchases of the 2005 Bonds will be in book-entry form only in denominations of $5,000, or integral multiples thereof within a series and maturity. See "APPENDIX F - BOOK ENTRY SYSTEM."

As long as DTC or its nominee is the registered Owner of the 2005 Bonds, the principal of, premium, if any, and interest on the 2005 Bonds will be paid directly to DTC by U.S. Bank National Association, as paying agent and registrar for the 2005 Bonds (the "Paying Agent"). DTC procedures currently in effect provide for DTC to remit such payments to banks, brokers and dealers who are, or who act through, DTC participants and for such payments thereafter to be disbursed to the purchasers of the 2005 Bonds (the "Beneficial Owners"). As long as DTC or its nominee is the registered Owner of the 2005 Bonds, references herein to Owner or Registered Owner mean DTC or its nominee and do not mean the Beneficial Owners.

The City, the Paying Agent and the Underwriter cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants or DTC Indirect Participants will distribute to the beneficial owners of the 2005 Bonds (i) payments of the principal of, or interest or premium, if any, on, the 2005 Bonds, (ii) confirmation of their ownership interests in the 2005 Bonds or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2005 Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will serve and act in the manner described in this Official Statement.

None of the City, the Paying Agent or the Underwriter will have any responsibility or obligations to DTC Participants, DTC Indirect Participants or the beneficial owners of the 2005 Bonds with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants or DTC Indirect Participants; (ii) the payment by DTC to any DTC Participant or DTC Indirect Participant of any amount due to any beneficial owner in respect of the principal amount or redemption price of, or interest on, the 2005 Bonds; (iii) the delivery of any notice by DTC to any DTC Participant or by any DTC Participant or DTC Indirect Participant to any beneficial owner or by any DTC Participant to the Paying Agent that is required or permitted to be given to owners under the terms of the Declaration; (iv) the selection of the beneficial owners to receive payment in the event of any partial redemption of the 2005 Bonds, or (v) any other action taken by DTC as owner of the 2005 Bonds.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2005 BONDS, AS NOMINEE OF DTC, REFERENCE HEREIN TO BONDHOLDERS OR REGISTERED OWNERS OF THE 2005 BONDS MEANS CEDE & CO., NOT THE BENEFICIAL OWNERS OF THE 2005 BONDS.

If the 2005 Bonds cease to be in book-entry only form, the Paying Agent will mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the Owners as they appear on the Bond Register for the 2005 Bonds as of the record date for the 2005 Bonds. If payment is so mailed, neither the City nor the Paying Agent will have any further liability to any party for such payment.

AUTHORIZATION AND PURPOSE

The 2005 Bonds are issued pursuant to the authority of Oregon's Uniform Revenue Bond Act (Oregon Revised Statutes 288.805 to 288.945), and City Ordinance No. 178341 passed by the City Council on April 21, 2004, and City Ordinance No. 178905 passed by the City Council on November 24, 2004 (collectively the "Ordinance"), and the Master Bond Declaration of the City (the "Declaration"), dated as of April 18, 2005.

The 2005 Bonds are being issued to finance the construction, acquisition and development of a 100-unit rental housing development to be known as the Headwaters Apartments and to pay issuance costs. See "THE 2005 PROJECT."

REDEMPTION PRIOR TO MATURITY

Optional Redemption The 2005 Series A Bonds maturing on or before April 1, 2015, are not subject to optional redemption prior to their stated maturities. The Series A Bonds maturing on April 1, 2025, and April 1, 2035, are subject to optional redemption on any date on or after April 1, 2015, in whole or in part within maturities selected by the City, at the price of par plus accrued interest to the date of redemption.

The 2005 Series B Bonds are subject to optional redemption on any date, in whole or in part, at the price of par plus accrued interest to the date of redemption.

Notwithstanding the foregoing, 2005 Series A Bonds shall not be optionally redeemed until such time as no 2005 Series B Bonds remain Outstanding.

Mandatory Redemption. The 2005 Series A Bonds maturing in the years 2025 and 2035 are subject to mandatory redemption at par plus accrued interest to the date of redemption on April 1 in the years and amounts as follows:

2005 Series A Bonds maturing April 1, 2025

Year	Amount	Year	Amount
2016	$280,000	2021	$350,000
2017	295,000	2022	365,000
2018	305,000	2023	380,000
2019	320,000	2024	395,000
2020	335,000	2025 (final maturity)	415,000

2005 Series A Bonds maturing April 1, 2035

Year	Amount	Year	Amount
2026	$430,000	2031	$545,000
2027	450,000	2032	570,000
2028	475,000	2033	595,000
2029	495,000	2034	625,000
2030	520,000	2035 (final maturity)	610,000

If 2005 Series A Bonds have been purchased in the open market or optionally redeemed other than as required by the schedules set forth above, the principal amount of 2005 Series A Bonds previously purchased or optionally redeemed shall be credited against such scheduled redemptions in inverse chronological order. If 2005 Series A Bonds maturing in the years 2025 and 2035 have been defeased or redeemed pursuant to an extraordinary redemption provision hereof, the principal amount of such 2005 Series A Bonds so defeased or redeemed shall be credited against the scheduled redemptions set forth above as described below under "Extraordinary Mandatory Redemption."

The 2005 Series B Bonds are subject to mandatory redemption at par plus accrued interest to the date of redemption on April 1 in the years and amounts as follows:

Year	Amount	Year	Amount
2008	$20,000	2022	$45,000
2009	20,000	2023	45,000
2010	20,000	2024	50,000
2011	25,000	2025	50,000
2012	25,000	2026	50,000
2013	30,000	2027	55,000
2014	30,000	2028	55,000
2015	30,000	2029	60,000
2016	35,000	2030	65,000
2017	35,000	2031	65,000
2018	35,000	2032	70,000
2019	40,000	2033	70,000
2020	40,000	2034	75,000
2021	40,000	2035 (final maturity)	80,000

If 2005 Series B Bonds have been purchased in the open market or optionally redeemed other than as required by the schedule set forth above, the principal amount of 2005 Series B Bonds previously purchased or optionally redeemed shall be credited against such scheduled redemptions in inverse chronological order. If 2005 Series B Bonds have been defeased or redeemed pursuant to an extraordinary redemption provision hereof, the principal amount of such 2005 Series B Bonds so defeased or redeemed shall be credited against the scheduled redemptions set forth above as described below under "Extraordinary Mandatory Redemption."

Special Redemption of 2005 Series B Bonds. The 2005 Series B Bonds are subject to special redemption on any interest payment date, in whole or in part, in Authorized Denominations, at par plus accrued interest to the redemption date, from Excess Revenues of the 2005 Project, but only if the City receives the Coverage Certificate. Not later than September 30 of each year commencing with the year 2008, the Commission will deliver to the City the Coverage Certificate. The Coverage Certificate will set out: (1) whether or not the 2005 Project was in compliance with the Minimum Coverage Ratio during the Bond Year ending on the prior March 31; (2) the amount of Excess Revenues of the 2005 Project for the Bond Year ending on the prior March 31; and (3) whether or not the 2005 Project Budget shows that the Minimum Coverage Ratio will be met for the next five fiscal years. If the Coverage Certificate indicates that the 2005 Project was in compliance with those requirements, then Excess Revenues of the 2005 Project will be used to redeem the 2005 Series B Bonds. If those conditions are not met, all Excess Revenues of the 2005 Project will remain in the 2005 Excess Revenues Subaccount of the Revenue Fund subject to the provisions of the Declaration and will not distributed for purposes of enabling a special redemption of the 2005 Series B Bonds until such conditions are met.

Based on the estimated Excess Revenues of the 2005 Project, the following table shows the estimated redemption schedule for the 2005 Series B Bonds. This table is provided for information only. No guarantee is made that any redemption of 2005 Series B Bonds will be made other than pursuant to the mandatory redemption schedule set forth above under "Mandatory Redemption."

Estimated Redemption Year	Estimated Redemption Amount*	Estimated Outstanding Balance of 2005 Series B Bonds
2008	$ 25,000	$1,250,000
2009	60,000	1,190,000
2010	85,000	1,105,000
2011	155,000	950,000
2012	155,000	795,000
2013	150,000	645,000
2014	160,000	485,000
2015	165,000	320,000
2016	165,000	155,000
2017	155,000	0

*includes the mandatory redemption payments for 2005 Series B Bonds set forth above under "Mandatory Redemption."

Extraordinary Mandatory Redemption. The 2005 Bonds will be subject to extraordinary mandatory redemption in whole, or in part on any date, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, upon the receipt by the City of Insurance Proceeds or a Condemnation Award with respect to the 2005 Project and a determination by the Commission not to restore the 2005 Project pursuant to the Declaration. In the case of extraordinary mandatory redemption of fewer than all the 2005 Bonds pursuant to the Declaration, the Paying Agent will select the 2005 Bonds for redemption by lot in the manner determined by the Paying Agent so that each scheduled mandatory redemption for the 2005 Bonds being redeemed is reduced by an identical percentage amount, adjusted for the Authorized Denominations of the 2005 Bonds. If there are no scheduled mandatory redemptions for the 2005 Bonds being redeemed, then the Paying Agent will select the maturities of the 2005 Bonds to be redeemed by lot. No 2005 Bond shall remain Outstanding having a principal amount that is not an Authorized Denomination.

NOTICE OF REDEMPTION

While the 2005 Bonds are in book-entry form, notice of redemption will be given to DTC in accordance with DTC's rules. See "Appendix F – BOOK ENTRY SYSTEM."

The City will, unless waived by the Paying Agent, give at least 45 days prior notice of redemption to the Paying Agent if the City elects to redeem 2005 Bonds. When 2005 Bonds are redeemed which are in book-entry form, the Paying Agent will give notice of redemption as required by DTC and no additional notice will be required, except for written notice to the Commission of an Extraordinary Mandatory Redemption. When 2005 Bonds are redeemed which are not in book entry form, the Paying Agent will give notice of redemption by first class mail, postage prepaid, mailed not less than 30 days nor more than 45 days prior to the redemption date to the Commission and to each Owner of the 2005 Bonds to be redeemed at the address of such Owner appearing in the Bond Register, and also to such other Persons as the City shall deem appropriate, including all Persons then required by law or regulation to receive notice of redemption of the 2005 Bonds. The failure of the Paying Agent to mail notice of redemption to such other Persons will not affect the sufficiency of the proceedings for redemption.

All notices of redemption for 2005 Bonds which are not in book-entry form will state (1) the redemption date; (2) the redemption price; (3) the name and series of the 2005 Bonds to be redeemed, the principal amount of 2005 Bonds to be redeemed, and if less than all Outstanding 2005 Bonds are to be redeemed, the CUSIP numbers or other identification (and in the case of partial redemption, the respective principal amounts) of the 2005 Bonds to be redeemed; (4) that on the redemption date the redemption price of each such 2005 Bond will become due and payable and that interest on the principal amount of each such 2005 Bond to be redeemed will cease to accrue on and after such date; (5) the place or places where such 2005 Bonds must be surrendered for payment of the redemption price thereof; and (6) such additional information as the Paying Agent shall deem appropriate.

Notice of redemption having been given, the principal amount of the 2005 Bonds to be redeemed will become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the City shall default in the payment of the redemption price) such principal amount of the 2005 Bonds will cease to bear interest. Upon surrender of any such 2005 Bond for redemption in accordance with such notice, such 2005 Bond will be paid at the redemption price thereof to the extent that money is on deposit with the Paying Agent for that purpose. Neither the failure of an Owner to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for such redemption.

If the City has not provided the Paying Agent with funds for the Paying Agent to pay any 2005 Bond called for redemption on the redemption date, then the principal amount of such 2005 Bond and, to the extent lawful, interest thereon, will continue to bear interest from the redemption date at the rate borne by the 2005 Bond immediately before the redemption date until the Paying Agent receives sufficient funds from the City to pay the redemption price and all accrued interest on such Bond.

PARITY INDEBTEDNESS

The City reserves the right to issue obligations which are secured by a lien on, and pledge of, the Net Revenues on a parity with the 2005 Bonds ("Parity Indebtedness") for the purpose of financing Additional Projects. Prior to the issuance of Parity Indebtedness, the following conditions precedent must be met:

(1) The City has received (a) a certificate from a Housing Consultant stating that within six months after the date the Additional Projects will be placed in service, a Coverage Ratio of at least 1.20 to 1 or such other Coverage Ratio agreed to by the City and the Commission will be maintained for each Series of Bonds (including the proposed Parity Indebtedness) at all times that each Series of Bonds are Outstanding; and (b) a certificate of an Authorized Representative of the Commission showing that Net Revenues from each of the Projects in the 24 months preceding the delivery of the Parity Indebtedness then proposed to be issued are not less than 1.20 times, or such lesser amount agreed to by the City, the Maximum Annual Debt Service due in the 24 months preceding the delivery of the Parity Indebtedness on each Series of Outstanding Bonds;

(2) No Event of Default under the Declaration has occurred and is continuing;

(3) The City and the Commission will have adopted appropriate resolutions and ordinances and the City will have executed a Supplemental Declaration and the Commission will have complied with all of the requirements contained in the Supplemental Declaration for the issuance of the Parity Indebtedness authorized under the terms of the Supplemental Declaration;

(4) The City will have received an Opinion of Bond Counsel to the effect that the City is authorized to issue Parity Indebtedness under the terms of the Act and the Declaration and the Parity Indebtedness has been validly authorized and executed and, when authenticated and delivered pursuant to the request of the Commission, will be valid obligations of the City secured by the Net Revenues; and

(5) The Commission will have executed a Commission Certificate in connection with the issuance of the proposed Parity Indebtedness.

The City may issue Parity Indebtedness to refund Outstanding Bonds without complying with the foregoing if:

(A) the refunded Bonds are defeased on the date of delivery of the refunding Parity Indebtedness; and

(B) the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service on the refunded Bonds in any Fiscal Year by more than $5,000.

All Parity Indebtedness issued in accordance with the terms of the Declaration will have a lien on the Excess Revenues which is equal to the lien on all other Outstanding Bonds.

See APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND DECLARATION – Certain Definitions."

SOURCES OF PAYMENT AND SECURITY FOR THE 2005 BONDS

Security

The 2005 Bonds are limited tax revenue bonds of the City, secured by and payable from the Security, which includes the Net Revenues of the 2005 Project, Excess Revenues from all Projects, all cash and investments in the applicable subaccounts of the Funds created under the Declaration, including the proceeds from liquidation of any investments, and the Legally Available Funds of the Commission (as defined in the Master Bond Declaration). While such Net Revenues are expected to be sufficient to pay debt service on the 2005 Bonds, the 2005 Bonds are also secured by the City's Available General Funds. The 2005 Bonds will not constitute a debt of the City, Multnomah County, the State of Oregon, or any political subdivision thereof for purposes of any Constitutional or statutory debt limitation. The City has pledged its full faith and credit to pay the 2005 Bonds. The City is not authorized to levy additional taxes to pay the 2005 Bonds.

Coverage Covenant

Unless otherwise modified by mutual agreement with the City, the Commission will agree in the Commission Certificate to establish and collect rents and revenues in connection with each Project at a level sufficient to maintain coverage on the 2005 Bonds and any Parity Indebtedness in each Fiscal Year at a ratio of Net Revenues of a Project to Required Net Debt Service on the Outstanding Bonds for such Project (the "Coverage Ratio") of at least 1.20 to 1 (the "Coverage Ratio Requirement") in each Fiscal Year commencing with the first year after the initial Project is placed in service. On or before March 1 of each year beginning with the first year after the initial Project is placed in service, the Commission will covenant in the Commission Certificate to deliver to the City the Accountant's Certificate stating the actual Coverage Ratio for each Project for the preceding year. See APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER BOND DECLARATION – Certain Definitions."

The failure of the Commission to achieve the Coverage Ratio Requirement during a Fiscal Year will not be an Event of Default under the Declaration. However, if the Accountant's Certificate shows the actual Coverage Ratio for the immediately preceding Fiscal Year was less than the Coverage Ratio Requirement, the Commission will employ a Housing Consultant to review the Commission's operation of such Projects. The Housing Consultant will make a written recommendation to the Commission and the City within 90 days after being appointed, and the Commission will covenant in the Commission Certificate to follow such recommendations to the fullest extent possible.

ESTIMATED SOURCES AND USES OF 2005 BOND PROCEEDS

The anticipated uses of proceeds from the 2005 Bonds are itemized in the following table:

CITY OF PORTLAND, OREGON
Estimated Sources and Uses of 2005 Bond Proceeds

	2005 SERIES A	2005 SERIES B
Sources of Funds		
Par amount of Bonds	$10,480,000	$1,260,000
Original issue premium	257,853	0
TOTAL SOURCES	$10,737,853	$1,260,000
Uses of Funds		
Deposit to Project Fund	$10,327,265	$1,240,693
Deposit to Project Reserve Fund	250,000	0
Underwriter's discount	59,571	8,141
Underwriter’s counsel fee	24,194	3,306
Costs of issuance	75,595	9,088
TOTAL USES	$10,737,853	$1,260,000

Source: City of Portland.

ANTICIPATED DEBT SERVICE FOR 2005 SERIES A BONDS

The following table presents the scheduled debt service on the 2005 Series A Bonds.

CITY OF PORTLAND, OREGON
Scheduled Debt Service on the 2005 Series A Bonds

Fiscal Year Ending June 30	Principal	Interest	TOTAL
2006	--	$ 476,673	$ 476,673
2007	--	500,298	500,298
2008	$ 155,000	500,298	655,298
2009	170,000	495,648	665,648
2010	190,000	490,259	680,259
2011	210,000	483,894	693,894
2012	230,000	476,523	706,523
2013	245,000	468,036	713,036
2014	255,000	458,653	713,653
2015	270,000	448,631	718,631
2016	280,000	437,750	717,750
2017	295,000	423,750	718,750
2018	305,000	409,000	714,000
2019	320,000	393,750	713,750
2020	335,000	377,750	712,750
2021	350,000	361,000	711,000
2022	365,000	343,500	708,500
2023	380,000	325,250	705,250
2024	395,000	306,250	701,250
2025	415,000	286,500	701,500
2026	430,000	265,750	695,750
2027	450,000	244,250	694,250
2028	475,000	221,750	696,750
2029	495,000	198,000	693,000
2030	520,000	173,250	693,250
2031	545,000	147,250	692,250
2032	570,000	120,000	690,000
2033	595,000	91,500	686,500
2034	625,000	61,750	686,750
2035	610,000	30,500	640,500
TOTAL	$10,480,000	$10,017,412	$20,497,412

Source: City of Portland.

CITY LIGHTS HOUSING PROGRAM

The City and the Portland Development Commission (the "Commission"), an agent of the City, entered into an Interagency Agreement dated October 13, 2004, creating the City Lights Housing Program (the "Program") and summarizing the agreements reached between the City and the Commission related to the Program. The purpose of the Program is to stimulate production of new housing units which are not currently being built due to market financial constraints. It will be used to demonstrate the viability of new forms of housing development in areas of the City which have been under-served by current development, and/or to produce housing which contributes to public purposes such as commercial revitalization, job creation, and transit-oriented development. Types of projects developed with the Program may include mixed-use development that is difficult to finance because few comparable projects exist; housing development in parts of the City where development has been slow to occur; and middle and moderate income housing the existence of which is a gap in current housing development in the City.

The City and Commission will undertake the Program with the objective of eventually creating a "pool" of projects under which the net operating revenues and net sales proceeds received from each individual project are in effect "cross-pledged" to the debt service on Bonds underwriting all projects. This goal of a "pool" of projects will help diversify market and ownership risks and, in the worst case, will enable a weak performing project to be carried by stronger performing projects without risking the overall self-supporting nature of the Program. In the best case, the "pool" of projects will, over time, create a source of cash for future affordable housing projects in the City.

Initially the Commission will contract out for development and management of Program projects. Once a developer is selected by the Commission, development will proceed through lease-up, upon which management of each individual project will be turned over to a property management firm to be selected by the Commission. However, the Commission will review this practice in two years and may thereafter decide to perform these functions in-house if the review indicates that the functions can be either performed more cost effectively or with a higher level of service in-house.

The 2005 Project is being developed as the first project under the Program. See "THE 2005 PROJECT."

THE 2005 PROJECT

The Headwaters Apartments will be a 100-unit, environmentally sustainable, rental housing development that will provide "workforce" housing with rents affordable at or below 80% of area median family income and will be rented to qualified moderate and middle income households. The 2005 Project will be built on property located off Barbur Boulevard at SW 30th and Dolph in southwest Portland (current site address, 8845 SW 30th Avenue) (the "Property").

The 2005 Project will emphasize environmentally sustainable building and site design. The 2005 Project will be transit oriented and demonstrate green building practices including collaboration with the Bureau of Environmental Services, the Parks Bureau and the Transportation Department to develop on- and off-site creek daylighting and extensive off-site storm water and street work to provide watershed and endangered species habitat restoration.

The building construction will be "4 over 1" construction (four stories of wood frame construction above a concrete masonry day-light basement with a post-tension concrete base cap). The 2005 Project will be comprised of two buildings (north and south wing) to be connected by a bridge on the third through fifth floors. The day-light basement will contain the building lobby and a 55-space secured parking garage (there will be 45 on-site surface parking spaces). The buildings (but not the garage) will have fire sprinklers.

The buildings will have a total of 113,676 sq.ft. The basement (lobby/parking garage) will be 22,883 sq. ft. (north wing 10,925; south wing 11,958). The apartment buildings (excluding exterior balconies) will be 90,793 sq. ft. (north wing 42,972; south wing 47,821).

The buildings will be "L"-shaped with Hardy Plank (cementitous) and stucco exterior above a split-faced concrete masonry day-light basement. The buildings will have vinyl dual-glazed high performance windows, super-insulated walls and ceilings and a flat, built-up roof system. The buildings will be of a double-loaded corridor design with six-foot wide corridors and vertical circulation provided by an elevator and three stairwells. Unit and corridor ceiling heights will be 8' 4". Common areas will be air-conditioned and carpeted with tile in the lobby and at elevator and stair landings. Hot water will be provided by continuous circulating loop from central high-efficiency commercial gas water heaters. The buildings' exterior access will be controlled by a programmable keyless card access system.

The 2005 Project will include 76 1-bedroom/1-bath (650 sq. ft.) units and 24 2-bedroom/2-bath (1,000 sq.ft.) units. The units will have Energy Star electric appliances including a refrigerator/freezer, combination range/oven, microwave/range hood, dishwasher, garbage disposal, washer/dryer, and a ceiling fan/light fixture in the dining area. Lighting will be Energy Star compact fluorescent fixtures. The units will be heated with thermostatically controlled high-efficiency fan-forced electric heaters and will have whole house fan ventilation. Each unit will have an exterior balcony.

The project site will be landscaped with lawn areas, shrub and ground cover at building foundations, and trees at sidewalk planter strips and adjacent the on-site creek area. The on-site creek area will be landscaped with riparian plants.

Environmental Condition of Property

Large amounts of petroleum-contaminated soils ("PCS") with concentrations above levels of regulatory concern were excavated and removed from the Property and disposed of offsite. Subsequent analysis indicates that residual amounts of PCS remain on the Property site at concentrations below applicable regulatory risk level. As of the date of this Official Statement, the source of the PCS found on the Property is unknown.

Dolph Creek LLC ("Owner"), as current owner of the Property as of the date of this Official Statement, is anticipated to enter the Oregon Department of Environmental Quality ("DEQ") Voluntary Cleanup Program ("VCP") in order to secure a No Further Action ("NFA") regulatory determination for the Property (including the creek) upon implementation of all engineering/monitoring controls or other actions that may be deemed necessary by DEQ.

To the extent that additional remediation and 2005 Project design changes are required for the VCP, such prospective costs are anticipated to be paid from: (1) a $45,000 environmental contingency contained in the 2005 Project budget and (2) a limited indemnification provided by the Owner to the City.

ANNUAL DISCLOSURE INFORMATION

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15.c2.12), the City will provide annually the information of the type presented in this section pursuant to the City's continuing disclosure undertaking. See "CONTINUING DISCLOSURE" and "APPENDIX E -CONTINUING DISCLOSURE CERTIFICATE."

FINANCIAL OPERATIONS

Basis of Accounting

The governmental fund types, expendable trust funds, and agency funds are maintained on the modified accrual basis of accounting. The accrual basis of accounting is used for all enterprise funds. The City's accounting practices conform to generally accepted accounting principles as interpreted by the Governmental Accounting Standards Board (the "GASB"). Beginning with FY 2001-02, the City of Portland adopted the provisions of GASB Statement No. 34 ("GASB 34"), which establishes new requirements and a new reporting model for the annual financial reports of state and local governments.

Fiscal Year

July 1 to June 30.

Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit will be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

KPMG LLP conducted audits of the financial statements of the City of Portland and related entities from FY 1995-96 through FY 2001-02. The City entered into a contract with Moss Adams LLP to perform auditing services for FY 2002-03, with an option to extend the contract for an additional two years. Moss Adams LLP recently completed the City's FY 2003-04 audit and has been engaged to conduct its FY 2004-05 audit.

A complete copy of the City's FY 2003-04 audit is available on the City's web site at http://www.portlandonline.com/omf/index.cfm?c=36692. The City's web site is listed for reference only, and is not part of this Official Statement.

Financial Reporting

The City has received the Government Finance Officers Association's ("GFOA") Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to GFOA, the Certificate of Achievement is "the highest form of recognition in the area of governmental financial reporting." To be awarded the certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

General Fund

Financial operations of the City that are not accounted for in any other fund are shown in the general fund (the "General Fund"). Principal sources of revenue are property taxes, licenses and permits, billings for interfund services, and state shared revenues. Primary expenditures in the General Fund are made for police protection, fire protection and maintenance of park facilities. Appendix C contains a Statement of Revenues, Expenditures and Changes in Fund Balance and Balance Sheet for the General Fund for the past five fiscal years.

BUDGETING PROCESS

The City prepares annual budgets for all its bureaus in accordance with provisions of the Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration and public notice for public sector budgets. At the outset of the process, the City Council, along with City managers, convene to review overall goals and establish priorities. The Council conducts an extensive public information and survey process to obtain direct public input on City service priorities. In addition to this public outreach process, the City created the Portland Utilities Review Board (the "PURB") in 1994. The PURB is an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, and solid waste financial plans and rates, which operates in an advisory capacity to Council.

The information derived from the public outreach processes is used to finalize the Council's goals, priorities, and action plan for the next budget cycle. The Council also adopts a five year financial forecast that serves as the basis for determining resources available for budgeting. The Council then holds work sessions with the City's key bureaus to discuss short and long-term issues, and to review the five-year financial plans prepared for each major service area. This up-front planning ensures that each year's budget responds to Council priorities not just for that specific year, but also in the long term.

Bureau budget requests are submitted to the Mayor who develops a Proposed Budget that addresses Council priorities, public input and balancing requirements. Following presentation of the Proposed Budget, community hearings are scheduled wherein summary budget information is presented for each major service area and public testimony is taken. Finally, formal public hearings are held by the City Council in various locations throughout the City. A budget summary and notice of hearing are published prior to the hearings. The City Council considers the testimony from the community and formal hearings and can alter the budget recommendations.

The Council approves transmittal of the budget to the Tax Supervising and Conservation Committee (the "TSCC"), an oversight board appointed by the governor, for public hearing and review for compliance with budget law. Upon certification of the TSCC, the City Council holds a final public hearing prior to adoption. Final adoption of the City's budget is through a majority vote of the Council no later than June 30. All committee meetings and budget hearings are open to the public.

INSURANCE

The City is self-insured for workers' compensation, general liability claims, and certain employees' medical coverage in internal service funds. Per Oregon Revised Statute 30.270(1)(b)(c), general and fleet liability claims are limited to $100,000 per person, and an additional $100,000 per person under special circumstances and $500,000 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage. Workers' compensation, general, and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on the estimated final cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. The City's Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations, and outstanding liabilities. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess coverage insurance policy covers individual claims in excess of $1,000,000. Settlements have not exceeded coverages in the past three fiscal years.

PENSION PLANS

General

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in the State of Oregon Public Employees Retirement System ("PERS") Plan or the newly created Oregon Public Service Retirement Plan ("OPSRP").

The PERS Plan is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Retirement benefits for PERS Plan members are based on final average salary and length of service and are calculated under a full formula method, formula plus annuity method, or money match (defined contribution) method if a greater benefit results. Beginning January 1, 2004, PERS Plan employee contributions were directed to an individual retirement account and will be part of a separate defined contribution program.

The 72nd Oregon Legislature created the OPSRP. Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in PERS. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Employers participating in the PERS Plan and OPSRP are required to remit contributions based on rates calculated by the PERS board. Rates are the amounts estimated by the board as necessary to pay the retirement and other pension obligations owed to employees when they retire, die, or become disabled. The employer contribution rates are set using the entry age actuarial cost method. Covered employees are required by state statute to contribute six percent of their annual salary to the PERS Plan or OPSRP, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to make the six percent employee contribution.

As of July 1, 2003, the City is paying a total PERS/OPSRP rate of 9.70 percent. This rate comprises the six percent employee contribution rate, and the employer rate of 3.70 percent which is effective through June 30, 2005. The employer contribution rate is subject to future adjustment based upon the results of subsequent actuarial valuations or the outcome of legal challenges to recent PERS legislation. (See "Legal Challenges" below.)

At the January PERS Board meeting, the PERS actuary presented preliminary, new rates for all PERS employers. The preliminary rate for the City is an increase of 7.1 percent of payroll. The final rate increase is estimated to be about 8 percent of payroll. The higher final rate is due to the additional cost of implementing a rate 18 months after the effective date of the new rate, which is January 1, 2004. The rates are scheduled to change July 1, 2005. The PERS Board has approved a two-step phase-in of new employer rates. The City's rate for FY 2005-06 is expected to increase by approximately 4 percent. In FY 2006-07, the City's rate is again expected to increase by at least 4 percent of payroll. One percent of payroll is equal to about $2 million.

The total pension plan contribution of the City charged to expenditures for FY 2003-04 was $19,867,865. Additionally, each City bureau contributes a portion of the debt service on the City's $300.8 million Limited Tax Pension Obligation Revenue Bonds issued in FY 1999-00. These bonds were issued to fund the unfunded actuarial accrued liability with PERS as of December 31, 1997. In accordance with generally accepted accounting principles, the City has allocated the pension bond liability to all funds that have employees who are PERS members.

As of December 31, 2001, the City's assets with the PERS exceeded its actuarial liability by $262,423,880, which is calculated assuming legislative actions withstand legal challenges. (See "Legal Challenges" below.)

Legal Challenges

On July 22, 2003, a coalition of Oregon public employee unions filed challenges in the U.S. federal district court and in the Oregon Supreme Court seeking to have changes that were enacted to PERS enjoined and/or declared a breach of contract, unconstitutional impairment of contract, or unconstitutional taking of property. Plaintiffs contend that the changes to the PERS Plan resulting from enactment of House Bills 2001, 2003, and 2004 in the Oregon 2003 Regular Legislative Session will result in reductions to the retirement benefits paid to members. Reforms include altering the mechanism for crediting Tier One regular member accounts, shifting the six percent member contribution from the PERS account to a separate defined contribution account, and implementing updated actuarial equivalency factor tables. A clause in the PERS legislation allows the bills to be appealed directly to the Oregon Supreme Court as a means of speeding up the legal process.

On March 8, 2005, the Oregon Supreme Court released its opinion in the litigation entitled "Strunk et al v. Public Employees Retirement Board, SC S50593, S50647, S50645, S50532, S50686, S50685." The Oregon Supreme Court declared certain portions of the legislative changes violate the Oregon Constitution, and affirmed the validity of others. The City expects that this decision will significantly increase the unfunded actuarial liability of the City and other employers who participate in PERS. The City is analyzing the opinion, but expects that it will not be able to estimate its effect on PERS, the unfunded actuarial liability of the City, or future contributions that the City may be required to make to PERS until PERS produces a new actuarial valuation for the City. PERS indicated on March 8, 2005, that it will request its actuary to perform a new valuation for PERS and to make that valuation available to PERS at its meeting that is scheduled to be held on March 29, 2005.

On August 19, 2004, U.S. District Judge Michael M. Mosman ruled that changes made by the Oregon Legislature to PERS do not violate the Contracts Clause of the U.S. Constitution, which had been alleged by the plaintiffs in the case. The plaintiffs have filed an appeal in the 9th U.S. Circuit Court of Appeals.

Fire and Police Disability and Retirement Fund

Most of the fire and police personnel are covered under the City's Fire and Police Disability and Retirement ("FPDR") Fund. The FPDR Fund is financed from a special property tax levy of not less than $1.00 or more than $2.80 per $1,000 of real market value of property in the City. The FY 2004-05 levy of $86,522,327 for pension purposes requires a tax rate of $2.3950 per $1,000 of assessed property value, or approximately $1.47 per $1,000 of real market value. The FPDR Fund actuary has estimated that the unfunded actuarial liability of the FPDR Fund was $1,274,352,926 as of July 1, 2004.

In November 1989, the voters of the City agreed to amend the FPDR Plan to bring its provisions in line with PERS. Under state law, plans must be "equal to or better than" PERS. Basic retirement benefit changes involved reducing vesting from 25 years to 5 years, elimination of employee contributions, and elimination of termination of benefits to a surviving spouse that remarries. Disability benefits were modernized to cover conditions such as AIDS and Hepatitis B, vocational rehabilitation, wage offsets for outside earnings, and reduction of benefits when conditions become medically stationary and a person is capable of other employment. Calculation of disability pay was also changed from 100 percent of salary for the first year, 100 percent of First Class Patrol or Firefighter for the next 3 years and 60 percent of First Class pay thereafter, to 75 percent of salary until medically stable and capable of other employment.

OVERVIEW OF CITY INDEBTEDNESS

Debt Management Policy

In April 1984, the City Council adopted Resolution No. 33661, which places centralized responsibility for Debt Management in the Office of Management and Finance and establishes standards and procedures for the issuance of debt. The policy includes more restrictive limits on City debt issuance than required by State law. In the fall of 1995, this policy was updated and expanded to include current and future debt practices. Among the general provisions included in the debt policy are types of debt that may be issued and limitations on their use, selection of finance professionals, methods of sale, structure and term of City indebtedness, issuance of conduit debt, and refunding outstanding debt. The updated policy was adopted by the City Council in October 1995.

Debt History

The City has met all principal and interest payments on its indebtedness in a timely manner and in the required amounts. In addition, the City has never been required to refinance any general obligation indebtedness to meet regular operating expenses.

Debt Limitation

Oregon statutes limit the amount of general obligation debt which an Oregon city may have outstanding at any time to three percent of the true cash value of the City, although revenue bonds, general obligation improvement bonds, sewer and water bonds are among the types of bonds legally exempt from the debt limitation. The City is in compliance with all statutory debt limitations.

OUTSTANDING LONG TERM DEBT

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table titled "Long Term Debt Statement." Outstanding debt amounts are as of March 3, 2005.

Unlimited Tax General Obligation Bonds

Tax Supported General Obligation Bonds

The City has $75.46 million of outstanding tax-supported general obligation bonds. These bonds were originally issued for the purpose of funding park system improvements and emergency facilities. The City is authorized to levy an unlimited ad valorem tax to pay these bonds.

Self-Supporting General Obligation Water Bonds

The City has $7.5 million of outstanding self-supporting general obligation water bonds. While the City has the authority to levy an unlimited ad valorem tax to pay these bonds, the City has chosen to pay these bonds entirely from revenues of the water system.

Bonds Paid and/or Secured by the General Fund

These obligations are secured by the full faith and credit of the City. The City is obligated to pay these obligations from any taxes or other revenues available to the City that may legally be applied to pay them. The City is not authorized to levy additional taxes to pay these obligations.

Non Self-Supporting General Fund Obligations

Limited Tax Revenue Bonds. As of March 3, 2005, the City had $84.9 million of outstanding limited tax revenue bonds. These bonds are paid primarily from General Fund resources. The City has issued limited tax revenue bonds to satisfy a variety of capital financing requirements.

Limited Tax Pension Obligation Revenue Bonds. The City issued $300.8 million of Limited Tax Pension Obligation Revenue Bonds in November 1999 to finance the City's December 31, 1997, unfunded actuarial accrued pension liability with the State of Oregon Public Employees Retirement System. The bonds are secured by Available General Funds, defined as revenues which are legally available to pay the bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all taxes and other legally available general funds of the City. Approximately forty percent of the debt service on these bonds is expected to be paid from resources of the General Fund. The remaining sixty percent is expected to be paid by non-General Fund bureaus of the City. (See "Self-Supporting General Fund Obligations" below.) As of March 3, 2005, approximately $111.7 million of outstanding principal remained on the portion of the bonds projected to be repaid with General Fund resources.

Self-Supporting General Fund Obligations

Limited Tax Pension Obligation Revenue Bonds. Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately $189.2 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

Limited Tax Revenue Bonds (Central City Streetcar Project). The City has $26.62 million of outstanding limited tax revenue bonds for the Central City Streetcar Project. These bonds are ultimately secured by the City's General Fund, but the City expects to pay the debt service on these bonds with revenues from the City's parking facilities and meters.

Limited Tax Revenue Bonds (Visitor Development Initiative). The City has issued bonds pursuant to an intergovernmental agreement known as the Visitor Development Initiative for various projects. While ultimately secured by the General Fund, these bonds are expected to be repaid in whole or in part with revenues generated from surcharges on the transient lodging tax and the motor vehicle rental tax. As of March 3, 2005, the City had $100 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, $32.66 million of outstanding bonds for the Civic Stadium Project, and $1.9 million of outstanding bonds for the Portland Center for Performing Arts ("PCPA") Project.

Limited Tax Improvement Bonds. The City has $21.38 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

Arena Limited Tax Revenue Bonds. The City has $28.365 million of Arena Limited Tax Revenue Bonds outstanding. Proceeds of these bonds were used to refund bonds originally issued to finance certain public improvements relating to the Oregon Arena Project. These limited tax revenue bonds are ultimately secured by the City's General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

Other Obligations. The City has entered into loans with the State of Oregon Economic and Community Development Department for improvements through its Water/Wastewater Financing Program. The outstanding balance of this loan, which extends through December 2017, is $524,598. Additionally, the City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six conduit housing revenue bond issues. The original par amount of these issues is $38.165 million, of which $36.13 million remains outstanding.

Revenue Bonds

The City issues revenue bonds to satisfy a variety of capital financing requirements backed solely by the fees derived from the provision of certain services. Included among the purposes for which these types of revenue bonds have been issued are sewer system facilities, water system facilities, parking system facilities, golf facilities and hydroelectric generation facilities. In these cases, fees and charges are collected for the individual services provided, generally on the basis of usage. The types and amounts of outstanding revenue bonds are shown in a subsequent table.

Urban Renewal Bonds

As of March 3, 2005, a total of $305.4 million of Urban Renewal and Redevelopment Bonds are outstanding including bonds issued in calendar year 2000 for four urban renewal areas, refunding bonds issued in the fall of 2002, and bonds issued in calendar year 2003 for the River District Urban Renewal Area and bonds issued in 2004 for the Interstate Corridor Urban Renewal Area. All of these obligations are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these bonds.

CITY OF PORTLAND, OREGON
Long-Term Debt Statement (1)
As of March 3, 2005

Type of Obligation	Amount Outstanding
I. UNLIMITED TAX GENERAL OBLIGATION BONDS	
A. Tax Supported	
General Obligation Parks Bonds	$2,790,000
General Obligation Parks Refunding Bonds	38,515,000
General Obligation Emergency Facilities Bonds	34,155,000
Total Tax Supported G.O. Bonds	$75,460,000
B. Self Supporting	
General Obligation Water Bonds	$7,542,155
Total Self-Supporting G.O. Bonds	$7,542,155
II. BONDS PAID AND/OR SECURED BY THE GENERAL FUND	
A. Non Self-Supporting	
Limited Tax Revenue Bonds	$84,900,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	111,689,046
Total Bonds Secured and Paid from the General Fund	$196,589,046
B. Self-Supporting	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	$189,159,300
Limited Tax Revenue Bonds (Central City Streetcar)	26,620,000
Limited Tax Revenue Bonds (Visitor Development Initiative)	134,248,888
Limited Tax Improvement Bonds	21,380,000
Arena Limited Tax Revenue Bonds	28,365,000
State Loans (Brookside)	524,598
Total Self-Supporting Bonds Secured by the General Fund	$400,297,786
III. REVENUE BONDS	
Sewer Revenue Bonds	$1,030,585,000
Sewer State Revolving Fund Loans	763,847
Water Revenue Bonds	145,145,000
Parking Revenue Bonds	7,020,000
Golf Revenue Bonds	5,247,000
Hydroelectric Revenue Bonds	23,915,000
Urban Renewal Bonds	305,385,000
Gas Tax Revenue Bonds	7,120,000
Total Revenue Bonds	$1,525,180,847
TOTAL – ALL OUTSTANDING LONG-TERM DEBT	$2,205,069,834

Notes:

(1) Excludes lines of credit and tax anticipation notes.

Source: City of Portland.

CITY GENERAL OBLIGATION DEBT

The following tables set forth the overlapping debt among various taxing districts in the City, the City's general obligation capital debt ratios, and outstanding direct general obligation debt of the City incurred for capital purposes.

CITY OF PORTLAND, OREGON
General Obligation Capital Debt Ratios
As of March 3, 2005

	Amount	Per Capita	Percent of Real Market Valuation	Percent of Assessed Valuation
July 1, 2004 Population	550,560			
2004-05 Real Market Value (1)	$58,850,238,187	$106,892		
2004-05 Assessed Value (2)	$38,487,231,667	$69,906	65.40%	
Gross Bonded Debt (3)	$737,763,317	$1,340	1.25%	1.92%
Net Direct Debt (4)	$75,460,000	$137	0.13%	0.20%
Net Overlapping Debt (as of 6/30/2004)	$402,417,573	$731	0.68%	1.05%
Net Direct and Overlapping Debt	$477,877,573	$868	0.81%	1.24%
FY 2004-05 General Fund Debt Service as a Percent of FY 2004-05 General Fund Budget (5)	3.8%			

Notes:

(1) Real Market Value encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal excess real market values and exempt property.

(2) Includes urban renewal excess assessed value.

(3) Includes City's outstanding general obligation bonds, limited tax improvement bonds, and limited tax revenue bonds. Also includes lines of credit and tax anticipation notes.

(4) Includes only general obligation bonds paid from a separate, unlimited ad valorem tax. Does not include self-supporting general obligation bonds or bonds paid and/or secured by the City's General Fund.

(5) Debt service amount includes all non-self supporting bonds paid and/or secured by the General Fund, but excludes General Fund share of pension obligation bonds.

Sources: Multnomah County Tax Supervising and Conservation Commission; Municipal Debt Advisory Commission, Oregon State Treasury; City of Portland.

CITY OF PORTLAND, OREGON
Overlapping Debt
As of June 30, 2004

Overlapping District	2003-04 Real Market Value ($000)	Percent Overlap	Overlapping Debt Gross Bonded Debt (1)	Overlapping Debt Net Direct Debt (2)
Portland Community College	$110,076,797	42.5%	$127,037,555	$76,486,947
Multnomah County	66,467,766	83.1%	104,539,558	64,386,364
Metro	138,430,434	40.1%	61,619,527	61,619,527
David Douglas School District 40	3,227,236	99.8%	51,366,703	51,366,703
Tri-Met	137,833,212	40.2%	37,537,296	37,537,296
Portland School District 1	47,910,040	97.3%	33,724,524	33,724,524
Parkrose School District 3	3,160,688	98.2%	14,607,979	21,769,619
Port of Portland	151,231,997	36.7%	20,030,591	20,030,591
Centennial School District 28J	2,185,105	54.2%	18,556,317	18,556,317
Reynolds School District 7	4,948,825	22.3%	14,333,432	14,333,432
Beaverton School District 48J	21,640,248	0.3%	1,001,082	1,001,082
North Clackamas School District 12	9,279,104	0.6%	565,545	589,836
Riverdale School District 51J	553,217	3.8%	326,056	326,056
Washington County	50,523,742	0.3%	183,477	181,434
Scappoose School District 1J	1,204,580	7.2%	169,922	169,922
Tigard-Tualatin School District 23J	8,375,514	0.1%	127,156	137,741
Clackamas County Community College	24,864,823	0.2%	113,498	113,498
Mt. Hood Community College	21,415,502	40.3%	46,311	46,311
Lake Oswego School District 7J	6,195,172	0.0%	25,607	25,607
Tualatin Valley Water Dist. (Wolf Creek Bond)	14,178,287	0.4%	8,125	8,125
Tualatin Valley Water (Metzger Bond)	2,763,361	0.4%	3,313	3,313
Tualatin Hills Park & Rec. District	18,356,966	0.0%	2,853	2,853
Clackamas County	34,245,170	0.3%	475	475
Totals			$485,926,902	$402,417,573

Notes:

(1) Gross Bonded Debt includes all bonds backed by a general obligation pledge, including Bancroft general obligation improvement bonds and other self-supporting bonds.

(2) Net Direct Debt includes all tax-supported bonds. Bancroft general obligation improvement bonds and other self-supporting bonds are excluded.

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

CITY OF PORTLAND, OREGON
Projected Debt Service on Outstanding General Fund Obligations

	PAID FROM GENERAL FUND			SELF-SUPPORTING BONDS SECURED BY GENERAL FUND				
Fiscal Year Ending June 30	Limited Tax Revenue Bonds	Limited Tax Pension Obligation Revenue Bonds (1)	Total Bonds Paid from General Fund	Limited Tax Improve. Bonds (2)	Arena Limited Tax Revenue Bonds (3)	Limited Tax Pension Obligation Revenue Bonds (4)	Other Limited Tax Revenue Bonds (5)	Total Self-Supporting Bonds/ Gen. Fund
2006	$11,291,153	$6,470,197	$17,761,350	$2,039,233	$2,447,905	$10,958,085	$10,537,710	$25,982,933
2007	11,452,543	7,424,302	18,876,845	2,037,133	2,535,705	12,573,980	10,743,280	27,890,098
2008	11,055,793	8,166,114	19,221,907	1,969,133	2,727,415	13,830,330	10,974,270	29,501,148
2009	8,416,525	8,495,385	16,911,910	869,520	2,823,250	14,387,992	11,186,463	29,267,225
2010	8,026,410	8,828,964	16,855,374	869,520	2,921,908	14,952,950	11,434,153	30,178,531
2011	8,042,573	9,196,248	17,238,821	869,520	3,262,953	15,574,990	11,465,290	31,172,753
2012	7,186,763	9,558,733	16,745,496	869,520	3,368,925	16,188,905	11,658,303	32,085,653
2013	6,544,820	9,943,772	16,488,592	3,569,520	3,484,500	16,841,016	11,989,878	35,884,914
2014	5,460,775	10,329,489	15,790,264	1,227,720	3,601,500	17,494,275	12,242,420	34,565,915
2015	5,462,316	10,750,798	16,213,114	1,011,845	3,720,750	18,207,815	12,495,338	35,435,748
2016	5,461,781	11,184,721	16,646,502	2,118,195	3,846,500	18,942,717	12,892,863	37,800,275
2017	3,048,659	11,627,944	14,676,603	661,605	1,947,750	19,693,370	13,586,628	35,889,353
2018	3,040,296	12,095,715	15,136,011	1,811,605		20,485,598	13,647,913	35,945,116
2019	470,294	12,583,617	13,053,911	3,675,543		21,311,921	13,972,113	38,959,576
2020	471,144	13,081,663	13,552,807	455,880		22,155,425	14,315,488	36,926,793
2021		13,604,648	13,604,648	455,880		23,041,165	14,664,363	38,161,408
2022		14,150,222	14,150,222	455,880		23,965,162	14,616,413	39,037,455
2023		14,716,231	14,716,231	10,935,880		24,923,769	14,361,613	50,221,262
2024		15,304,658	15,304,658			25,920,342	11,979,213	37,899,555
2025		15,917,215	15,917,215			26,957,785	9,891,213	36,848,998
2026		16,553,904	16,553,904			28,036,096	9,896,063	37,932,159
2027		17,214,723	17,214,723			29,155,277	9,891,438	39,046,715
2028		17,905,243	17,905,243			30,324,757	9,896,825	40,221,582
2029		18,619,893	18,619,893			31,535,107	9,990,688	41,525,795
2030							9,997,388	9,997,388
Total	$95,431,845	$293,724,399	$389,156,244	$35,903,132	$36,689,060	$497,458,829	$298,327,327	$868,378,348

Notes:

(1) Reflects General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown reflect projected debt service on the bonds, net of capitalized interest.

(2) Actual debt service may differ substantially from schedule above due to optional and mandatory redemption provisions. Does not include effect of FY2004-05 calls.

(3) Bonds are expected to be paid from Oregon Arena Project revenues.

(4) Reflects non-General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown reflect projected debt service on the bonds, net of capitalized interest.

(5) Includes bonds issued to finance Central City Streetcar, Convention Center Expansion Project, and improvements to the Portland Center for the Performing Arts ("PCPA") and Civic Stadium. Bonds issued for the Streetcar project are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and Civic Stadium will be repaid in whole or in part from transient lodging tax and vehicle rental tax surcharges imposed by Multnomah County.

Source: City of Portland.

SHORT-TERM AND OTHER INDEBTEDNESS

Cash Flow Borrowings

The City may borrow for General Fund operating purposes through the issuance of short-term tax anticipation notes ("TANs"). State law limits the amount of TANs that a political subdivision may sell annually to no more than 80 percent of the amount of the annual tax levy, and all TANs must be retired prior to the end of the fiscal year in which they were issued. On July 13, 2004, the City issued $15,960,000 of tax anticipation notes to fund cash flow deficits in the Fire and Police Disability and Retirement Fund. These notes will be retired on June 29, 2005.

Short-Term Borrowings

The City has issued short-term notes and lines of credit for a variety of purposes including interim construction financing of local improvement districts and interim financing for urban renewal district projects, parking facilities, housing, and other capital projects. The notes are paid primarily from bond proceeds sold at completion of the construction projects. The City currently has approximately $49.4 million of these short-term obligations outstanding.

Conduit Financings

The City issues revenue bonds for certain private activities under specific statutory authority. This debt is payable solely from private sources and is not an obligation of the City. These bonds are not reported in this Official Statement.

Concurrent Debt Issues

The City of Portland is currently underway or planning for the issuance of additional debt over the next six months. The following table identifies issues that are being sold in the same time frame as the 2005 Bonds or are presently under consideration, estimated issuance amounts and dates, and the expected type of issue. The City may also obtain lines of credit for various facilities and equipment in amounts to be determined. These plans are subject to change.

CITY OF PORTLAND, OREGON
Future Debt Issues

Purpose	Estimated Amount	Planned Issue Date	Type of Issue
Provide funding for various housing projects	$9.6 million	May 2005	Limited Tax Housing Revenue Bonds
Refund portions of Water System Revenue Bonds, 1997 Series A and 2000 Series A	$42 million	May 2005	Water System Revenue Refunding Bonds
Refund Sewer System Revenue Bonds, 2000 Series A	$150 million	Spring 2005	First Lien Sewer System Revenue Refunding Bonds
Refund portions of Limited Tax Revenue Bonds, 1998 Series A, 1998 Series B, and 1999 Series B	$13 million	Spring 2005	Limited Tax Revenue Refunding Bonds

Source: City of Portland.

TRENDS IN PROPERTY VALUATION AND TAXATION

The following tables present trends in property valuation and taxation for the City. See the section entitled "PROPERTY TAX AND VALUATION INFORMATION" for statutory and administrative requirements pertaining to property valuation and taxation in Oregon.

CITY OF PORTLAND, OREGON
Historical Trends in Assessed and Real Market Values
FY 1997-98 through FY 2004-05
(000s)

Assessed Value

Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Assessed Value	Percent Change
1997-98 (1)	26,413,250	111,212	1,764,211	28,288,673	(14.80%)
1998-99	27,900,438	128,750	1,988,740	30,017,928	6.11%
1999-00	29,221,639	133,939	2,144,205	31,499,783	4.94%
2000-01	30,536,310	142,710	2,744,898	33,423,918	6.11%
2001-02	31,724,086	152,421	3,258,040	35,134,547	5.12%
2002-03	32,412,271	158,690	3,557,116	36,128,077	2.83%
2003-04	33,166,845	160,207	3,981,438	37,136,519	2.79%
2004-05	34,214,710	179,226	4,093,296	38,487,232	3.64%

Real Market Value (2)

Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Assessed Value	Percent Change
1997-98 (1)	$34,374,190	$147,783	$2,231,355	$36,753,328	10.65%
1998-99	36,598,114	165,782	2,522,729	39,286,625	6.89%
1999-00	39,613,750	174,744	3,157,236	42,945,730	9.31%
2000-01	41,884,242	188,959	4,250,563	46,323,764	7.87%
2001-02	44,730,566	201,208	5,424,131	50,355,905	8.70%
2002-03	46,433,551	207,172	6,021,978	52,662,701	4.58%
2003-04	48,768,158	226,555	6,497,670	55,492,383	5.37%
2004-05	51,547,668	250,013	7,052,557	58,850,238	6.05%

Notes:

(1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area. See "Property Tax and Valuation Information" herein.

(2) Allocation of Real Market Value to categories "Inside Multnomah County" and "Urban Renewal Incremental Value" is estimated by the City.

Sources: Multnomah County Department of Assessment and Taxation; Multnomah County Tax Supervising and Conservation Commission; City of Portland.

CITY OF PORTLAND, OREGON
Consolidated Tax Rate: Fiscal Year 2004-05
Levy Code 001 (1)

Taxing District	Permanent Tax Rate Per $1000 A.V.	Local Option And Other Tax Rates (2) Per $1000 A.V.	General Obligation Debt Tax Rate Per $1000 A.V.	Total Tax Rate Per $1000 A.V.
CITY OF PORTLAND	$4.5770	$3.1876	$0.2145	$7.9791
Portland Urban Renewal	0.0000	0.3897	0.0000	0.3897
Port of Portland	0.0701	0.0000	0.0000	0.0701
Metro	0.0966	0.0000	0.1872	0.2838
Multnomah County	4.3434	0.7550	0.1801	5.2785
Tri-County Metropolitan Trans. Dist.	0.0000	0.0000	0.1104	0.1104
Subtotal - General Government	$9.0871	$4.3323	$0.6922	$14.1116
Portland School District	$5.2781	$0.7500	$1.1511	$7.1792
Portland Community College	0.2828	0.0000	0.2271	0.5099
Multnomah Co. Education Svc. Dist.	0.4576	0.0000	0.0000	0.4576
Subtotal - Schools	$6.0185	$0.7500	$1.3782	$8.1467
Totals	$15.1056	$5.0823	$2.0704	$22.2583

Notes:

(1) Levy Code 001 includes approximately 66 percent of the total assessed value of the City. Rates are before allocation to urban renewal division of taxes.
(2) Includes the City Fire and Police Disability and Retirement pension levy, urban renewal special levies, Multnomah County local option library levy, and Portland School District local option levy for operations and pension bond levy. Does not include urban renewal division of taxes rate.

Source: Multnomah County Department of Assessment and Taxation.

CITY OF PORTLAND, OREGON
Tax Collection Record for the Last Ten Years (1)

Fiscal Year	Total Levy (000) (2)	Collected Year of Levy (3)	Collected As of 3/16/05
1995-96	182,497	94.76%	99.99%
1996-97	208,823	96.75%	99.99%
1997-98	213,328	95.87%	99.98%
1998-99	228,449	96.87%	99.98%
1999-00	237,785	96.56%	99.96%
2000-01	257,865	96.35%	99.91%
2001-02	267,740	96.46%	99.59%
2002-03	283,978	96.57%	99.23%
2003-04	324,709	96.92%	98.53%
2004-05	332,887	91.38%(4)	91.38%(4)

Notes:

(1) Tax collection information is for Multnomah County, which represents approximately 99% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.

(2) Includes urban renewal Special Levy and levy amounts allocated to urban renewal Divide the Taxes Revenues. Levy amounts shown are after Measure 5 compression.

(3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections.

(4) Partial year collections

Sources: Multnomah County Department of Assessment and Taxation and City of Portland.

CITY OF PORTLAND, OREGON
Principal Property Taxpayer Accounts
2004-05 Assessed Value

Taxpayer Account	Type of Business	Property Assessed Value	% of Total City Assessed Value
Total City Assessed Value		$38,487,231,667	100.0%
Qwest Corporation	Communications	$539,613,192	1.40%
Portland General Electric	Energy	247,827,590	0.64%
Pacificorp (PP&L)	Energy	230,953,992	0.60%
Wacker Siltronic Corp	Silicon wafer manufacturing	169,330,176	0.44%
LC Portland LLC	Real estate	134,660,374	0.35%
United Airlines Inc.	Airline	123,406,804	0.32%
Northwest Natural Gas Co	Energy	121,439,800	0.32%
Alaska Airlines Inc.	Airline	117,000,000	0.30%
One Eleven Tower LLC	Real estate	106,511,128	0.28%
Oregon Arena Corp.	Entertainment	102,786,716	0.27%
		$1,893,529,772	4.92%

Source: Multnomah County Department of Assessment and Taxation.

(End of Annual Disclosure Information)

PROPERTY TAX AND VALUATION INFORMATION

The property tax is used by Oregon cities, counties, schools and other special districts to raise revenue to partially defray the expense of local government. The State of Oregon has not levied property taxes for general fund purposes since 1941 and obtains its revenue principally from income taxation.

Oregon voters changed the Oregon property tax system substantially when they approved Ballot Measure 50 in May of 1997. Ballot Measure 50 was a citizen initiative that substantially amended Article XI, Section 11 of the Oregon Constitution ("Section 11").

SECTION 11

Section 11 of the Oregon Constitution granted all local governments which levied property taxes for operations in FY 1997-1998 a permanent tax rate which was based on the taxing authority of those governments before Ballot Measure 50 was adopted. Permanent tax rates cannot be increased. The City's permanent tax rate is $4.5770/$1,000 of Assessed Value.

Section 11 provides that property which was subject to ad valorem taxation in FY 1997-1998 will have an Assessed Value in that fiscal year which is equal to 90 percent of its FY 1995-96 estimated market value. Section 11 limits annual increases in Assessed Value to three percent for fiscal years after 1997-98, unless the property changes because it is substantially improved, rezoned, subdivided, annexed, or ceases to qualify for a property tax exemption.

New construction and changed property is not assessed at its estimated market value. (In Oregon, the assessor's estimate of market value is called "Real Market Value.") Instead, it receives an Assessed Value that is calculated by multiplying the Real Market Value of the property by the ratio of Assessed Values of comparable property in the area to the Real Market Values of those properties. This produces an Assessed Value for new construction and changed property that approximates to the Assessed Value of comparable property in the area.

Section 11 requires that new taxes be approved at an election that meets the voter participation requirements described below.

Local governments that have permanent tax rates cannot increase those rates. Local governments (including community colleges and school districts) can obtain the authority to levy "local option taxes" (see below).

Section 11 limits property tax collections by limiting increases in Assessed Value, by preventing increases in permanent tax rates, and through its voter participation requirements (see below).

In addition to permanent rate levies and local option levies, Section 11 allows the following:

- Some urban renewal areas which were in existence when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. The City has five urban renewal areas with this taxing authority.

- The City is authorized to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to $2.80/$1,000 of Real Market Value under this exemption.

- Local governments are authorized to impose taxes to pay general obligation bonds (see below).

SECTION 11B

A citizen initiative which is often called "Measure 5," was added to the Oregon Constitution as Article XI, Section 11b. This section ("Section 11b") limits property tax collections by limiting the tax rates (based on Real Market Value) which are imposed for government operations.

Section 11b divides taxes imposed upon property into two categories: "non-school taxes" which fund the operations of local governments other than schools; and, "school taxes" which fund operations of the public school system and community colleges. Section 11b limits rates for combined non-school taxes to $10 per $1,000 of Real Market Value, and rates for school taxes to $5 per $1,000 of Real Market Value.

If the combined tax rates within a category exceed the rate limit for the category, local option levies are reduced first, and then permanent rate levies, urban renewal levies and the City's pension levy are reduced proportionately to bring taxes within the rate limit.

Taxes levied to pay general obligation bonds that comply with certain provisions are not subject to the rate limits of Section 11b.

In addition to limiting ad valorem property taxes, Section 11b also restricts the ability of local governments to impose certain other charges on property and property ownership.

LOCAL OPTION TAXES

Local governments (including community colleges and school districts) may obtain voter approval to impose local option taxes. Local option taxes are limited to a maximum of ten years for capital purposes, and a maximum of five years for operating purposes. Legislation was passed in the 1999 Session which allows school districts to use local option levies beginning October 23, 1999. In May 2000, voters approved a local option levy for the Portland School District to support the costs of teachers, science programs, and restoration of other reduced or eliminated school programs through FY 2004-05.

Local option levies are subject to the "special compression" under Section 11b. If operating taxes for non-school purposes exceed the $10/$1,000 limit, local option levies are reduced first to bring operating taxes into compliance with this limit. This means that local option levies can be entirely displaced by future approval of permanent rate levies for new governments, or by levies for urban renewal areas and the City's pension levy.

Three local government local option levies are currently in place within Multnomah County. Voters approved two local option levies of the City, which total $0.7926 per $1,000 of Assessed Value in FY 2003-04. A Multnomah County local option levy for libraries also was approved at a rate of $0.7550 per $1,000 of Assessed Value. These local option levies took effect in FY 2003-04 and extend for five years.

VOTER PARTICIPATION

New local option levies, taxes to pay general obligation bonds (other than refunding bonds), and permanent rate limits for governments that have not previously levied operating taxes must be approved at an election that meets the voter participation requirements established by Section 11. Section 11 requires those taxes to be approved by a majority of the voters voting on the question either: (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent (50 percent) of the registered voters eligible to vote on the question cast a ballot.

In many localities in Oregon, including the City, it is unusual for more than fifty percent of registered voters to cast ballots at an election other than a general election in an even numbered year.

GENERAL OBLIGATION BONDS

Levies to pay the following general obligation bonds are exempt from the limits of Section 11 and 11b:

1) general obligation bonds authorized by a provision of the Oregon Constitution (this applies to State of Oregon general obligation bonds);

2) general obligation bonds issued on or before November 6, 1990;

3) general obligation bonds which were approved by a majority of voters after November 6, 1990 and before December 5, 1996, which are issued to finance capital construction or capital improvements;

4) general obligation bonds which were approved after December 5, 1996, which are issued to finance capital construction or capital improvements, and which met the voter participation requirements described above; and

5) obligations issued to refund the general obligation bonds described in the preceding four subparagraphs.

COLLECTION

The county tax collectors extend authorized levies, compute tax rates, bill and collect all taxes and make periodic remittances of collections to tax levying units. County tax collectors are charged with calculating public school and local government taxes separately, calculating any tax rate reductions to comply with tax limitation law, and developing percentage distribution schedules. Tax collectors then report to each taxing district within five days the amount of taxes imposed.

Tax collections are now segregated into two pools, one for public schools and one for local governments, and each taxing body shares in its pool on the basis of its tax rate (adjusted as needed with tax limitation rate caps), regardless of the actual collection experience within each taxing body. Therefore, in application, the amount for each taxing body becomes a pro rata share of the total tax collection record of all taxing bodies within the County. Thus, an overall collection rate of 90 percent of the county-wide levy translates into a 90 percent tax levy collection for each taxing body.

Taxes are levied and become a lien on July 1 and tax payments are due November 15 of the same calendar year. Under the partial payment schedule the first third of taxes are due November 15, the second third on February 15 and the remaining third on May 15. A three-percent discount is allowed if full payment is made by the due date, two-percent for a two-thirds payment. Late payment interest accrues at a rate of 1.33 percent per month. Property is subject to foreclosure proceedings four years after the tax due date.

A Senior Citizen Property Tax Deferral Program (1963) allows homeowners to defer taxes until death or sale of the home. Qualifications include a minimum age of 62 and household income under $19,500 for claims filed after January 1, 1991; $18,500 if filed during 1990; or $17,500 if filed prior to January 1, 1990. Taxes are paid by the State, which obtains a lien on the property and accrues interest at 6 percent.

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated July 1, 2004, population of 550,560, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for an immediate metropolitan area with a population of approximately 1.6 million. The City is the county seat of Multnomah County, and is the largest city in Oregon and the second largest city in the Pacific Northwest.

For information regarding City economic characteristics, see "APPENDIX B - CITY ECONOMIC CHARACTERISTICS."

THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed initiative measures are submitted which do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

PROPOSED INITIATIVES WHICH QUALIFY TO BE PLACED ON THE BALLOT

To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a Governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2004 general election, the requirement was eight percent (100,840 signatures) for a constitutional amendment measure and six percent (75,630 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact only.

Historically, a larger number of initiative measures have qualified to be placed on the ballot than have been approved by the electors. According to the Elections Division of the Oregon Secretary of State, the total number of initiative petitions that have qualified for the ballot and the numbers that have passed in recent general elections are shown in the following table.

CITY OF PORTLAND, OREGON
Initiative Petitions that Qualified and Passed
1990-2004

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
1990	8	3
1992	7	0
1994	16	9
1996	16	4
1998	10	6
2000	18	4 (1)
2002	7	3
2004	6	2

Notes:

(1) On October 4, 2002, the Oregon Supreme Court ruled that Measure 7 is unconstitutional, and it has not been included in the number of initiatives that passed.

Source: Elections Division, Oregon Secretary of State.

MEASURE 37 WHICH APPEARED ON THE NOVEMBER 2004 BALLOT

Oregon voters approved citizen initiative petition Measure 37 on November 2, 2004. Measure 37 became effective on December 2, 2004.

Measure 37 adds several new statutory provisions to Oregon law. Measure 37 entitles certain landowners either (a) to compensation for the reduction in the market value of their property that results from certain land use regulations (the "Restrictions") that are enacted or enforced against the property; or, (b) to have their land released from the Restrictions. The government body that enacted or enforced the Restrictions decides whether to pay the claim or waive the Restrictions.

"Restrictions" do not include regulation of nuisances, regulations that protect public health, regulations that are required by federal law; and regulations that were enacted before the current property owner (or a member of that owner's family) acquired the property.

If claims are not paid within two years after they accrue, Measure 37 releases the land from the Restrictions and it is not clear whether the governments imposing the Restrictions have any residual liability.

The City has enacted Restrictions, and to date has received seven claims. The amount of compensation being demanded is approximately $2.4 million. However, it is extremely difficult to predict the cost of Measure 37 to the City because (i) Measure 37 only applies to some landowners and to some land use regulations, and (ii) Measure 37 allows governments to release property from the Restrictions instead of paying claims.

The City cannot predict how Measure 37 will be interpreted, whether the Oregon Legislative Assembly will change the provisions of Measure 37, whether the City will choose to pay claims under Measure 37, or the magnitude of any claims the City may choose to pay.

FUTURE INITIATIVE MEASURES

The recent experience in Oregon is that many more initiative measures are proposed in some form than receive the number of signatures required to be placed on a ballot. Consequently, the City cannot accurately predict whether specific future initiative measures that may have an adverse effect on the City's financial operations will be proposed, obtain sufficient signatures, and be placed on a ballot for voter approval, or if placed on a ballot, will be approved by voters.

The Oregon Secretary of State's office maintains a list of all initiative petitions that have been submitted to that office. The office can be reached by telephone at (503) 986-1518.

TAX EXEMPTION

In the opinion of Preston Gates & Ellis LLP, Bond Counsel, assuming compliance with certain covenants of the City and the Commission, interest on the 2005 Bonds is excluded from gross income for federal income tax purposes under existing law. Interest on the 2005 Bonds is not an item of tax preference under the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of determining the alternative minimum tax imposed on individuals and corporations. Interest on a 2005 Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a 2005 Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Ownership of the 2005 Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2005 Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the 2005 Bonds should consult their own tax advisors as to collateral federal income tax consequences.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2005 Bonds for interest thereon to remain excluded from gross income for federal income tax purposes. The City has and Commission have covenanted to comply with such requirements. Noncompliance with such requirements may cause the interest on the 2005 Bonds to be included in gross income of the owners of the 2005 Bonds for federal income tax purposes, retroactive to the date of issue of the 2005 Bonds. Bond Counsel's opinion assumes compliance with these covenants and Bond Counsel has not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the 2005 Bonds may affect the tax status of interest on the 2005 Bonds.

The initial public offering price for certain maturities of the 2005 Bonds is greater than the amount payable on the 2005 Bonds at maturity. Bond Counsel expresses no opinion with respect to the treatment of this excess. Investors should seek advice thereon from their own tax advisors.

In the opinion of Bond Counsel, interest on the 2005 Bonds is exempt from Oregon personal income tax and Multnomah County personal income tax under existing law.

UNDERWRITING AND LEGAL

UNDERWRITING AGREEMENT

Subject to the terms and conditions set forth in the Bond Purchase Contract relating to the 2005 Bonds, the Underwriter will purchase from the City all of the 2005 Bonds, at a price of $11,902,641, which represents an original issue premium of $257,853 less a fee for Underwriter's discount and certain Underwriter's expenses of $95,212. After the initial public offering, the public offering prices may be changed from time to time by the Underwriter.

RATING

The 2005 Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the 2005 Bonds. The rating reflects only the view of Moody's and an interpretation of such rating may be obtained only from Moody's: Moody's Investors Service, Inc., 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions on its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of such agency, circumstances so warrant. Any such revision or withdrawal of the rating may have an adverse effect on the market price of the 2005 Bonds

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2005 Bonds by the City are subject to the approving opinion of Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2005 Bonds, the Program, the Bond Declaration, and the authority to issue the 2005 Bonds conform to the 2005 Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions "THE 2005 BONDS," "CITY LIGHTS HOUSING PROGRAM," and "TAX EXEMPTION" have been reviewed and approved by Bond Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Foster Pepper & Shefelman PLLC, Seattle, Washington.

ABSENCE OF LITIGATION

There is no litigation pending or threatened against the City which impairs the City's ability to make principal and interest payments on the 2005 Bonds when due. There is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

CONFLICTS OF INTEREST

Some or all of the fees of the Underwriter, the Underwriter's counsel and Bond Counsel are contingent upon the issuance, sale and delivery of the 2005 Bonds. From time to time Bond Counsel has represented the Underwriter in different transactions and in different capacities. The Commission is governed by a five-member citizen Board, appointed by the Mayor and approved by the City Council. No member of the City Council or other officer of the City or the Commission has any interest in the 2005 Bonds that is prohibited by applicable law.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix E for the benefit of the 2005 Bond holders.

The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the Underwriter or owners of any of the 2005 Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

At the time of the original delivery of the 2005 Bonds, the City will deliver a certificate to the Underwriter to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2005

Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 2005 Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

The execution and delivery of this Official Statement has been duly approved by the City.

CITY OF PORTLAND, OREGON

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APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF MASTER BOND DECLARATION

CITY OF PORTLAND OREGON

1851

SUMMARY OF CERTAIN PROVISIONS OF MASTER BOND DECLARATION

The following statements are a brief summary of certain provisions of the Declaration executed in connection with the issuance and sale of the 2005 Bonds that have not been described elsewhere in this Official Statement. The summary does not purpose to be complete and reference is made to the actual documents available from the City for a complete statement of the provisions hereof.

DEFINITIONS

All capitalized terms contained in this Official Statement have the same meaning as the identical term in the Declaration, unless expressly stated otherwise. The following are definitions set forth in the Declaration.

"2005 Bonds" collectively means the 2005 Series A Bonds and the 2005 Series B Bonds.

"2005 Project" means the construction, acquisition and development of a 100-unit apartment complex and related improvements called the Headwaters Apartments Project which is located at Tryon Creek at the intersection of SW 30th Avenue and Dolph Court in Portland, Oregon.

"2005 Project Budget" means a 2005 Project budget adopted by the Commission and a five-year pro-forma budget for the 2005 Project in a form acceptable to the City.

"2005 Series A Bonds" means the City's Limited Tax Housing Revenue Bonds, 2005 Series A (Headwaters Apartments Project).

"2005 Series B Bonds" means the City's Limited Tax Housing Revenue Bonds, 2005 Series B (Headwaters Apartments Project).

"Accountant" means any firm of independent certified public accountants selected by the City.

"Accountant's Certificate" means a certificate from an accountant in the form attached to the Declaration.

"Accounting Period" means a period of four consecutive weeks.

"Act" means the Uniform Revenue Bond Act, ORS 288.805 to 288.945, as amended from time to time.

"Additional Projects" means any housing project or other project that is a part of the City Lights Housing Program and is financed with Parity Indebtedness.

"Annual Budget" means the annual budget as approved by the Commission and the City.

"Annual Debt Service" means the amount required to be paid in a Fiscal Year of principal and interest on Outstanding Bonds for a Project, calculated as follows:

(a) Interest which is to be paid from proceeds of Bonds for such Project shall be subtracted.

(b) Bonds for such Project which are subject to scheduled, noncontingent redemption or tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption or tender, and only the amount scheduled to be Outstanding on the final maturity date shall be treated as maturing on that date.

(c) Bonds for such Project which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates.

(d) Variable Rate Obligations for such Project shall bear interest from the date of computation until maturity at their Estimated Average Interest Rate.

(e) City Payments to be made in the Fiscal Year under a Parity Exchange Agreement for such Project shall increase Annual Debt Service, and Reciprocal Payments to be received in the Fiscal Year under a Parity Exchange Agreement for such Project shall reduce Annual Debt Service.

"Asset Management Fee" means a fee paid to the Commission from Net Revenues for a Project to manage such Project.

"Authorized Denomination" means $5,000 or any integral multiple thereof.

"Authorized Representative" means the Executive Director of the Commission, or his designee.

"Available General Funds" means "Revenues," as defined in the Act, of the City which are legally available to pay the Bonds, including property tax revenues, as pledged by the City pursuant to Ordinance No. 178905 enacted November 24, 2004.

"Beneficial Owner" means, whenever used with respect to a Bond, the Person whose name is recorded as the beneficial owner of such Bond pursuant to the arrangements for book-entry determination of ownership applicable to the securities depository so long as the Bonds are held in book-entry form.

"BEO" means "book-entry-only" and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

"BMA Index" means the BMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor. However, if that index ceases to be available, "BMA Index" means an index reasonably selected by the City which is widely available to dealers in municipal securities, and which measures the interest rate of municipal securities that bear interest at short term or variable rates.

"Bond Buyer 20 Bond Index" means the 20-Bond GO Index published by *The Bond Buyer*. However, if that index ceases to be available, "Bond Buyer 20 Bond Index" means an index reasonably selected by the City which is widely available to dealers in municipal securities, and which measures the interest rate of high quality, long-term, fixed rate municipal securities.

"Bond Counsel" means an attorney at law or firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on municipal bonds, duly admitted to practice law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Fund" means the fund of that name established pursuant to and as described in the Declaration.

"Bond Register" means the books for registration of the Bonds kept for the City by the Paying Agent.

"Bond Year" means the one-year period established for each Series of tax-exempt Bonds to calculate arbitrage rebate. For the 2005 Bonds, the first Bond Year shall commence on the date of Closing and end on March 31, 2006; and each succeeding Bond Year shall commence on April 1 and end on the following March 31.

"Bonds" means the 2005 Bonds and any Parity Indebtedness.

"Business Day" means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

"City" means the City of Portland, Oregon.

"City Payment" means any scheduled payment required to be made by or on behalf of the City under an Exchange Agreement which is either fixed in amount or is determined according to a formula set forth in the Exchange Agreement.

"Closing" means the date on which a Series of Bonds is delivered in exchange for payment.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Commission" means the Portland Development Commission of the City of Portland, Oregon.

"Commission Certificate" means a certificate executed by the Authorized Representative of the Commission in connection with the issuance of each Series of Bonds. The Commission Certificate executed in relation to the 2005 Bonds is in substantially the form attached at the end of this Appendix A.

"Condemnation Award" or "Condemnation Proceeds" means the total condemnation proceeds actually paid by the condemnor as a result of the condemnation of all or any part of a Project less the actual costs and expenses, including attorneys' fees, incurred by the City or the Commission in obtaining such award.

"Coverage Certificate" means a certificate from the Commission provided in accordance with the requirements of the Declaration for the 2005 Series B Bonds and the Commission Certificate for any subsequent Series of Bonds.

"Coverage Ratio" means the ratio for a Fiscal Year of Net Revenues of a Project to Required Debt Service on the Outstanding Bonds for such Project.

"Coverage Ratio Requirement" means a Coverage Ratio of at least 1.20 to 1, or such requirement as mutually agreed upon by the City and the Commission.

"Debt Manager" means the Debt Manager of the City, the Director of the Bureau of Financial Services of the City, the Chief Administrative Officer of the Office of Management and Finance of the City, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under the Declaration.

"Declaration" means the Master Bond Declaration dated as of April 18, 2005, of the City relating to the 2005 Bonds and any Parity Indebtedness, as it may be supplemented and amended from time to time pursuant to the Declaration.

"Deferred Developer Fee Interest" means the annual interest payments to the Developer or its assign due from the Commission under Section 3.1 of the Headwaters at Tryon Creek Development Services Management Agreement between the Commission and the Developer.

"Deferred Developer Fee Principal" means the principal payments on the development fee to the Developer due from the Commission under Section 3.1 of the Headwaters at Tryon Creek Development Services Management Agreement between the Commission and the Developer.

"Developer" means Dolph Creek LLC, as the developer of the 2005 Project.

"Disbursement Certificate" means (a) a certificate signed by an Authorized Representative of the Commission directing the City to pay for the costs of a Project or costs of issuance of a Series of Bonds from the related subaccount of the Projects Fund, (b) a certificate signed by an Authorized Representative of the Commission directing the City to pay for Project costs or Annual Debt Service from the related subaccount of the Project Reserve Fund, or (c) any certificate signed by an Authorized Representative of the Commission directing the City to disburse the proceeds of any Parity Indebtedness pursuant to the terms of the Supplemental Declaration for that Parity Indebtedness.

"DTC" means the Depository Trust Company of New York, the initial securities depository for the Bonds, or any other depository approved by the City for BEO bonds.

"Environmental Laws" means any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment.

"Estimated Average Interest Rate" is the interest rate that Variable Rate Obligations are assumed to bear, and shall be calculated as provided in the Declaration.

"Event of Default" refers to an Event of Default listed in this summary under "REMEDIES AND DEFAULTS."

"Excess Revenues" means Revenues derived from a Project that remain after the transfer and expenditures for such Project set forth in the Declaration.

"Excess Revenues Account" means the account within the Revenue Fund into which the Excess Revenues of each Project shall be deposited. There shall be created a 2005 Excess Revenues Subaccount within the Excess Revenues Account.

"Exchange Agreement" means a swap, cap, floor, collar or similar transaction which includes a written contract between the City and a Reciprocal Payor under which the City is obligated to make one or more City Payments in exchange for the Reciprocal Payor's obligation to pay one or more Reciprocal Payments, and which provides that:

(a) the Reciprocal Payments are to be deposited directly into the Parity Indebtedness Account; and,

(b) the City is not required to fulfill its obligations under the contract if: (i) the Reciprocal Payor fails to make any Reciprocal Payment; or (ii) the Reciprocal Payor fails to comply with its financial status covenants.

"Extraordinary Maintenance Expenses" means the costs of unforeseen repairs, improvements or expenses that are necessary in the opinion of the Commission to maintain the viability of a Project.

"Extraordinary Mandatory Redemption" means a redemption of all or any portion of the Bonds pursuant to the Declaration.

"Final Computation Date" means the date on which all amounts due with respect to a Series of Bonds are actually and unconditionally due, if cash is available at the place of payment, and no interest accrues with respect to that Series of Bonds after such date. The Final Computation Date for a Series of Bonds will be the earlier of: (a) the final maturity date for that Series of Bonds or (b) the date on which that Series of Bonds is redeemed in whole.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon law.

"Fund" or "Funds" means the funds created and established pursuant to the Declaration, including, but not limited to, the Bond Fund, the Revenue Fund, the Project Reserve Fund and the Projects Fund, but excluding the Rebate Fund.

"Government Obligations" means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

"Hazardous Substances" means all materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. Hazardous Substances shall include, but are not limited to, any and all hazardous or toxic substances, materials or waste as defined by or listed under the Federal Resource Conservation and Recovery Act, the Federal Toxic Substances Control Act, the Federal Comprehensive Environmental Response, Compensation and Liability Act, the Oregon Hazardous Waste and Hazardous Materials Act or any other of the Environmental Laws. Hazardous Substances shall specifically include, but not be limited to, petroleum, including crude oil and any fraction thereof.

"Housing Consultant" means any nationally recognized firm of consultants, any nationally recognized firm of certified public accountants or any other financial advisor, underwriter or consultant selected by the Commission and approved by the City and with experience in the preparation of studies for use in connection with the financing or evaluation of housing projects.

"Installment Computation Date" means the last day of the fifth Bond Year and each succeeding fifth Bond Year thereafter.

"Insurance Proceeds" means the total proceeds of casualty insurance actually paid or payable in respect of insurance on the Projects, less the actual costs and expenses, including attorneys' fees, incurred by the City or the Commission in collecting such proceeds.

"Interagency Agreement" means the Interagency Agreement between the City and the Commission entered into as of October 13, 2004, as it may be amended from time to time.

"Investment Earnings" means all earnings derived from the investment of money held in any of the Funds.

"Legally Available Funds of the Commission" means the funds pledged and appropriated by the Commission to make payments on the Bonds as those funds are described in the Interagency Agreement.

"Maximum Annual Debt Service" means the greatest Annual Debt Service on a Series of Bonds.

"Minimum Coverage Ratio" means the Coverage Ratio of 1:10 with respect to the 2005 Project that must be met before Excess Revenues of the 2005 Project can be used to redeem the 2005 Series B Bonds.

"Net Revenues" means Revenues derived from a Project (excluding proceeds resulting from Insurance Proceeds and Condemnation Proceeds and excluding Net Sale Proceeds, but including proceeds of business interruption and/or rent loss insurance, and proceeds of liability insurance) less Operation and Maintenance Costs for such Project, and less required deposits into the Project Reserve Fund.

"Net Sales Proceeds" means the purchase price paid by a purchaser of all or any part of a Project, less real estate broker commissions, title insurance fees and expenses, legal fees and expenses incurred in connection with any such sale, the amount of any prorated taxes or insurance required to be paid by the City or the Commission in connection with any such sale and other customary closing costs incurred in connection with any such sale.

"Operation and Maintenance Costs" means all necessary costs to the Commission of operating and maintaining a Project, including but not limited to administrative and general expenses, costs of insurance (including reasonable contributions for self-insurance reserves, if any), consulting and technical services and repairs and replacements (to the extent not properly classifiable as capital costs), but excluding depreciation (or reserves therefore), amortization of intangibles or other bookkeeping entries of a similar nature, Extraordinary Maintenance Expenses, Asset Management Fees, interest on the Deferred Developer Fee Interest, Deferred Developer Fee Principal and debt service on the Bonds issued to finance such Project.

"ORS" means Oregon Revised Statutes.

"Outstanding" refers to all Bonds except those which have been paid, canceled, or defeased, and (for Bonds which must be presented to be paid) those which have matured but have not been presented for payment, but for the payment of which adequate money has been transferred to the Paying Agent.

"Owner" means the person shown on the register maintained by the Paying Agent as the registered owner of a Bond.

"Parity Exchange Agreement" means an Exchange Agreement which qualifies as Parity Indebtedness in accordance with the Declaration.

"Parity Indebtedness" means obligations issued in compliance with the Declaration which are secured by a lien on, and pledge of, the Excess Revenues which secure the 2005 Bonds.

"Paying Agent" means the paying agent and registrar for the Bonds, which, at the time of enactment of the Declaration, is U.S. Bank National Association or its successor.

"Payment Date" means a date on which Bond principal or interest are due, whether at maturity or prior redemption.

"Permitted Encumbrances" means, as of any particular time, the following liens and encumbrances:

(a) The lien of taxes and assessments which are not delinquent or which are being contested in good faith by the City; and

(b) Minor defects, encroachments, irregularities and restrictions in the title to any of the Projects (including covenants, conditions and restrictions on use, operation or development of any of the Projects) which in the aggregate do not materially impair the use of the Projects for the purpose for which the affected Projects are being operated, or if not currently operated, the purpose for which they were designed; and

(c) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, natural gas lines, cable lines, power lines and substations, water lines, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which in the aggregate do not materially impair the use of the Projects for the purpose for which they are being operated, or if not currently operated, the purpose for which they were designed; and

(d) Present or future valid zoning or land use laws and ordinances, including, but not limited to, laws and ordinances requiring short-plat or subdivision of property upon hypothecation or sale; and

(e) The liens, encumbrances, security interests and claims securing, on a parity basis, the Bonds; and

(f) Purchase money security interests granted by the City prior to Closing for the Bonds, lessors' interests in equipment acquired by the City under operating leases, and bailors' interests in equipment in the possession of the City as a bailee; and

(g) Statutory liens arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith; and

(h) Ground leases of real property on which any Project is located; and

(i) Leases or licenses for the use of all or a part of the Projects (including leases or licenses with laundry, cable and other service providers) in accordance with the provisions of the Declaration.

"Permitted Investments" means any investments in which the City is authorized to invest surplus funds under the laws of the State of Oregon.

"Person" means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Project" or "Projects" means any or all of the 2005 Project and the Additional Projects.

"Project Budget" means the budget related to each Project prepared by the Commission under the Declaration. Each Project Budget will be approved by the Commission and will include a five-year pro-forma budget in a form acceptable to the City.

"Project Reserve Fund" means the Fund of that name established pursuant to and as described in the Declaration.

"Project Reserve Requirement" means an amount equal to the amount required as a reserve for the 2005 Bonds and any series of Parity Indebtedness under the terms of any Supplemental Declaration for that Series of Bonds; provided such amount shall not exceed the Tax Maximum.

"Projects Fund" means the Fund of that name established pursuant to and as described in the Declaration.

"Qualified Consultant" means an independent engineer, an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the area for which such person or firm is retained by the City for purposes of performing activities specified in the Declaration.

"Rating Agency" means Fitch Ratings, Moody's Investors Service, Standard & Poor's Ratings Group, or any other nationally recognized financial rating agency which has rated Outstanding Bonds at the request of the City.

"Rebate Analyst" means a firm of certified public accountants, nationally recognized bond counsel or a nationally recognized rebate calculation service with expertise in the calculation of the arbitration rebate chosen in accordance with the Declaration to determine the Rebateable Amount, if any.

"Rebate Fund" means the fund of that name, established pursuant to and as described in the Declaration.

"Rebateable Amount" means the amount, as of each Installment Computation Date and as of the Final Computation Date, required to be paid to the United States pursuant to Section 148(f) of the Code within 60 days after such Installment Computation Date or Final Computation Date. In the case of a rebate calculation made pursuant to the Declaration with respect to any Bond Year other than an Installment Computation Date or the Final Computation Date, the rebateable amount shall be determined as though such calculation date were an Installment Computation Date.

"Reciprocal Payment" means a scheduled payment to be made to, or for the benefit of, the City under an Exchange Agreement by or on behalf of the Reciprocal Payor, which is either fixed in amount or is determined according to a formula set forth in the Exchange Agreement.

"Reciprocal Payor" means a party to an Exchange Agreement (other than the City) that is obligated to make one or more Reciprocal Payments thereunder, and which is rated in one of the top three rating categories by at least one Rating Agency for its obligations under the Exchange Agreement.

“Record Date” means the date used to determine ownership of Bonds for purposes of mailing Bond payments. With respect to any Payment Date, “Record Date” means the 15th day of the calendar month preceding the month containing such Payment Date, or if such 15th day of the preceding calendar month is not a Business Day, the next preceding Business Day.

“Required Debt Service” means, for any Fiscal Year, the sum of: (a) Annual Debt Service; plus (b) the pro-rata amount required for that period to pay the actual fees and expenses of the Paying Agent.

“Resolutions” or “Resolution” means any or all of the resolutions, ordinances or other authorizing documents of the City or Commission authorizing the issuance of Bonds.

“Revenue Fund” means the fund of that name created pursuant to and as described in the Declaration.

“Revenues” means all amounts due to or received by the Commission or by the City for the account of the Commission with respect to a particular Project (other than refundable tenant deposits), including, without limitation, all lease payments, laundry and miscellaneous income.

“SEC” means the federal Securities and Exchange Commission.

“Security” means for any Series of Bonds, the Net Revenues of the Project financed by such Series of Bonds, Excess Revenues from all Projects, all cash and investments in the applicable subaccount of the Funds created under the Declaration, including the proceeds from liquidation of any investments, the Legally Available Funds of the Commission and the City’s Available General Funds.

“Series” or “Series of Bonds” refers to all Bonds which are issued at one time, pursuant to a single resolution, ordinance, declaration or other authorizing document of the issuer, regardless of variations in maturity, interest rate or other provisions, unless the documents authorizing the Bonds declares them to be part of a separate Series.

“Special Record Date” means the date established pursuant to the Declaration as a record date for the payment of defaulted principal of or interest on the Bonds.

“State” means the State of Oregon.

“Supplemental Declaration” means any Declaration amending or supplementing the Declaration, which is adopted in accordance with the Declaration.

“Tax Maximum” means, for any Series of Bonds, the lesser of: Maximum Annual Debt Service on the Series; 125% of the average amount of principal, interest and premium, if any, required to be paid on that Series during all Fiscal Years in which that Series will be Outstanding, calculated as of the date of issuance of that Series; or, 10% of the proceeds of such Series, as “proceeds” is defined for purposes of Section 148(d) of the Code.

“UCC” means the Uniform Commercial Code as adopted in Oregon.

“Undertaking” means the Continuing Disclosure Certificate by the City in the form attached to the Official Statement for the Bonds pursuant to which the City agrees to provide continuing disclosure for a Series of Bonds pursuant to Rule 15c2-12 of the SEC, or any amendment or successor rule or regulation.

“Underwriter” means any underwriter, placement agent or purchaser for any Series of Bonds, and for any Series of Bonds issued before July 18, 2006, it shall mean KeyBanc Capital Markets, a Division of McDonald Investments Inc.

“Variable Rate Obligations” means any Bonds issued with a variable, adjustable, convertible, or other similar interest rate which changes prior to the final maturity date of the Bonds, and any City Payments or Reciprocal Payments under a Parity Exchange Agreement for which the interest portion of the payment is based on a rate that changes during the term of the Exchange Agreement.

CREATION OF FUNDS AND ACCOUNTS

The Declaration directs the City to establish or cause to be established the following funds and accounts:

(a) The Bond Fund, including a 2005 Bond Account;

(b) the Projects Fund, including a 2005 Project Account and a 2005 Costs of Issuance Account;

(c) the Revenue Fund, including a 2005 Project Revenue Account, an Excess Revenues Account, and a 2005 Excess Revenues Subaccount within the Excess Revenues Account;

(d) the Project Reserve Fund, including a 2005 Project Reserve Account; and

(e) the Rebate Fund.

Each Fund and account will be held and maintained by the City (except for the Revenue Fund which will be held and maintained by the Commission).

Bond Fund

The City will deposit in or transfer to the applicable account of the Bond Fund:

(1) all accrued interest, if any, required to be deposited therein from Bond proceeds;

(2) all capitalized interest, if any, from the Projects Fund required to be transferred to the Bond Fund; and

(3) all amounts required to be transferred to the Bond Fund from the Revenue Fund, the Legally Available Funds of the Commission, and from Available General Funds pursuant to the Declaration.

The money and investments in the applicable account of the Bond Fund will be used to the extent required in the following order of priority:

(1) for delivery to the Paying Agent to be used for the payment of the principal of and/or interest on the applicable Bonds coming due on the next Payment Date, and payments due on a scheduled, noncontingent redemption date; and

(2) for delivery to the Paying Agent to be used for the payment of the redemption price of the applicable Series of Bonds called for contingent redemption in accordance with the provisions of the Declaration.

Pending application of money in the Bond Fund as set forth above, such money will be invested and reinvested in Permitted Investments which mature within one year or in the City's investment pool. All Investment Earnings on money and investments in the accounts in the Bond Fund will be retained in such accounts and applied as specified above.

Projects Fund

The City will deposit into the applicable subaccount of the Projects Fund all amounts derived from Bond proceeds required to be deposited therein pursuant to the Declaration, and all amounts received by the City from the Commission or from any other source for purposes of paying costs of the Projects, including capitalized interest, and costs of issuance of the Bonds.

Three Business Days prior to each Payment Date, the City will transfer from the applicable account of the Projects Fund to the applicable account of the Bond Fund, the amount, if any, for payment of interest due on a Series of Bonds as will be specified in a schedule of capitalized interest payments delivered to and acceptable by the City on the Closing date for such Series of Bonds.

All payments made from the applicable account of the Projects Fund pursuant to a Disbursement Certificate received from an Authorized Representative of the Commission will be presumed to be made properly and the City will not be required to see to the application of any payments made from such account of the Projects Fund or to inquire into the purposes for which withdrawals are being made from the Projects Fund. The City will not be responsible for determining whether funds on hand in the applicable account in the Projects Fund are sufficient to complete the applicable Project.

To the extent not otherwise specified in the Declaration or in any Supplemental Declaration with respect to funds remaining in any applicable account of the Projects Fund upon completion of the applicable Project, the City will transfer any money and investments remaining in each applicable account of the Projects Fund to the applicable account of the Bond Fund for payment of the principal and interest on that Series of Bonds.

Pending application of money in the Projects Fund, such money will be invested and reinvested by the City as set forth in the "Investment of Funds" section below. All Investment Earnings will be retained in the applicable accounts of the Projects Fund and applied with other amounts in such accounts of the Projects Fund as specified above.

Revenue Fund

The Commission will establish and maintain a revenue account within the Revenue Fund for each Project. All Revenues of a Project will be deposited in the account of the Revenue Fund for that Project. The Commission will apply funds from each account of the Revenue Fund in the following order of priority for the applicable Project:

(1) To pay Operation and Maintenance Costs for that Project;

(2) To transfer to the account of the Bond Fund for that Project the amounts needed to pay the principal of and premium, if any, and interest on the Bonds issued for that Project coming due, in each case taking into account the amounts already on deposit in the account of the Bond Fund available for that purpose;

(3) To the applicable account of the Project Reserve Fund to restore the balance in the Project Reserve Fund to the Project Reserve Fund Requirement for the applicable Series of Bonds;

(4) To pay, when due, the Rebateable Amount and the costs of calculating the Rebateable Amount for the Bonds issued to finance that Project to the extent such amounts have not been provided for;

(5) To pay, when due, the pro-rata amount of Paying Agent fees incurred with respect to the Bonds issued for that Project;

(6) To pay Extraordinary Maintenance Expenses, if any, for that Project;

(7) To repay the City for any payments made with respect to any Project from the Available General Fund; and

(8) All remaining funds will be deposited in the Excess Revenues Account.

If the Revenues from a Project are not sufficient to make the payments at the times and in the amount described in (1) through (5) above, then the Commission will provide to the City from Excess Revenues the amounts necessary to make the payments at the times and in the manner described in (1) through (5) above.

If the Revenues from a Project are not sufficient to make the payments at the times and in the amounts described in (2) and (3) above, then the Commission will provide to the City from Legally Available Funds of the Commission pursuant to Sections 4.B and 4.C of the Interagency Agreement the amounts necessary make the payments at the times and in the manner described in (2) and (3) above and will present to its Board of Commissioners a request to appropriate funds in an amount which is sufficient to satisfy the Coverage Ratio Requirement, subject to the terms and limitations set forth in Section 4.C of the Intergovernmental Agreement.

If the Revenues from a Project, Excess Revenues and Legally Available Funds of the Commission are not sufficient to make the payments at the times and in the amounts described in (2) through (5) above, then the City will provide from Available General Funds the amounts necessary to make the payments at the times and in the amounts described in (2) through (5) above.

As soon as possible after the City's Available General Funds have been drawn on to make payments at the times and in the amounts described in (2) through (5) above, the Commission will repay the City**,** with interest**,** such amounts from future Net Revenues in the priority set forth above.

Timing of Deposits and Payments by the Commission

The Commission will covenant in the Commission Certificate to make the following transfers:

(1) Not later than three Business Days prior to each Payment Date for the Bonds issued to finance a particular Project, the Commission will provide to the City from Net Revenues for such Project for deposit in the applicable account of the Bond Fund, the amount necessary to pay the interest due on such Bonds on such Payment Date and to pay the principal, if any, and premium, if any, due on such Bonds on such Payment Date, after taking into account any amounts then on deposit in such account of the Bond Fund for such payment.

(2) Not later than three Business Days prior to each redemption date for the Bonds issued to finance a particular Project, the Commission will provide to the City from Net Revenues for such Project for deposit in the account of the Bond Fund, the amount necessary to pay the redemption price, premium, if any, and interest due on such Bonds on such redemption date, after taking into account any amounts then on deposit in such account of the Bond Fund and available for such payment on such redemption date.

(3) Not later than Closing, the Commission will provide to the City or cause to be provided to the City, for deposit in the applicable account of the Project Reserve Fund, the applicable Project Reserve Fund Requirement. If the applicable account of the Project Reserve Fund is drawn upon, the Commission will provide from Net Revenues of the relevant Project the amount necessary to meet the Project Reserve Requirement by the next succeeding Payment Date.

(4) Not later than the date on which they are due, the Commission will transfer from Net Revenues for such Project to the Paying Agent, the pro-rata paying agent fees related to the Bonds issued to finance a particular Project.

Excess Revenues Account; 2005 Excess Revenues Subaccount

Excess Revenues are all moneys that remain after the transfer and expenditures set forth in items (1) through (7) above in the section entitled "Revenue Fund" have been made. The Commission will agree in the Commission Certificate to calculate Excess Revenues for each Project on an annual basis based on the audited comprehensive annual financial report (CAFR) or the unaudited annual financial report and pro formas all as set forth in the Coverage Certificate. In conjunction with the annual audit to calculate Excess Revenues, the Commission will prepare a Coverage Certificate, showing debt service coverage, and a Project Budget.

The Commission will establish the 2005 Excess Revenues Subaccount and a subaccount for each subsequent Series of Bonds in the Excess Revenues Account. In addition to their use to pay scheduled principal and interest on Bonds issued to finance other Projects, funds in the Excess Revenues Subaccount for any subsequent Series of Bonds will be applied as provided in the Commission Certificate and Supplemental Declaration, if any, for that Series of Bonds.

Funds in the 2005 Excess Revenues Subaccount will be applied in the following order of priority:

(1) To pay an Asset Management Fee, if any;

(2) To pay Deferred Developer Fee Interest, if any;

(3) To redeem the 2005 Series B Bonds as set forth in the Declaration (see "THE 2005 BONDS – Redemption Prior to Maturity – *Special Redemption of 2005 Series B Bonds*);

(4) To pay Deferred Developer Fee Principal, if any;

(5) To pay scheduled principal and interest on the Bonds related to any other Project; and

(6) To pay any Project costs.

Project Reserve Fund

The Commission will deposit or cause to be deposited at Closing for each Series of Bonds the applicable Project Reserve Requirement. The City shall create and maintain a Project Reserve Fund and create accounts within such Fund for each Project. Money in each account of the Project Reserve Fund will be used only for capital expenditures or debt service for that Project and as directed by the Commission pursuant to a Disbursement Certificate. To the extent that the amount on deposit in any account of the Project Reserve Fund exceeds the applicable Project Reserve Fund Requirement, then investment earnings in excess of such applicable Project Reserve Fund Requirement in each such account of the Project Reserve Fund will be transferred to the account in the Revenue Fund for the applicable project to be applied with other amounts in such account as described under the heading "Revenue Fund" above.

Funds after Payment or Defeasance

In the event all Bonds have been paid and/or defeased, any excess money remaining in the funds and accounts created under the Declaration will be disbursed in the following order of priority:

(1) To reimburse the City for any money paid from Available General Funds; and

(2) To reimburse the Commission for any money paid from its own funds pursuant to the Interagency Agreement.

Any remaining excess funds may be released to the Commission for Project purposes.

INVESTMENT OF FUNDS; REBATE FUND

Investment of Funds

(A) Money on deposit in the Revenue Fund will be held by the Commission and invested by the Commission in Permitted Investments.

(B) Money on deposit in the Projects Fund will be invested and reinvested by the City in Permitted Investments.

(C) Money on deposit in the Bond Fund will be invested and reinvested by the City only in Permitted Investments maturing no later than the date money in such fund or accounts therein is needed to make the payments authorized to be made therefrom.

(D) Pending application of the money in the Rebate Fund, such money shall be invested and reinvested, to the extent practicable, in Government Obligations maturing on or before the date the money invested therein is required to be paid to the United States.

Allocation of Income and Losses and Valuation

The interest and income received with respect to the investments in any Fund or account held by the City or the Commission under the Declaration, and any profit or loss resulting from the sale of any such investments, will be deposited and credited upon receipt, or charged, as follows:

(1) All loss resulting from the sale of any investments in any specified Fund or account shall be charged to such Fund or such account, and all earnings received from the investment of money in any Fund or account shall be credited to such Fund or account;

(2) All interest, income and profit from all Funds shall be deposited and credited as disbursed above; and

(3) All interest, income and profit received from the investment of money in the Rebate Fund shall be deposited and credited, upon receipt, to the Rebate Fund.

Rebate Fund.

The City will cause the Rebateable Amount to be calculated and pay the Rebateable Amount to the United States from money deposited in the Rebate Fund for that purpose, in the manner and at the times required by the Declaration.

CITY COVENANTS

In addition to the parity indebtedness, coverage and continuing disclosure covenants described in this Official Statement under the headings "THE 2005 BONDS – PARITY INDEBTEDNESS," "THE 2005 BONDS – SOURCES OF PAYMENT AND SECURITY FOR THE 2005 BONDS– Coverage Requirement," and "CONTINUING DISCLOSURE," the City has covenanted in the Declaration:

(1) In General: that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Declaration, in any and every Bond executed, authenticated and delivered thereunder and in all proceedings of the City Council, as applicable, pertaining thereto; that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds and to pledge and grant the liens and security interests granted to the City pursuant to the Declaration; that all action on its part for the issuance of the Bonds and for the execution and delivery thereof will be duly and effectively taken; and that such Bonds in the hands of the Owners thereof will be valid and enforceable special obligations of the City according to the terms thereof.

(2) Condemnation Awards and Insurance Proceeds:

(a) if the damage to or condemnation of any of the Projects is less than $100,000, the Commission will agree in the Commission Certificate to restore the affected Project using applicable Condemnation Awards or Insurance Proceeds and any other funds agreed to by the Commission or the City. If the damage to or condemnation of any of the Projects is equal to or greater than $100,000, the Commission will agree in the Commission Certificate to conduct a study to determine whether restoration of the Project will allow the Commission to maintain the Coverage Ratio Requirement. If the Commission determines to restore the Project, the Condemnation Award or Insurance Proceeds will be paid to the City to be held in the appropriate account in the Projects Fund and disbursed to the Commission for restoration.

(b) If the Commission determines not to restore the Project (which determination will be made only if there are insufficient Condemnation Award or Insurance Proceeds to restore the Project, the Project cannot be restored within twelve months, or the Commission determines it is not economically feasible to restore the Project), then the Condemnation Award or Insurance Proceeds will be transferred to the City for deposit in the applicable account of the Bond Fund issued to finance such Project and applied to the redemption of the Bonds for such Project, as a whole or in part as the City may determine.

(3) Lien of Declaration: except in connection with the issuance of Parity Indebtedness (which may be issued on a parity basis with the Bonds) and except for Permitted Encumbrances, it will not create or suffer to be created a lien against the Net Revenues that is equal to or superior to the lien created hereby.

(4) Tax-Exempt Status: it will not to use or permit the use of any of the proceeds of any tax-exempt Bonds in such manner, and not take or omit to take any other action in such manner, as will impair the exclusion of interest on such tax-exempt Bonds from gross income for federal or State income tax purposes. The Commission will make specific covenants with respect to the Code in the Commission's Certificate.

(5) Use of Revenues: to the extent Net Revenues of a Project, Excess Revenues of all Projects and Legally Available Funds of the Commission are insufficient to pay principal of and interest on the Bonds when due or make payments when due to the Project Reserve Fund, it will use Available General Funds to make such payments.

(6) Environmental Audits: if any governmental authority having jurisdiction under the Environmental Laws at any time has reason to believe that the Commission is not complying with all applicable Environmental Laws or the requirements of the Declaration or, if the City is notified by such a governmental authority that a material spill, release, or disposal of Hazardous Substances at any of the Projects has occurred after the date of the Declaration, or if the City has actual knowledge of such a release and has not received adequate assurances from the Commission that such release is being addressed, the City may require, among other remedies available to the City, that the Commission furnish the City, at the Commission's expense or as otherwise agreed to by the City and the Commission, with an environmental audit or site assessment with respect to the matters of concern

to the City. Such audit or assessment will be performed by a qualified consultant acceptable to the City, and such audit or assessment will be required to be acceptable to the City.

(7) Sale or Disposition of Projects: unless otherwise agreed to by the City and the Commission, for so long as any Bonds are Outstanding, the Commission, with the concurrence of the City, may only sell or dispose of any Project or individual units within a Project if the following conditions are met:

(a) if proceeds of any tax-exempt Series of Bonds were used for a Project that is sold or disposed of, such sale or disposition will not cause interest on that tax-exempt Series of Bonds to become taxable as evidenced by an Opinion of Bond Counsel;

(b) all conditions, if any, regarding the sale or disposition of any Project which are set forth in the related Commission Certificate(s) are satisfied; and

(b) the Commission reasonably estimates in a certificate delivered to the City that upon such sale and release of the lien, the Commission will continue to maintain all applicable Coverage Ratio Requirements set forth in all Commission Certificates for all Bonds then Outstanding following the release of such Project and its related Net Revenues (after taking into account redemptions, if any, of Bonds with Net Sale Proceeds which may be required pursuant to the applicable Commission Certificate(s)) until all such Bonds are defeased.

Any sale/disposition of Projects pursuant to this provision will occur in accordance with the Real Estate Disposition Procedures and Policies of the Commission

(8) Casualty and Liability Insurance: so long as any Bonds remain Outstanding, the Commission will covenant in the Commission Certificate to carry or cause to be carried insurance with one or more responsible casualty insurers. The Commission will agree in the Commission Certificate to carry such insurance against the following risks in at least the following amounts:(or higher amounts if required under the Real Estate Management Policies and Procedures of the Commission):

(a) insurance against loss or damage by fire and lightning, upon a repair or replacement basis if available, and otherwise to the full insurable value of the Projects (less land), but in no event less than the outstanding principal amount of the Outstanding Bonds, with deductible provisions not to exceed $25,000 for any one casualty, and with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State**;**

(b) upon completion and commencement of operation of each Project, business interruption or use and occupancy insurance on such Project in an amount equal to twelve months' budgeted Net Revenues for such Project;

(c) a comprehensive general public liability insurance policy or policies against all direct or contingent loss or liability for damage to property, personal injury or death caused by the operation and control of or construction at the Projects' premises, with a maximum single limit liability of not less than $1,000,000 for personal injury or death arising from a single accident or event, and $1,000,000 for a single occurrence of property damage; and

(d) any other insurance typically carried by similar entities in similar businesses similarly situated with such limits, coverage, deductibles and cancellation provisions typical for such entities.

(9) Annual Budget: the Commission will agree in the Commission Certificate to prepare and provide an Annual Budget to the City of all anticipated Net Revenues and Operation and Maintenance Costs with respect to the Projects by February 28 of each year (proposed annual budget) and by July 15 of each year (adopted Annual Budget) beginning with the first year that the initial Project is placed in service. The Annual Budget should show Net Revenues for each Project available for debt service for the Bonds issued to finance such Project. The City will provide audited annual financial statements to depositories as provided for in any Undertaking. The Commission will agree in the Commission Certificate to provide, at the request of the City, such information as will be necessary to enable the City to fulfill its obligations in any Undertaking with respect to the Bonds.

(10) Annual Financial Statements: it will maintain complete books and records relating to the Bond Fund and the Bonds in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year, and an audit report prepared by the Auditor and made available for the inspection of Owners.

(11) Parity Indebtedness: it will issue obligations which have a lien or claim on the Excess Revenues which is on a parity with the lien and claim of the Owners only as provided in the Declaration.

COMMISSION COVENANTS

The Commission will acknowledge and agree, in the Commission's Certificate, that all covenants contained in the Declaration are with and for the benefit of all Owners and can be enforced by the City, in its discretion or at the direction of the Owners as provided therein, or by the Owners, in accordance with the provisions of defaults and remedies provisions of the Declaration.

DEFAULT AND REMEDIES.

The occurrence of one or more of the following will constitute an Event of Default under the Declaration:

(A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption) as required by the Declaration; or

(B) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, and files a petition in bankruptcy.

The Owners of 25% or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in (A) above.

Upon the occurrence and continuance of any Event of Default under the Declaration the Owners of 25% or more of the principal amount of affected Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Declaration or in aid of the exercise of any power granted in the Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by the Declaration or by law. However, the Bonds will not be subject to acceleration.

No remedy in the Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under the Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it will not be necessary to give any notice other than such notice as may be required by the Declaration or by law.

AMENDMENTS OF DECLARATION

The City may enact a Supplemental Declaration to amend the Declaration without the consent of any Owner for any one or more of the following purposes:

(A) To cure any ambiguity or formal defect or omission in the Declaration;

(B) To add to the covenants and agreements of the City in the Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Declaration as theretofore in effect;

(C) To confirm, as further assurance, any security interest or pledge created under the Declaration or any Supplemental Declaration;

(D) To issue Parity Indebtedness;

(E) To authorize Parity Exchange Agreements, and specify the rights and duties of the parties to a Parity Exchange Agreement; or

(F) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners of Bonds.

The City may amend the Declaration for any other purpose, but only if the City obtains the consent of Owners representing not less than 51% in aggregate principal amount of the adversely affected Bonds then Outstanding in accordance with the following section entitled "Ownership of Bonds." However, no amendment will be valid which:

(1) Extends the maturity of any Bonds, reduces the rate of interest on any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of all affected Owners; or

(2) Reduces the percent of Owners required to approve Supplemental Declarations.

OWNERSHIP OF BONDS

For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under the Declaration, the initial purchaser of a Series of Bonds may be treated as the Owner of that Series at the time that Series is delivered in exchange for payment.

For purposes of determining the percentage of Owners taking action under the Declaration, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued will be treated as Owners of Bonds in an aggregate principal amount equal to the accreted value of such Bonds as of the date the Registrar sends out notice of requesting consent, waiver or other action as provided herein.

DEFEASANCE

Bonds will be deemed defeased if the City:

(A) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and

(B) files with the escrow agent an opinion from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due.

The City will be obligated to pay any Bonds which are defeased in accordance with the above provisions solely from the money and Government Obligations which are deposited in escrow pursuant to those provisions.

COMMISSION CERTIFICATE

CITY OF PORTLAND, OREGON
LIMITED TAX HOUSING REVENUE BONDS
(HEADWATERS APARTMENTS PROJECT)
$10,480,000 2005 Series A
$1,260,000 2005 Series B

The City of Portland, Oregon (the "City) and the Portland Development Commission (the "Commission") have entered into an Interagency Agreement dated as of October 13, 2004 (the "Interagency Agreement") which outlines the responsibilities of the Commission and the City with respect to housing projects financed pursuant to the City Lights Housing Program (the "Program"), which shall be owned by the City but operated and maintained by the Commission, as agent of the City. The Commission, in its Resolution No. 6189 requested the City to issue bonds to finance the Headwaters Apartments Project (the "2005 Project"). The City executed its Master Bond Declaration as of April 18, 2005 (the "Declaration"), regarding the issuance of the City of Portland, Oregon Limited Tax Housing Revenue Bonds (Headwaters Apartments Project), 2005 Series A and 2005 Series B (collectively, the "2005 Bonds"). The Commission is authorized by the Interagency Agreement to execute and deliver this certificate (the "Certificate"). All terms not defined herein shall have the meanings assigned those terms in the Declaration.

The Commission hereby covenants and agrees with the Owners of all Outstanding Bonds and the City, as follows:

I. GENERAL COVENANTS

(A) The Commission covenants and represents that they will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in the Interagency Agreement and in this Certificate and in all proceedings of the Commission, as applicable, pertaining thereto, and; that it is duly authorized under the Constitution and laws of the State to perform the covenants, undertakings and agreements contained in the Interagency Agreement and this Certificate.

(B) The Commission acknowledges and agrees that all covenants contained in the Interagency Agreement and this Certificate are for the benefit of all Owners and the City and can be enforced by the City in accordance with the provisions of the Interagency Agreement and this Certificate.

(C) The Commission acknowledges and agrees that all covenants contained in the Declaration are with and for the benefit of all Owners and can be enforced by the City, in its discretion or at the direction of the Owners, as provided in the Declaration.

(D) Except in connection with the issuance of Parity Indebtedness (which may be issued on a parity basis with the 2005 Bonds), the Commission will not create or suffer to be created a lien against the Net Revenues that is equal to or superior to the lien created in the Declaration.

(E) The Commission will not use or permit the use of any of the proceeds of Bonds in such manner, and will not take or omit to take any action as will impair the exclusion of interest on any tax-exempt Bonds from gross income for federal or State income tax purposes. The Commission makes the following specific covenants with respect to the Code:

(i) The Commission will not take any action or omit any action if it would cause any tax-exempt Bonds to become "arbitrage bonds" under Section 148 of the Code; and

(ii) The Commission shall operate the Projects financed with tax-exempt Bonds so that such Bonds do not become private activity bonds within the meaning of Section 141 of the Code.

(F) The Commission shall cause a Phase I Environmental Assessment to be conducted on each proposed Project and shall certify to the City after due inquiry and except as may be specified to the contrary in the

Environmental Assessment, there has been no release or spill of Hazardous Substances on or from such proposed Project; nor have any Hazardous Substances migrated onto such proposed Project; nor have any Hazardous Substances been used on such proposed Project in any manner which violates Environmental Laws. If the Phase I Environmental Assessment reveals any release or spill of Hazardous Substances on or from any proposed Project, or that Hazardous Substances migrated onto such proposed Project; or that Hazardous Substances have been used on such proposed Project in any manner which violates Environmental Laws, the City and the Commission will determine whether such proposed Project should be funded through the Program and the nature of any remedial action to be taken regarding the findings in the Phase I Environmental Assessment. If the City and Commission decide to fund such proposed Project through the Program they shall determine their respective responsibilities and liabilities with respect to each such Project on a case-by-case basis.

(G) The Commission shall use its best efforts to cause the Projects and the operations conducted at the Projects to comply with all orders of any governmental authorities having jurisdiction under any Environmental Laws and shall use its best efforts to obtain, keep in effect and comply with all governmental permits and authorizations required by Environmental Laws with respect to the Projects or any operations at the Projects.

(H) The Commission covenants to use its best efforts to comply with all laws, regulations, rules and ordinances affecting the Projects and the use and occupancy thereof, and shall pay all fees and charges with respect thereto, and all fees and charges for utilities or other services to the Projects.

(I) The Commission covenants to carry or cause to be carried insurance with one or more responsible casualty insurers for the Projects for so long as the Bonds are outstanding. Such policies shall insure against the following risks in at least the following amounts (or higher amounts if required under the Real Estate Management Policies and Procedures of the Commission):

> (i) insurance against loss or damage by fire and lightning, upon a repair or replacement basis if available, and otherwise to the full insurable value of the Projects (less land), but in no event less than the outstanding principal amount of the Outstanding Bonds, with deductible provisions not to exceed $25,000 for any one casualty, and with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State;
>
> (ii) upon completion and commencement of operation of each Project, business interruption or use and occupancy insurance on such Project in an amount equal to twelve months' budgeted Net Revenues for such Project;
>
> (iii) a comprehensive general public liability insurance policy or policies against all direct or contingent loss or liability for damage to property, personal injury or death caused by the operation and control of or construction at the Projects' premises, with a maximum single limit liability of not less than $1,000,000 for personal injury or death arising from a single accident or event, and $1,000,000 for a single occurrence of property damage; and
>
> (iv) any other insurance typically carried by similar entities in similar businesses similarly situated with such limits, coverage, deductibles and cancellation provisions typical for such entities.

(J) The Commission covenants to charge rents, manage, operate and maintain the Projects in a business-like manner which will allow the Commission to meet in a timely manner all of its financial and other duties, obligations and commitments hereunder. However, the Commission shall not in any event be obligated to charge market rents unless it is necessary to charge market rents to comply with the Coverage Ratio Requirement.

II. BOND PAYMENT / RESERVE AND BUDGET COVENANTS

(A) The Commission hereby agrees to establish a Revenue Fund and to maintain a revenue account within the Revenue Fund for each Project. All Revenues of a Project shall be deposited in the account of the Revenue Fund for that Project and shall be used for the purpose and in the order of priority set forth in Section 7.6 of the Declaration. The Commission may make withdrawals from the account of the Revenue Fund for each Project for payments of Operation and Maintenance Costs for that Project and as set forth in Section 7.6(A)(1) of the Declaration. The Commission agrees to deliver to the City from the account of the Revenue Fund for each Project the following:

(i) Not later than three Business Days prior to each Payment Date for the Bonds issued to finance a particular Project, the Commission agrees to provide to the City from Net Revenues for such Project for deposit in the applicable account of the Bond Fund, the amount necessary to pay the interest due on such Bonds on such Payment Date and to pay the principal, if any, and premium, if any, due on such Bonds on such Payment Date, after taking into account any amounts then on deposit in such account of the Bond Fund for such payment.

(ii) Not later than three Business Days prior to each redemption date for the Bonds issued to finance a particular Project, the Commission agrees to provide to the City from Net Revenues for such Project for deposit in the account of the Bond Fund, the amount necessary to pay the redemption price, premium, if any, and interest due on such Bonds on such redemption date, after taking into account any amounts then on deposit in such account of the Bond Fund and available for such payment on such redemption date.

(iii) Not later than Closing, the Commission agrees to provide or cause to be provided to the City, for deposit in the applicable account of the Project Reserve Fund, the applicable Project Reserve Fund Requirement. If the applicable account of the Project Reserve Fund is drawn upon, the Commission shall provide from Net Revenues of the relevant Project the amount necessary to meet the Project Reserve Requirement by the next succeeding Payment Date.

(iv) Not later than the date on which they are due, the Commission agrees to transfer from Net Revenues for such Project to the Paying Agent, the pro-rata Paying Agent fees incurred with respect to the Bonds issued for the applicable Project.

(B) If the Net Revenues of a Project are not sufficient to make the payments for such Project at the times and in the amounts described in subparagraphs (i) through (iii) of Section II(A) hereof, then the Commission shall provide to the City from Legally Available Funds of the Commission, pursuant to Section 4(B) of the Interagency Agreement, the amounts necessary to make the payments at the times and in the amounts described in subparagraphs (i) through (iii) of Section II(A) hereof and the Commission shall present to its Board of Commissioners a request to appropriate funds in an amount which is sufficient to satisfy the Coverage Ratio Requirement, subject to the terms and limitations set forth in Section 4.C of the Interagency Agreement. Further, as soon as possible after Available General Funds have been drawn on to make payments pursuant to Section 7.6(D) of the Declaration, the Commission agrees to repay the City, with interest, such amounts from future Net Revenues of such Project in accordance with the priority set forth in Section 7.6 of the Declaration.

(C) The Commission hereby agrees to establish an Excess Revenues Account within the Revenue Fund. There shall be created in the Excess Revenues Account a subaccount for each Series of Bonds. Funds in the 2005 Excess Revenues Subaccount shall be applied as described in Section 7.6(H) of the Declaration. In addition to their use to pay scheduled principal and interest on Bonds issued to finance other Projects, funds in the Excess Revenues Subaccount for any subsequent Series of Bonds shall be applied as provided in the Commission Certificate and Supplemental Declaration, if any, for that Series of Bonds.

(D) The Commission agrees to calculate Excess Revenues for each Project on an annual basis based on the audited comprehensive annual financial report (CAFR) or the unaudited annual financial report and pro-formas in a form acceptable to the City. In conjunction with the annual audit to calculate Excess Revenues, the Commission covenants to deliver to the City a Coverage Certificate not later than September 30 of each year pursuant to the guidelines in the Declaration, and to prepare a Project Budget. The Commission agrees, unless modified by mutual agreement with the City, to establish and collect rents and revenues in connection with each Project at a level sufficient to meet the Coverage Ratio Requirement for each Project in each Fiscal Year commencing with the first year after the initial Project is placed in service. If the Commission fails to achieve the Coverage Ratio Requirement for a Project, it will follow the steps described in Section 10.3(B) of the Declaration.

(E) If there is damage to or condemnation of a Project in an amount less than $100,000, the Commission agrees to restore the affected Project using applicable Condemnation Awards or Insurance Proceeds and any other funds agreed to by the Commission or the City. If the damage to or condemnation of any of the Projects is equal to or greater than $100,000, the Commission agrees to conduct a study to determine whether restoration of such Project will allow the Commission to maintain the Coverage Ratio Requirement. A Condemnation Award or Insurance Proceeds will be used as directed in Section 10.4 of the Declaration.

(F) The Commission agrees, unless otherwise agreed to by the City and the Commission, to prepare and provide an Annual Budget to the City of all anticipated Net Revenues and Operation and Maintenance Costs with respect to the Projects by February 28 of each year (proposed Annual Budget) and by July 15 of each year (adopted Annual Budget) beginning with the first year that the initial Project is placed in service. The Annual Budget shall provide the information described in Section 10.11 of the Declaration.

(G) The Commission agrees, unless otherwise agreed to by the City and the Commission, for so long as any Bonds are Outstanding, that it may only sell or dispose of any Project or individual units within a Project with the concurrence of the City and if the following conditions are met:

(i) if proceeds of any tax-exempt Series of Bonds were used for a Project that is sold or disposed of, such sale or disposition will not cause interest on that tax-exempt Series of Bonds to become taxable as evidenced by an Opinion of Bond Counsel; and,

(ii) all conditions, if any, regarding the sale or disposition of any Project which are set forth in the related Commission Certificate(s) are satisfied; and,

(iii) the Commission reasonably estimates in a certificate delivered to the City that upon such sale and release of the lien, the Commission will continue to maintain all applicable Coverage Ratio Requirements set forth in all Commission Certificates for all Bonds then Outstanding following the release of such Project and its related Net Revenues (after taking into account redemptions, if any, of Bonds with Net Sales Proceeds which may be required pursuant to the applicable Commission Certificate(s)) until all such Bonds are defeased.

The Commission further agrees that any sale/disposition of Projects pursuant to this provision shall occur in accordance with the Real Estate Disposition Procedures and Policies of the Commission.

(H) The Commission agrees to provide such information as shall be necessary to enable the City to fulfill its obligations in any Undertaking with respect to the Bonds.

(I) An Authorized Representative of the Commission agrees to immediately report to the Debt Manager any information indicating that Net Revenues of a Project will not be sufficient to meet the debt service payments on the Bonds for such Project and shall state the proposed source of revenue that the Commission anticipates will be used to make such payments. Such notification shall also identify if any budget action is required to address any shortfalls.

(J) The Commission agrees to direct the Net Sales Proceeds of a Project to the City to redeem a portion of the Series of Bonds issued to finance such Project, as the Commission may direct, on the earliest date an optional redemption may occur.

(K) All money paid to the Commission pursuant to the Declaration and the Interagency Agreement for deposit and all investments purchased with money so deposited shall at all times be kept segregated and set apart from all other funds of the Commission, and shall be held in trust by the Commission for the benefit of the City and the Owners of all Outstanding Bonds. The Commission further agrees to hold and maintain the Revenue Fund and all accounts therein as separate and distinct trust funds or accounts to be held, managed, invested, disbursed and administered as provided in the Declaration. The Commission agrees to keep and maintain adequate records pertaining to its Funds and accounts, and all disbursements therefrom.

TO THE DEGREE THAT THERE ARE INCONSISTENCIES BETWEEN THE COVENANTS CONTAINED IN THIS COMMISSION CERTIFICATE AND THE INTERAGENCY AGREEMENT, THIS COMMISSION CERTIFICATE SHALL CONTROL (EXCEPT IN THE CASE OF AN INCONSISTENCY INVOLVING SECTION 4 OF THE INTERAGENCY AGREEMENT).

IN WITNESS WHEREOF, the Commission has caused this Certificate to be executed in its name by its duly Authorized Representative as of this ____ day of _____, 2005.

PORTLAND DEVELOPMENT COMMISSION

By: ________________________________
Executive Director

APPENDIX B
CITY ECONOMIC CHARACTERISTICS

CITY OF PORTLAND OREGON

1851

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated July 1, 2004, population of 550,560, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for an immediate metropolitan area with a population of approximately 1.6 million. The City is the county seat of Multnomah County, and is the largest city in Oregon and the second largest city in the Pacific Northwest.

POPULATION

The population for the City increased steadily in the 1970s, declined slightly early in the next decade, and has increased each year since 1984. The compounded annual rate of growth in population for the City from 1995-2004 was 1.13 percent compared to 0.97 percent for Multnomah County and 1.54 percent for the Portland metropolitan area for the same period of time.

CITY OF PORTLAND, OREGON
Population Estimate For the Last Ten Years

Year	City of Portland	Percent Change	Multnomah County	Percent Change	Portland Metro Area (1)	Percent Change
1995	497,600	0.5%	628,970	1.1%	1,404,980	2.1%
1996	503,000	1.1	638,780	1.6	1,438,800	2.4
1997	508,500	1.1	646,260	1.2	1,467,840	2.0
1998	509,610	0.2	651,520	0.8	1,492,430	1.7
1999	512,395	0.6	656,810	0.8	1,514,620	1.5
2000 (2) (3)	531,600	3.8	662,400	0.8	1,537,150	1.5
2001 (3)	536,240	0.9	666,350	0.6	1,553,700	1.1
2002 (3)	538,180	0.4	670,250	0.6	1,571,650	1.2
2003	545,140	1.3	677,850	1.1	1,592,050	1.3
2004	550,560	1.0	685,950	1.2	1,611,600	1.2

Notes:

(1) Includes Multnomah, Clackamas, Washington and Yamhill counties.
(2) Revised July 1, 2000, estimates based on the April 1 population count from U.S. Bureau of Census 2000 Redistricting Data.
(3) U.S. Census Bureau population figures as of April 9, 2004, for cities and June 24, 2004, for counties are as follows:

	2000	2001	2002	2003
City of Portland	529,637	534,594	537,741	538,544
Multnomah County	661,392	668,969	675,438	677,813
Clackamas County	339,576	345,276	352,427	357,435
Washington County	448,442	462,543	471,962	479,496
Yamhill County	85,284	86,392	87,913	89,384

Source: Portland State University Population Research Center.

Portland-Vancouver-Beaverton Primary Metropolitan Statistical Area

In 1994, the Portland-Vancouver Primary Metropolitan Statistical Area, consisted of Multnomah, Columbia, Clackamas, Washington and Yamhill counties in Oregon; and Clark County in Washington. Since 2003, under the revised Metropolitan Statistical Area Standards, the Portland-Vancouver-Beaverton Primary Statistical Area ("PMSA") has consisted of Multnomah, Clackamas, Washington, Yamhill, and Columbia counties in Oregon, and Clark and Skamania counties in Washington. Metropolitan statistical areas are based on commuting patterns within a metropolitan area, and are used primarily for labor, employment and unemployment statistics.

Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Tigard, Tualatin and Hillsboro. Clackamas County includes Milwaukie, Oregon City, Lake Oswego and West Linn. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. As a major transportation hub of the Pacific Coast with water, land and air connections, Multnomah and Washington counties serve expanding international markets and have experienced considerable growth.

INCOME

In recent years, per capita personal income in the PMSA has been consistently higher than in the State of Oregon (the "State") and the nation.

The following table shows personal income and per capita income for the PMSA compared to similar data for the State and nation. The compounded annual rate of change in total personal income for the PMSA from 1992 to 2002 was 6.40 percent. The compounded annual rate of change in per capita income for the PMSA was 4.15 percent for 1992 to 2002, compared with 4.02 percent for the State, and 3.98 percent for the nation as a whole.

CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
PMSA, Oregon, and the United States
1992 to 2003

	Personal Income (Millions $)			Per Capita Income ($)		
Year	**PMSA**	**State of Oregon**	**U.S. Total**	**PMSA**	**State of Oregon**	**U.S. Total**
1992	$34,811	$57,547	$5,349,384	$21,412	$19,235	$20,854
1993	37,352	61,349	5,548,121	22,371	20,046	21,346
1994	40,123	65,735	5,833,906	23,488	21,060	22,172
1995	43,598	71,990	6,144,741	24,924	22,293	23,076
1996	47,266	75,975	6,512,485	26,301	23,398	24,175
1997	50,912	80,854	6,907,332	27,672	24,469	25,334
1998	54,106	85,629	7,415,709	28,851	25,542	26,883
1999	56,918	89,873	7,796,137	29,858	26,480	27,939
2000	62,190	96,402	8,422,074	32,127	28,100	29,847
2001	63,892	98,780	8,718,165	32,326	28,451	30,580
2002	64,755	100,434	8,868,261	32,167	28,530	30,795
2003 (1)	N/A	102,538	9,148,680	N/A	28,806	31,459

Notes:

(1) Data for the PMSA will be released in May 2005.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

LABOR FORCE AND UNEMPLOYMENT

The following table shows the annual average civilian labor force, employment level and unemployment level data that is available for the PMSA for the period 1994 through 2003. As reflected in the table below, the PMSA, like the State and the nation, experienced an increase in its jobless rate in 2001, 2002 and 2003. The State of Oregon Employment Department reported a PMSA unemployment rate of 6.6 percent for the month of February 2005. Through May 2004, unemployment rates in the PMSA declined steadily from a January 2004 high of 8.1%.

CITY OF PORTLAND, OREGON
PMSA LABOR FORCE AND UNEMPLOYMENT RATES
(000)

PMSA	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Civilian Labor Force (1)	942.5	962.3	1,008.7	1,034.4	1,057.6	1,060.1	1,081.2	1,084.2	1,095.7	1,095.9
Employment (2)	901.9	926.5	963.0	989.9	1,013.2	1,012.4	1,038.1	1,020.1	1,009.9	1,003.3
Unemployment	40.6	35.8	45.7	44.4	44.4	47.7	43.1	64.1	85.7	92.6
Unemployment Rates										
PMSA	4.3%	3.7%	4.5%	4.3%	4.2%	4.5%	4.0%	5.9%	7.8%	8.5%
State of Oregon	5.4	4.8	5.9	5.8	5.6	5.7	4.9	6.3	7.5	8.2
United States	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0

Notes:

(1) Civilian labor force includes employed and unemployed persons sixteen years and older, by place of residence. Data has been adjusted for multiple job holding and commuting.
(2) Civilian labor force employment includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants.

Source: State of Oregon Employment Department, and US Department of Labor, Bureau of Labor Statistics.

EMPLOYMENT BY INDUSTRY

The Portland metropolitan area has demonstrated considerable economic diversity. The City is the service center for a large and diverse manufacturing area that has shown substantial growth since the 1980s. Because of the area's reliance on the City for related economic service activities, the manufacturing base of the surrounding area has a meaningful impact on the City's economy.

The Portland metropolitan area's focus on manufacturing employment is largely based in the metals, instruments, machinery and electrical equipment sectors. The lumber and wood products industry accounts for only 5.3 percent of the Portland metropolitan area's manufacturing employment and 0.6 percent of total non-agricultural employment.

Service industries account for 37.6 percent of the total non-agricultural employment in the metropolitan area, followed by wholesale and retail trade industries, which account for 16.6 percent.

CITY OF PORTLAND, OREGON
PMSA Non-Agricultural Wage and Salary Employment
(000)

Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 % of Total
Non-Ag. Employment*	**802.1**	**839.6**	**879.0**	**916.7**	**932.9**	**944.6**	**967.1**	**959.3**	**937.3**	**924.8**	**100.00%**
Manufacturing	**128.9**	**134.6**	**138.7**	**143.8**	**145.5**	**141.6**	**142.8**	**135.8**	**123.7**	**117.8**	**12.74**
Durable goods	90.6	96.6	101.9	106.9	108.2	105.6	107.7	102.2	92.7	87.8	**9.49**
Lumber & wood prod.	6.2	6.3	6.0	6.1	5.9	5.9	5.7	5.6	5.4	5.3	**0.57**
Metal manufacturing	18.5	20.0	20.6	21.5	22.2	21.5	21.4	19.4	18.3	17.2	**1.86**
Elect. & other manufg.	51.2	59.2	67.1	73.3	75.1	71.9	77.2	76.6	67.8	63.0	**6.81**
Mach. manufacturing	9.6	10.5	10.7	10.9	10.8	10.4	10.4	9.9	8.7	8.5	**0.92**
Other durable goods	16.7	15.6	15.9	16.8	17.3	17.5	16.9	14.6	13.3	12.6	**1.36**
Nondurable goods	38.2	38.0	36.7	36.9	37.3	35.9	35.1	33.6	31.0	30.0	**3.24**
Food products	9.7	9.7	9.6	9.4	9.4	9.0	8.8	8.8	8.7	8.6	**0.93**
Other non-dur. goods	6.9	6.9	6.6	6.4	6.5	6.4	6.5	6.3	5.6	5.4	**0.58**
Nonmanufacturing	**673.2**	**705.0**	**740.3**	**772.9**	**787.4**	**803.0**	**824.3**	**823.5**	**813.6**	**807.0**	**87.26**
Construction & mining	42.2	47.3	53.8	56.8	55.3	54.5	55.0	55.7	53.1	50.4	**5.45**
Transportation & utilities	32.8	35.0	36.1	36.7	37.3	38.0	38.0	38.4	37.2	36.4	**3.94**
Trade	137.6	142.4	149.0	154.2	158.0	159.1	162.4	159.7	155.0	154.0	**16.65**
Information	18.7	19.2	20.4	22.1	23.3	25.3	27.8	27.4	24.9	23.4	**2.53**
Financial activities	49.1	49.3	52.4	55.8	58.2	59.8	60.2	65.1	65.5	67.5	**7.30**
Services	284.4	301.3	314.5	332.0	336.8	343.5	355.1	351.1	349.9	347.4	**37.56**
Government	108.0	110.0	113.6	114.8	117.7	122.1	125.3	126.2	128.1	128.0	**13.84**

*Totals may not sum due to rounding.

Source: State of Oregon, Employment Department.

CITY OF PORTLAND, OREGON
Major Employers in the Portland/Vancouver Metropolitan Area

Employer	Product or Service	2003-04 Estimated Employment
Manufacturing Employers		
Intel Corporation	Semiconductor integrated circuits	14,890
NIKE Inc.	Sports shoes and apparel	5,742
Freightliner LLC	Heavy duty trucks	2,878
Precision Castparts Corporation	Steel castings	2,110
Tektronix Inc.	Electronic instruments	2,000
Hewlett-Packard Co.	Computer printers	1,900
The Boeing Co.	Aircraft frame structures	1,485
Oregonian Publishing Co.	Newspaper & commercial printing	1,320
Wacker Siltronic Corporation	Silicon semiconductor materials	1,300
Xerox Office Printing Business	Laser printers	1,200
Georgia Pacific Corporation	Pulp & paper, packaging	1,100
IBM	Supermini computer systems	900
SEH America Inc. (1)	Silicon wafers	850
Non-Manufacturing Employers		
Providence Health System	Health care & health insurance	13,496
Fred Meyer Stores	Grocery & retail variety chain	10,500
Kaiser Foundation Health Plan of the NW	Healthcare	8,000
Legacy Health System	Nonprofit health care	7,972
Safeway Inc.	Grocery chain	6,000
Albertsons Food Centers	Retail grocery chain	5,600
U.S. Bank	Bank & holding company	4,138
Wells Fargo	Bank	3,813
Southwest Washington Medical Center.	Health care	3,009
McDonald’s Corporation	Fast food franchise	3,000
United Parcel Service	Small package transport	2,800
Portland General Electric	Electric utility	2,781
Volt Services Group	Temporary Service	2,500
Regence BlueCross & BlueShield of Oregon	Medical insurance	2,176
Portland Trail Blazers/Oregon Arena Corporation	National basketball association team, operator of Rose Quarter	2,000
Home Depot	Home improvement	2,000
Standard Insurance Company	Insurance	1,857
Horizon Air	Airline	1,800
PacifiCorp	Electricity, mining & telecommunications	1,759
Nordstrom Inc.	Retail specialty stores	1,700
Target Stores	Retail chain	1,700
The Holland Inc.	Burgerville USA, Holland restaurants	1,700
Rite Aid Corp.	Retail drug stores	1,600
Goodwill Industries	Rehabilitation services	1,525
Qwest Communications International Inc.	Communications utility	1,507
McMenamins Pubs & Breweries	Microbrewery, pubs, restaurants, hotels, theaters	1,500
Spirit Mountain Casino	Casino	1,500
Pacific Coast Restaurants Inc.	Restaurants	1,500

Table (continued)
CITY OF PORTLAND, OREGON
MAJOR EMPLOYERS IN THE PORTLAND/VANCOUVER METROPOLITAN AREA

Employer	Product or Service	2003-04 Estimated Employment
Non-Manufacturing Employers (continued)		
Costco Wholesale	Wholesale membership warehouse	1,400
Tuality Healthcare	Health care	1,350
Westwind Group dba Burger King	Restaurants	1,300
Bank of America, Oregon & SW Washington	Full commercial banking services	1,301
Delta Air Lines, Inc.	Airline	1,250
Meier & Frank Co.	Department stores	1,200
Shari's Management Corp.	Restaurant chain	1,200
Farmers Insurance Company of Oregon	Insurance	1,200
Nature's Northwest/Wild Oats Markets	Retailer of natural foods, vitamins	1,200
Sears, Roebuck & Co.	Retail department store	1,153
Household Credit Services	Credit card products	1,100
Les Schwab Tire Centers	Vehicle services	1,100
InFocus Corp	Data/video production	1,000
Thomason Auto Group	Auto and truck dealer	1,000
NW Natural	Natural gas transportation and distribution	999
Mentor Graphics	Electronic design automation	900
E C Company	Electrical & mechanical construction	600
Public Employers		
U.S. Government	Government	18,400 (2)
State of Oregon	Government	14,600 (2) (3)
Oregon Health & Science University	Health care & education	11,500
City of Portland	Government	8,032 (3)
Portland School District	Education	5,600 (4)
Multnomah County	Government	4,659
Portland Community College	Education	4,123 (4)
Portland State University	Education	3,800 (4)
Beaverton School District	Education	3,512
State of Washington (Clark County)	Government & higher education	3,344 (3)
Vancouver School District	Education	3,050 (3)
Hillsboro School District	Education	2,700
Tri Met	Transportation	2,636
Bonneville Power Administration	Power generation & transmission utility	2,500
Evergreen School District	Education	2,106
North Clackamas School District	Education	1,900
Washington County	Government	1,700

Notes:

(1) In July 2003, SEH America cut 64 positions, reducing its Vancouver area workforce to 850 employees.
(2) 2003 employment.
(3) Totals may include part-time, seasonal and temporary employees.
(4) Totals may include full-time and part-time, casual and student employees.

Source: Portland Business Alliance, Regional Financial Advisors and Oregon Employment Department.

DEVELOPMENT ACTIVITY

The Portland metropolitan area is home to more than 51,000 businesses, according to the *2003/04 Largest Employers of the Portland-Vancouver Metropolitan Area* published by the Portland Business Alliance. Of those, about 2,400 are classified as headquarter firms. Four companies included on *Fortune* magazine's 2004 list of the 1,000 largest corporations in the United States have world headquarters in the Portland metropolitan area: Hollywood Entertainment, Nike, Inc. and Precision Castparts.

A diverse selection of industrial properties are located throughout the Portland area for all types of industrial use, including more than 280 industrial and business parks.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon's high technology industry and has drawn extensive investment in recent years. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. The Interstate 5 ("I-5") Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5, includes some of the area's most rapidly-growing distribution and warehouse operations.

Second quarter 2004 market data, provided by Cushman & Wakefield, showed an overall vacancy rate of 10.6 percent for the Portland area. Suburban vacancy rates improved the most, falling from 24.2 percent to 23.5 percent. Vacancy in the Central Business District ("CBD") fell from 14.8 percent to 14.4 percent.

In 2002 the City appointed a Mayor's Business Roundtable and "Blue Ribbon Committee" to work with the Portland Development Commission ("PDC") to create a new economic development strategy for the City, which will focus on developing strategies for attracting and retaining quality jobs for the region. The PDC submitted its report to the City in October 2002. The recommended strategies and actions have become the basis of a five-year economic development plan to be managed by the PDC.

Current activities showing retail, commercial and industrial changes in the Portland metropolitan area are reflected in the following building and economic development projects.

Development within Downtown Portland

In June 2003, Regal Entertainment Group completed development of the 32,000 square-foot cinema space in the Pioneer Place retail center, which had remained vacant for over two years. The six-screen cinema features independent and art films. Romano's Macaroni Grill signed a lease in November 2003 to occupy the space adjacent to Tiffany & Co. Romano's invested more than $2 million in the site, and employs about 130 people. The restaurant opened in June 2004. The 6,100 square-foot eatery seats 265 people.

In June 2004, Nordstrom Inc. announced plans to relocate and expand its 19,000 square-foot Portland Nordstrom Rack to the ODS Tower on Southwest Second Avenue. The new store will be 33,698 square feet, and is scheduled to open in February 2005.

The Esquire Hotel, which houses the Brasserie Montmartre restaurant, will undergo a $3 million renovation beginning in February 2005. The PDC will finance $800,000 of the project's cost. Once completed, the building's upper floors will feature 13 lofts ranging form 850 square feet to 1,500 square feet. Builders will make room for a banquet hall, and will double the current restaurant's size.

In June 2002, the Hilton Hotel completed a $40 million expansion to add 327 rooms, meeting space, a fitness center and 684 parking spaces at a location adjacent to the current hotel. The site includes nine floors of above ground parking and two floors of retail space and a full-service restaurant. With the expansion complete, the Hilton now offers 782 rooms.

Portland State University ("PSU") completed construction of a $4.5 million, 11,000 square-foot project called the Native American Student and Community Center in October 2003. The project was cosponsored with the American Indian Science and Engineering Society. The university worked with GBD Architects Inc. to add 14,000 square feet of program space and classrooms, as well as upgrade the playground area of the Child Development Center which was built in 1928. PSU re-opened the Helen Gordon Child Development Center in November 2003.

The PDC began a redevelopment project in August 2003 for three downtown blocks which could add $97 million in new development to the University District neighborhood, including more space for PSU. At a March 2004 meeting of the PDC, commissioners approved a plan to purchase the Jasmine Tree restaurant site, located at 401 S.W. Harrison St. PDC will spend $935,411 on the property, which is a part of the four-block area targeted for redevelopment by the PDC.

The U.S. General Services Administration ("GSA") awarded a contract in January 2004 to J.E. Dunn Construction for $16.72 million to begin a project involving the Pioneer Courthouse. The GSA plans to build a five-space parking lot for 9th U.S. Circuit Court of Appeals judges in the building's basement. The construction project also involves building a driveway to reach the parking area as well as renovation, seismic strengthening and restoration. Construction began in March 2004, with completion scheduled for September 2005.

Qwest Communications International, Inc. will expand a downtown Portland customer service center, adding 145 new positions and sparing 240 jobs that were at risk of leaving the State. In return, Qwest will receive City, State and federal money for worker training and building and equipment improvements that could total up to $600,000.

In December 2004, the City announced plans for a $106 million project that would redevelop the Meier & Frank store building in downtown Portland. The project could start construction in summer 2005. Plans for a face-lift include restoring the outside of the building and adding an upscale hotel with approximately 335 rooms. Meier & Frank plans to consolidate its store on the first five floors and to sell the upper nine stories to Sage Hospitality Resources for the hotel.

South Waterfront/North Macadam District

The North Macadam area was the last large piece of undeveloped land close to the downtown area when it was designated as an urban renewal district by the City in August 1999. The area comprises 409 acres, and is approximately defined by Boundary Street on the south; Macadam Avenue, and the western edge of Hood Street, Front Avenue, First Avenue and Fourth Avenue on the west; Montgomery Street on the North; and the Willamette River on the east.

The RiverPlace Project, located within the South Waterfront portion of the North Macadam urban renewal area, is a mixed-use development on 73 acres along the west bank of the Willamette River, with apartments, restaurants, shops and office space. The most recent addition to RiverPlace Project is the Residence Inn by Marriott-Portland Downtown/RiverPlace, a 258-suite Residence Inn by Marriott, which opened in the summer 2001. In July 2003, the City approved a plan to extend the Portland Streetcar line 0.6 miles from PSU to RiverPlace. The $18.2 million project has anticipated completion date of early 2005.

In August 2003, the City Council approved the South Waterfront Central District Development Agreement, which anticipates public and private investment of $1.9 billion to convert vacant former industrial land on Portland's waterfront into a new neighborhood with a mix of jobs, housing, retail and recreational facilities. The Agreement represents a partnership between the City, Oregon Health & Science University ("OHSU"), North Macadam Investors, LLC, and other private developers. The 31-acre project will be undertaken in three phases; Phase I, which broke ground in October 2003, is to be completed by 2008. Phase I development includes approximately 1000 units of student, affordable and market rate condominiums and apartments; a 150-200 room hotel and conference facility; a 407,678 square-foot OHSU research/clinical building with parking which broke ground in August 2004; and various public infrastructure improvements including a new aerial tram connecting OHSU's Marquam Hill campus to the South Waterfront, an extension of the Portland Streetcar, and new streets, parks, and greenway improvements.

Gerding/Edlen Development Co. and Williams and Dame Development are constructing the Meriwether condominiums, an $81 million, twin-towered residential project set to open in mid-2006. The 246-unit project will be the first residential project in the waterfront neighborhood and will be neighbors with OHSU's Wellness Center.

In July 2004, Kiewit Pacific Structures Inc. was chosen as the construction manager/general contractor for the Portland Aerial Tram. Construction is scheduled to begin in March 2005 (depending on negotiations), with the tram ready for public service by March 2006. Federal funding in the amount of $5.8 million was received in October 2003, and will be appropriated as follows: $1.2 million for OHSU biomedical and biodefense research programs; $3 million for the OHSU research building and $1.6 million for affordable housing, local infrastructure and streetcar expansion.

The Portland Streetcar Inc. began construction in January 2005 on the Gibbs Extension, with completion to SW Gibbs expected in fall 2005. Service will begin in July 2006. This 0.6 mile extension connects at SW River Parkway and SW Moody, follows SW Moody south to SW Sheridan and from SW Sheridan to SW Gibbs, utilizing the former Willamette Shore trolley rail right-of-way. The cost of this extension is $15.8 million which includes the purchase of three additional streetcars. When the Gibbs extension is completed, the Portland Streetcar system will provide service from Northwest Portland and Legacy Good Samaritan Hospital through the Pearl District and West End of downtown to PSU continuing to River Place and SW Gibbs and the Portland Tram.

The River District, Pearl District, and Old Town

Located north of the central business district and east of Interstate 405, the River District urban renewal area is comprised of approximately 310 acres bounded generally by Burnside Street on the south, NW 16th Avenue on the west, the northern end of the Terminal One site on the north, and the Willamette River and the boundaries of the Downtown Waterfront urban renewal area on the east. The River District formerly was used for railroad and industrial operations. In 1994, the City Council adopted the River District Housing Implementation Strategy, which calls for more than 5,000 new housing units in the target area with average densities of more than 100 units per acre. The River District was designated as an urban renewal area in 1998. Public funding for the City's River District development program comes from a variety of sources including federal, State and local transportation funds, various housing assistance sources, and tax increment proceeds from the River District urban renewal area. Significant private investment is also underway in the River District.

The Portland Streetcar project, paid for through a combination of local and federal monies, and bonds secured by City parking revenues, opened on schedule in July 2001. The streetcars follow a 4.2-mile loop that connects the River District to Downtown and PSU. There is no fee to ride the streetcar in the City's "Fareless Square" district. In July 2003, the City approved a plan to extend the Portland Streetcar line 0.6 miles from PSU to RiverPlace. The $18.2 million project has been completed and the extension of the line began operations in March 2005.

In the Pearl District (located within the River District urban renewal area), Gerding/Edlen Development purchased the former Blitz Weinhard Brewery, a five-block complex, known as the "Brewery Blocks," adjoining Burnside Street for $20 million. The firm is redeveloping the property into a mixed-use retail, commercial and housing complex. The brewery property is near a building that was redeveloped for Wieden & Kennedy (a national advertising firm) in the Pearl District as its international headquarters. Gerding/Edlen Development headed up the $20 million renovation of the Historic Cold Storage Building for Wieden & Kennedy. Whole Foods opened its first natural and organic supermarket in Oregon in the Brewery Blocks in March 2002. The new store has 175 employees. In fall 2002, the Art Institute of Portland moved into 70,000 square feet of Block 4. Tenants that moved into the Brewery Blocks in 2003 include Tyco Telecom, Sur la Table kitchenware retailer, Baja Fresh Mexican Grill, and Peet's Coffee. The south half of Block 3, The Henry, is a 123 unit condominium project which was completed in June 2004. Block 5 is set for completion in May 2005.

Walsh Construction Co. began construction in July 2004 on a $32 million project in the Pearl District. The 210-unit project at 1230 N.W. 12th Avenue includes basement parking and ground-floor retail space. Completion is expected by October 2005.

Portland Center Stage is planning to convert the Armory building in a move from downtown Portland to the Pearl District. The $28 million theater project is scheduled for completion in fall 2005.

Gerding/Edlen Development began construction in July 2003 of a project located between Northwest 12th and 13th Avenues, just north of Couch Street and Whole Foods Market. The $60 million building includes approximately 250 apartment units and is expected to be complete in spring of 2005.

Prendergast & Associates began construction in July 2003 on the Burlington Tower, a $35 million, 10-story concrete building with 163 apartment units and an equal number of parking spaces below it. The Burlington Tower, located south of Lovejoy between Northwest Ninth and 10th Avenues, is expected to be completed in summer 2005.

In late 2002, Trammell Crow Residential began construction of 178 apartments between Northwest Ninth and 10th Avenues, called 10th@Hoyt, just south of Irving Street and the Ecotrust building. The $30 million, six-story steel building was completed in March 2004.

Hoyt Street Properties is continuing work on over $125 million in development of several blocks in the Pearl District. When completed, the Hoyt Street parcels will have more than 2,500 residences and 150,000 square feet of retail and commercial space on 34 acres in the District. The Gregory, a 12-story retail and residential loft project, was completed in the first half of 2001 with over 125 residential units, 3 floors of parking and 20,000 square feet of retail space. Construction began on the Bridgeport condominiums in January 2002. The west tower was completed in spring 2003, and the east tower was completed in summer 2003. Combined, the towers add 123 residential units and will house 250,000 square feet of retail space. The 124-unit, 13-story Park Place Condominiums began construction in September 2002, and was completed in May 2004. Construction began in January 2003 on The Lexis, located between Northwest Ninth and 10th Avenues, north of Marshall Street and Lovejoy Station, which has 139 apartment units. The $22 million wooden building has four levels on one side and five levels facing west toward North Park Square. The project was completed in April 2004.

In February 2004, outdoor equipment retailer REI opened a 35,000 square-foot store on the ground floor of the Edge, a $35 million, 11-story building located between Northwest Johnson and Kearney Streets and 14th and 15th Avenues in the Pearl District.

Storables opened its $800,000, 13,000 square-foot store in the Pearl District, at the corner of Northwest 13th Avenue and Couch Street in November 2003. It replaces the store in the Uptown Shopping Center, a site that is about a third the size of the new location.

Henry's 12th Street Tavern opened in April 2004 in the former Blitz-Weinhard Brewery after more than $4 million in renovations. The 14,500 square-foot bar and grill is located at 10 N.W. 12th Ave. between Burnside and Couch streets.

Projects are also underway in the Old Town neighborhood located in the Downtown Waterfront urban renewal area adjacent to the River District. The Old Town Lofts, a PDC- financed housing project at Northwest 4th Avenue and Flanders Street, opened on June 29, 2001. The project features 139 lofts and townhouses ranging in size from 500 to 1,400 square feet. Central City Concern ("CCC") partnered with developer Downtown Community Housing, Inc. and the PDC to build a replacement for the Danmoore. Construction began in July 2003 with the demolition of the site's existing one story building, and was completed in October 2004. The project is a 180-unit structure, called the 8 NW 8th Building, on the northeast corner of West Burnside and 8th Avenue. Portland Alternative Health Center, a CCC Health and Recovery Program, will have the commercial space on the first and second floors with its entrance on Burnside. The housing lobby on the first floor opens off of 8th Avenue at the North Park Blocks and a large community space, library, and offices on the second floor serves all of the building's residents. Floors three through eight have 120 transitional single room occupancy units and community spaces.

In October 2002, the 301-unit McCormick Pier apartments were sold for $30.4 million to Emerging Markets of North America, a Phoenix, Arizona-based firm. Renovations costing approximately $20 million have been underway since then, including the addition of a marina, hot tubs, fitness center with indoor basketball court, outdoor fire-pits and barbecue entertainment areas. Construction is expected to be complete by mid 2005.

The Yards at Union Station is a four-phase project eventually bringing more than 700 new units of housing. The first three phases, which added approximately 658 units of market rate and affordable housing, are complete. The final phases of the project, Phases B4 and B5, will create 50 additional units, and are scheduled for completion in 2004/2005.

In November 2003, the PDC completed a $1 million renovation to the city block in front to Union Station. Northwest Sixth Avenue has been extended diagonally across the property under the Broadway Bridge ramp, and will eventually connect with Northwest Ninth Avenue. The extension includes sidewalk improvements, street trees, street lights and on-street parking. There were also landscaping improvements, as well as the installation of a forecourt plaza.

North Portland

In August 2000, the Interstate Corridor urban renewal area was created to provide local funding for the proposed light rail line along Interstate Avenue, and to serve broader revitalization efforts in the area. The Interstate light rail is a $350 million project to expand light rail service 5.8 miles into North Portland neighborhoods. Also known as the "Yellow Line", Interstate MAX service began in May 2004. (See "TRANSPORTATION AND DISTRIBUTION" below.)

In July 2004, Freightliner announced it would add 700 more workers to its Portland facility over the next seven months, doubling heavy truck production in the Portland area.

Several commercial and housing development projects have been completed or are planned in the Interstate Corridor urban renewal area.

In early 2002, Adidas America Inc. celebrated the opening of Adidas Village in North Portland in the historic Overlook neighborhood. The site, formerly Bess Kaiser Medical Center, is home to the company's North American headquarters, which employs approximately 950. The athletic footwear company occupies the 215,000 square-foot building, which has undergone a $25 million renovation.

In November 2000, voters approved a $144 million bond measure for Portland Community College ("PCC"), of which approximately $57 million will be directed towards Cascade Campus facilities for construction of new facilities, building maintenance and technology improvements. The Cascade Campus is located at 705 N. Killingsworth Street. The PCC Cascade Campus Master Plan proposes the addition of 175,000 square feet of space, including the Moriarty Arts and Humanities Building, the Technology Education Building, the Public Service Education Building, and a new physical education complex. In October 2003, PCC opened its new addition to the Jackson Hall science building. The $6.2 million project added approximately 17,500 square feet of space and contains six new science laboratories, for a total of eight. It also contains four new classrooms, for a total of six. In addition to Jackson Hall, two other existing buildings will be remodeled or receive additions, including Terrell Hall and the Student Services Building. Plans for a future bond measure are under development.

Fred Meyer Stores replaced two stores having combined square footage of 121,000 with a larger store of 150,000 square feet. The new store faces Lombard Street and opened in December 2004. The cost of construction was approximately $20 million.

Kaiser Permanente has begun construction on a $27 million radiation treatment center at its north Portland campus. The center will be a 17,000 square-foot, one-story building, along with a two and a half-story parking structure. It is expected to be completed by the end of 2005.

The Killingsworth Station project will be the first major PDC-sponsored development at an Interstate MAX light rail station. The project includes 56 affordable one- and two-bedroom rental units, 35 affordable loft-style condominiums, 6,400 sq. ft. of ground floor commercial space, seven three-bedroom townhomes, approximately 12,800 sq. ft. of ground floor retail/office space along Killingsworth and Interstate Avenue, and structured parking. Construction is scheduled to begin in spring 2005 and be complete by mid-2006.

In late 2001, the Housing Authority of Portland was awarded a $35 million HOPE IV grant that anchors a $145 million investment to redevelop the aging Columbia Villa public housing in Northeast Portland into “New Columbia”. The New Columbia project is the largest single redevelopment project in Portland, converting 82 acres of formerly low-density public housing into an 850-unit mixed income community. The project includes the replacement of 370 public housing units as well as the development of 60 elderly affordable housing units, 190 new affordable rental housing units and 230 new homeownership units. The City and the PDC will also provide funding for the New Columbia project. A groundbreaking ceremony was held for the New Columbia project in December 2003. Demolition of the old buildings continued until May 2004, at which point construction began on the first 175 public housing and affordable housing units of the project. Completion is anticipated in 2006.

Projects outside of the Interstate Corridor urban renewal area include the opening of the Burlington Coat Factory store in Jantzen Beach in March 2004. The 85,000 square-foot space was vacated by Kmart in 2003.

A groundbreaking ceremony was held in July 2004 for the Columbia Knoll project, which will replace the old Shriners Hospital for Children at Northeast 82nd Avenue and Sandy Boulevard. Columbia Knoll will be a complex of senior and family housing. The $45 million project’s 326 units will include family rental units, independent senior apartments and “congregate” senior housing with services. The first of the buildings with family housing is scheduled to open in March 2005. The senior-citizen building, which will sit atop a hill in about the same location as the hospital, is scheduled for occupancy in November 2005.

Wapato Correctional Facility, located at 14355 N. Bybee Lake Court, opened in July 2004. The 525-bed, medium-security jail was constructed at a cost of $58.4 million.

The PDC undertook a study for a proposed urban renewal area that would include parts of the Northwest Industrial Area and the Swan Island/Mocks Bottom area. The proposed urban renewal area was approved in November 2004. Siltronic Corporation, which is located within the boundaries of the approved urban renewal area, is considering Portland and four other sites for a new $466 million silicon wafer manufacturing plant, and plans to make its decision in 2005. The expansion could add 500 manufacturing jobs to the site.

Electro Scientific Industries relocated its electronic component systems product line from Escondido, California to its new 62,000 square-foot northwest Portland headquarters in January 2003.

Southwest Portland

In February 2001, the PDC authorized a master predevelopment agreement to construct maximum high-density, market-rate condominiums and retail space across from Jefferson on the Safeway/YWCA block. The three-block Museum Place South includes an expanded Safeway, an expanded YWCA, 128 loft-style units in a 6-story tower above the Safeway, and 12 2-story townhouses. The $113 million project covers approximately 278,000 square feet. YWCA renovation was completed in January 2003. The Museum Place South project was completed in October 2003.

The Harrison restaurant, a $2.5 million project, was completed in November 2004. The 8,800 square foot restaurant is on the mezzanine level in the Fox Tower at 838 S.W. Park Ave.

The $10.8 million St. Francis apartments were completed adjacent to the YWCA building in January 2003. The 90,000 square-foot, 7-story building creates 132 affordable housing units.

In fall 2002, OHSU broke ground on a $321 million plan to construct two buildings on Marquam Hill. One building will be a 250,000-square-foot biomedical research building and the other will be a 300,000-square-foot patient care center with a 400-space parking facility. Construction is expected to continue until 2005.

Replacement of the Hillsdale branch of the Multnomah County library began in early 2002. Work was delayed in spring 2003 when Hoffman Construction replaced James W. Fowler Co. as the general contractor. Construction resumed, and the new library was completed in March 2004.

Eastside Development

Construction is expected to begin in spring 2005 on a medical clinic and parking structure costing approximately $40 million at the Gateway Transit Center. The PDC gave final approval to the plan in December 2004. The Oregon Clinic will build a 106,000 square-foot building at an estimated cost of $31 million that will house 207 employees. Tri-Met will build a three-level parking garage adjacent to the clinic that is to hold 635 cars. Of those, 480 will be available to park-and-ride transit customers, replacing the current surface spaces, and 155 will be reserved for clinic employees and patients. The new structures will be located along Northeast 99th Avenue north of Pacific Street. Completion of both projects is expected in 2006. The building and garage will be designed for possible expansion.

The Merrick is a $28 million, six-story, mid-rise luxury apartment complex, bounded by Northeast Third Avenue and Martin Luther King Jr. Boulevard. The 185-unit apartment complex was completed in April 2004 by Trammell Crow Residential Services and C.E. John.

Oregon Mountain Community store moved to Northeast Sandy Boulevard in May 2004 from Old Town. The retailer purchased a 15,000 square-foot retail and office building with 20,000 square feet of land for $1.1 million from Lang Properties. The store employs 14 people.

Integra Telecom completed relocating its national headquarters to Northeast Portland in June 2004. The PDC gave Integra a $600,000 aid package as incentive to move from its Washington County home. The relocation brings about 300 jobs to the area, with Integra leasing 51,000 square feet of new office space in the 1201 Lloyd Building and another 12,000 square feet for a technical operations center near the new main office at Northeast 12th Avenue and Lloyd Boulevard.

Construction began in October 2003 on a $36 million, mixed-use development called 1620 Broadway. The project features 225,000 square feet of living and shopping space, including 88 condominiums and three levels of underground parking. Completion is expected in March 2005.

Vocational Village, an alternative high school program, moved from Northeast Tillamook Street to the old Meek Elementary School building at Northeast 40th Avenue and Alberta Court for the 2004-05 school year. The Portland School Board agreed to spend $1.7 million to modify Meek to accommodate Vocational Village's job training programs.

Banfield, the Pet Hospital, began construction in October 2004 on its $25 million headquarters project. The 225,000 square-foot facility being built at 82nd Avenue and Tillamook Street will include two stories stacked over a sub-grade parking garage. Completion is expected by December 2005. The new facility will replace the existing headquarters, located at 11819 N.E. Glenn Widing Drive, off Airport Way.

Providence Portland Medical Center is planning a parking garage and a nine-story medical facility that will consolidate cancer services. The parking garage will be phase one of the development. Located at the hospital's campus at 4805 N.E. Glisan Street, it will cost $18 million, accommodate parking for 750 additional cars and will be completed in 2005. The second phase of the project, a 400,000 square-foot, nine-story building will cost $150 million and likely be completed in 2007. The facility will provide 124 additional beds and a comprehensive cancer center.

Construction was completed in April 2003 on the $98 million, 407,500-square-foot expansion of the Oregon Convention Center. Funding of the new Convention Center space came from the PDC, the Metropolitan Exposition-Recreation Commission, and a bond package backed by the City. Revenues to retire the bonds will be generated through 2.5 percent increases in lodging and car-rental taxes in Multnomah County.

The Rosewood Family Medical Clinic completed construction in July 2004 on a $2.9 million project, located at 8935 S.E. Powell Boulevard. The new, 10,000 square-foot clinic has 18 exam rooms, plus a minor procedure room and a medical laboratory. The new clinic is owned and operated by Yakima Valley Farm Workers Clinic, and brings about 25 jobs to the Lents neighborhood.

Work began in June 2004 on a significant stream restoration in Southeast Portland. The Oregon Department of Environmental Quality awarded a $400,000 line of credit to help Portland pay for the project. The loan from the State's clean water revolving fund will help the City restore more than six acres of streamside wildlife habitat where Kelly Creek joins Johnson Creek, near Southeast 162nd Avenue and Foster Road. The $1.3 million project will restore meanders to a channeled stretch of Kelly Creek, remove armored banks and excavate fill from former wetlands so that they can receive surging overflows and minimize downstream flooding. Completion of the restoration is expected by June 2006.

New Seasons Market opened its 'Seven Corners' store at 1954 SE Division Street in September 2004. The store employs approximately 170 people.

Cascadia Behavorial Healthcare completed construction in November 2004 on Midland Commons. The $5.3 million, 39,000 square-foot project consists of two adjacent apartment buildings, located at 2830 SE 127th Avenue. Clinton Ridge Apartments, a $3.6 million housing project, opened in June 2004 at SE 92nd and Clinton Street. The 29-unit, four-story apartment complex has 12 studio apartments, 16 one-bedroom apartments, and a two-bedroom manager's apartment. Construction began in November 2004 on the West Gresham Apartments, a 27-unit, four-story building, with a total of 26,347 square feet. Completion is expected in late summer 2005. There will be 24 one-bedroom apartments, and three 2-bedroom apartments, with retail space available on the first floor. Units will range from 635 to 841 square feet.

PCC opened its new Southeast Center at Southeast 82nd Avenue and Division Street on December 29, 2003. The new facility replaces the existing center, which is several blocks south. The cost, which included purchase of land, construction, permits, furniture, and equipment, was $26.3 million.

In 1998, the City Council established the Lents Town Center as an urban renewal area. Community leaders and the PDC are developing a plan to complete community revitalization projects and create affordable housing options. Construction of the Crossroads Plaza at SE 92nd Avenue and Foster Road was completed in August 2001. Rose Community Development Corp. completed construction in December 2003 on Reedway Place Apartments, a 24-unit, $3.3 million low-income apartment complex at SE 91st Avenue and Reedway Street.

As part of Multnomah County's multi-year $24.1 million library renovation project, the Sellwood-Moreland Library opened in February 2002 and the Hollywood Library opened in May 2002.

The Columbia Corridor

The Columbia Corridor is a major growth opportunity for industrial development in Portland. The Corridor contains nearly 4,700 acres of vacant industrial land along a 16-mile stretch of land that runs along the southern shore of the Columbia River and includes marine terminals and the international airport.

The Rivergate Industrial Park is a 3,000-acre area owned by the Port of Portland (the "Port") in north Portland. In addition to Rivergate's access to the Columbia River and Portland International Airport ("PDX"), the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives. The purpose of the City's Enterprise Zone is to stimulate business investment in north and northeast Portland. In an attempt to hire and retrain Enterprise Zone residents for quality jobs, the PDC has set up this program to reward businesses that provide local jobs. Businesses who participate can make use of a property tax exemption from new taxes generated during the first three to five years of a non-retail business investment in the Enterprise Zone.

The boundaries of the Enterprise Zone include north and northeast Portland residential, commercial and industrial land west of Interstate 205 and north of Broadway Street.

In August 2003, the Port Commission approved the sale of 13.5 acres in the Rivergate Industrial District to Oregon Transfer Co. for approximately $2.8 million. Oregon Transfer plans to build and operate a 295,000 square-foot facility on the new property along North Leadbetter Street that will employ up to 30 people.

In March 2002, Trammell Crow Company and Kennedy Associates broke ground on the 23-acre Rivergate Corporate Center, positioned adjacent to the Port's Terminal 6 Marine facility within the Rivergate Industrial Park. Construction was completed in October 2002, which consisted of two modern tilt-up buildings totaling 488,125 square feet. Construction on Phase I of the Rivergate Corporate Center II ("RCC II") building began in February 2003, and was completed in September 2003. On February 7, 2003, Trammell Crow announced that Fort James Corp., a wholly owned subsidiary of Georgia-Pacific, signed a 402,450-square-foot pre-lease agreement for Phase I. The company moved into the building in September 2003. Construction of 204,550 square feet for Phase II was completed in December 2004, bringing the single building to its final size of 607,000 square feet. Georgia-Pacific announced in May 2004 that it will also occupy the space constructed in Phase II.

Chandler, Arizona-based Microchip Technology purchased the vacant Fujitsu Microelectronics complex in Gresham in August 2002 for $183.5 million. Microchip began volume production in October 2003, with 122 employees. The company plans to reach full capacity with over 350 employees in five to six years.

Oregon Steel closed its Rivergate melt shop on May 23, 2003, bringing total layoffs to 280 employees. In October 2003, Oregon Steel leased the equipment of the former LTV Structural Tube Facility located in Rivergate Industrial Park. The facility, known as Columbia Structural Tubing ("CST") will produce rectangular hollow steel sections in sizes ranging from 2 1/2 inches to 10 inches. CST expects to hire approximately 30 employees to start up operations and could employ up to 50 employees, depending on production levels. In July 2004, Oregon Steel announced plans to build a $35 million pipe-making plant in Portland. The new plant will employ 100 to 200 people, depending on production levels. Construction is expected to be completed during the fourth quarter of 2005.

Staples, Inc. purchased 23 acres at Southshore Corporate Park for a 200,000 square-foot build-to-suit regional warehouse and distribution center. Catellus Development is constructing the $15 million building. The first phase of Staples' new warehouse and distribution center was completed in September 2003 and employs more than 100 people. Construction of phase two consists of a 263,200 square-foot building to expand Staples' current operations. Desert Viking Distributing, Future Logistics, Image Graphics and Sewing Center Supply opened between May and June 2004.

AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. Even so, the metropolitan area accounted for approximately 24.5 percent of the State's Gross Farm and Ranch Sales based on 2003 estimates from the Oregon State University Extension Economic Information Office. Clackamas County ranked second and Yamhill and Washington counties ranked third and fourth among all counties in the State in Gross Farm and Ranch Sales.

The 2003 Gross Farm and Ranch Sales in Clackamas County was $339,102,000; Washington County was $220,456,000; Yamhill County was $220,513,000 and Multnomah County was $69,767,000; as estimated by the Oregon State University Extension Service.

TRANSPORTATION AND DISTRIBUTION

Location and topography have established Portland as a leading warehousing and distribution center for the Pacific Northwest. The City's location at the head of deep-water navigation on the Columbia River system gives it substantial geographic and, therefore, economic advantages for the shipment of freight. The Columbia River ship channel is maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. The City is a regular port of call for 16 regularly scheduled major steamship lines serving major world trade routes. Six Oregon and Washington port districts joined to fund a five-year, study of the feasibility of deepening the shipping channel of the Columbia River from 40 feet to 43 feet, in order to accommodate larger, more efficient vessels. The project cost is estimated at approximately $134 million. Primary cargoes include containers, automobiles, grain, and mineral bulks.

In June 2003, the states of Oregon and Washington issued their approvals for the U.S. Army Corps of Engineers to proceed with the Columbia River Channel Deepening project. Both states issued conditional water quality certifications and conditional

Coastal Zone Management Consistency concurrences. The approvals were the final regulatory hurdles the Corps faced before issuing a Record of Decision. The Corps issued its Record of Decision in January 2004.

Upstream from the City, the Columbia River provides the only water route through the Cascade Mountains to the agricultural regions of eastern Oregon, Washington, and northern Idaho. This region has been opened to slack-water barge navigation by means of locks installed in a series of federal hydroelectric projects on the lower Columbia River and its largest tributary, the Snake River. There are three primary barge lines providing service between the upriver ports and the City. In addition, the Columbia River Gorge forms a corridor through the Cascades which, because it is level, provides an economical rail and highway route between the City and the region east of the mountains.

The City is also in a strategic position to serve the Willamette Valley, which extends approximately 145 miles south from the City and is one of the nation's most diversified and productive agricultural regions and food processing centers.

The Port is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, four airports, and seven business parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. Leading exports include wheat, soda ash, potash and hay. The Port is the largest wheat export port in the United States. Leading imports include automobiles, petroleum products, steel and limestone. The Port is the largest volume auto handling port and mineral bulks port on the West Coast. Total maritime tonnage increased in 2003 to 11.9 million short tons compared to 10.7 million in 2002.

In June 2002, international shipping freight carrier Hanjin announced that it will return to the Port, making Portland its last port of call for transpacific shipping and boosting the Port's total containership by one third. In September 2004, New World Alliance suspended container vessel calls to Portland. "K" Line ended service to the Port in December 2004. In November 2004, Toyota Logistics Services Inc. moved into a new $40 million auto import and processing facility at the Port. In September 2004, the Port laid-off 50 workers, as well as eliminating 34 unfilled positions. This was part of a plan to achieve $9.3 million a year in savings.

PDX handles approximately 12 million passengers annually. Portland is served by 17 passenger carriers providing more than 500 flights daily to over 100 cities in the US and Canada. In June 2004, Northwest Airlines began nonstop air service from PDX to Tokyo, Japan. Lufthansa began offering daily service from PDX to Frankfurt, Germany in March 2003. Portland is also served by three publicly operated general aviation airports located in the suburban areas. Two major railroads—the Burlington Northern Santa Fe and Union Pacific—plus the Amtrak passenger train system, serve the City.

Transportation is facilitated by a highway system that includes I-5, the primary north-south highway artery of the West Coast, and by-pass routes Interstate 205 and Interstate 405 within and around Portland. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service through the region. In 2003, approximately 88.9 million passengers traveled by bus and rail.

TriMet's light rail system ("MAX") connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. The most recent extension of the light rail line, the Interstate MAX line, added 5.8 miles of service from the Rose Quarter and Oregon Convention Center into North Portland neighborhoods, medical facilities, and the Metropolitan Exposition Center. Service on the Interstate MAX began in May 2004.

The TriMet Transit Investment Plan was approved by its Board of Directors in June 2002. The plan calls for major investment in order to extend the MAX line 6.5 miles south from the Gateway Transit Center to Clackamas Town Center, and from Beaverton south to Wilsonville, among other proposed expansions. In August 2004, TriMet filed an application with the Federal Transit Administration seeking a federal grant to fund a two-phased extension of the light rail line with an estimated cost of $494 million. Local funding would be provided by TriMet, the PDC, the City, funding generated by a local improvement district, and other public sources. Phase One would provide service along I-205 between Clackamas Town Center and the existing Gateway station. The second phase would extend the light rail line from Portland State University to Union Station in downtown Portland. Future plans would connect downtown Portland to Milwaukie.

Construction design of the proposed 14.7 mile, $103.5 million Wilsonville-to-Beaverton commuter rail project is expected to be completed by spring 2005. Initial proposals have been received for rail car builders, and a decision will be made in late February 2005. A Full Funding Grant Agreement, which assures construction funding, could be secured by fall 2005.

The Portland Streetcar, which connects the downtown area with the Pearl District and Northwest Portland, began operations in 2001. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. Extension of the streetcar line to RiverPlace was completed in March 2005 and is now in operation. (See "DEVELOPMENT ACTIVITY -- The River District, Pearl District, and Old Town" herein.)

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is the State's largest city and the center of business and transportation routes in the State. Therefore, the City accommodates a large share of the State's tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland Art Museum, Oregon Historical Society Museum, Children's Museum, OMSI, Forest Discovery Center (formerly World Forestry Center), Japanese Gardens, International Rose Test Gardens, the Classical Chinese Garden and the Oregon Zoo. The metropolitan area includes more than 40 other local theater and performance art companies and ten additional gardens of special interest. Portland is the home of Forest Park, the largest urban park in the United States with a total of more than 5,000 acres.

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. The City completed the $38.5 million renovation of the Civic Stadium, which opened as PGE Park on April 30, 2001. The stadium is home to the Portland Beavers (Triple-A), the Portland Timbers (A-League soccer), and the Portland State Vikings (Division I college football and women's soccer). A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June, since 1907. More than two million participants enjoy the Festival annually, and the Festival generates more than $80 million for the region's economy and local businesses.

According to the Portland Oregon Visitor's Association ("POVA"), 206,292 visitors attended 302 conventions in the City during fiscal year 2003-04 (the most recent data available). Lodging occupancy rates for downtown Portland averaged 70 percent through November 2004, a 5.5 percent increase over the same period last year.

A 90-minute drive from Portland in almost any direction provides access to numerous recreational, educational, and leisure activities. The Pacific Ocean and the Oregon Coast to the west, the Columbia Gorge and Mt. Hood, Mt. St. Helens and Mt. Adams in the Cascade Range to the east, and the Willamette Valley to the south offer opportunities for hiking, camping, swimming, fishing, sailboarding, skiing, wildlife watching, and numerous other outdoor activities.

HIGHER EDUCATION

The City is the educational center for the State of Oregon. Within the Portland metropolitan area are several post-secondary educational systems.

PSU is the largest of seven campuses in the Oregon State System of Higher Education. PSU is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 100 undergraduate, masters, and doctoral degrees, as well as graduate certificates and continuing education programs. Fall 2004 enrollment was 23,486 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

Oregon State University and the University of Oregon, with the other two major universities in the Oregon State System of Higher Education, have field offices and extension activities in the Portland metropolitan area.

OHSU's Marquam Hill Campus sits on more than 100 acres overlooking downtown Portland and occupies 31 major buildings on the hill. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Each year, OHSU serves approximately 188,000 medical and dental patients and educates more than 3,500 students and trainees in health information technology, sciences, environmental engineering, computation and management. Competitive funding awards have nearly quadrupled during the last decade – from $43 million in 1990 to $221 million in 2003. OHSU is the City's largest non-government public employer with 2003-04 employment of 11,500.

Independent colleges in the Portland metropolitan area include Lewis & Clark College, University of Portland, Reed College, Linfield College-Portland Campus, ITT Technical Institute and Marylhurst University; and several smaller church-affiliated schools, including Warner Pacific College, Concordia University, George Fox University, and Cascade College. Portland Art Institute, Western Culinary Institute, Western States Chiropractic College, Oregon College of Oriental Medicine, National College of Naturopathic Medicine, and East-West College of the Healing Arts are also located in the City.

Several community colleges serve the Portland metropolitan area including PCC, Mt. Hood Community College, and Clackamas Community College.

UTILITIES

Electricity is provided by Portland General Electric ("PGE") Company and Pacific Power Company. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. PGE owns and operates eight hydroelectric power plants, and has a total net peaking capacity of 3,900 megawatts from available resources, with nearly 50% from hydroelectric sources. NW Natural distributes natural gas. Telephone services are provided by Qwest Communications and, in some areas, General Telephone of the Northwest.

PUBLIC FACILITIES

Water

The City's Bureau of Water Works operates the water supply system that delivers high-quality drinking water to more than 790,000 people in the Portland metro area. The primary water sources are the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. Portland also uses groundwater as a supplemental water supply.

The City, along with Metro and 26 other metropolitan area cities and water districts, participates in the Regional Water Providers Consortium. The Consortium works together through a voluntary intergovernmental agreement to coordinate and implement the Regional Water Supply Plan and to address water supply and resource management issues affecting the region. The City provides technical planning and administrative staff to the Consortium through the City's Water Bureau through an intergovernmental agreement.

Sewer and Wastewater

Approximately one-third of the 96,200 acres within the City Urban Services Boundary and approximately 60 percent of the City's population is served by combined sanitary and stormwater sewers. During rainstorms, the collection system exceeds the capacity of the interceptor system that conveys sewage to the Columbia Boulevard treatment plant, resulting in overflows of untreated sewage directly into the Willamette River and the Columbia Slough. Under a 1991 agreement between the City and the Oregon Department of Environmental Quality, the City is undertaking the Combined Sewer Overflow ("CSO") program to remedy this situation. Costs are estimated at more than $1.4 billion to be invested over 20 years. Through FY 2003-04, the project has reduced Columbia Slough overflows by 350 million gallons a year, and has controlled or eliminated seven Willamette River CSO outfalls. In November 2002, the City began construction on a $400 million sewer improvement project. The project calls for 120-foot-long, four-mile-deep, 14-foot-diameter tunnel that will collect combined sewage and carry it to a new pump station on Swan Island when construction is completed in 2006. Another tunnel will be built in a later stage of the project. Construction of major CSO projects will continue until 2011.

HOUSING

The median selling price of a home in metropolitan Portland for calendar year 2004 was $204,500, up from $187,000 for calendar year 2003, according to the Realtors Metropolitan Area Multiple Listing Service ("RMLS"). Homes in the metropolitan area were on the market an average of 56 days in 2004. According to RMLS, the southeast Portland region was the most active, with 4,131 closed sales in 2004. According to the US Census Bureau, in 2000 there were 237,269 housing units in the City, 47.3% of which were owner-occupied. As of July 1, 2003, the number of housing units reported for Multnomah County was 295,031.

OTHER ECONOMIC FACTORS

The following table shows various economic indices for the City over the past ten years.

CITY OF PORTLAND, OREGON
Various Economic Indices
for Fiscal Years Ending June 30

	Commercial Construction		Residential Construction		Total Construction		Bank
Fiscal Year	No. of Permits	Value	No. of Permits	Value	No. of Permits	Value	Deposits ($000)
1995	3,286	$387,755,191	3,822	$113,779,784	7,108	$501,534,975	$11,611,855
1996	3,069	497,058,470	4,011	132,248,762	7,080	629,307,232	11,133,967
1997	3,378	690,910,816	4,343	157,497,045	7,721	848,407,861	14,281,503
1998	4,089	778,910,533	4,153	166,479,499	8,242	945,390,032	12,942,696
1999	3,746	712,690,707	4,128	164,598,675	7,874	877,289,382	14,529,741
2000	3,628	685,894,883	4,390	166,029,804	8,018	851,924,687	15,667,859
2001	3,524	693,494,820	5,304	227,161,633	8,828	920,656,453	12,978,750
2002	3,394	702,312,602	5,676	286,907,402	9,070	989,220,004	16,214,809
2003	3,738	647,952,470	6,008	314,138,287	9,746	962,090,757	18,455,222
2004	3,485	819,507,836	6,105	329,706,927	9,590	1,149,214,763	11,223,521

Sources:

Building:
City of Portland, Bureau of Buildings. Data is collected on a fiscal year basis and includes new construction and alterations. In July 1986 the City's Permit Center consolidated with the East County Permit Center operated by Multnomah County. Permit data shown is for the City of Portland *only*.

Bank Deposits:
Oregon Department of Consumer and Business Services. Data is as of June 30 of the stated year.

APPENDIX C
AUDITED FINANCIAL STATEMENTS

CITY OF PORTLAND OREGON

1851

INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2000, 2001, 2002, 2003, and 2004.

The following pages in this Appendix C are excerpted from the Comprehensive Annual Financial Reports of the City for the Fiscal Years ending June 30, 2000 through June 30, 2004.

Copies of the Fiscal Years 2000 through 2004 Comprehensive Annual Financial Reports ("CAFR") containing the reports of the independent certified public accountants are available on the City's website at:

http://www.portlandonline.com/omf/index.cfm?c=26053

The City's website is listed for reference only, and is not part of this Official Statement.

A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE 2005 BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2005 BONDS.

CITY OF PORTLAND, OREGON

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CITY OF PORTLAND, OREGON
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Generally Accepted Accounting Principles Basis
for Fiscal Year Ended June 30

	2000 (1)	2001 (2)	2002 (3)	2003	2004
Revenues					
Taxes	$199,498,081	$211,974,174	$216,576,056	$227,495,311	$246,195,810
Intergovernmental revenues	16,448,048	18,541,333	19,926,294	19,143,029	24,433,714
Licenses and permits	87,788,397	92,808,407	87,625,667	98,317,689	103,502,813
Charges for services	54,877,077	45,937,835	50,461,451	47,080,319	54,454,709
Interest and miscellaneous revenues	10,113,736	10,395,432	8,691,828	2,130,636	2,506,025
Total revenues	368,725,339	379,657,181	383,281,296	394,166,984	431,093,071
Expenditures					
Planning/community development	5,183,989	10,150,582	25,891,173	26,258,778	32,953,347
Citizen/community services	12,168,685	13,830,318	--	--	--
Public safety	168,737,273	238,857,116	242,380,376	248,944,521	273,780,789
Support services/legis./administrative	121,708,477	45,273,667	43,460,216	42,707,237	45,753,826
Parks/recreation/cultural	38,655,862	44,572,270	45,027,462	44,761,687	47,475,936
Capital outlay	1,390,020	3,224,695	1,444,136	1,115,473	2,245,106
Debt Service	--	--	--	--	30,550
Total expenditures	347,844,306	355,908,648	358,203,363	363,787,696	402,239,554
Revenues over (under) expenditures	20,881,033	23,748,533	25,077,933	30,379,288	28,852,517
Other Financing Sources (Uses)					
Operating transfers in	14,570,032	14,301,735	10,610,557	11,678,698	14,085,934
Operating transfers out	(38,750,184)	(39,775,883)	(33,894,184)	(30,246,465)	(35,665,461)
Loan Proceeds	--	--	--	--	3,067,000
Total other sources (uses)	(24,180,152)	(25,474,148)	(23,283,627)	(18,567,767)	(18,512,527)
Net change in fund balances	(3,299,119)	(1,725,615)	1,794,306	11,811,521	10,340,990
Fund balance, beginning	55,043,649	51,730,511	50,016,695	51,803,140	57,643,938
Prior period adjustment (4)	--	--	--	(5,939,843)	--
Fund balance, beginning, as restated	55,043,649	51,730,511	50,016,695	45,863,297	57,643,938
Change in inventory	(14,019)	11,799	(7,861)	(30,880)	51,222
Fund balances, ending	$51,730,511	$50,016,695	$51,803,140	$57,643,938	$68,036,150

Notes:

(1) The significant increase in Tax Revenues and Support Services/Legislative/Administrative Expenditures beginning in FY 1999-2000 was due to a change in the accounting treatment of property tax revenues collected for FPDR pension benefits. FPDR property tax revenues are now recorded in the General Fund, and then transferred to the FPDR Pension Trust Fund. The transfer is reflected in the Support Services/Legislative/Administrative expenditure category.

(2) The significant decrease in Support Services/Legislative/Administrative expenditures and increase in Public Safety expenditures beginning in FY 2000-01 was due to a change in the accounting treatment of property tax revenues collected for Fire and Police Disability and Retirement ("FPDR") pension benefits. FPDR property tax revenues are recorded in the General Fund, and then transferred to the FPDR Pension Trust Fund. The transfer was reflected in the Support Services/Legislative/Administrative expenditure category in FY 1999-2000, but now is reflected in the Public Safety expenditure category.

(3) Reflects changes due to GASB 34 reporting requirements beginning with FY 2001-02 financial statements. Certain categories of revenues and expenditures have been combined for comparative purposes. In FY 2001-02, Planning and Community Development includes expenditures recorded in the category Citizen/Community Services in prior years.

(4) Since FY 1991-92 when quarterly estimated license payments were first implemented, all payments received in a given year have been recognized as revenues. Refunds were charged as an expense in special appropriations. No year-end liability was recorded for overpayments outstanding at year-end. The impact of this treatment was to overstate revenues and expenses for the year and to accumulate an unrecorded liability that has increased annually. To properly report the error, the City recorded a prior period adjustment to the FY 2001-02 governmental ending net assets of $5,939,843.

Source: Derived from City of Portland audited annual financial statements.

CITY OF PORTLAND, OREGON
General Fund
Consecutive Balance Sheets (1)
as of June 30

	2000	2001	2002	2003	2004
ASSETS:					
Cash and investments	$62,436,481	$57,902,121	$60,812,814	$69,530,390	$79,744,655
Receivables:					
Property taxes	12,504,788	14,204,952	14,479,097	14,701,927	14,699,490
Accounts, interest and advances	4,223,100	4,790,697	3,184,386	3,896,451	3,723,006
Assessments (2)	1,000	1,000	1,000	1,000	4,280,370
Due from other funds	5,041,879	3,976,400	2,557,009	3,458,126	4,579,636
Inventories	345,888	357,686	349,826	318,946	370,167
Total Assets	$84,553,136	$81,232,856	$81,384,132	$91,906,840	$107,397,324
LIABILITIES:					
Checks, accounts payable and other accrued liabilities	$5,229,269	$4,728,386	$5,263,171	$5,611,240	$8,113,050
Deferred revenue	22,910,903	20,680,957	19,478,128	18,200,593	24,560,999
Due to other funds	4,682,453	5,806,818	4,834,193	5,135,831	5,567,124
Notes and mortgages payable	--	--	5,500	--	--
Other liabilities (3)	--	--	--	5,315,238	1,120,001
Total Liabilities	32,822,625	31,216,161	29,580,992	34,262,902	39,361,174
FUND BALANCE:					
Reserved for petty cash	20,880	20,880	44,595	44,845	44,845
Reserved for inventories	345,888	357,686	349,826	318,946	370,167
Unreserved	51,363,743	49,638,129	51,408,719	57,280,147	67,621,138
Total Fund Balance	51,730,511	50,016,695	51,803,140	57,643,938	68,036,150
Total Liabilities and Fund Balance	$84,553,136	$81,232,856	$81,384,132	$91,906,840	$107,397,324

Notes:

(1) Reflects changes due to GASB 34 reporting requirements beginning with FY 2001-02 financial statements.

(2) Increase in Assessments in FY 2003-04 is due to transfer of liens receivable balance from Bureau of Development Services to Office of Neighborhood Involvement.

(3) "Other liabilities" category reflects revised accounting treatment of business license refunds beginning in FY 2002-03 to conform with Generally Accepted Accounting Principles.

Source: City of Portland audited annual financial statements.

APPENDIX D
LEGAL OPINION

CITY OF PORTLAND OREGON
1851

________, 2005

City of Portland, Oregon
1120 S.W. Fifth Avenue, Suite 1250
Portland, Oregon 97204

Portland Development Commission
1900 S.W. Fourth Avenue
Portland, Oregon 97201-5304

Re: $10,480,000 City of Portland, Oregon Limited Tax Housing Revenue Bonds, 2005 Series A (Headwaters Apartments Project), and $1,260,000 City of Portland, Oregon Limited Tax Housing Revenue Bonds, 2005 Series B (Headwaters Apartments Project)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Portland, Oregon (the "City") in connection with the authorization, sale, issuance and delivery by the City of its $10,480,000 City of Portland, Oregon Limited Tax Housing Revenue Bonds, 2005 Series A (Headwaters Apartments Project) (the "2005 Series A Bonds") and its $1,260,000 City of Portland, Oregon Limited Tax Housing Revenue Bonds, Series 2005 B (Headwaters Apartments Project) (the " 2005 Series B Bonds"), dated April 18, 2005 (collectively, the "2005 Bonds"). The 2005 Bonds are issued pursuant to the laws of the State of Oregon, and particularly Sections 288.805 through 288.945 of the Oregon Revised Statutes, as amended (the "Act") and the Code of the City of Portland, Oregon (the "City Code"), City Ordinance No. 178341 passed by the City Council on April 21, 2004, and City Ordinance No. 178905 passed by the City Council on November 24, 2004 (collectively the "Ordinance"), and the Master Bond Declaration of the City (the "Declaration"), dated as of April 18, 2005. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Declaration.

We have examined the applicable law, a duly certified transcript of proceedings of the City, prepared in part by us, and other documents which we deem necessary to render this opinion.

Except as stated in any supplemental opinion with respect to the 2005 Bonds, addressed and delivered this date to the underwriter, we have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the official statement or other offering material relating to the 2005 Bonds, and we express no opinion herein relating thereto.

For questions of fact material to our opinion, we have relied on the representations of the City contained in the Declaration and in the certified proceedings and other certificates of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have also relied upon the covenants of the City to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") relating to the investment and use of proceeds of the 2005 Bonds.

On the basis of the foregoing examination, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we deem relevant under the circumstances, and subject to the limitations expressed herein, we are of the opinion, under existing law, as follows:

1. The City is a municipal corporation validly existing under the laws of the State of Oregon with the power and authority under the laws of the State of Oregon, including the Act and the City Code, to enter into, execute and deliver the Declaration and to issue the 2005 Bonds.

2. The Ordinance has been duly enacted by the City Council of the City of Portland, Oregon and the Resolution has been duly adopted by the Portland Development Commission.

3. The Declaration and the 2005 Bonds have been legally authorized and issued under and pursuant to the constitution and statutes of the State of Oregon, and are valid and legally binding obligations of the City enforceable against the City in accordance with their terms, subject to: (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally (whether now or hereafter in existence); (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting, or limiting the enforcement of rights or remedies against governmental entities such as the City.

4. Interest on the 2005 Bonds is excluded from gross income for federal income tax purposes under existing law.

5. Interest on the 2005 Bonds is not an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals or corporations. Interest on a 2005 Bond held by a corporation (other than an S Corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a 2005 Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

6. Interest on the 2005 Bonds is exempt from State of Oregon personal income tax under existing law.

Ownership of the 2005 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2005 Bonds. We express no opinion as to such collateral federal income tax consequences.

Under the Code, the City is required to comply with certain requirements relating to the investment and use of the proceeds of the 2005 Bonds, and the City has covenanted to comply with these requirements. Failure to comply with these requirements may cause the interest on the 2005 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2005 Bonds. Our opinion assumes compliance with such covenants and we do not undertake to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2005 Bonds may affect the tax status of the interest on the 2005 Bonds.

We express no opinion regarding any other federal, state or local tax consequences arising with respect to ownership of the 2005 Bonds.

These opinions are based on existing law and we assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

Our opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility for the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on the opinions expressed.

We have acted solely as bond counsel to the City regarding the sale and issuance of the 2005 Bonds and have not represented any other party in connection with the 2005 Bonds. Therefore, no attorney-client relationship shall arise by our addressing this opinion to persons other than the City.

The opinions expressed herein are solely for your benefit in connection with the above referenced bond financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the 2005 Bonds, nor may copies be furnished to any other person or entity, without the prior written consent of Preston Gates & Ellis LLP.

Respectfully submitted,

PRESTON GATES & ELLIS LLP
Attorneys

CITY OF PORTLAND, OREGON

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APPENDIX E
CONTINUING DISCLOSURE CERTIFICATE

CITY OF PORTLAND, OREGON

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CONTINUING DISCLOSURE CERTIFICATE

CITY OF PORTLAND, OREGON

$10,480,000
Limited Tax Housing Revenue Bonds
2005 Series A
(Headwaters Apartments Project)

$1,260,000
Limited Tax Housing Revenue Bonds
2005 Series B
(Headwaters Apartments Project)

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "City") in connection with the issuance of the City's Limited Tax Housing Revenue Bonds, 2005 Series A and 2005 Series B (collectively, the "2005 Bonds").

Section 1 Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the Bondowners and to assist the underwriter(s) of the 2005 Bonds in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12), (the "Rule"). This Certificate constitutes the City's written undertaking for the benefit of the Bondowners as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2005 Bonds, including persons holding 2005 Bonds through nominees or depositories.

"Bondowners" means the registered owners of the 2005 Bonds, as shown on the bond register maintained by the Paying Agent for the 2005 Bonds, and any Beneficial Owners.

"Commission" means the Securities and Exchange Commission.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"NRMSIR" means a nationally recognized municipal securities information repository.

"Official Statement" means the final official statement for the 2005 Bonds dated April 6, 2004.

"Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"SID" means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information. The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the current fiscal year (commencing with information for the fiscal year ending June 30, 2005):

A. The City's current fiscal year annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and,

B. To the extent not included in those annual financial statements, information generally of the type included in the official statement for the Bonds under the heading "Annual Disclosure Information."

Section 4. Timing. The information described in Sections 3.A and 3.B above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of its failure to provide the annual financial information described in Sections 3.A and 3.B above on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the 2005 Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the 2005 Bonds;
7. Modifications to the rights of holders of the 2005 Bonds;
8. 2005 Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the 2005 Bonds; and
11. Rating changes.

Section 6. Termination/Modification. The City's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2005 Bonds. This Certificate, or any provision hereof, shall be null and void if the City (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the 2005 Bonds; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Section 7. Amendment. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 4 or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the 2005 Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2005 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the Bondowners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Bondowner's Remedies Under This Certificate. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the 2005 Bonds hereunder. Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the Ordinance authorizing issuance of the 2005 Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the City to comply with this Certificate shall be an action to compel performance.

Section 9. DisclosureUSA. Any filing required to be made with any NRMSIR or SID under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 10. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the ____ day of _________, 2005.

City of Portland, Oregon

____

Eric H. Johansen, Debt Manager

CITY OF PORTLAND OREGON

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APPENDIX F
BOOK-ENTRY SYSTEM

CITY OF PORTLAND, OREGON

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BOOK-ENTRY SYSTEM

The information relating to the Book-Entry System in this Appendix has been furnished by DTC, and has not been independently verified by the Underwriter or the City. Neither the Underwriter nor the City makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.

DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE
(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the"Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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