

**NEW ISSUE -- Negotiated
BOOK-ENTRY ONLY**

RATING: Moody's Aa3

In the opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel to the City ("Bond Counsel"), assuming compliance with certain covenants of the City, interest on the 2011 Series A Bonds is excludable from gross income for federal income tax purposes under existing law and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on either individuals or corporations; however, interest on the 2011 Series A Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The 2011 Series A Bonds include both bonds that are not private activity bonds and private activity bonds that are "qualified 501(c)(3) bonds" under Section 145 of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the 2011 Series A Bonds is exempt from State of Oregon personal income taxation under existing law.

City of Portland, Oregon
\$30,370,000
Downtown Waterfront
Second Lien Urban Renewal and Redevelopment Refunding Bonds
2011 Series A (Tax-Exempt)

DATED: Date of Delivery

DUE: June 15, as shown on inside cover

The City of Portland, Oregon Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) (the "2011 Series A Bonds") will be issued in registered book-entry form only without coupons in denominations of \$5,000 or integral multiples thereof. The 2011 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2011 Series A Bonds. While Cede & Co. is the registered owner of the 2011 Series A Bonds (the "Owner") as nominee of DTC, references herein to the Bond Owners or to the Owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "BOOK-ENTRY SYSTEM" herein.

MATURITIES, AMOUNTS AND INTEREST RATES AS SHOWN ON THE REVERSE HEREOF

The 2011 Series A Bonds will bear interest at the rates as set forth on the inside cover. The 2011 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2011 Series A Bonds will be payable semiannually on June 15 and December 15 of each year, beginning December 15, 2011. While the 2011 Series A Bonds are in book-entry form, interest on the 2011 Series A Bonds will be paid through DTC. See "BOOK-ENTRY SYSTEM" herein.

The 2011 Series A Bonds are being issued to refund the City of Portland, Oregon Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series A and to pay issuance costs.

The 2011 Series A Bonds are secured by a lien on, and pledge of, the Security. The Security is defined in the Second Lien Bond Declaration and includes the Divide the Taxes Revenues and the Special Levies for the City's Downtown Waterfront Urban Renewal Area. The City has the power to impose Special Levies at rates in excess of the rates currently imposed by the City, up to the Maximum Tax Increment Revenues. The Security also includes any Federal Interest Subsidies and all amounts in the Downtown Waterfront Tax Increment Fund except amounts credited to the First Lien Bond Fund and the Second Lien Reserve Account. The lien of the 2011 Series A Bonds on the Security is subordinate to the lien on, and pledge of, the Security for the City's Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series B (Federally Taxable) and the Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable). See "SECURITY FOR THE 2011 SERIES A BONDS" herein.

THE 2011 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY OF PORTLAND, OREGON THAT ARE SECURED SOLELY BY AND PAYABLE SOLELY FROM THE SECURITY, AS PROVIDED IN THE SECOND LIEN BOND DECLARATION. THE 2011 SERIES A BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION, AND ARE NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION EXCEPT THE SECURITY.

The 2011 Series A Bonds are not subject to optional and mandatory redemption prior to maturity. See "REDEMPTION OF THE 2011 SERIES A BONDS" herein.

The 2011 Series A Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of K & L Gates LLP, Bond Counsel, Portland, Oregon, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Counsel, Orrick, Herrington & Sutcliffe LLP, Portland, Oregon. The City expects that the 2011 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 6, 2011.

Citi

BofA Merrill Lynch

MATURITY SCHEDULE

\$30,370,000

Downtown Waterfront

Second Lien Urban Renewal and Redevelopment Refunding Bonds

2011 Series A (Tax-Exempt)

<u>Due June 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number 736746*</u>
2012	\$80,000	1.00%	0.63%	WE 4
2013	175,000	2.00	0.92	WN 4
2014	3,845,000	3.00	1.24	WF 1
2015	3,970,000	3.00	1.65	WG 9
2016	4,090,000	4.00	2.00	WH 7
2017	4,255,000	4.00	2.36	WJ 3
2018	4,430,000	5.00	2.70	WK 0
2019	4,645,000	5.00	3.01	WL 8
2020	1,150,000	4.00	3.25	WM 6
2020	3,730,000	5.00	3.25	WP 9

* Registered Trademark 2011, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies.

**OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND
MULTNOMAH, WASHINGTON AND CLACKAMAS COUNTIES
OREGON**

**\$30,370,000
Downtown Waterfront
Second Lien Urban Renewal and Redevelopment Refunding Bonds
2011 Series A (Tax Exempt)**

CITY COUNCIL

Sam Adams,
Mayor and Commissioner of Finance and Administration

Amanda Fritz, Commissioner No. 1
Nick Fish, Commissioner No. 2
Dan Saltzman, Commissioner No. 3
Randy Leonard, Commissioner No. 4

CITY OFFICIALS

LaVonne Griffin-Valade, City Auditor
Eric H. Johansen, City Treasurer
Linda Meng, City Attorney

Kenneth L. Rust, Chief Administrative Officer *
Richard F. Goward, Jr., Chief Financial Officer

PORTLAND DEVELOPMENT COMMISSION

Scott Andrews, Commissioner and Chair
John C. Mohlis, Commissioner and Secretary
Charles A. Wilhoite, Commissioner
Steven Straus, Commissioner
Aneshka Colas-Dickson, Commissioner

Patrick Quinton, Executive Director
Julie V. Cody, Central Services Director & Chief Financial Officer

BOND COUNSEL

K & L Gates LLP
Portland, Oregon

* Kenneth Rust has announced his intention to resign from the City effective July 15, 2011. On May 19, Mayor Adams announced that his replacement will be Jack Graham, who currently serves as Director of the Management Services Division for the Portland Fire Bureau.



No dealer, broker, salesperson or other person has been authorized by the City of Portland (the “City”) 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 the City. Bond Counsel’s review of this document is limited; see “Legal Matters” herein. This Official Statement has been deemed final as of its date by the City pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice. Certain statements contained in this Official Statement are projections, forecasts and other statements about future events. These statements (“Forward Looking Statements”) are not statements of historical facts, and no assurance can be given that the results shown in these Forward Looking Statements will be achieved. See “FORWARD LOOKING STATEMENTS.” All estimates set forth herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates are correct. So far as any statements herein involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and are not representations of fact.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, as part of, their respective responsibilities under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2011 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. **In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the 2011 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.**

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OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON
RELATED TO
\$30,370,000
Downtown Waterfront
Second Lien Urban Renewal and Redevelopment Refunding Bonds
2011 Series A (Tax-Exempt)

INTRODUCTION

This Official Statement provides information concerning the City of Portland, Oregon (the “City”), the Portland Development Commission (the “Commission” or “PDC”), the Downtown Waterfront Urban Renewal Area (the “Area”), the urban renewal plan established for the Area (the “Plan”), the tax increment revenues for the Area (the “Tax Increment Revenues” as defined in the Second Lien Bond Declaration), and the City’s Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) (the “2011 Series A Bonds”). The 2011 Series A Bonds will be issued in accordance with City Ordinance No. 184513 (the “Ordinance”) adopted on April 13, 2011, which authorizes the City to issue the 2011 Series A Bonds, and the execution and delivery of the Second Lien Bond Declaration, as described below.

The City’s Debt Manager will execute and deliver a Bond Declaration dated as of the closing date of the 2011 Series A Bonds (the “Second Lien Bond Declaration”) which memorializes the terms and conditions of the outstanding Bonds, including the 2011 Series A Bonds, including the terms under which the City may issue future obligations which have a subordinate lien on the Tax Increment Revenues.

The 2011 Series A Bonds are secured by a lien on, and pledge of, the Security. The Security is defined in the Second Lien Bond Declaration and includes the Divide the Taxes Revenues and the Special Levies for the City’s Downtown Waterfront Urban Renewal Area. The City has the power to impose Special Levies at rates in excess of the rates currently imposed by the City, up to the Maximum Tax Increment Revenues. The Security also includes any Federal Interest Subsidies and all amounts in the Downtown Waterfront Tax Increment Fund except amounts credited to the First Lien Bond Fund and the Second Lien Reserve Account. See “SECURITY FOR THE 2011 SERIES A BONDS” and APPENDIX A: SECOND LIEN BOND DECLARATION, Section 3 herein.

The lien of the 2011 Series A Bonds on the Security is subordinate to the lien on, and pledge of, the Security for the City’s Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series B (Federally Taxable) (the “2000 Series B Bonds”) and the Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) (the “2008 Series A Bonds,” and collectively with the 2000 Series B Bonds, the “First Lien Bonds”). The 2000 Series B Bonds are currently outstanding in the amount of \$6,970,000 and have a final maturity of June 15, 2013. The 2008 Series A Bonds are currently outstanding in the amount of \$43,990,000 and have a final maturity of June 15, 2024. The City has covenanted not to issue any additional obligations that are secured by a lien on any component of the Security that is superior to the lien that secures the 2011 Series A Bonds while any Second Lien Bonds are Outstanding. See “SECURITY FOR THE 2011 SERIES A BONDS” herein.

THE 2011 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY OF PORTLAND, OREGON THAT ARE SECURED SOLELY BY AND PAYABLE SOLELY FROM THE SECURITY, AS PROVIDED IN THE SECOND LIEN BOND DECLARATION. THE 2011 SERIES A BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION, AND ARE NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION EXCEPT THE SECURITY.

Under current State of Oregon (“State”) law, debt may be issued for an urban renewal area up to a Maximum Indebtedness amount established in the urban renewal plan. The Maximum Indebtedness for the Area was reached with the issuance of the 2008 Series A Bonds in April 2008. Under current State law, no additional “new money” indebtedness may be incurred for the Area. Refunding bonds, such as the 2011 Series A Bonds, do not count against the Maximum Indebtedness limitation. See “SECURITY FOR THE 2011 SERIES A BONDS – MAXIMUM INDEBTEDNESS” herein. The front portion of this Official Statement briefly summarizes many of the provisions of Second Lien Bond Declaration and does not purport to be complete. A complete copy of the Second Lien Bond Declaration is found in Appendix A. Capitalized terms that are used but not defined in the front portion of this Official Statement have the meanings defined for those terms in the Second Lien Bond Declaration.

THE 2011 SERIES A BONDS

DESCRIPTION

The 2011 Series A Bonds will be issued in registered book-entry form only, without coupons, in denominations of \$5,000 or integral multiples thereof. The 2011 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co. as the registered owner and nominee for the Depository Trust Company, New York, New York (“DTC”). See “BOOK-ENTRY SYSTEM,” found in Appendix G.

AUTHORIZATION AND PURPOSE

The 2011 Series A Bonds are being issued under the authority of Article IX, Section 1c and Article XI, Section 11(16) of the Oregon Constitution, Oregon Revised Statutes Chapter 457 and the City Charter. The City Council has adopted the Ordinance, which authorizes the 2011 Series A Bonds and the Second Lien Bond Declaration. The 2011 Series A Bonds also are being issued in accordance with the Second Lien Bond Declaration.

The 2011 Series A Bonds are being issued to currently refund the City’s Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series A Bonds (the “2000 Series A Bonds”) and to pay issuance costs. See “REFUNDING PLAN” herein.

REDEMPTION OF THE 2011 SERIES A BONDS

The 2011 Series A Bonds are not subject to optional or mandatory redemption prior to maturity.

FORM

The 2011 Series A Bonds will be issued in fully-registered form without coupons in denominations of \$5,000 or integral multiples thereof. The 2011 Series A Bonds will be issued subject to the Book-Entry System of registration, transfer and payment operated by DTC, and will be subject in all respects to the rules, regulations and agreements pertaining to such Book-Entry System. In accordance with the Book-Entry System, the 2011 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2011 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2011 Series A Bonds. While Cede & Co. is the registered Owner of the 2011 Series A Bonds (in such capacity, the “Owner”) as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2011 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2011 Series A Bonds) all rights as Owner, including but not limited to the right to give consents, the right to receive notices (including notices of redemption), and other rights conferred on owners of the 2011 Series A Bonds under the Second Lien Bond Declaration or applicable law. So long as the 2011 Series A Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2011 Series A Bonds will be made only through the Book-Entry System. See Appendix G, herein, for a discussion of the Book-Entry System.

MATURITY AND PAYMENT

The 2011 Series A Bonds mature on June 15 of the years and in the aggregate principal amounts set forth on the inside cover page of this Official Statement and will bear interest from the Date of Delivery. Accrued and unpaid interest on the 2011 Series A Bonds will be due and payable semiannually on June 15 and December 15 of each year, commencing December 15, 2011.

So long as the 2011 Series A Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2011 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank National Association (the

“Paying Agent”) directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 2011 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2011 Series A Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See “BOOK-ENTRY SYSTEM” in Appendix G herein.

REFUNDING PLAN

A portion of the proceeds of the 2011 Series A Bonds will be placed in an irrevocable escrow fund to be held by U.S. Bank National Association (the “Escrow Agent”). Amounts in the escrow will be deposited in an account that is sufficient to pay the principal of, interest on, and any redemption premium on the refunded 2000 Series A Bonds. The accuracy of the mathematical computations will be verified by Grant Thornton LLP.

To achieve debt service savings, the City intends to apply the proceeds from the sale of the 2011 Series A Bonds to refund all maturities of the outstanding 2000 Series A Bonds (the “Refunded Bonds”). The table below shows the Refunded Bonds that are expected be refunded with the 2011 Series A Bonds. The Refunded Bonds will be called on August 5, 2011, at a redemption price of 100.00 percent of their principal amount, plus interest accrued to August 5, 2011.

Table 1
CITY OF PORTLAND, OREGON
Refunding Plan for Outstanding Downtown Waterfront Urban Renewal
and Redevelopment Bonds, 2000 Series A

CUSIP No.	Maturity Date	Principal Amount
<u>736746</u>	<u>June 15</u>	
NG9	2013	\$170,000
NH7	2014	275,000
NJ3	2014	3,685,000
NK0	2015	785,000
NL8	2015	3,400,000
NM6	2016	430,000
NN4	2016	3,985,000
NP9	2017	50,000
NQ7	2017	4,615,000
NR5	2018	710,000
NS3	2018	4,225,000
NT1	2019	5,215,000
NU8	2020	5,515,000
		\$33,060,000

Source: City of Portland.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The anticipated sources and uses of proceeds from the 2011 Series A Bonds are itemized in the following table.

Table 2
CITY OF PORTLAND, OREGON
Estimated Sources and Uses of Bond Proceeds

SOURCES:

Par amount	\$30,370,000.00
Original issue premium/(discount)	3,028,971.90
Cash contribution	<u>145,000.00</u>
TOTAL SOURCES	<u><u>\$33,543,971.90</u></u>

USES:

Deposit to escrow	\$33,319,204.69
Underwriters' discount	166,503.71
Costs of issuance (1)	<u>58,263.50</u>
TOTAL USES	<u><u>\$33,543,971.90</u></u>

Notes:

- (1) Includes legal fees and expenses, rating agency fees, printing and distribution costs, and other costs related to the issuance of the 2011 Series A Bonds.

Source: City of Portland.

DEBT SERVICE ON OUTSTANDING BONDS AS OF THE DATE OF DELIVERY

The following table presents the combined debt service on the remaining outstanding First Lien Bonds and the 2011 Series A Bonds as of the Date of Delivery of the 2011 Series A Bonds.

Table 3
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Bonds
Remaining Scheduled Debt Service on Outstanding First Lien Bonds
and Second Lien 2011 Series A Bonds
As of the Date of Delivery of the 2011 Series A Bonds

Fiscal Year Ending June 30	Debt Service on Outstanding First Lien Bonds (1)	Debt Service on Second Lien 2011 Series A Bonds			Total Combined Debt Service
		Principal	Interest	Total	
2012	\$8,329,963	\$80,000	\$1,185,370	\$1,265,370	\$9,595,333
2013	8,159,843	175,000	1,258,000	1,433,000	9,592,843
2014	4,381,599	3,845,000	1,254,500	5,099,500	9,481,099
2015	4,374,383	3,970,000	1,139,150	5,109,150	9,483,533
2016	4,379,628	4,090,000	1,020,050	5,110,050	9,489,678
2017	4,382,092	4,255,000	856,450	5,111,450	9,493,542
2018	4,376,289	4,430,000	686,250	5,116,250	9,492,539
2019	4,378,185	4,645,000	464,750	5,109,750	9,487,935
2020	4,379,425	4,880,000	232,500	5,112,500	9,491,925
2021	6,945,585	-	-	-	6,945,585
2022	6,949,440	-	-	-	6,949,440
2023	6,946,560	-	-	-	6,946,560
2024	7,441,000	-	-	-	7,441,000
TOTAL	\$75,423,992	\$30,370,000	\$8,097,020	\$38,467,020	\$113,891,012

Notes:

(1) Excludes debt service on the Refunded Bonds.

Source: City of Portland.

SECURITY FOR THE 2011 SERIES A BONDS

PLEDGE OF TAX INCREMENT REVENUES

The 2011 Series A Bonds are secured by a lien on, and pledge of, the Security. The Security includes the Divide the Taxes Revenues and the Special Levies for the City's Downtown Waterfront Urban Renewal Area (collectively, the "Tax Increment Revenues"). The City has the power to impose Special Levies at rates in excess of the rates currently imposed by the City, up to the Maximum Tax Increment Revenues.

The lien of the 2011 Series A Bonds on the Tax Increment Revenues and other components of the Security is subordinate to the lien and pledge that secures the First Lien Bonds. The City has covenanted not to issue any additional First Lien Bonds or obligations that are secured by a lien on any component of the Security that is superior to the lien that secures the 2011 Series A Bonds while any Second Lien Bonds are Outstanding.

The Divide the Taxes Revenues are fixed for the Area at an annual amount of \$7,710,000. The Special Levy is a City-wide tax that may be imposed by the City. See "THE SPECIAL LEVY" below. Amounts collected from these two taxes and the earnings upon them are deposited into the Tax Increment Fund as described herein. See "FUNDS AND ACCOUNTS—The Tax Increment Fund" below.

The sum of the Divide the Taxes Revenues and the Special Levy in any Fiscal Year cannot exceed the Maximum Tax Increment Revenues. See "MAXIMUM TAX INCREMENT REVENUES" below.

Tax Increment Revenues are subject to compression by Article XI, Section 11B of the Oregon Constitution in a complex manner. The City does not currently impose all of the Special Levy available. Current law authorizes the City or the Commission to request a Special Levy in an amount sufficient to eliminate the effects of Measure 5 compression, but in no circumstance in an amount such that the sum of the Divide the Taxes Revenues and the requested Special Levy exceeds the Maximum Tax Increment Revenues. See "RISKS TO BONDHOLDERS—MEASURE 5 COMPRESSION" and "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B."

THE 2011 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY OF PORTLAND, OREGON THAT ARE SECURED SOLELY BY AND PAYABLE SOLELY FROM THE SECURITY, AS PROVIDED IN THE SECOND LIEN BOND DECLARATION. THE 2011 SERIES A BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION, AND ARE NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION EXCEPT THE SECURITY.

MAXIMUM TAX INCREMENT REVENUES

The Maximum Tax Increment Revenues is a limit on the Special Levy. The Special Levy cannot exceed the difference between the Divide the Taxes Revenues for a Fiscal Year and the Maximum Tax Increment Revenues for that Fiscal Year. In the past the City has imposed Special Levies at rates that are significantly below the Maximum Tax Increment Revenues limitation and expects that future Special Levies will also be significantly below the Maximum Tax Increment Revenues limitation. See "AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS—HISTORICAL AND PROJECTED TAX INCREMENT REVENUES, MAXIMUM TAX INCREMENT REVENUES, AND DEBT SERVICE" and Tables 19 and 20. Only urban renewal areas which existed on December 5, 1996, (such as the Area) are eligible for a Special Levy. December 5, 1996 is the effective date for the predecessor of Measure 50, which lowered assessed values and reduced property tax rates.

The Maximum Tax Increment Revenues are equal to the amount of taxes that could have been collected in the first fiscal year after Measure 50 passed, calculated as if Measure 50 had not passed and adjusted each subsequent year for changes in the Incremental Assessed Value of the urban renewal area. The Incremental Assessed Value is defined as the difference between the current Assessed Value (see "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11" herein) of all taxable property in the Area and the amount shown in the County Assessor's records as the Assessed Value of the taxable property in the urban renewal area when the property became part of the Area (the "Frozen Base"). The amount of the Maximum Tax Increment Revenues for the Area was \$28,810,121 in Fiscal Year ("FY") 2010-11. In any subsequent Fiscal Year the amount of the Maximum Tax Increment Revenues will be equal to the Maximum Tax Increment Revenues for the prior year, adjusted by a percentage change equal to the percentage change in the Incremental Assessed Value from the prior year. The Maximum Tax Increment Revenues are reduced only if the Incremental Assessed Value of the Area is reduced. See

“—OTHER COVENANTS—Reduction in Area” and “AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS” herein.”

DIVIDE THE TAXES REVENUES AND INCREMENTAL ASSESSED VALUE

Laws implementing Measure 50 allowed the City and the Commission (and other urban renewal agencies that had urban renewal areas with urban renewal plans in existence on December 5, 1996) to limit Divide the Taxes Revenues to a fixed annual amount. The City and the Commission chose to limit Divide the Taxes Revenues for the Area to \$7,710,000. Under current State law this limit is permanent. However, limiting Divide the Taxes Revenues in this way did not limit Maximum Tax Increment Revenues, and the City and the Commission are permitted to impose a Special Levy to make up for the limitation on Divide the Taxes Revenues. Divide the Taxes Revenues for the Area cannot exceed the lesser of \$7,710,000 or the maximum Divide the Taxes Revenues. The maximum Divide the Taxes Revenues are calculated by multiplying the Incremental Assessed Value of an urban renewal area by the consolidated billing tax rate. The consolidated billing tax rate is the sum of the tax rates of taxing districts that overlap the Area.

The Assessed Value of the Area was \$918,791,005 in FY 2010-11. The Frozen Base was \$55,674,313, the Incremental Assessed Value was \$881,338,267 and the consolidated billing tax rate was \$21.4275 per \$1,000 of Assessed Value. See “AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS” herein.

In 1999, certain properties were removed from the Area, which reduced the value of the Frozen Base and the Incremental Assessed Value beginning in FY 2000-01. A further reduction became effective in FY 2009-10. Because the City and the Commission limited Divide the Taxes Revenues for the Area to \$7,710,000, and because the maximum Divide the Taxes Revenues always exceeded this amount, these reductions in the Assessed Value and Incremental Assessed Values of the Area did not decrease the Divide the Taxes Revenues. Actual collections of Divide the Taxes Revenues may be less than \$7,710,000 in a Fiscal Year due to compression, delinquencies, and discounts.

Incremental Assessed Value not required to produce an amount equal to \$7,710,000 when the consolidated billing tax rate is multiplied by the Incremental Assessed Value is released to the overlapping taxing districts, thereby shifting tax dollars raised from the Incremental Assessed Value of the Area to the overlapping taxing districts. Released amounts of Incremental Assessed Value may vary from year to year depending on the Incremental Assessed Value for each year and the amount of Incremental Assessed Value needed to produce the Divide the Taxes Revenues. This released value may be taxed when the Special Levy is imposed.

The Divide the Taxes Revenues can be reduced by changes in Incremental Assessed Value, changes in the consolidated billing tax rate and Measure 5 compression. See “RISKS TO BONDHOLDERS,” “AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS—OTHER FACTORS AFFECTING TAX COLLECTIONS” and “AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS—OTHER FACTORS AFFECTING DIVIDE THE TAXES REVENUES” herein.

THE SPECIAL LEVY AND THE COLLECTION COVENANT

Laws implementing Measure 50 allowed the City and the Commission (and other urban renewal agencies that had urban renewal areas with urban renewal plans in existence on December 5, 1996) to impose a citywide Special Levy for the Area. The City and the Commission qualified the Area for the Special Levy, which is collected in the three counties (Multnomah, Washington, and Clackamas) falling within the City’s corporate boundaries. Each Fiscal Year, the City and the Commission are authorized to impose a Special Levy for each urban renewal area that has been qualified for the Special Levy in an amount which, when added to the Divide the Taxes Revenues for that Fiscal Year, does not exceed the amount of the Maximum Tax Increment Revenues for that urban renewal area. The City and the Commission determine the amount of the Special Levy that will be imposed each year as part of the budget process. See “THE PORTLAND DEVELOPMENT COMMISSION – Urban Renewal Areas – Collection Options” in Appendix H.

The Second Lien Bond Declaration requires the City and the Commission to impose a Special Levy each Fiscal Year which, when combined with the Divide the Taxes Revenues for that Fiscal Year, is reasonably estimated to produce total Tax Increment Revenues at least equal to 105% of the Required Levy Amount (as defined in the Second Lien Bond Declaration and as described below), subject to the limitation of the Maximum Tax Increment Revenues.

The Required Levy Amount is defined as the sum of the Adjusted Annual Debt Service for the Outstanding Bonds for a Fiscal Year, plus any amounts the City reasonably estimates will be required to be deposited into the First Lien Reserve Account or

the Second Lien Reserve Account during a Fiscal Year to restore the balance to the level required by the First Lien Bond Declaration or the Second Lien Bond Declaration, less the balances in the First Lien Debt Service Account, the Second Lien Debt Service Account, and in the Subordinate Indebtedness Fund that are available on July 1 of that Fiscal Year and that will be available to pay the Annual Debt Service in that Fiscal Year. See “FUNDS AND ACCOUNTS” herein and Appendix A, SECOND LIEN BOND DECLARATION, Sections 3 and 4.

For FY 2010-11, the City certified a Special Levy of \$3,550,367 for the Area. The Maximum Tax Increment Revenues limitation for FY 2010-11 would have allowed the City to certify a Special Levy in FY 2010-11 of more than \$21 million. The City and the Commission expect that the Maximum Tax Increment Revenues will substantially exceed the debt service on the Outstanding Bonds in each year the 2011 Series A Bonds are outstanding. See “MAXIMUM TAX INCREMENT REVENUES,” “RISKS TO BONDHOLDERS” and “AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS—HISTORICAL AND PROJECTED TAX INCREMENT REVENUES, MAXIMUM TAX INCREMENT REVENUES, AND DEBT SERVICE” herein.

MAXIMUM INDEBTEDNESS

To qualify the Area for the Special Levy under Oregon law, the City and the Commission were required to establish a Maximum Indebtedness amount for the Area. The Maximum Indebtedness amount for the Area was established by Ordinance 172356 at \$165,000,000. The Maximum Indebtedness limitation applies to debt issued on or after December 5, 1996, but does not include refunding debt. With the issuance of the 2008 Series A Bonds, the Area reached its Maximum Indebtedness limit. Although current State law allows the City and the Commission to increase the Maximum Indebtedness limit, doing so would jeopardize the Special Levy for the Area. The City has covenanted not to take any action that would cause the City or the Commission to be unable to impose the Special Levy. Therefore, unless State law changes, no additional “new money” bonded indebtedness may be issued for the Area. See Appendix A, SECOND LIEN BOND DECLARATION, Section 7 – “General Covenants.”

OTHER COVENANTS

Covenant Not to Issue Obligations with a Superior Lien on the Security While Second Lien Bonds are Outstanding

The City covenants in the Second Lien Bond Declaration for the benefit of the Owners of the Outstanding Bonds not to issue any Additional First Lien Bonds or other obligations that have a lien on any portion of the Security that is superior to the lien that secures the Second Lien Bonds while any Second Lien Bonds are Outstanding.

No Actions to Cause the Area to Cease to Qualify for the Special Levy

The City and the Commission have covenanted to refrain from taking any action that would cause the Commission or the City to cease to be able to levy or collect the Special Levy.

Reduction in Area

The City covenants in the Second Lien Bond Declaration that it shall not reduce the Area unless the City’s Debt Manager reasonably projects that the Area, after the reduction, will have Maximum Tax Increment Revenues which are at least equal to one hundred thirty percent (130%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

Granting or Approving of Tax Exemption

The City covenants the following with respect to granting or approving tax exemptions or tax exemption programs:

- (1) The City and the Commission may approve, grant, or provide property tax exemptions or programs that provide property tax exemptions that affect property in the Area without limitation, but only if the programs providing those exemptions (i) are in effect on the date of the Second Lien Bond Declaration; (ii) replace or renew programs that are in effect on the date of the Second Lien Bond Declaration, or (iii) only grant exemptions to newly constructed property.
- (2) Except for property tax exemptions or tax exemption programs described in (1) above, neither the City nor the Commission shall approve, grant, or provide any Nondiscretionary Exemption Program if the Debt Manager

reasonably projects that the Maximum Tax Increment Revenues will fall below one hundred thirty percent (130%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). A Nondiscretionary Exemption Program is defined as a property tax exemption program that affects property in the Area and that grants any person the right to receive a property tax exemption for property in the Area without subsequent discretionary approval of that exemption by the City.

- (3) Except for property tax exemptions or tax exemption programs described in (1) above, neither the City nor the Commission shall approve, grant, or provide any Discretionary Property Tax Exemption if the Debt Manager reasonably projects that the Maximum Tax Increment Revenues will fall below one hundred thirty percent (130%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). A Discretionary Property Tax Exemption is defined as any property tax exemption which the City has the ability to deny because of its impact on Maximum Tax Increment Revenues.

Many property tax exemptions do not require City approval, such as those granted by state statute for charitable or religious organizations. See “PROPERTY TAX AND VALUATION INFORMATION – PROPERTY TAX EXEMPTION PROGRAMS” herein for a description of City programs that offer property tax abatements.

FUNDS AND ACCOUNTS

The Tax Increment Fund

The Second Lien Bond Declaration requires the City to deposit all Tax Increment Revenues and any Federal Interest Subsidies into the Tax Increment Fund. The Second Lien Bond Declaration separates the Tax Increment Fund into a First Lien Bond Fund; a Second Lien Bond Fund, which contains the Second Lien Debt Service Account and the Second Lien Reserve Account; and a Subordinate Indebtedness Fund.

All Tax Increment Revenues and any Federal Interest Subsidies deposited in the Tax Increment Fund must be credited:

- First, to the First Lien Bond Fund until it contains amounts required by the First Lien Bond Declaration;
- Second, to the Second Lien Debt Service Account, until the Second Lien Bond Debt Service Account contains an amount sufficient to pay the Annual Debt Service for Second Lien Bonds in that Fiscal Year;
- Third, if the City has established a Second Lien Reserve Requirement for a subaccount in the Second Lien Reserve Account and the balance in that subaccount is less than its Second Lien Reserve Requirement, to the Second Lien Reserve Account in the amounts required by the documents governing that subaccount (see “—The Second Lien Reserve Account” below); and
- Fourth, to the Subordinate Indebtedness Fund, any amounts which remain after the foregoing deposits have been made.

Whenever Federal Interest Subsidies are received by the City, if the debt service account for the Bonds for which the federal interest subsidy is paid already contains amounts sufficient to pay the remaining Annual Debt Service for the Fiscal Year, the City shall nevertheless deposit those Federal Interest Subsidies into that debt service account, but shall release an equal amount of Tax Increment Revenues that were previously deposited in that debt service account and shall treat the released Tax Increment Revenues as newly received Tax Increment Revenues and shall apply them to the priorities described above.

The Second Lien Debt Service Account

Amounts in the Second Lien Debt Service Account shall be used only to pay Second Lien Bond principal, interest and premium, except as follows. If the First Lien Bond Declaration requires that amounts be transferred from the Subordinate Indebtedness Fund to the First Lien Debt Service Account, transfers shall be made in the following order of priority: (1) from the Tax Increment Revenues in the Subordinate Indebtedness Fund; (2) from the Tax Increment Revenues credited to the subaccounts in the Second Lien Reserve Account; and (3) from the Tax Increment Revenues credited to the Second Lien Debt Service Account. See APPENDIX B, FIRST LIEN BOND DECLARATION, Section 4.2.— “Debt Service Account.”

The Second Lien Reserve Account

The Second Lien Bond Declaration allows the City to create and fund subaccounts in the Second Lien Reserve Account to secure future Additional Second Lien Bonds. No subaccount has been established in the Second Lien Reserve Account to secure the 2011 Series A Bonds. See Appendix A, SECOND LIEN BOND DECLARATION, Section 4.3.

FUTURE INDEBTEDNESS

The Plan has established a Maximum Indebtedness amount that was reached with the issuance of the 2008 Series A Bonds. Under current State law, no additional new money indebtedness may be incurred for the Area unless the City and the Commission increase the Maximum Indebtedness for the Area. Under current State law increasing Maximum Indebtedness for the Area would jeopardize the Special Levy for the Area, and the City has covenanted not to take any action that would cause the loss of the Special Levy. Under current State law, however, the City may refund previously issued obligations without increasing Maximum Indebtedness. .

Additional Second Lien Bonds

The 2011 Series A Bonds are being issued as Second Lien Bonds under the Second Lien Bond Declaration. Under the Second Lien Bond Declaration, the City has reserved the right to issue Additional Second Lien Bonds, but only if all of the following conditions are met:

(A) As of the date of Closing of the Additional Second Lien Bonds, no Event of Default under the First Lien Bond Declaration or under the Second Lien Bond Declaration have occurred and are continuing.

(B) On or before the date of Closing of the Additional Second Lien Bonds the City provides either:

1. a certificate of the Debt Manager stating that the Tax Increment Revenues for the Base Period at least equaled one hundred ten percent (110%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Additional Second Lien Bonds treated as Outstanding; or,
2. a certificate or opinion of a Qualified Consultant:
 - (a) stating the projected amount of the Maximum Tax Increment Revenues for the Fiscal Year in which the proposed Additional Second Lien Bonds are issued and the projected amount of the Maximum Tax Increment Revenues for each of the four Fiscal Years after the Fiscal Year in which the proposed Additional Second Lien Bonds are issued;
 - (b) concluding that the respective amounts of projected Maximum Tax Increment Revenues in each of the Fiscal Years described in the preceding paragraph (a) are at least equal to one hundred thirty percent (130%) of the Adjusted Annual Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Additional Second Lien Bonds treated as Outstanding;
 - (c) stating the projected amount of the Maximum Tax Increment Revenues for the fifth Fiscal Year after the Fiscal Year in which the Additional Second Lien Bonds are issued; and,
 - (d) concluding that the projected amount described in the preceding paragraph (c) is at least equal to one hundred thirty percent (130%) of the Adjusted Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Additional Second Lien Bonds treated as Outstanding.

The City may issue Additional Second Lien Bonds to refund Outstanding Bonds without complying with the preceding requirements if:

1. the refunded Bonds are defeased on the date of delivery of the refunding Additional Second Lien Bonds; and,
2. the Adjusted Annual Debt Service on the refunding Additional Second Lien Bonds does not exceed the Adjusted Annual Debt Service on the refunded Bonds in any Fiscal Year by more than \$5,000.

In addition to allowing refunding of maturities of Bonds which are not Balloon Payments, the provisions allowing refunding of Bonds which comprise a Balloon Payment to be refunded with Additional Second Lien Bonds when the Adjusted Annual Debt

Service on the refunding Additional Second Lien Bonds does not exceed the Balloon Debt Service Requirement for refunded Bonds (which are assumed to be amortized as provided either in the definitions of “Committed Debt Service Requirement” or “Estimated Debt Service Requirement”) in any Fiscal Year by more than \$5,000. See APPENDIX A, SECOND LIEN BOND DECLARATION, Section 5.6.

As discussed above, the City is not permitted under current State law to issue additional new money indebtedness for the Area once it has reached the Maximum Indebtedness for the Area.

Subordinate Obligations

The City may issue Subordinate Obligations, but only if (1) they are secured by a lien on or pledge of the Tax Increment Revenues which is subordinate to the lien on, and pledge of, the Tax Increment Revenues for the Bonds, and (2) that they are not payable from any account of the Tax Increment Fund except from Tax Increment Revenues that are available in the Subordinate Indebtedness Fund.

AMENDMENTS, DEFAULTS, AND REMEDIES

The City may amend the Second Lien Bond Declaration for certain purposes without consent of Bond Owners, and for other purposes with the consent of Owners representing not less than 51 percent in aggregate principal amount of the Outstanding Second Lien Bonds. The issuer of a Credit Facility which insures payment of all principal and interest due on Second Lien Bonds may be treated as the Owner of those Second Lien Bonds secured by such Credit Facility for purposes of consenting to an amendment of the Second Lien Bond Declaration. See Appendix A, “SECOND LIEN BOND DECLARATION.”

RISKS TO BOND OWNERS

GENERAL

The 2011 Series A Bonds are special, limited obligations of the City and the Commission and are not secured by the general, unrestricted funds of either the City or the Commission. The Tax Increment Revenues and other amounts pledged to pay the Bonds may not be sufficient to pay the 2011 Series A Bonds.

RECEIPT OF TAX INCREMENT REVENUES

The Tax Increment Revenues are generated from the operation of the Oregon property tax system. The City or the Commission must approve budgets and notify the county assessors to collect the Divide the Taxes Revenues. The county assessors must determine the Real Market Value and Assessed Value of property, calculate and collect property taxes and transmit them to the City. Any changes in the practices of the assessors, the property tax laws, or any malfunction of the property tax system may prevent the City from receiving Tax Increment Revenues in amounts and at times sufficient to pay the 2011 Series A Bonds. See “THE INITIATIVE PROCESS” herein.

DECLINES IN PROPERTY TAX RATES

The Divide the Taxes Revenues would be reduced if the result of multiplying the Incremental Assessed Value of property in the Area by the property tax rates imposed by taxing bodies that levy property taxes in the Area drops below \$7,710,000. Divide the Taxes Revenues may be reduced below that level if (1) Oregon law changes to reduce the tax rates that those taxing bodies are permitted to levy, (2) those taxing bodies decide to collect less property tax than Oregon law currently allows, or (3) voters do not approve the renewal of limited term levies. Historically, certain voter initiatives have affected laws pertaining to the property tax system. See “PROPERTY TAX AND VALUATION INFORMATION—SECTION 11” and “—SECTION 11B,” and “THE INITIATIVE PROCESS” herein.

Reductions in property tax rates imposed by taxing bodies that levy property taxes in the Area would not reduce the Maximum Tax Increment Revenues limitation.

Divide the Taxes projections presented in this Official Statement assume that (1) taxing bodies will continue to impose permanent taxes at their maximum legal levels, and (2) property tax laws will not change. If tax rates are reduced far enough below projected levels, Divide the Taxes Revenues could fall below the level required to pay the 2011 Series A Bonds.

DECLINES IN ASSESSED VALUE OF PROPERTY IN THE AREA DUE TO MARKET FACTORS

The Maximum Tax Increment Revenues and the Divide the Taxes Revenues could both be reduced by declines in the Incremental Assessed Value of property in the Area.

In Oregon, the Assessed Value of property has a complex relationship to the market value of property. Article XI, Section 11 of the Oregon Constitution established the initial Assessed Value of all property in Fiscal Year 1997-1998 at 90 percent of the property’s market value in Fiscal Year 1995-1996. If property is not subject to an “Exception,” its Assessed Value ordinarily cannot increase by more than three percent per year.

The county assessor determines both the market value and the Assessed Value of property. The market value, as determined by the county assessor, is called the “Real Market Value,” and is the assessor’s estimate of the fair market value of property. Real Market Values of many properties have increased between Fiscal Year 1995-1996 and Fiscal Year 2007-2008 at a rate that was greater than three percent, although have declined in recent years due to the economic downturn in the Portland metropolitan area.

“Exceptions” occur when a property has been substantially improved or has new construction, and when a property has been rezoned, subdivided, annexed, or ceases to qualify for a property tax exemption. If an Exception occurs, a portion of the increase in Real Market Value of the property may be added to the property’s Assessed Value. The portion that is added is determined based on the ratio of Assessed Value to Real Market Value for similar properties in the area. Because Assessed Values are usually lower than Real Market Values, the increase in Assessed Value that results from Exceptions is usually less than the increase in Real Market Value that results from Exceptions.

As long as its Real Market Value grows at least three percent annually, the Assessed Value of a property will be equal to its initial Assessed Value, compounded at three percent since Fiscal Year 1995-1996, plus the Assessed Value of any Exceptions, compounded at three percent since the Assessed Values of the Exceptions were added to the tax rolls. The Assessed Values of many Oregon properties are substantially lower than their Real Market Values. This is because (1) the initial Assessed Values were usually less than the Real Market Values, (2) the Assessed Values of Exceptions are usually less than their Real Market Values, and (3) Assessed Values have usually grown at a slower rate than Real Market Values. Article XI, Section 11 of the Oregon Constitution prevents the Assessed Value of a property from exceeding its Real Market Value. Because Real Market Value is often substantially higher than Assessed Value, Assessed Value can continue to grow at three percent per year, even though Real Market Value is declining. However, if the Real Market Value of a property does fall below its Assessed Value, the Assessed Value will be reduced to the property's Real Market Value.

If the Real Market Value of a property declines enough to reduce the Assessed Value of the property and the Real Market Value of the property subsequently increases, the Assessed Value of the property may increase more rapidly than three percent until the Assessed Value reaches the "maximum assessed value" or "MAV" for the property. The MAV is generally equal to the initial Assessed Value, compounded at three percent since Fiscal Year 1995-1996, plus the Assessed Value of any Exceptions, compounded at three percent since the Assessed Value of the Exceptions was added to the tax rolls.

Under Oregon law, property tax owners may appeal property tax valuations. In general, appeals may be filed for the current tax year only, but very limited exceptions are available for appealing values for prior tax years. Real Market Value and Assessed Value may be adversely affected by successful property tax appeals.

DECLINES IN ASSESSED VALUE OF PROPERTY IN THE AREA DUE TO OTHER FACTORS

Real Market Value and Assessed Value may be adversely affected by damage or destruction of property, change in use of property, deterioration of conditions in the Area, and reduction in the size of the Area.

Real Market Value and Assessed Value also may be adversely affected if property in the Area becomes eligible for property tax exemption. The City has covenanted to limit its approval of property tax exemptions in the area, but many types of property tax exemptions are not subject to city control or approval, such as exemptions for property that is owned or used by non-profits or state or local governments.

MEASURE 5 COMPRESSION

Tax Increment Revenues are subject to the limits of Article XI, Section 11B of the Oregon Constitution ("Measure 5"). Measure 5 limits the total amount of ad valorem property taxes and certain other property charges for general governmental purposes to \$10/\$1,000 of real market value. Collections that exceed that limit are reduced, or "compressed" so that total taxes do not exceed the limit.

Measure 5 compression reduced the Divide the Taxes Revenues collected in Fiscal Year 2010-2011 by approximately 6.7 percent and the Special Levy by approximately 3.7 percent. See "AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS—OTHER FACTORS AFFECTING TAX COLLECTIONS." If governments impose new taxes that are subject to the \$10/\$1,000 limit, those new taxes may increase the amount of compression of the Divide the Taxes Revenues and the Special Levy and reduce the Tax Increment Revenues that the City collects. See also "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B" herein.

The Area is a large employment center located within the City’s downtown. Its economy is a mix of the central business district’s business and financial services functions, government services (the federal Courthouse and several federal agencies have offices in the Area), and retail.

Tax Increment Revenues have historically played an important role in attracting private investment to the Area since its formation. Investment by the Commission, combined with private investment, helped generate an increase of nearly \$900 million of Assessed Value from formation in 1974 through FY 2008-09, the fiscal year prior to when a Plan amendment to reduce the boundaries and Assessed Value of the Area took effect. The majority of development initiated by the Commission since the Area was formed has centered on creating a vibrant, 24-hour downtown. Early signature projects in the Area include the development of Tom McCall Waterfront Park, which facilitated public access to the west side of the Willamette River; Pioneer Courthouse Square; Pioneer Place Shopping Mall and office building; and contributions to the construction of light rail service, which now connects downtown to the north, east and west sides of the region. The table below shows the categories of projects in which the Commission has invested over the past decade. The Area reached its Maximum Indebtedness limit in 2008, and the Commission is no longer eligible to incur debt secured by Tax Increment Revenues to finance projects in the Area except for refundings such as the 2011 Series A Bonds.

Table 4
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
PROJECT EXPENDITURES BY CATEGORY (1)
(FY 2000-01 through FY 2009-10)

Project Category	Amount
Business Development	\$ 6,205,118
Housing	56,113,989
Infrastructure	57,632,150
Property Redevelopment	33,463,019
Transfers – Indirect (2)	27,307,285
Administration (3)	4,994,977
TOTAL	\$185,716,538

Notes:

- (1) Totals include all funding sources, including sources other than tax increment bond proceeds.
- (2) Includes project staff and overhead.
- (3) Amounts include personal services, indirect staff and administration, and other administrative expenses.

Source: Portland Development Commission.

AREA PROPERTY VALUES, TAX INCREMENT REVENUES, AND INDEBTEDNESS

OREGON'S PROPERTY TAX SYSTEM AND ASSESSED VALUES

In Oregon, the assessor's estimate of a property's market value is called "Real Market Value." In conformance with Measure 5 (see "—SECTION 11B" below), properties also are assigned a "Measure 5 Market Value", which adjusts the Real Market Value to reflect the value of specially assessed properties, including farm and forestland and exempt property. A property's maximum assessed value ("MAV") is the taxable value limit established for each property. The first MAV for each property was set in the 1997-98 tax year. For that year, the MAV was the property's 1995-96 RMV minus 10 percent. MAV can increase (1) to provide for the three percent annual increase allowed by Article XI, Section 11 of the Oregon Constitution ("Section 11"), or (2) to assign value based on specific property events known as "Exceptions." For tax years after 1997-98, MAV is defined as the greater of the prior year's MAV or the prior year's assessed value increased by up to three percent. Properties are assessed at the "Assessed Value" or "AV." Section 11 limits annual increases in Assessed Value, as defined in "PROPERTY TAX AND VALUATION INFORMATION – SECTION 11" herein, to the lesser of MAV or the estimated Real Market Value of the property for fiscal years after 1997-98. See "RISKS TO BOND OWNERS—DECLINES IN ASSESSED VALUE OF PROPERTY IN THE AREA DUE TO MARKET FACTORS."

HISTORICAL TRENDS IN MEASURE 5 MARKET VALUES AND ASSESSED VALUES

The table below presents a five-year history of "Measure 5 Market Value," which adjusts the Real Market Value to reflect the value of specially assessed properties, including farm and forestland and exempt property, and Assessed Value in the Area. A reduction in Measure 5 Market Value and Assessed Value in FY 2009-10 was largely due to a Plan amendment which removed property from the Area.

Table 5
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
HISTORICAL TRENDS IN MEASURE 5 MARKET AND ASSESSED VALUES
BY PROPERTY TYPE
(FY 2006-07 through FY 2010-11)

Property Type	MEASURE 5 MARKET VALUE				
	2006-07	2007-08	2008-09	2009-10	2010-11
Real	\$1,503,993,950	\$1,700,752,230	\$1,689,926,190	\$1,533,583,160	\$1,489,821,210
Personal	107,036,607	106,960,416	107,925,981	102,461,497	92,449,788
Manufactured	7,970	9,110	9,590	0	0
Utility	15,742,481	17,044,362	13,522,976	13,143,299	12,989,681
Total	\$1,626,781,008	\$1,824,766,118	\$1,811,384,737	\$1,649,187,956	\$1,595,260,679
% Change	5.1%	12.2%	-0.7%	-9.0%	-3.3%
Property Type	ASSESSED VALUE				
	2006-07	2007-08	2008-09	2009-10	2010-11
Real	\$803,376,640	\$828,722,760	\$842,942,340	\$790,817,680	\$813,505,910
Personal	107,036,604	106,960,411	107,925,981	102,461,493	92,449,785
Manufactured	6,570	6,760	6,960	0	0
Utility	15,436,830	16,514,980	13,487,290	13,093,780	12,835,310
Total	\$925,856,644	\$952,204,911	\$964,362,571	\$906,372,953	\$918,791,005
% Change	2.97%	2.85%	1.28%	-6.01%	1.37%
Incremental AV	\$854,990,000	\$881,338,267	\$893,495,927	\$850,698,640	\$863,116,692
% Change	3.2%	3.1%	1.4%	-4.8%	1.5%

Source: Multnomah County Division of Assessment, Recording and Taxation.

The table below shows Assessed Value (“AV”), Maximum Tax Increment Revenues and Tax Increment Revenues from FY 2001-02 through FY 2010-11.

Table 6
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
ASSESSED VALUE GROWTH, MTIR, AND TAX INCREMENT REVENUES

Fiscal Year	ASSESSED VALUE			% Change Incremental AV	Maximum Tax Increment Revenues	Tax Increment Revenues To Raise	Tax Increment As % of MTIR
	Total	Frozen Base	Incremental AV				
2001-02	\$826,804,380	\$70,866,644	\$755,937,736	11.1%	\$25,232,576	\$14,110,000	55.9%
2002-03	830,653,963	70,866,644	759,787,319	0.5%	25,361,072	14,810,000	58.4%
2003-04	843,826,299	70,866,644	772,959,655	1.7%	25,800,754	14,970,000	58.0%
2004-05	878,333,820	70,866,644	807,467,176	4.5%	26,952,586	15,073,713	55.9%
2005-06	899,179,792	70,866,644	828,313,148	2.6%	27,648,408	15,231,029	55.1%
2006-07	925,856,644	70,866,644	854,990,000	3.2%	28,538,859	15,508,155	54.3%
2007-08	952,204,911	70,866,644	881,338,267	3.1%	29,418,342	15,444,621	52.5%
2008-09	964,362,571	70,866,644	893,495,927	1.4%	29,824,155	10,830,218	36.3%
2009-10	906,372,953	55,674,313 (2)	850,698,640	-4.8%	28,395,617	11,233,279	39.6%
2010-11	918,791,005	55,674,313	863,116,692	1.5%	28,810,121	11,260,367	39.1%

Notes:

- (1) Amount shown is before Measure 5 compression and other adjustments by the county assessor, and reflects policy decisions on collections of Tax Increment Revenues.
- (2) Reflects reduction in the Area Assessed Value due to a Plan amendment to move property in the Area to the River District urban renewal area.

Sources: Multnomah County Tax Supervising & Conservation Commission; City of Portland.

Property Types and Values

The following table presents a five year history of Changed Property Ratios for Multnomah County for various property classifications. For new construction or changed property, the Assessed Value is determined by multiplying the Changed Property Ratios by the Real Market Value of the property. The reduction in the changed property ratio for industrial property in FY 2008-09 reflects the county’s reclassification of certain properties from commercial to industrial use.

Table 7
CITY OF PORTLAND, OREGON
History of Changed Property Ratios by Property Type
(Multnomah County)

Fiscal Year Ending June 30	2006-07	2007-08	2008-09	2009-10	2010-11
Residential	0.5697	0.5159	0.5046	0.5515	0.6040
Commercial	0.5091	0.4660	0.4345	0.4425	0.4549
Industrial	1.0000	1.0000	0.7649	0.7754	0.8750
Multi-Family	0.5709	0.5639	0.5500	0.5461	0.5420
Recreational	0.6367	0.5841	0.6223	0.6381	0.6565
Miscellaneous	0.7244	0.7221	0.7455	0.6961	0.6863
Personal Property	1.0000	1.0000	1.0000	1.0000	1.0000

Source: Multnomah County Division of Assessment, Recording and Taxation.

The following table shows Assessed Value, Measure 5 Market Value, and Assessed/Measure 5 Value Property Ratios for types of property in the Area. Note that for purposes of collecting Divide the Taxes Revenues and the Special Levy, property taxes are levied on all property types shown in the table.

Table 8
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
ASSESSED AND MEASURE 5 MARKET VALUE BY PROPERTY TYPE
(FY 2010-11)

Property Class	Assessed Value	Percent of Total	Measure 5 Market Value	AV/Measure 5 Value Ratio
Real Property				
Residential	\$135,944,190	14.8%	\$174,441,400	77.9%
Commercial	649,310,250	70.7%	1,256,622,970	51.7%
Multi-Family	27,519,110	3.0%	57,641,540	47.7%
Recreational	732,360	0.1%	1,115,300	65.7%
Subtotal	813,505,910	88.5%	1,489,821,210	
Personal Property	92,449,785	10.1%	92,449,788	100.0%
Utilities	12,835,310	1.4%	12,989,681	98.8%
Total	\$918,791,005	100.0%	\$1,595,260,679	

Source: Multnomah County Division of Assessment, Recording and Taxation.

The following table shows the Assessed Value and Real Market Value ratios by ratio category for all property types in the Area. Properties with low AV/RMV ratios have substantial room to grow at the three percent limit established by the Oregon Constitution. Approximately 75 percent of properties have AV/RMV ratios below 70 percent as of FY 2010-11.

Table 9
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
ASSESSED TO REAL MARKET VALUE RATIOS
(FY 2010-11)

AV/RMV Ratio	Assessed Value	Percent of Total	Cumulative Percent of Total
Under 30%	\$39,233,020	4.3%	4.3%
30 - 39%	76,925,130	8.4%	12.6%
40 - 49%	134,159,210	14.6%	27.2%
50 - 59%	332,638,330	36.2%	63.4%
60 - 69%	102,117,540	11.1%	74.6%
70 - 79%	39,351,980	4.3%	78.8%
80 - 89%	58,108,600	6.3%	85.2%
90 - 99%	21,461,750	2.3%	87.5%
100%	114,795,445	12.5%	100.0%
TOTAL	\$918,791,005	100.0%	100.0%

Source: Multnomah County Division of Assessment, Recording and Taxation.

Principal Area Taxpayers

Principal property taxpayers in the Area for FY 2010-11 are listed in the following table.

**Table 10
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
PRINCIPAL PROPERTY TAXPAYERS**

Company Name	Type of Business	2010-11 Assessed Value	Percent of Total Assessed Value
Total Downtown Waterfront		\$918,791,005	
555 SW Oak LLC	Real estate (office)	126,398,050	13.8%
Pioneer Place Limited Partnership	Real estate (retail)	74,015,390	8.1
Morrison Street CF LLC	Real estate (office)	53,087,190	5.8
Terrace Tower USA	Real estate (office)	46,919,430	5.1
NGP Duncan Plaza	Real estate (office)	42,096,550	4.6
One Pacific Square	Real estate (office)	32,096,650	3.5
Hilton Hotels Corporation	Hospitality	19,311,950	2.1
River Place Hotel LLC	Hospitality	10,121,970	1.1
Pac-Hill Limited Partnership	Real estate (office)	10,004,580	1.1
OLY-IDA Riverfront LLC	Hospitality	9,911,700	1.1
		\$423,963,460	46.1%

Source: Multnomah County Division of Assessment, Recording and Taxation.

City Assessed Property Values and Property Taxation

The Bonds for the Area are secured, in part, by a citywide Special Levy authorized for the Area. The following table presents historical trends in property Assessed Values in the City. The City’s Assessed Value is derived from portions of Multnomah County, Washington County, and Clackamas County; however, over 99 percent of its Assessed Value is within Multnomah County.

Table 11
CITY OF PORTLAND, OREGON
Historical Trends in Assessed and Market Values (1)
(000s)

ASSESSED VALUE					
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Assessed Value	Percent Change
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%
2005-06	35,285,419	186,755	4,484,614	39,956,788	3.82%
2006-07	38,638,637	197,885	4,965,439	41,801,961	4.62%
2007-08	38,253,186	201,380	5,740,426	44,194,992	5.72%
2008-09	39,784,128	203,038	6,377,050	46,364,216	4.91%
2009-10	41,109,227	211,157	7,056,631	48,377,015	4.34%
2010-11	42,160,414	214,998	7,462,728	49,838,140	3.02%

Market Value (Measure 5) (2)					
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Market Value	Percent Change
2001-02	\$44,724,863	\$201,208	\$5,429,834	\$50,355,905	8.70%
2002-03	46,437,375	207,172	6,018,154	52,662,701	4.58%
2003-04	48,760,066	226,555	6,505,762	55,492,383	5.37%
2004-05	51,532,080	250,013	7,068,145	58,850,238	6.05%
2005-06	56,747,457	275,930	8,285,793	65,309,180	10.98%
2006-07	62,779,922	336,963	9,786,803	72,903,688	11.63%
2007-08	71,222,561	355,558	12,712,860	84,290,979	15.62%
2008-09	75,833,428	355,981	14,169,035	90,358,444	7.20%
2009-10	73,898,727	330,284	14,793,099	89,022,110	-1.48%
2010-11	71,254,528	312,362	14,807,790	86,374,680	-2.97%

Notes:

- (1) Under the provisions of 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.
- (2) Allocation of Market Value to categories "Inside Multnomah County" and "Urban Renewal Incremental Value" is estimated by the City. Market Value reported in this table is "Measure 5 Value," which represents the real market value of properties that are not specially assessed; and the value of specially assessed properties, including farm and forestland and exempt property which are less than full real market value. In 2010-11, the Measure 5 Market Value of City of Portland properties within Multnomah County represented about 83 percent of full real market value.

Sources: Multnomah County Division of Assessment, Recording and Taxation; City of Portland.

Major City Taxpayers

The following table lists the largest taxpayer accounts within the City.

Table 12
CITY OF PORTLAND, OREGON
Principal Property Taxpayer Accounts

<u>Taxpayer Account</u>	<u>Type of Business</u>	<u>FY 2010-11 Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Total City Assessed Value		\$49,838,139,715	100.00%
Pacificorp (PP&L)	Energy	309,932,000	0.62
Comcast Corporation	Communications	286,865,700	0.58
Portland General Electric	Energy	279,612,700	0.56
Weston Investment Co. LLC	Real estate (office)	222,305,160	0.45
Qwest Corporation	Communications	215,020,500	0.43
Evraz Inc. NA	Steel plate manufacturing	175,714,460	0.35
LC Portland LLC	Real estate (retail)	168,334,490	0.34
Fred Meyer Stores Inc	Grocery/retail	149,859,506	0.30
Northwest Natural Gas Co.	Energy	135,793,720	0.27
AT&T	Communications	128,636,600	0.26
Total		<u>\$2,072,074,836</u>	<u>4.16%</u>

Source: Multnomah County Division of Assessment, Recording and Taxation.

Projections of Future Assessed Value for the Area

The Assessed Value of the Area is projected to grow at an annual rate of approximately 2.4 percent over the next five years. This projection is based on a conservative estimate of growth that reflects historic trends in property values of the Area, the recent economic slowdown, and limited new development activity. The forecast assumes no growth in Real Market Values. The Assessed Value of real property values with AV/RMV ratios of below 70 percent is projected to grow at three percent annually, while Assessed Value of real property with AV/RMV ratios of between 70 and 80 percent is projected to grow at 2.5 percent annually, and Assessed Value of real property with AV/RMV ratios of 80 percent or higher is assumed remain constant over the forecast period. Utility and personal property Assessed Values are also projected to remain constant. See "FORWARD LOOKING STATEMENTS" herein.

The City has calculated that the Area's Incremental Assessed Value could be reduced by as much as 56.5% in FY 2012-13, and the Area would still have Maximum Tax Increment Revenues of at least 130 percent of the Maximum Annual Debt Service on all of the Area's Outstanding and proposed Bonds, including the 2011 Series A Bonds and excluding the Refunded Bonds. See "SECURITY FOR THE 2011 SERIES A BONDS—OTHER COVENANTS—Reduction in Area."

Table 13
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
PROJECTED ASSESSED, INCREMENTAL ASSESSED VALUES, AND
MAXIMUM TAX INCREMENT REVENUES
(FY 2011-12 through FY 2015-16)

	ASSESSED VALUE				
	2011-12	2012-13	2013-14	2014-15	2015-16
Total AV	\$940,322,446	\$962,494,914	\$985,327,518	\$1,008,839,934	\$1,033,052,428
% Change Total AV	2.4%	2.4%	2.4%	2.4%	2.4%
Frozen Base	\$55,674,313	\$55,674,313	\$55,674,313	\$55,674,313	\$55,674,313
Incremental AV	884,648,133	906,820,601	929,653,205	953,165,621	977,378,115
% Change					
Incremental AV	2.5%	2.5%	2.5%	2.5%	2.5%
Maximum Tax Increment Revenues	\$29,528,823	\$30,268,921	\$31,031,055	\$31,815,880	\$32,624,073

Source: City of Portland, Oregon.

OTHER FACTORS AFFECTING TAX COLLECTIONS

Property Tax Rates

The City and the Commission elected to limit the Divide the Taxes Revenues for the Area to \$7,710,000 each Fiscal Year. The Divide the Taxes Revenues are calculated by multiplying the Incremental Assessed Value of the Area by the consolidated billing tax rate, which is the sum of the tax rates of taxing districts that overlap the Area excluding the urban renewal special levy. Incremental Assessed Value not required to produce Divide the Taxes Revenues equal to \$7,710,000 is released to the overlapping taxing districts, thereby shifting tax dollars raised from the Incremental Assessed Value of the Area to the overlapping taxing districts. Released amounts of Incremental Assessed Value may vary from year to year depending on the Incremental Assessed Value for each year and the amount of Incremental Assessed Value needed to produce the Divide the Taxes Revenues.

The following tables show the consolidated billing tax rate for the past five years, and the breakdown of tax rates attributable to each underlying taxing entity for FY 2010-11.

Table 14
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
CONSOLIDATED TAX RATE (1)

Fiscal Year	Consolidated Billing Tax Rate
2006-07	\$19.7779
2007-08	21.4330
2008-09	20.8605
2009-10	21.4766
2010-11	21.4275

Notes:

(1) Rate per \$1,000 of Assessed Value.

Source: Multnomah County Division of Assessment, Recording and Taxation.

Table 15
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
CONSOLIDATED TAX RATE: FY 2010-11

Taxing District	Permanent Tax Rate Per \$1,000 A.V.	Local Option And Other Tax Rates (1) Per \$1,000 A.V.	General Obligation Debt Tax Rate Per \$1,000 A.V.	Total Tax Rate Per \$1,000 A.V.
CITY OF PORTLAND	\$4.5770	\$3.0374	\$0.1933	\$7.8077
Multnomah County	4.3434	0.8900	0.1512	5.3846
Metro	0.0966	-	0.3122	0.4088
Port of Portland	0.0701	-	-	0.0701
Tri-County Metropolitan Trans. Dist.	-	-	0.0878	0.0878
West Multnomah Soil & Conservation	0.0469	-	-	0.0469
Subtotal - General Government	\$9.1340	\$3.9274	\$0.7445	\$13.8059
Portland School District	\$5.2781	\$1.2500	\$0.0000	\$6.5281
Portland Community College	0.2828	-	0.3531	0.6359
Multnomah Co. Education Svc. Dist.	0.4576	-	-	0.4576
Subtotal - Schools	\$6.0185	\$1.2500	\$0.3531	\$7.6216
Totals	\$15.1525	\$5.1774	\$1.0976	\$21.4275

Notes:

(1) Includes the City Fire and Police Disability and Retirement pension levy, the Multnomah County local option library levy and the Portland Public Schools local option levy. Does not include impact of urban renewal division of tax rates. Does not include urban renewal special levy.

Source: Multnomah County Division of Assessment, Recording and Taxation.

Projected Consolidated Tax Rate

Projections of the consolidated tax rate over the next five years are shown in the table below.

Table 16
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
PROJECTED CONSOLIDATED TAX RATE (1)

Fiscal Year	Consolidated Billing Tax Rate
2011-12	\$22.2262
2012-13	22.2552
2013-14	22.1925
2014-15	21.7463
2015-16	21.6812

Notes:

- (1) Rate per \$1,000 of Assessed Value.
- (2) In May 2011, voters approved an increase to the Portland Public Schools local option levy, which increases from \$1.25/1,000 of Assessed Value to \$1.99/1,000 of Assessed Value beginning in FY 2011-12. This increase is included in the tax rate projections.

Source: City of Portland.

OTHER FACTORS AFFECTING DIVIDE THE TAXES REVENUES

Tax Increment Revenue Reductions Due to Measure 5 Compression

Tax Increment Revenues may be reduced by Measure 5 compression effects. See “PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B” herein. In FY 2010-11, Measure 5’s \$10/\$1,000 of Market Value tax limitation was the primary factor in reducing the projected Divide the Taxes property tax collections in the Area to \$7,193,407 from the authorized amount of \$7,710,000, or by about 6.7 percent. Projections of Divide the Taxes Revenues assume a 6.5 percent loss due to compression.

Special Levy collections also may be reduced by compression and delinquencies and discounts. The City or Commission are authorized to request a Special Levy in an amount sufficient to offset the impact of compression, but in no circumstance in an amount such that the sum of the Divide the Taxes Revenues and the Special Levy exceeds the Maximum Tax Increment Revenues. If the City and the Commission chose to impose the Special Levy to receive the Maximum Tax Increment Revenues, levies of other general governments would be subject to further compression so that the total general government levy fell within the \$10/\$1,000 cap. Projections of Special Levy assume a five percent loss due to compression.

The table below shows recent property tax losses for the Area due to compression.

Table 17
CITY OF PORTLAND, OREGON
Property Tax Levy Losses Due to Measure 5 Compression (1)

Fiscal Year	Divide the Taxes to Raise	Special Levy to Raise	Total Tax Increment Revenues to Raise	Divide the Taxes Imposed (2)	Special Levy Imposed (2)	Total Tax Increment Revenues Imposed (2)
2001-02	\$7,710,000	\$6,400,000	\$14,110,000	\$7,323,469	\$6,252,539	\$13,576,008
2002-03	7,710,000	7,100,000	14,810,000	7,309,746	6,852,144	14,161,891
2003-04	7,710,000	7,260,000	14,970,000	7,127,544	6,963,699	14,091,243
2004-05	7,710,000	7,363,713	15,073,713	7,198,584	7,094,239	14,292,823
2005-06	7,710,000	7,521,029	15,231,029	7,321,734	7,290,740	14,612,474
2006-07	7,710,000	7,798,155	15,508,155	7,372,486	7,582,745	14,955,232
2007-08	7,710,000	7,734,621	15,444,621	7,315,099	7,526,040	14,841,139
2008-09 (3)	7,710,000	3,593,132	11,303,132	7,344,233	3,485,985	10,830,218
2009-10	7,710,000	3,523,279	11,233,279	7,287,762	3,411,366	10,699,128
2010-11	7,710,000	3,550,367	11,260,367	7,193,407	3,419,978	10,613,385

Notes:

- (1) Taxes to be raised are before Measure 5 compression; taxes imposed are after Measure 5 compression. Also includes miscellaneous adjustments by county assessor.
- (2) Before losses due to delinquencies and discounts.
- (3) Reduction in Special Levy is due to lower debt service requirements for Outstanding Bonds.

Source: Multnomah County Division of Assessment, Recording and Taxation; Washington County Department of Assessment and Taxation; Clackamas County Department of Assessment and Taxation; City of Portland.

Tax Increment Revenue Reductions Due to Delinquencies and Discounts

Property tax collections are also reduced by delinquencies and discounts. The following table shows property tax collections over the past ten fiscal years. In recent years, taxes collected in the year in which they were levied have generally exceeded 95 percent. Note that, under current State law, tax collections at the county level are pooled, and each taxing jurisdiction (including urban renewal areas) receives a *pro rata* distribution of county-wide collections. This practice has the effect of spreading delinquent payments county-wide.

Table 18
CITY OF PORTLAND, OREGON
Tax Collection Record for the Last Ten Years (1)

Fiscal Year	Total Levy (000) (2)	Collected Yr. of Levy (3)	Collected as of 4/1/2011 (3) (4)
2001-02	\$267,740	96.46%	99.99%
2002-03	283,978	96.57%	99.98%
2003-04	324,709	96.92%	99.98%
2004-05	332,887	97.11%	99.98%
2005-06	346,053	97.20%	99.98%
2006-07	363,073	97.29%	99.95%
2007-08	394,491	97.07%	99.62%
2008-09	397,822	96.43%	99.12%
2009-10	436,332	96.85%	98.49%
2010-11	445,321	92.87% (4)	92.87%

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99.5% 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. Levy amounts shown are after Measure 5 compression. For a discussion on Measure 5 compression, see "PROPERTY TAX AND VALUATION INFORMATION – SECTION 11B" herein.
- (3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy; discounts associated with the 2009-10 tax levy represented about 2.4% of that year's levy.
- (4) Partial year collection.

Sources: Multnomah County Division of Assessment, Recording and Taxation and City of Portland.

HISTORICAL AND PROJECTED TAX INCREMENT REVENUES, MAXIMUM TAX INCREMENT REVENUES, AND DEBT SERVICE

Historical Tax Increment Revenue Collections

Historical collections of Tax Increment Revenues, Maximum Tax Increment Revenues, and Annual Debt Service for First Lien Bonds are shown in the following table.

Table 19
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
TAX INCREMENT REVENUES, MAXIMUM TAX INCREMENT REVENUES,
AND ANNUAL DEBT SERVICE
 (Budgetary Basis)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Tax Increment Revenues					
Tax Collections (Current Year)	\$13,836,465	\$14,206,426	\$14,034,060	\$10,159,432	\$10,114,429
Tax Collections (Prior Years)	298,487	343,516	312,898	296,469	337,237
Investment/Interest Income	271,779	372,204	327,433	301,391	132,310
TOTAL	\$14,406,731	\$14,922,146	\$14,674,391	\$10,757,292	\$10,583,976
Max. Tax Increment Revenues	\$27,648,408	\$28,538,859	\$29,418,342	\$29,824,155	\$28,395,617
Annual Debt Service					
First Lien Bonds (1)	\$7,913,499	\$8,290,946	\$8,475,348	\$10,198,419	\$10,195,164
TOTAL	\$7,913,499	\$8,290,946	\$8,475,348	\$10,198,419	\$10,195,164

Notes:

- (1) Includes debt service on the Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series A and B, the Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2002 Series A and B, and the Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2008 Series A. Excludes debt service payments for subordinate indebtedness such as “du jour bonds” and interim financing.

Source: City of Portland.

Projected Tax Increment Revenue Collections

The following table projects for the current fiscal year and the next five years the amounts of Divide the Taxes Revenues and Special Levy to be collected and the annual debt service for Outstanding First and Second Lien Bonds. The table shows anticipated collections of current year Divide the Taxes Revenues and Special Levies, net of Measure 5 compression, delinquencies and discounts. Note that the amounts are current year collections of Tax Increment Revenues only and do not include prior year collections or investment income, which, when added to current year collections, have historically provided total annual Tax Increment Revenues equal to or exceeding Annual Debt Service, as shown in Table 19. As of the Delivery Date of the 2011 Series A Bonds, the ratio of FY 2010-11 MTIR to MADS on Outstanding Bonds from FY 2011-12 through the final maturity of the Second Lien Bonds is approximately 3.0:1.

Table 20
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
PROJECTED TAX INCREMENT REVENUE COLLECTIONS,
MAXIMUM TAX INCREMENT REVENUES, AND ANNUAL DEBT SERVICE

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance (1)	\$1,878,268	\$1,648,075	\$1,959,091	\$1,872,166	\$1,897,782	\$1,921,325
Tax Increment Revenues (2)						
Divide the Taxes to Raise	\$7,710,000	\$7,710,000	\$7,710,000	\$7,710,000	\$7,710,000	\$7,710,000
Less M5 Compression	(516,593)	(539,700)	(539,700)	(539,700)	(539,700)	(539,700)
Divide the Taxes Imposed	7,193,407	7,170,300	7,170,300	7,170,300	7,170,300	7,170,300
Less Discounts/Delinq.	(438,798)	(437,388)	(437,388)	(437,388)	(437,388)	(437,388)
Net Divide the Taxes	\$6,754,609	\$6,732,912	\$6,732,912	\$6,732,912	\$6,732,912	\$6,732,912
Special Levy to Raise	\$3,550,367	\$3,557,465	\$3,108,577	\$3,109,470	\$3,109,875	\$3,111,663
Less M5 Compression	(130,389)	(177,873)	(155,429)	(155,473)	(155,494)	(155,583)
Special Levy Imposed	3,419,978	3,379,592	2,953,148	2,953,996	2,954,381	2,956,080
Less Discounts/Delinq.	(208,619)	(206,155)	(180,142)	(180,194)	(180,217)	(180,321)
Net Special Levy	\$3,211,359	\$3,173,437	\$2,773,006	\$2,773,803	\$2,774,164	\$2,775,759
Total Tax Increment Revenues	\$9,965,969	\$9,906,349	\$9,505,918	\$9,506,714	\$9,507,075	\$9,508,671
Annual Debt Service						
First Lien Bonds (3)	\$10,196,161	\$8,329,963	\$8,159,843	\$4,381,599	\$4,374,383	\$4,379,628
2011 Series A Bonds	0	\$1,265,370	1,433,000	5,099,500	5,109,150	5,110,050
TOTAL	\$10,196,161	\$9,595,333	\$9,592,843	\$9,481,099	\$9,483,533	\$9,489,678
Ending Balance (1)	\$1,648,075	\$1,959,091	\$1,872,166	\$1,897,782	\$1,921,325	\$1,940,318
Max. Tax Increment Rev.	\$28,810,121	\$29,528,823	\$30,268,921	\$31,031,055	\$31,815,880	\$32,624,073
MTIR/Debt Service Ratio	2.8	3.1	3.2	3.3	3.4	3.4

Notes:

- (1) Beginning balance in FY 2010-11 is the ending balance for FY 2009-10 on a budgetary basis as presented in the table entitled "Downtown Waterfront Renewal Bond Sinking Fund, Schedule of Revenues and Expenditures—Budget and Actual for the Year Ended June 30, 2010," less the amount held in the 2008 Bond Reserve Account for the 2008 Series A Bonds. See City of Portland, Oregon Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2010. Includes amount held for levy stabilization purposes to be used if compression losses or delinquencies and discounts exceed planned amounts.
- (2) Assumptions for projections include (a) 7.0 percent compression loss on Divide the Taxes to Raise, (b) 5 percent compression loss on Special Levy to Raise, (c) 6.1 percent net loss due to delinquencies, discounts, and prior year tax collections. Amounts are current year tax collections only and do not include prior year collections or investment income which historically have provided total annual Tax Increment Revenues equal to or exceeding Annual Debt Service, as shown in Table 19.
- (3) Except for FY 2010-11, excludes debt service on the 2000 Series A Bonds.

Source: City of Portland.

Outstanding Indebtedness

As of the Closing of the 2011 Series A Bonds, the City had outstanding indebtedness for the Area as shown in the table below. The Area reached its Maximum Indebtedness limit in FY 2007-08, and the City is no longer permitted to issue additional debt for this urban renewal area except for refunding purposes.

Table 21
CITY OF PORTLAND, OREGON
Downtown Waterfront Urban Renewal Area
OUTSTANDING LONG-TERM DEBT AS OF
THE CLOSING DATE OF THE 2011 SERIES A BONDS

<u>Issue Name</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<u>First Lien Bonds</u>				
Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2000 Series B (Federally Taxable)	10/15/2000	6/15/2013	\$24,970,000	\$6,970,000
Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable)	4/22/2008	6/15/2024	\$50,165,000	\$43,990,000
<u>Second Lien Bonds</u>				
Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax Exempt) (1)	7/6/2011	6/15/2020	\$30,370,000	\$30,370,000
Total			<u>\$105,505,000</u>	<u>\$81,330,000</u>

Notes:

(1) The 2011 Series A Bonds.

Source: City of Portland.

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

Permanent Tax Rate

Section 11 of the Oregon Constitution grants all local governments that levied property taxes for operations in FY 1997-1998 a permanent tax rate that 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. Revenues from permanent tax rate levies may be spent for any lawful purpose.

Assessed Value

Section 11 provides that property that 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.

In Oregon, the assessor’s estimate of market value is called “Real Market Value.” In conformance with Measure 5 (see “SECTION 11B” below), properties also are assigned a “Market Value,” which adjusts the Real Market Value to reflect the value of specially assessed properties, including farm and forestland and exempt property. New construction and changed property is not assessed at its Real Market Value or its Market Value. Instead, it receives an Assessed Value that is calculated by multiplying the Market Value of the property by the ratio of Assessed Values of comparable property in the area to the 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.

Other Property Taxes

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 “LOCAL OPTION LEVIES” 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 “GENERAL OBLIGATION BONDS” below.

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

- Some urban renewal areas that existed 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 voter-approved general obligation bonds (see “General Obligation Bonds” below).

In 2009, the Oregon Legislature approved legislation which allows Portland Public School District to permanently raise its operating tax rate to \$5.27 per \$1,000 of Assessed Value.

SECTION 11B

A citizen initiative, which is often called “Measure 5,” was added to the Oregon Constitution as Article XI, Section 11B (“Section 11B”). Section 11B limits property tax collections by limiting the tax rates (based on Market Value) that 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 Market Value and rates for school taxes to \$5 per \$1,000 of 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 special levies, and the City’s Fire and Police Disability and Retirement Fund levy are reduced proportionately to bring taxes within the rate limit. Divide the Taxes Revenues are currently reduced by Section 11B more than urban renewal special levies because Divide the Taxes Revenues consist partly of local option levies that are reduced before other levies.

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 LEVIES

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 10 years for capital purposes, and a maximum of five years for operating purposes.

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.

A Multnomah County local option levy for libraries was approved in November 2006. This local option levy took effect in FY 2007-08 and extends for five years at a rate of \$0.8900 per \$1,000 of Assessed Value. In November 2008, voters approved a measure to renew a five-year levy for the Children’s Investment Fund at a rate of \$0.4026 per \$1,000 of Assessed Value. This local option levy took effect in FY 2009-10. In May 2011, voters approved a five-year local option levy for Portland Public Schools at a rate of \$1.9900 per \$1,000 of Assessed Value. This local option levy will begin in FY 2011-12.

ELIGIBLE ELECTIONS

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 is held in May or November, or at another election in which not less than 50 percent of the registered voters eligible to vote on the question cast a ballot.

GENERAL OBLIGATION BONDS

Levies to pay certain general obligation bonds are exempt from the limits of Sections 11 and 11B. The provisions of the Oregon Constitution that govern general obligation bonds have changed several times since 1990. Currently local government general obligation bonds can only be approved at an eligible election (described above), and can only be issued to finance certain kinds of capital assets. Beginning January 1, 2011, general obligation bonds can be issued to finance costs of any assets having a useful life of more than one year, but only if the weighted average life of the bonds does not exceed the weighted average life of the assets that are financed with the bonds.

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 six percent.

PROPERTY TAX EXEMPTION PROGRAMS

City Programs

Various City housing programs provide property tax abatements as a means to encourage construction, rehabilitation, or conversion of housing units within the City. These programs are authorized by State statute and City Code. The City establishes specific criteria that meet statutory guidelines. Programs currently in effect are as follows:

- Non-Profit Owners of Low Income Housing Tax Exemption: This exemption is intended to promote housing for low-income renters, and allows charitable, non-profit owners or managers of residential property to apply for a tax exemption based upon the number of affordable housing units they maintain. The tax exemption is granted for one year, with annual renewals.
- Rental Rehabilitation Program: To preserve rental property, the City offers a ten-year tax abatement (subject to annual review) on improvements to existing rental housing or conversion of existing structures to rental housing. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property and such Assessed Value can not exceed the Assessed Value as it appeared in the most recent assessment roll prior to the application filing date. Property owners must designate a minimum number of units to remain affordable to low-income households during the exemption period.
- Owner-Occupied Rehabilitation Program: To encourage the rehabilitation of owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the increased Assessed Value of the property resulting from approved rehabilitation. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property, along with any increases to these values allowed under Measure 50.
- Transit Oriented Development Program: This program is intended to promote high-density residential and mixed use development in transit oriented areas. Property owners receive a tax exemption on the residential portion of new construction or conversion of existing structures for up to ten years.
- Single Family New Construction: To encourage the new development owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the Assessed Value of the new improvements resulting from the development or redevelopment of the land. Property owners continue to pay taxes on the Assessed Value of the land along with any increases to these values allowed under Measure 50.

- New, Multiple-Unit (Central City) Housing Program: This program provides a property tax exemption for newly constructed multiple-unit housing or conversion of existing structures into multiple-unit housing in the Central City and urban renewal areas for up to ten years.

Because the City and the Commission view property tax exemption programs as important components of promoting affordable housing and economic development within the City, the City may seek to extend existing programs past their current expiration dates or to create new programs.

Oregon Enterprise Zone Program

The Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by the state statute and the local sponsor. The Commission is the local sponsor for the Portland Enterprise Zone program.

Other State Programs

State statutes authorize other property tax exemptions that are not directly controlled by the City. Among these are property tax exemptions for charitable, educational, and religious institutions; certain health care facilities; historic property; property owned by State, local, and certain federal government agencies; and exemptions for disabled veterans.

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated population of 583,835 as of July 1, 2010, 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 a metropolitan area with an estimated population of approximately 2.2 million people as of July 1, 2010. 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.

PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

The Portland-Vancouver-Beaverton Metropolitan Statistical Area (the “MSA”) consists 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, West Linn and Happy Valley. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. Skamania County includes Stevenson, Carson and Skamania.

POPULATION

The population for the City has increased steadily over the past decade, as shown in the table below.

Table 22
CITY OF PORTLAND, OREGON
Population Estimate for the Last Ten Years

As of July 1	State of Oregon	City of Portland	MSA ⁽¹⁾	Multnomah County	Washington County	Clackamas County
2001	3,471,700	536,240	1,960,500	666,350	455,800	345,150
2002	3,504,700	538,180	1,989,550	670,250	463,050	350,850
2003	3,541,500	545,140	2,019,250	677,850	472,600	353,450
2004	3,582,600	550,560	2,050,650	685,950	480,200	356,250
2005	3,631,440	556,370	2,082,240	692,825	489,785	361,300
2006	3,690,505	562,690	2,121,910	701,545	500,585	367,040
2007	3,745,455	568,380	2,159,720	710,025	511,075	372,270
2008	3,791,075	575,930	2,191,784	717,880	519,925	376,660
2009	3,823,465	582,130	2,216,785	724,680	527,140	379,845
2010	3,844,195	583,835	2,235,580	730,140	532,620	381,775
2001-2010 Compounded						
Annual Rate of Change	1.14%	0.95%	1.47%	1.02%	1.75%	1.13%
2006-2010 Compounded						
Annual Rate of Change	1.03%	0.93%	1.31%	1.00%	1.56%	0.99%

Notes: The federal Census figures, as of April 1 of the stated year, are as follows:

	1980	1990	2000	2010
State of Oregon	2,633,156	2,842,321	3,421,399	3,831,074
Multnomah County	562,647	583,887	660,486	735,334
City of Portland	368,139	438,802	529,121	583,776
Washington County	245,860	311,554	445,342	529,710
Clackamas County	241,911	278,850	338,391	375,992

Notes:

(1) Portland State University Population Research Center defines the Portland-Vancouver-Beaverton Metropolitan Statistical Area as Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: Washington State Office of Financial Management; Portland State University, Center for Population Research. Under Oregon State law, the State Board of Higher Education must estimate annually the population of Oregon cities and counties so that shared revenues may be properly apportioned. The Center for Population Research and Census at Portland State University performs this statutory duty.

INCOME

Per capita personal income in the MSA has been consistently higher than in the State of Oregon, and until 2007, was higher than in the nation.

Table 22 below shows personal income and per capita income for the MSA compared to similar data for the State and nation. The compounded annual rate of change in total personal income for the MSA from 2000 to 2009 was 3.5 percent. The compounded annual rate of change in per capita income for the MSA was 1.9 percent from 2000 to 2009, compared with 2.6 percent for the State, and 3.0 percent for the nation.

Table 23
CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
MSA, Oregon, and the United States

Year	Total Personal Income MSA (000s)	Per Capita Income		
		MSA	Oregon	USA
2000	\$63,462,971	\$32,779	\$ 28,718	\$30,318
2001	65,361,302	33,064	29,230	31,145
2002	66,304,245	32,976	29,766	31,461
2003	68,225,058	33,542	30,558	32,271
2004	70,928,621	34,553	31,614	33,881
2005	74,752,932	35,869	32,515	35,424
2006	80,796,486	38,040	34,644	37,698
2007	85,339,023	39,443	35,806	39,458
2008	88,021,653	39,942	36,798	40,673
2009	86,822,197	38,728	36,125	39,626
2000-2009 Compounded Annual Rate of Change	3.5%	1.9%	2.6%	3.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis as reported by Oregon Employment Department in September, 2010.

LABOR FORCE AND UNEMPLOYMENT

Table 23 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 2001 through 2010. For April 2011, the seasonally-adjusted unemployment rate for the MSA was 8.9 percent (8.8 percent not seasonally-adjusted) with a resident civilian labor force of 1,190,381. Table 24 below shows the seasonally-unadjusted, average annual unemployment rates for the MSA, the State and the United States for the period 2001 through 2010.

Table 24
CITY OF PORTLAND, OREGON
MSA Labor Force and Unemployment Rates⁽¹⁾

Year	Resident Civilian Labor Force	Unemployment		Total Employment
		Number	Percent of Labor Force	
2001	1,087,254	65,569	6.0%	1,021,685
2002	1,093,526	85,191	7.8	1,008,335
2003	1,090,119	90,082	8.3	1,000,037
2004	1,089,204	76,576	7.0	1,012,628
2005	1,097,592	64,282	5.9	1,033,310
2006	1,121,350	56,388	5.0	1,064,962
2007	1,142,519	55,274	4.8	1,087,245
2008	1,169,791	69,708	6.0	1,100,083
2009	1,185,625	127,688	10.8	1,057,937
2010	1,189,827	126,187	10.6	1,063,640

Notes:

- (1) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants. Not seasonally adjusted.

Source: Oregon Employment Department as of April 25, 2011.

Table 25
CITY OF PORTLAND, OREGON
Average Annual Unemployment
MSA, Oregon, and the United States
(Not Seasonally Adjusted)

Year	MSA	State of Oregon	USA
2001	6.0%	6.4%	4.7%
2002	7.8	7.6	5.8
2003	8.3	8.1	6.0
2004	7.0	7.3	5.5
2005	5.9	6.2	5.1
2006	5.0	5.3	4.6
2007	4.8	5.2	4.6
2008	6.0	6.5	5.8
2009	10.8	11.1	9.3
2010	10.6	10.8	9.6

Source: Oregon Employment Department as of April 25, 2011.

EMPLOYMENT BY INDUSTRY

Non-manufacturing employment (including government) accounts for about 89 percent of non-farm employment in the Portland area. The Portland metropolitan area's manufacturing employment, accounting for the remaining 11 percent of area employment, is largely based in the metals and computer and electronic equipment sectors.

Table 26
CITY OF PORTLAND, OREGON
Portland-Vancouver-Beaverton, Oregon MSA
Non-Farm Wage and Salary Employment ⁽¹⁾(000)

Industry	2006	2007	2008	2009	2010
Total nonfarm employment	1,015,300	1,034,900	1,034,300	973,800	965,500
Total private	876,400	892,700	887,300	825,700	817,700
Manufacturing	126,600	126,100	123,200	109,100	106,700
Durable goods	96,400	95,700	93,500	81,700	79,300
Wood product manufacturing	6,000	5,600	4,800	3,700	3,500
Primary metal manufacturing	6,300	6,600	7,100	5,800	5,600
Fabricated metal manufacturing	12,900	13,300	13,400	11,100	11,100
Machinery manufacturing	8,400	8,600	8,300	7,000	7,000
Computer/electronic manufacturing	37,700	36,900	35,900	33,900	33,200
Transportation equipment manufacturing	9,300	9,000	8,600	7,000	6,300
Nondurable goods	30,200	30,400	29,600	27,400	27,300
Food manufacturing	8,800	9,100	9,200	9,100	9,300
Paper manufacturing	4,900	4,700	4,500	3,900	3,600
Non-Manufacturing	749,800	766,600	764,200	716,900	711,100
Construction and mining	64,900	66,900	62,400	50,600	45,800
Trade, transportation, and utilities	202,600	205,700	203,900	189,700	186,700
Wholesale Trade	57,500	58,100	57,800	54,400	52,500
Retail trade	107,600	109,800	108,500	101,100	101,100
Transportation, warehousing, and utilities	37,500	37,800	37,600	34,200	33,100
Information	24,000	24,800	24,600	22,900	22,300
Financial activities	70,600	70,400	67,800	63,800	61,800
Professional and business services	134,700	136,400	136,500	124,900	126,600
Educational and health services	123,200	127,800	132,600	135,200	139,000
Leisure and hospitality	94,100	98,000	99,300	94,500	93,900
Other services	35,700	36,600	37,100	35,300	35,000
Government	138,900	142,300	147,000	148,100	147,800

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department as of May 19, 2011.

Table 27
CITY OF PORTLAND, OREGON
Major Employers in the MSA

Employer	Product or Service	2010 Estimated Employment
Private Employers		
Intel Corporation	Computer and electronic products	15,228
Providence Health System	Health care & health insurance	13,831
Fred Meyer Stores	Grocery & retail variety chain	9,630
Kaiser Foundation of the Northwest	Healthcare	9,204
Legacy Health System	Health care	8,250
NIKE Inc.	Sports shoes and apparel	6,000
Wells Fargo	Bank	4,861
U.S. Bank	Bank & holding company	3,856
Southwest Washington Medical Center	Health care	3,711
Xerox Corp.	Document systems	2,952
Portland General Electric	Utilities	2,783
Regence BlueCross BlueShield of Oregon	Insurance	2,675
Daimler Trucks North America	Heavy duty trucks	2,438
Greenbrier Cos. Inc.	Transportation equipment	1,150
Public Employers		
Oregon Health and Science University	Health care & education	13,283
Multnomah County	Government	6,310
Portland School District	Education	5,101
City of Portland	Government	5,000
Beaverton School District	Education	5,000
Portland Community College	Education	4,000
Portland State University	Education	3,868
Vancouver School District	Education	3,697
Bonneville Power Administration	Public Power	3,000
Evergreen School District	Education	2,651
TriMet	Mass Transit	2,459

Source: Portland Business Journal, December 24, 2010.

REAL ESTATE

Industrial

A diverse mix of industrial properties are located throughout the Portland metropolitan area for all types of industrial use, including more than 280 industrial and business parks. On the eastside, the Columbia Corridor is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport (“PDX”). The Rivergate Industrial Park is a 2,800-acre area owned by The Port of Portland (the “Port”) in North Portland. In addition to Rivergate’s access to the Columbia River and PDX, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon’s high technology industry, including Intel’s 15,500-employee campuses. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. Another large submarket for industrial and flex space is the Interstate 5 (“I-5”) Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5.

While the Portland economy is showing signs of improvement, the industrial sector continues to lag the economic recovery. The overall vacancy rate in the first quarter of 2011 was 8.9 percent compared to 8.5 percent in the fourth quarter of 2011, as reported by Grubb & Ellis in their publication *Industrial Trends Report – First Quarter 2011, Portland, OR*. This vacancy rate was slightly better than the first quarter 2010 rate of 9.1 percent. Grubb & Ellis note that although the net absorption rate for the quarter was negative, at -119,056 square feet, the pace of activity in the industrial marketplace is improving, pointing to stronger net absorption in future quarters as owners begin to occupy space to which they have committed. No new product was delivered in the quarter. About 715,000 square feet of new space is underway, all owner-build or build-to-suit. Construction of a 413,700 square foot building housing auto parts distribution, service training center and regional offices for Subaru of America, Inc. began in February 2011, representing the largest transaction in Portland in the past decade. Additionally, construction of a 165,000 square foot facility with specialized refrigeration capacity for McLane Foods is also underway.

Office

The Portland metropolitan area office market is home to diverse architectural styles ranging from Class-A office space to unique historical buildings in downtown Portland.

The office market saw a modest improvement in all geographic areas in the first quarter of 2011, according to the *Office Trends Report – First Quarter 2011, Portland, OR* prepared by Grubb & Ellis. The first quarter vacancy rate for the Portland region was 14.4 percent, down from the 14.6 percent vacancy rate in the fourth quarter 2010 and also from the first quarter 2010 vacancy rate of 15.3 percent. Improvement was also seen in the suburban market, with a 17.2 percent vacancy rate, compared to a fourth quarter 2010 rate of 17.8 percent and a first quarter 2010 rate of 18.1 percent. Grubb & Ellis report total office market net absorption of over 244,000 square feet of space for the first quarter. Class A office space in the downtown continues to fare better than the rest of the market, with asking rents averaging \$26.04 per square foot compared to \$22.33 per square foot for the Class A space in the Portland region’s suburban market.

Housing

The year-to-date median selling price of a home in the Portland metropolitan area through April 2011 was \$215,000, down 10.4 percent from the April 2010 year-to-date price of \$239,900, according to the Realtors Metropolitan Area Multiple Listing Service (“RMLS”). Through April 2011, homes in the Portland metropolitan area were on the market an average of 161 days during the year. According to RMLS, through April of 2011, the Southeast and West Portland regions were the most active residential real estate areas, with 672 and 662 closed sales, respectively. Portland metropolitan area closed sales year-to-date were down 6.6 percent from the same period in 2010.

The table below compares the median home sale price for the fourth quarter of 2009 and 2010 in the Portland region with the nation and western U.S.

Table 28
CITY OF PORTLAND, OREGON
MEDIAN HOME SALE PRICE
(U.S., West, and Portland Metropolitan Area)

Region	4th Quarter 2009	4th Quarter 2010	Percent Change
U.S.	\$170,300	\$170,600	0.2%
West	220,800	214,400	-2.9%
Portland Metro. Area	239,400	230,200	-3.8%

Source: National Association of Realtors and RMLS.

The market for condominiums also has deteriorated as a result of the downturn in the housing market as shown in the following table. Portland's decrease in value is largely due to the increased inventory that has come on the market over the past few years.

Table 29
CITY OF PORTLAND, OREGON
MEDIAN CONDO/COOP SALE PRICE
(U.S., West, and Portland Metropolitan Area)

Region	4th Quarter 2009	4th Quarter 2010	Percent Change
U.S.	\$175,400	\$164,200	-6.4%
West	162,600	148,100	-8.9%
Portland Metro. Area	172,900	165,600	-4.2%

Source: National Association of Realtors and RMLS.

Residential building permits are an indicator of growth in a region. The number and value of new single-family and multi-family residential building permits for the City are shown below.

Table 30
CITY OF PORTLAND, OREGON
NEW SINGLE FAMILY AND MULTI-FAMILY
RESIDENTIAL CONSTRUCTION PERMITS

Year	New Single Family		New Multi-Family	
	No. of Permits	Value	No. of Permits	Value
2000	866	\$125,275,273	93	\$62,578,694
2001	1,040	159,218,264	102	46,446,402
2002	1,088	169,816,560	110	92,457,354
2003	1,093	176,408,264	198	195,489,464
2004	956	162,215,542	161	153,283,224
2005	981	172,372,705	196	247,646,057
2006	1,256	232,917,661	164	241,125,419
2007	1,205	236,732,683	179	346,708,925
2008	648	126,171,068	73	410,957,333
2009	427	86,645,801	15	44,978,728
2010	435	95,809,473	30	86,511,573

Source: U.S. Census Bureau as of May 17, 2011.

Urban Renewal

The City seeks to promote neighborhood revitalization through the creation of urban renewal areas. Urban renewal is a state-authorized, redevelopment and finance program designed to help communities improve and redevelop areas that are physically deteriorated, suffering economic stagnation, unsafe or poorly planned. Urban renewal is used as a tool to focus resources in blighted or underused areas to stimulate private investment and improve neighborhood livability.

The City has eleven urban renewal areas, with combined acreage of about 14 percent of the City's area. Five of the 11 urban renewal areas are concentrated in the city's core, including two that are completing their work. Three are largely residential areas in Portland's eastside. The City also has three industrial areas: Central Eastside on the east bank of the Willamette River; Willamette Industrial, located north of the downtown core on the Willamette River; and Airport Way, located in the Columbia corridor, which also has largely completed its urban renewal work. The Portland Development Commission administers the urban renewal areas.

TRANSPORTATION AND DISTRIBUTION

Location and topography have established the City 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 geographic and, therefore, economic advantages for the shipment of freight.

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. The Port is the largest wheat export port in the United States and is the largest volume auto handling port and mineral bulks port on the West Coast. Leading exports include wheat, soda ash, potash and hay. Leading imports include automobiles, petroleum products, steel and limestone.

In 2010, 575 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2010 increased by 27.6 percent to 13.1 million short tons in 2010 compared to 10.3 million in 2009. Through January 2011, total maritime tonnage was up five percent over the same period in 2010.

The Columbia River ship channel is currently maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. In 2005, the Columbia River Channel Deepening Project was initiated to deepen the shipping channel of the Columbia River from 40 feet to 43 feet to accommodate larger, more efficient vessels. This project was completed in October 2010.

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 two primary barge lines providing service between the upriver ports and Portland. 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 Cascade mountains.

Portland 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.

PDX handles approximately 13 million passengers annually, with more than 500 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Vancouver, British Columbia; Toronto, Ontario; and Tokyo, Japan. In 2010, 200,706 short tons of cargo and 8,423 short tons of mail were handled by PDX. 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 the City. 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 throughout the Portland metropolitan area. During TriMet’s fiscal year, from July 2009 through June 2010, passengers boarded a TriMet bus or train approximately 99.3 million times.

TriMet’s light rail system (“MAX”) connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. In 2007, TriMet started construction of an 8.3 mile, two-phased extension of the light rail line. The estimated cost of the project is \$494 million. Phase 1 provides service along Interstate-205 between Clackamas Town Center and the existing Gateway station where it uses the existing MAX Blue Line tracks to downtown Portland, then run on new tracks along the Portland Mall to Portland State University. Phase 2 would extend light rail from downtown Portland to Milwaukie. TriMet completed construction of Phase 1 with the opening of the MAX green line in September 2009. In 2008, TriMet began service on the Washington County Commuter Rail, which runs from Beaverton to Wilsonville.

The Portland Streetcar connects South Waterfront area along the Willamette River with the Pearl District and Northwest Portland. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. An extension of the streetcar line to Portland’s east side is currently underway. The extension will cross the Willamette River using the Broadway Bridge, travel through the Lloyd District, continue south along Martin Luther King, Jr. Boulevard, and make a loop at either SE Mill or Stephens Street before returning back along Grand Avenue. The project is expected to be completed in 2011.

The Portland Aerial Tram (“Tram”) opened in January 2007. The Tram, which is owned by the City and operated by Oregon Health and Science University (“OHSU”), links OHSU’s North Macadam offices and its Marquam Hill campus.

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 Center Stage, Portland Art Museum, Oregon Historical Society Museum, Children’s Museum, Oregon Museum of Science and Industry, Forest Discovery Center (formerly World Forestry Center), Japanese Gardens, International Rose Test Gardens, the Lan Su 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. 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.

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.

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. JELD-WEN Field (formerly PGE Park) was recently renovated for major league soccer and is the home of the Major League Soccer (“MLS”) Portland Timbers.

HIGHER EDUCATION

Within the Portland metropolitan area are several post-secondary educational systems. Portland State University (“PSU”), the largest university in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers approximately 213 undergraduate, masters, and

doctoral programs. Enrollment for 2010-11 was approximately 28,522 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, also within the Oregon University System, 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. 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. Enrollment for 2010-11 was approximately 2,720 medical, dental, nursing, science, and allied health students.

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, University of Western States, 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 Portland Community College, Mt. Hood Community College, and Clackamas Community College.

UTILITIES

Electric Power and Natural Gas

Electricity is provided by Portland General Electric Company ("PGE") and Pacific Power. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. NW Natural distributes natural gas.

Communications

Telephone services are provided by Qwest Communications and, in some areas, Verizon. The Portland metropolitan area is also served by three cable service providers, primarily Comcast within the Portland city limits, and Verizon and Cascade Access in other parts of the region.

Water, Sewer, and Wastewater

The City operates the water supply system that delivers drinking water to residents of Portland. About 900,000 people, almost one-quarter of the state's population, are served by the City's water system on a wholesale and retail basis within its 225 square mile service area. The primary water source is the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. The City also uses groundwater as a supplemental water supply.

The City also owns, operates, and maintains sanitary and storm water collection, transportation, and treatment systems within its boundaries. The City provides sanitary sewer service to approximately 560,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 19.0 percent of the State's Gross Farm and Ranch Sales based on 2010 estimates from the Oregon State University Extension Economic Information Office. The 2010 Gross Farm and Ranch Sales in Clackamas County was \$294,163,000; Washington County was \$227,401,000; Yamhill County was \$216,147,000; Multnomah County was \$57,068,000; and Columbia County was \$19,674,000 as estimated by the Oregon State University Extension Service.

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 that 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.

PROCESS FOR QUALIFYING STATE-WIDE INITIATIVES TO BE PLACED ON THE BALLOT

To place a proposed state-wide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the 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 2010 general election, the requirement was eight percent (110,358 signatures) for a constitutional amendment measure and six percent (82,769 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2010 general election was July 2, 2010. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. State-wide initiatives may only be filed for general elections in even-numbered years. The next general election for which state-wide initiative petitions may be filed will be in November, 2012.

A state-wide 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.

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.

Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Table 31
CITY OF PORTLAND, OREGON
Statewide Initiative Petitions that Qualified and Passed
2002-2010

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
2002	7	3
2004	6	2
2006	10	3
2008	8	0
2010	4	2

Source: Elections Division, Oregon Secretary of State.

FUTURE STATE-WIDE 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.

LOCAL INITIATIVES

Article IV, Section 1 and Article XI, Section 2 of the Oregon Constitution and state statutes grant the voters in the City the initiative power to amend the City Charter or City ordinances, and to refer City Ordinances. A petition to refer a City measure must be signed by six percent of the registered voters in the City. A petition to initiate a City measure must be signed by nine percent of the registered voters in the City. No initiative or referendum petitions are currently being circulated that relate to the financial powers of the City. The City Council may also refer measures directly to voters. Under current law, local initiative and referendum elections may be held only in March, May, September and November, unless the City Council calls for a special election due to public interest in prompt resolution.

TAX MATTERS

In the opinion of K&L Gates LLP, Bond Counsel, interest on the 2011 Series A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2011 Series A Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2011 Series A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2011 Series A Bonds and the facilities financed or refinanced with proceeds of the 2011 Series A Bonds and certain other matters. The City has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the City comply with the above-referenced covenants and, in addition, will rely on representations by the City and its advisors with respect to matters solely within the knowledge of the City and its advisors, respectively, which Bond Counsel has not independently verified. If the City fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2011 Series A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2011 Series A Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in this Tax Matters section, Bond Counsel expresses no opinion regarding any other federal income tax consequences of acquiring, carrying, owning or disposing of the 2011 Series A Bonds. Owners of the 2011 Series A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2011 Series A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the 2011 Series A Bonds should be aware that ownership of the 2011 Series A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2011 Series A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2011 Series A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2011 Series A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any

owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel’s opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel’s legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the City’s compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2011 Series A Bonds. Owners of the 2011 Series A Bonds are advised that, if the IRS does audit the 2011 Series A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2011 Series A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2011 Series A Bonds until the audit is concluded, regardless of the ultimate outcome.

Premium

An amount equal to the excess of the purchase price of a 2011 Series A Bond over its stated redemption price at maturity constitutes premium on that 2011 Series A Bond. A purchaser of a 2011 Series A Bond must amortize any premium over that 2011 Series A Bond’s term using constant yield principles, based on the 2011 Series A Bond’s yield to maturity. As premium is amortized, the purchaser’s basis in the 2011 Series A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2011 Series A Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of 2011 Series A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2011 Series A Bonds.

Original Issue Discount

The initial public offering price of certain 2011 Series A Bonds (the “Original Issue Discount Bonds”) may be less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such 2011 Series A Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

Oregon Personal Income Tax Exemption

In the opinion of Bond Counsel, interest on the 2011 Series A Bonds is exempt from Oregon personal income tax under existing law.

RATING

The 2011 Series A Bonds have been rated “Aa3” by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of such rating may be obtained from Moody’s. There can be no assurance that any rating assigned to the 2011 Series A Bonds will not be revised at a later date.

UNDERWRITING

On behalf of the Underwriters listed on the cover of this Official Statement, Citigroup Global Markets, Inc. has agreed, subject to certain conditions, to purchase all of the 2011 Series A Bonds, if any are to be purchased, at a price of \$33,232,468.19 (which is equal to the aggregate principal amount of the 2011 Series A Bonds of \$30,370,000.00, plus a net original issue premium of \$3,028,971.90 less Underwriters' Discount of \$166,503.71).

After the initial public offering, the public offering prices may be varied from time to time.

Citigroup Inc., parent company of Citigroup Global Markets, Inc., has entered into a retail brokerage joint venture with Morgan Stanley & Co. LLC. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 Series A Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2011 Series A Bonds by the City are subject to the approving opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel. Certain legal matters will be passed on for the Underwriters by Orrick, Herrington & Sutcliffe LLP. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2011 Series A Bonds, the Ordinance, the Second Lien Bond Declaration, and the authority to issue the 2011 Series A Bonds conform to the applicable laws under which they are issued. The statements made in this Official Statement under the captions "THE 2011 SERIES A BONDS," "SECURITY FOR THE 2011 SERIES A BONDS," and "TAX MATTERS" 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.

LITIGATION

No litigation is pending or threatened which would, if successfully prosecuted against the City or the Commission, materially and adversely affect the 2011 Series A Bonds or the Tax Increment Revenues.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2011 Series A Bonds, the City will deliver a certificate to the Underwriters 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 2011 Series A 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 2011 Series A 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.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement and its appendices, the words "estimate," "forecast," "intend," "expect," "projected," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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 Underwriters or owners of any of the 2011 Series A 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 shall, 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.

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 F for the benefit of the 2011 Series A 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.

CONCLUDING STATEMENT

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2011 Series A Bonds, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the 2011 Series A Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

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

CITY OF PORTLAND, OREGON

By: /s/ B. Jonas Biery
Debt Manager
Office of Management and Finance



APPENDIX A
SECOND LIEN BOND DECLARATION



BOND DECLARATION

City of Portland, Oregon

**Downtown Waterfront
Second Lien Urban Renewal and Redevelopment Refunding Bonds,
2011 Series A (Tax Exempt)**

Executed by the Debt Manager of the City of Portland, Oregon

As of this 6th day of July, 2011

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BOND DECLARATION

THIS BOND DECLARATION is executed as of July 6, 2011, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. 184513.

Section 1. Recitals.

The City recites:

1.1. In its Resolution No. 6860, adopted on April 13, 2011, the Portland Development Commission has requested the City to issue the tax increment bonds pursuant to Section 15-106 of the City Charter to refund certain outstanding tax increment bonds that are secured by the tax increment revenues of the Downtown Waterfront Urban Renewal Area.

1.2. In City Ordinance No. 184513, adopted on April 13, 2011, the Portland City Council authorized the City to issue bonds tax increment bonds pursuant to Section 15-106 of the City Charter to refund certain outstanding tax increment bonds that are secured by the tax increment revenues of the Downtown Waterfront Urban Renewal Area, and authorized the City's Debt Manager to provide that those refunding bonds will be secured by a Second Lien on the tax increment revenues of the Downtown Waterfront Urban Renewal Area.

1.3. In City Ordinance No. 172389 the City chose Option Three for the Downtown Waterfront Urban Renewal Area as provided in ORS 457.435(2)(c), and has limited Divide the Taxes Revenues to \$7,710,000 in each Fiscal Year. The Portland Development Commission and the City are authorized to notify the county assessor to impose the Special Levy described in ORS 457.435(2)(c) and ORS 457.440(2)(c).

1.4. In City Ordinance No. 172356 the City approved a maximum indebtedness limit for the Downtown Waterfront Area of \$165,000,000. The City has issued the entire amount. The 2011 Series A Bonds are issued solely to refund previously issued indebtedness, and do not count as additional indebtedness under the maximum indebtedness limit.

1.5. This Declaration provides the terms under which the City's Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) are issued. The City has initially sold these 2011A Bonds to Citigroup Global Markets Inc., as representative of the underwriters, pursuant to a Bond Purchase Agreement which is dated June 28, 2011. This Declaration also states the terms under which future obligations may be issued on a parity with these 2011A Bonds.

Section 2. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

“2011A Bonds” means the City’s Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) which are described in Section 13 of this Declaration.

“Additional First Lien Bonds” means obligations that have a lien on the Tax Increment Revenues that is superior to the lien that secures the Second Lien Bonds. The First Lien Bond Declaration uses the term “Parity Indebtedness” to refer to Additional First Lien Bonds.

“Additional Second Lien Bonds” means obligations that are issued in compliance with Section 5 of this Declaration and that are secured by a lien on, and pledge of, the Tax Increment Revenues that is on a parity with the lien and pledge that secures the 2011A Bonds. Additional Second Lien Bonds includes Second Lien Exchange Agreements.

“Adjusted Annual Debt Service” means Annual Debt Service for a Fiscal Year, reduced by:

- a) the amount of any Federal Interest Subsidy that the City is scheduled to receive for Bond interest in that Fiscal Year; and,
- b) the amount that is expected to be available in the First Lien Reserve Account or the Second Lien Reserve Account to pay scheduled debt service on Bonds during that Fiscal Year.

“Adjusted Maximum Annual Debt Service” means the largest Adjusted Annual Debt Service that occurs after the date for which the calculation is done. Adjusted Maximum Annual Debt Service shall be calculated for the remainder of the Fiscal Year in which the calculation is made, and for each subsequent Fiscal Year in which Outstanding Bonds are scheduled to be paid.

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

- (i) Interest which is to be paid from proceeds of Bonds shall be subtracted.
- (ii) Bonds 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.
- (iii) Bonds which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates.
- (iv) Variable Rate Obligations shall bear interest from the date of computation until maturity at their Estimated Average Interest Rate.
- (v) Each Balloon Payment shall be assumed to be paid according to its Balloon Debt Service Requirement.
- (vi) City Payments to be made in the Fiscal Year under a Second Lien Exchange Agreement shall increase Annual Debt Service, and Reciprocal Payments to be received in the Fiscal Year under a Second Lien Exchange Agreement shall reduce Annual Debt Service.

“Area” means the Downtown Waterfront Urban Renewal Area which is described in the Plan, and all additions thereto.

“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.

“Balloon Debt Service Requirement” means the Committed Debt Service Requirement for a Balloon Payment or, if the City has not entered into a firm commitment to sell Bonds or other obligations to refund that Balloon Payment, the Estimated Debt Service Requirement for that Balloon Payment.

“Balloon Payment” means any principal payment for a Series of Bonds which comprises more than twenty-five percent of the original principal amount of that Series, but only if that principal payment is designated as a Balloon Payment in the closing documents for the Series.

“Base Period” means any 12 consecutive months from the 24 full months preceding the issuance of a series of Additional Second Lien Bonds.

“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.

“Bonds” means First Lien Bonds and Second Lien Bonds.

“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 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.

“City” means the City of Portland, Oregon.

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

“Code” means the applicable provisions of the United States Internal Revenue Code of 1986, as amended, and the United States Internal Revenue Code of 1954, as amended.

“Commission” means the Portland Development Commission of the City of Portland.

“Committed Debt Service Requirement” means the schedule of principal and interest payments for a Series of Bonds or other obligations which refund a Balloon Payment, as shown in the documents evidencing the City’s firm commitment to sell that Series. A “firm commitment to sell” means a bond purchase agreement or similar document which obligates the City to sell, and obligates a purchaser to purchase, the Series of refunding Bonds or other obligations, subject only to the conditions which customarily are included in such documents.

“Credit Facility” means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure Bonds, and which is issued or unconditionally guaranteed by an entity whose long-term debt obligations or claims-paying ability (as appropriate) are rated, at the time the Credit Facility is issued, in one of the three highest rating categories by a Rating Agency which

rated the Bonds secured by the Credit Facility. Under rating systems in effect on the date of this Declaration, a rating in one of the three highest rating categories by a Rating Agency would be a rating of “A” or better.

“Debt Manager” means the Debt Manager of the City, City Treasurer, Chief Financial Officer of the Bureau of Financial Services, 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 this Declaration.

“Debt Service” means Bond principal, interest and any premium.

“Declaration” means this Declaration establishing the terms and conditions under which the City may issue the 2011A Bonds and any Additional Second Lien Bonds, as it may be amended from time to time pursuant to Section 8.

“Divide the Taxes Revenues” means the taxes which are divided based on the increase in value of property in the Area and which are payable to the City or the Commission under the provisions of Article IX, Section 1c of the Oregon Constitution and ORS Chapter 457, as those provisions exist on the date of this Declaration. The Divide the Taxes Revenues for the Area are limited to \$7,710,000 each Fiscal Year, before reduction for any compression or delinquencies.

“Estimated Average Interest Rate” means the rate calculated pursuant to Section 5.5.

“Estimated Debt Service Requirement” is calculated as provided in Section 5.6.

“Event of Default” refers to an Event of Default listed in Section 9.1 of this Declaration.

“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 Tax Increment Fund;
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.

“Federal Interest Subsidy” means an interest subsidy payment that the City is entitled to receive from the United States for Bonds. When calculating Adjusted Maximum Annual Debt Service for any Fiscal Year, the Federal Interest Subsidy shall be determined based on the laws in effect on the date the calculation is made.

“First Lien Bond Declaration” means the Amended and Restated Bond Declaration dated April 22, 2008, as it may be amended in accordance with its terms.

“First Lien Bond Fund” means the fund created in the First Lien Bond Declaration to hold the First Lien Debt Service Account and the First Lien Reserve Account. The First Lien Bond Fund

is referred to in Section 4.1. of this Declaration and is defined in the First Lien Bond Declaration as the “Parity Indebtedness Fund.”

“First Lien Bonds” means obligations that have a first lien on the Tax Increment Revenues and are issued in compliance with Section 5 of the First Lien Bond Declaration. The First Lien Bond Declaration refers to First Lien Bonds as “Bonds.”

“First Lien Debt Service Account” means the “Debt Service Account” in the First Lien Bond Fund that was created by the First Lien Bond Declaration.

“First Lien Reserve Account” means the “Reserve Account” in the First Lien Bond Fund that was created by the First Lien Bond Declaration.

“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.

“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.

“Incremental Assessed Value” means the difference between the assessed value of property in the Area for a Fiscal Year and the assessed value of property in the Area which is specified in the certified statement for the Area which is filed with the assessor pursuant to ORS 457.430, or as otherwise provided by Oregon law.

“Maximum Indebtedness” means the maximum amount of indebtedness that may be issued under the Plan, as required by ORS 457.190. The Maximum Indebtedness is currently \$165,000,000. Maximum Indebtedness does not include indebtedness incurred to refund or refinance existing indebtedness.

“Maximum Tax Increment Revenues” for Fiscal Year 2010-2011 means the amount of \$\$28,810,121; for each subsequent Fiscal Year “Maximum Tax Increment Revenues” means the amount of Maximum Tax Increment Revenues for the prior Fiscal Year adjusted by a percentage change equal to the percentage change in the Incremental Assessed Value from the preceding Fiscal Year.

“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 their paying agent.

“Owner” means the person shown on the register maintained by the City or the Paying Agent as the registered owner of a Bond.

“Paying Agent” means the registrar and paying agent for the 2011A Bonds, which, at the time of execution of this Declaration, is U.S. Bank National Association.

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

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

“Plan” means the Commission's Downtown Waterfront Urban Renewal Plan, which was first adopted on April 25, 1974, as that plan has been, and may in the future be, amended.

“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 this Declaration.

“Rating Agency” means Fitch, Moody’s, S&P, or any other nationally recognized financial rating agency which has rated Outstanding Bonds at the request of the City.

“Reciprocal Payment” means 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. Under rating systems in effect on the date of this Declaration, a rating in one of the three highest rating categories by a Rating Agency would be a rating of “A” or better.

“Record Date” for the 2011A Bonds means the 1st day of the month preceding a payment date.

“Required Levy Amount” means an amount equal to the sum of:

- a) the Adjusted Annual Debt Service for that Fiscal Year; plus,
- b) any amounts the City reasonably estimates will be required to be deposited into the First Lien Reserve Account or the Second Lien Reserve Account during that Fiscal Year to restore the balance to the level required by the First Lien Bond Declaration or this Declaration (including all amounts to be paid to the provider of a reserve surety for Bonds in that Fiscal Year); and, minus,
- c) the balances in the First Lien Debt Service Account, the Second Lien Debt Service Account and the Subordinate Indebtedness Fund on July 1 of that Fiscal Year which will be available to pay Annual Debt Service in that Fiscal Year.

“Second Lien Bond Fund” means the account of that name in the Tax Increment Fund established in Section 4.1.

“Second Lien Bonds” means the 2011A Bonds and any Additional Second Lien Bonds.

“Second Lien Debt Service Account” means the account of that name in the Second Lien Bond Fund described in Section 4.2.

“Second Lien Exchange Agreement” means an Exchange Agreement that qualifies as a Second Lien Bond pursuant to Section 5.3.

“Second Lien Reserve Account” means the account of that name in the Second Lien Bond Fund described in Section 4.3

“Second Lien Reserve Requirement” means a requirement that the City establishes for funding a subaccount in the Second Lien Reserve Account.

“Security” means the Tax Increment Revenues, any Federal Interest Subsidies, and all amounts in the Tax Increment Fund except amounts credited to the First Lien Bond Fund or the Second Lien Reserve Account.

“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 Levy” means a city-wide property tax levy for the Area which is authorized by Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(c), as those provisions exist on the date of this Declaration.

“Supplemental Declaration” means any Declaration amending or supplementing this Declaration, which is adopted in accordance with Section 8.

“Tax Increment Fund” means the special fund established by the City under ORS 457.440(6)(b) to hold the Tax Increment Revenues, which is currently called the Downtown Waterfront Debt Service Fund.

“Tax Increment Revenues” means all revenues from the Divide the Taxes Revenues and the Special Levies, and all earnings on amounts held in the Tax Increment Fund.

“Taxable Bonds” means Bonds which pay interest which is intended to be includable in gross income under the Code.

“Tax-Exempt Bonds” means Bonds which pay interest which is intended to be excludable from gross income under the Code.

“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 Second Lien Exchange Agreement for which the interest portion of the payment is based on a rate that changes during the term of the Exchange Agreement.

Section 3. Security for Bonds.

3.1. The Second Lien Bonds shall not be general obligations of the City or the Commission. The City and the Commission shall be obligated to pay the Second Lien Bonds solely from the Security as provided in this Declaration.

3.2. The City hereby irrevocably pledges the Security to pay the Second Lien Bonds. The lien of the pledge of the Security shall be subordinate to the lien that secures the First Lien Bonds. Pursuant to ORS 287A.310, these pledges shall be valid and binding from the time of the execution of this Declaration. The amounts so pledged and hereafter received by the City shall immediately be subject to the lien of these pledges without any physical delivery or further act.

3.3. When the City and the Commission finalize their budgets for a Fiscal Year the City and the Commission shall reasonably estimate the Divide the Taxes Revenues that the City and the Commission will receive in that Fiscal Year. If the amount of this estimate is less than one hundred five percent (105%) of the Required Levy Amount for that Fiscal Year, then to the extent permitted by law the City and the Commission shall notify the assessors to impose a Special Levy for that Fiscal Year in an amount which the City and the Commission reasonably estimate will result in the City and the Commission receiving Tax Increment Revenues for that Fiscal Year of at least one hundred five percent (105%) of the Required Levy Amount.

3.4. The City will not reduce the Divide the Taxes Collections while any Second Lien Bonds are Outstanding.

3.5. The provisions of this Declaration shall constitute a contract with the Owners of Second Lien Bonds, and shall be enforceable by them.

Section 4. The Tax Increment Fund.

The City has previously established the Tax Increment Fund. The Tax Increment Fund shall contain the First Lien Bond Fund, the Second Lien Bond Fund and the Subordinate Indebtedness Fund. The First Lien Bond Fund and the Subordinate Indebtedness Fund are described in the First Lien Bond Declaration. The Second Lien Bond Fund is created by this Declaration, and shall contain the Second Lien Debt Service Account and the Second Lien Reserve Account.

4.1. Deposits to the Tax Increment Fund.

(A) Until all Second Lien Bonds are paid or defeased, the City shall deposit all Tax Increment Revenues and Federal Interest Subsidies in the Tax Increment Fund, and shall credit each deposit to the following accounts within the Tax Increment Fund in the following order of priority:

(1) To the First Lien Bond Fund, the amounts required by the First Lien Bond Declaration;

- (2) Subject to Section 4.1(B), to the Second Lien Debt Service Account, until the Second Lien Debt Service Account contains an amount sufficient to pay the Annual Debt Service for Second Lien Bonds for that Fiscal Year;
 - (3) If the City has established a Second Lien Reserve Requirement for a subaccount in the Second Lien Reserve Account and the balance in that subaccount is less than its Second Lien Reserve Requirement, to the Second Lien Reserve Account in the amounts required by the documents governing that subaccount; and,
 - (4) To the Subordinate Indebtedness Fund, any amounts which remain after the foregoing deposits have been made.
- (B) Whenever Federal Interest Subsidies are received by the City, if the debt service account for the Bonds for which the federal interest subsidy is paid already contains amounts sufficient to pay the remaining Annual Debt Service for the Fiscal Year, the City shall nevertheless deposit those Federal Interest Subsidies in that debt service account, but shall release an equal amount of Tax Increment Revenues that were previously deposited in that debt service account, and shall treat the released Tax Increment Revenues as newly received Tax Increment Revenues and shall apply them according to the priorities described in Section 4.1(A).

4.2. Second Lien Debt Service Account.

- (A) Amounts credited to the Second Lien Debt Service Account shall be used only to pay Second Lien Bond principal, interest and premium, except as provided in Section 4.6.
- (B) Amounts credited to the Second Lien Debt Service Account may be invested in Permitted Investments which mature within one year or in the City's investment pool. Earnings shall be credited as provided in Section 4.5.
- (C) On the day any payment of principal, premium or interest on the Second Lien Bonds is due, if the balance in the Second Lien Debt Service Account is less than the amount due, the City shall credit to the Second Lien Debt Service Account from the Subordinate Indebtedness Fund an amount equal to the lesser of the deficiency or the balance in the Subordinate Indebtedness Fund.
- (D) If, after the transfer described in Section 4.2(C), the balance in the Second Lien Debt Service Account is less than the next payment of principal, premium or interest on the Second Lien Bonds, the City shall allocate that balance among the outstanding Second Lien Bonds for which a payment is due, *pro rata* based on the amount due, and shall apply those amounts to pay the Second Lien Bonds to which the amounts were allocated.
- (E) If, after the amounts in the Second Lien Debt Service Account are applied pursuant to Section 4.2(D), a deficiency still remains for Second Lien Bonds that are secured by subaccounts in the Second Lien Reserve Account, the City shall apply amounts available in those subaccounts to make the Second Lien Bond payments that are then due. However, amounts in the subaccounts in the Second Lien Reserve Account shall be

applied only to pay Second Lien Bonds that are secured by those subaccounts. If amounts available in a subaccount of Second Lien Reserve Account are not sufficient to make all payments then due on Second Lien Bonds that are secured by that subaccount, the available amounts shall be applied *pro rata* based on the amounts due.

4.3. Second Lien Reserve Account.

(A) The City shall create the Second Lien Reserve Account in the Second Lien Bond Fund, and may create subaccounts in the Second Lien Reserve Account to secure Second Lien Bonds. Before the City issues the first Series of Second Lien Bonds that is secured by a subaccount in the Second Lien Reserve Account the City shall:

- (1) establish the Second Lien Reserve Requirement for that subaccount,
- (2) determine whether the subaccount will secure one or more Series of Second Lien Bonds;
- (3) determine whether credit facilities and surety bonds may be used to satisfy the Second Lien Reserve Requirement for that subaccount and specify any rating requirements for such instruments;
- (4) establish withdrawal procedures, replenishment requirements, permitted investments, valuation provisions, and other terms and conditions for that subaccount; and,
- (5) pledge amounts credited to that subaccount to pay the Second Lien Bonds that are secured by that subaccount.

(B) If First Lien Bonds are outstanding when the City creates a subaccount in the Senior Lien Reserve Account, the City shall provide that Tax Increment Revenues credited to that subaccount shall be used as described in Section 4.6.

(C) The City shall not create any subaccounts in the Second Lien Reserve Account for any purpose except securing Second Lien Bonds in accordance with this Declaration.

4.4. Subordinate Indebtedness Fund. Tax Increment Revenues in the Subordinate Indebtedness Fund shall be applied for the following purposes in the following order of priority:

- (A) To replenish deficiencies in the First Lien Reserve Account as required by Section 4.2(C) of the First Lien Bond Declaration;
- (B) To pay Second Lien Bonds when due if the balance in the Second Lien Debt Service Account is not sufficient;
- (C) For transfer to subaccounts in the Second Lien Reserve Account as required by the documents creating the subaccounts in the Second Lien Reserve Account; and,
- (D) For any legal purpose permitted under Chapter 457 of the Oregon Revised Statutes.

4.5. Earnings. Except as provided below in this Section 4.5, earnings on all funds and accounts in the Tax Increment Fund shall be credited to the Subordinate Indebtedness Fund.

- (A) While the balance in any subaccount in the First Lien Reserve Account is less the Reserve Requirement for that account, earnings on all accounts in the Tax Increment Fund shall be credited to the First Lien Reserve Account.
- (B) If there is no deficiency in the First Lien Reserve Account but the balance in one or more subaccounts in the Second Lien Reserve Account is less than its Reserve Funding Requirement, then unless otherwise provided in the documents creating the subaccount, earnings on all accounts in the Tax Increment Fund shall be credited to the deficient subaccounts in the Second Lien Reserve Account, *pro rata* based on the amounts of the deficiencies.

4.6. If Section 4.2(C) of the First Lien Bond Declaration requires that amounts be transferred from the Subordinate Indebtedness Fund to the First Lien Debt Service Account, transfers shall be made from the following sources in the following order of priority:

- (A) First, from Tax Increment Revenues in the Subordinate Indebtedness Fund, as that fund is described in this Declaration;
- (B) Second, from Tax Increment Revenues credited to subaccounts in the Second Lien Reserve Account; and,
- (C) Third, from Tax Increment Revenues credited to the Second Lien Debt Service Account.

Section 5. Additional Second Lien Bonds.

5.1. Except as provided in Section 5.2, the City may issue Additional Second Lien Bonds only if all of the following conditions are met:

- (A) As of the date of Closing of the Additional Second Lien Bonds, no “Event of Default” as defined under the First Lien Bond Declaration, and no Event of Default as defined under this Declaration, have occurred and are continuing.
- (B) On or before the date of Closing of the Additional Second Lien Bonds the City provides either:
 - (1) a certificate of the Debt Manager stating that the Tax Increment Revenues for the Base Period at least equaled one hundred and ten percent (110.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Additional Second Lien Bonds treated as Outstanding; or,
 - (2) a certificate or opinion of a Qualified Consultant:
 - (a) stating the projected amount of the Maximum Tax Increment Revenues for the Fiscal Year in which the proposed Additional Second Lien Bonds are issued and the projected amount of the Maximum Tax

Increment Revenues for each of the four Fiscal Years after the Fiscal Year in which the proposed Additional Second Lien Bonds are issued;

- (b) concluding that the respective amounts of projected Maximum Tax Increment Revenues in each of the Fiscal Years described in Section 5.1(B)(2)(a) are at least equal to one hundred and thirty percent (130.00%) of the Adjusted Annual Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Additional Second Lien Bonds treated as Outstanding;
- (c) stating the projected amount of the Maximum Tax Increment Revenues for the fifth Fiscal Year after the Fiscal Year in which the Additional Second Lien Bonds are issued; and,
- (d) concluding that this amount described in Section 5.1(B)(2)(c) is at least equal to one hundred and thirty percent (130.00%) of the Adjusted Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Additional Second Lien Bonds treated as Outstanding.

5.2. The City may issue Additional Second Lien Bonds to refund Outstanding Bonds without complying with Section 5.1 if:

- (A) the refunded Bonds are defeased on the date of delivery of the refunding Additional Second Lien Bonds; and,
- (B) the Adjusted Annual Debt Service on the refunding Additional Second Lien Bonds does not exceed the Adjusted Annual Debt Service on the refunded Bonds in any Fiscal Year by more than \$5,000.

In addition to allowing refunding of maturities of Bonds which are not Balloon Payments, this Section 5.2 is intended to allow Bonds which comprise a Balloon Payment to be refunded with Additional Second Lien Bonds when the Adjusted Annual Debt Service on the refunding Additional Second Lien Bonds does not exceed the Balloon Debt Service Requirement for the refunded Bonds in any Fiscal Year by more than \$5,000.

5.3. An Exchange Agreement may be a Second Lien Exchange Agreement and Additional Second Lien Bonds if the obligation to make City Payments under the Exchange Agreement qualifies as Additional Second Lien Bonds under Section 5, after the Reciprocal Payments under the Exchange Agreement are applied to adjust Annual Debt Service. Any Second Lien Exchange Agreement shall clearly state that it is a Second Lien Exchange Agreement and has qualified as Additional Second Lien Bonds under Section 5 of this Declaration. In addition, the City may replace a Second Lien Exchange Agreement with another Second Lien Exchange Agreement without qualifying the replacement Exchange Agreement under Section 5 if the replacement does not increase the Annual Debt Service in any Fiscal Year by more than \$5,000.

5.4. All Additional Second Lien Bonds issued in accordance with this Section 5 shall have a lien on the Tax Increment Revenues and Federal Interest Subsidies which is equal to the lien of all other Outstanding Second Lien Bonds.

5.5. The Estimated Average Interest Rate for Variable Rate Obligations shall be calculated as provided in this Section.

(A) For purposes of calculating Annual Debt Service for determining compliance with any subsection of Section 7: the Estimated Average Interest Rate for Tax-Exempt Bonds means the average SIFMA Index for the 52 week period that ends on or immediately before the end of the month preceding the month in which the calculation is made, expressed as an annualized interest rate, plus fifty basis points (0.50%); and the Estimated Average Interest Rate for Taxable Bonds means the average One Month LIBOR Rate for the 52 week period that ends on or immediately before the end of the month preceding the month in which the calculation is made, expressed as an annualized interest rate, plus fifty basis points (0.50%). For purposes of this section “One Month LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for United States Dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City.

(B) For purposes of calculating Annual Debt Service for the tests for issuing Additional Second Lien Bonds under Section 5:

(1) Unless Section 5.5(B)(2) applies, the Estimated Average Interest Rate for any Series of Variable Rate Obligations: (i) that are Tax-Exempt Bonds means the average of the weekly Bond Buyer 20 Bond Index for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Additional Second Lien Bonds is sold, expressed as an annualized interest rate; and (ii) that are Taxable Bonds means the average rate on United States Treasury bills maturing in ten years, as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City, for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Additional Second Lien Bonds is sold, expressed as an annualized interest rate, plus two percent (2.00%).

(2) For any Series of Variable Rate Obligations that have been outstanding for at least 52 weeks at the end of the period described in Section 5.5(B), if the actual, annualized rate on that Series during that 52 week period is greater than the average, annualized rate described in Section 5.5(B), the Estimated Average Interest Rate for that Series means the average of the actual rates on that Series during that 52 week period, expressed as an annualized interest rate.

(C) If a subaccount in the Second Lien Reserve Account is created and that subaccount may secure Second Lien Bonds that are Variable Rate Obligations, the documents creating that subaccount shall specify the Second Lien Reserve Requirement for those Variable Rate Obligations.

5.6. The Estimated Debt Service Requirement for Balloon Payments shall be calculated in accordance with this Section 5.6.

- (A) Whenever a Balloon Payment will be Outstanding on the date a Series of Additional Second Lien Bonds is issued, the Debt Manager shall prepare a schedule of principal and interest payments for a hypothetical Series of Additional Second Lien Bonds that refunds each Outstanding Balloon Payment in accordance with this Section 5.6. The Debt Manager shall prepare that schedule as of the date the Additional Second Lien Bonds is sold, and that schedule shall be used to determine compliance with the tests for Additional Second Lien Bonds in Section 5.
- (B) Each hypothetical Series of refunding Additional Second Lien Bonds shall be assumed to be paid in equal annual installments of principal and interest sufficient to amortize the principal amount of the Balloon Payment over the term selected by the Debt Manager; however, the Debt Manager shall not select a term that exceeds the lesser of 20 years from the date on which the Series of Additional Second Lien Bonds containing the Balloon Payment is issued or the City's estimate of the remaining weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed with the Balloon Payment. The annual installments shall be assumed to be due on the first day of each Fiscal Year, with the first installment due at least six months after the date on which the Estimated Debt Service Requirement is calculated.
- (C) The hypothetical Series of refunding Additional Second Lien Bonds shall be assumed to bear interest at the Debt Manager's estimate of the average rate that a Series of Additional Second Lien Bonds would bear if it is amortized as provided in Section 5.6(B) and is sold at the time the schedule described in Section 5.6(A) is prepared.

Section 6. Subordinate Obligations.

The City may issue Subordinate Obligations only if the Subordinate Obligations comply with the requirements of this Section 6. Subordinate Obligations shall not be payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Fund or an account in the Subordinate Indebtedness Fund. All Second Lien Bonds must state clearly that:

6.1. They are secured by a lien on or pledge of the Tax Increment Revenues which is subordinate to the lien on, and pledge of, the Tax Increment Revenues for the Bonds; and,

6.2. They are not payable from any account of the Tax Increment Fund except from Tax Increment Revenues that are available in the Subordinate Indebtedness Fund.

Section 7. General Covenants.

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

7.1. The City shall promptly cause the principal, premium, if any, and interest on each Series of Bonds to be paid as they become due in accordance with the provisions of this Declaration and any Supplemental Declaration, but solely from the Security.

7.2. The City shall maintain complete books and records relating to the Tax Increment Fund, the Tax Increment Revenues 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 as required by law, and will make the audits available for inspection by the Owners.

7.3. The City shall not issue Additional First Lien Bonds or other obligations that have a lien on any component of the Security that is superior to the lien that secures the Second Lien Bonds while any Second Lien Bonds are Outstanding.

7.4. The City may issue Additional Second Lien Bonds as provided in Section 5 of this Declaration. The City will not issue any obligations except Second Lien Bonds that have a lien on any component of the Security that is equal to the lien that secures the Second Lien Bonds.

7.5. The City shall refinance or otherwise provide for the payment of any Balloon Payments not later than the date on which the Balloon Payments are actually due.

7.6. Before the City or the Commission reduces the Area the Debt Manager shall project the Maximum Tax Increment Revenues which will be available from the Area after it is reduced. Neither the City nor the Commission shall reduce the Area unless the Debt Manager reasonably projects that the Area, after the reduction, will have Maximum Tax Increment Revenues which are at least equal to one hundred thirty percent (130.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

7.7. The City shall not take any action which would cause the Plan to cease to qualify as an “existing urban renewal plan” as defined in ORS Chapter 457, or which would cause the Commission or the City to cease to be able to levy or collect the Special Levy.

7.8. The City and the Commission may approve, grant or provide property tax exemptions, or programs that provide property tax exemptions, that affect property in the Area without limitation, but only if the programs providing those exemptions:

- (A) Are in effect on the date of this Declaration;
- (B) Replace or renew programs that are in effect on the date of this Declaration; or,
- (C) Only grant exemptions for the value of newly constructed property.

7.9. Except as provided in Section 7.8, neither the City nor the Commission shall approve, grant or provide any “Nondiscretionary Exemption Program” (as defined below in this Section 7.9 which causes the Maximum Tax Increment Revenues that will be available from the Area after the program is in effect, as reasonably projected by the Debt Manager, to fall below one hundred thirty percent (130.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). “Nondiscretionary Exemption Program” means a property tax exemption program that affects property in the Area and that grants any person the right to receive a property tax exemption for

property in the Area without subsequent, discretionary approval of that exemption by the City pursuant to Section 7.10.

7.10. Except as provided in Section 7.8, neither the City nor the Commission shall approve, grant or provide any “Discretionary Property Tax Exemption” (as defined below in this Section 7.10, which causes the Maximum Tax Increment Revenues that will be available from the Area after the exemption is in effect, as reasonably projected by the Debt Manager, to drop below one hundred thirty percent (130.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). “Discretionary Property Tax Exemption” means any property tax exemption which the City has the ability to deny because of its impact on Maximum Tax Increment Revenues.

Section 8. Amendment of Declaration.

8.1. The City may enact a Supplemental Declaration to amend this 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 this Declaration;
- (B) To add to the covenants and agreements of the City in this Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Declaration as theretofore in effect;
- (C) To confirm, as further assurance, any security interest or pledge created under this Declaration or any Supplemental Declaration;
- (D) To issue Additional Second Lien Bonds;
- (E) To authorize Second Lien Exchange Agreements, and specify the rights and duties of the parties to a Second Lien 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 Second Lien Bonds.

8.2. The City may amend this Declaration for any other purpose, but only if the City obtains the consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Second Lien Bonds then Outstanding in accordance with Section 10. However, no amendment shall be valid which:

- (A) Extends the maturity of any Second Lien Bonds, reduces the rate of interest on any Second Lien Bonds, extends the time of payment of interest on any Second Lien Bonds, reduces the amount of principal payable on any Second Lien Bonds, or reduces any premium payable on any Second Lien Bonds, without the consent of all affected Owners of Second Lien Bonds; or
- (B) Reduces the percent of Owners required to approve Supplemental Declarations.

Section 9. Default and Remedies.

9.1. The occurrence of one or more of the following shall constitute an Event of Default under this Declaration:

- (A) Failure by the City to pay Second Lien Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Second Lien Bond has been properly called for redemption) as required by this Declaration;
- (B) Failure by the City to observe and perform any covenant, condition or agreement which this Declaration requires the City to observe or perform for the benefit of Owners of Second Lien Bonds, which failure continues for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of Second Lien Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph 9.1(B); or,
- (C) 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, files a petition in bankruptcy, or consents to the appointment of a receiver for Tax Incremental Revenues.

9.2. The Owners of ten percent or more of the principal amount of Second Lien Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 9.1(A).

9.3. Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of affected Second Lien 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 Second Lien Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Declaration or in aid of the exercise of any power granted in this Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Second Lien Bonds by this Declaration or by law. However, the Second Lien Bonds shall not be subject to acceleration; and, neither the City nor the Commission shall be required to pay any amounts to Owners (other than the Security) because of an Event of Default described in Section 9.1(A) which occurs because of an insufficiency of the Security.

9.4. No remedy in this Declaration conferred upon or reserved to Owners of Second Lien Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this 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 shall 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 Second Lien

Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Declaration or by law.

Section 10. Ownership of Bonds.

10.1. For purposes of determining the percentage of Second Lien Bond Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Declaration:

- (A) the initial purchaser of a Series of Second Lien Bonds may be treated as the Owner of that Series at the time that Series is delivered in exchange for payment; and,
- (B) the issuer of a Credit Facility which is obligated to pay all principal and interest due on one or more Second Lien Bonds may be treated as the Owner of all Second Lien Bonds secured by that Credit Facility.

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

Section 11. Defeasance.

The City shall be obligated to pay any Second Lien Bonds which are defeased in accordance with this Section 11 solely from the money and Government Obligations which are deposited in escrow pursuant to this Section 11. Second Lien Bonds shall be deemed defeased if the City:

11.1. 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 Second Lien Bonds which are to be defeased; and,

11.2. files with the escrow agent or trustee 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 Second Lien Bonds when due.

Section 12. Rules of Construction.

In determining the meaning of provisions of this Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

12.1. References to section numbers shall be construed as references to sections of this Declaration.

12.2. References to one gender shall include all genders.

12.3. References to the singular include the plural, and references to the plural include the singular.

Section 13. The 2011A Bonds.

13.1. The 2011A Bonds shall be dated July 6, 2011, shall bear interest which is payable on June 15th and December 15th of each year, commencing December 15, 2011, and shall mature on the following dates in the following principal amounts:

<u>Date (June</u> <u>15)</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rate (%)</u>
2012	\$ 80,000	1.000%
2013	175,000	2.000
2014	3,845,000	3.000
2015	3,970,000	3.000
2016	4,090,000	4.000
2017	4,255,000	4.000
2018	4,430,000	5.000
2019	4,645,000	5.000
2020	3,730,000	5.000
2020	1,150,000	4.000

13.2. Tax Status. The 2011A Bonds shall be Tax-Exempt Bonds, and the City covenants not to take any action, or omit to take any action, if the taking or omitting would cause interest on the 2011A Bonds to become includable in gross income under the Code.

13.3. Not Secured by Reserve Account. No subaccount in the Second Lien Reserve Account is being created for the 2011A Bonds, and the City is not required to deposit or maintain any amount in the Second Lien Reserve Account for the 2011A Bonds.

13.4. Redemption. The 2011A Bonds are not subject to optional or mandatory redemption prior to maturity.

13.5. Book Entry System.

(A) The 2011A Bonds shall be initially issued in BEO form and shall be governed by this Section 13.5. While the 2011A Bonds are in BEO form no physical bonds shall be provided to the Owners. An official of the City has executed and delivered a blanket letter of representations to DTC. While the 2011A Bonds are in BEO form, registration and transfer of beneficial interests in the 2011A Bonds shall be governed by that letter and the operational arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as the 2011A Bonds are in BEO form DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to the Owners of the Bonds. 2011A Bond payments shall be made, and notices shall be given, to DTC in accordance with the letter of representations. Any failure of DTC to advise any of its participants, or of any participant to notify the

beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2011A Bonds or of any other action premised on such notice.

- (B) The City may discontinue maintaining the 2011A Bonds in BEO form at any time. The City shall discontinue maintaining the 2011A Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2011A Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (C) If the City discontinues maintaining the 2011A Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement 2011A Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 13.6 below, regarding registration, transfer and exchange of 2011A Bonds shall apply.
- (D) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2011A Bonds;
 - (2) the delivery to any participant or correspondent or any other person of any notice with respect to the 2011A Bonds, including any notice of prepayment;
 - (3) the selection by DTC of the beneficial interest in 2011A Bonds to be redeemed prior to maturity; or
 - (4) the payment to any participant, correspondent, or any other person other than the registered owner of the 2011A Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2011A Bonds.
- (E) The provisions of this Section 13.5 may be modified without the consent of the beneficial owners in order to conform this Section 13.5 to the standard practices of DTC or any successor depository for bonds issued in book-entry only form.

13.6. Authentication, Registration and Transfer.

- (A) No Bond shall be entitled to any right or benefit under this Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2011A Bonds to be delivered at the closing of the 2011A Bonds, and shall additionally authenticate all 2011A Bonds properly surrendered for exchange or transfer pursuant to this Declaration.

- (B) The ownership of all 2011A Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as Owner in the Bond register as the Owner of the Bond for all purposes.
- (C) While the 2011A Bonds are in book-entry only form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
- (D) If the 2011A Bonds cease to be in book-entry only form, the Paying Agent shall 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 as of the Record Date for the 2011A Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (E) 2011A Bonds may be exchanged for an equal principal amount of 2011A Bonds of the same maturity which are in different denominations, and 2011A Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent: written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent, and the 2011A Bonds to be exchanged or transferred.
- (F) The Paying Agent shall not be required to exchange or transfer any 2011A Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such 2011A Bonds shall be exchanged or transferred promptly following that payment date.
- (G) The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- (H) For purposes of this Section 13.6, 2011A Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 13.6(E), above.
- (I) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

13.7. Form, Execution and Authentication.

The 2011A Bonds shall be in substantially the form attached hereto as Appendix A, with such changes as may be approved by the Debt Manager. The 2011A Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

Dated as of this 6th day of July, 2011.

City of Portland, Oregon

By: _____
B. Jonas Biery, Debt Manager

Appendix A
Form of Bond

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
City of Portland
Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds
2011 Series A (Tax-Exempt)

Dated Date: _____, 2011
Interest Rate Per Annum: «CouponRate»%
Maturity Date: _____«MaturityYear»
CUSIP Number: 736746«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

The City of Portland, Oregon (the “City”), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources named below, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the 15th day of June and the 15th day of December in each year until maturity, commencing December 15, 2011. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City’s paying agent and registrar, which is currently U.S. Bank National Association, in Portland, Oregon (the “Paying Agent”), as of the close of business on the 1st day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of “Cede & Co.”

This Bond is one of a duly authorized series of bonds of the City aggregating \$30,370,000 in principal amount designated as Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) (the “Bonds”). The Bonds are issued for the purpose of refinancing urban renewal projects within the Downtown Waterfront Urban Renewal Area. The Bonds are authorized by City Ordinance No. 184513 adopted April 13, 2011 (the “Ordinance”), Oregon Revised Statutes Chapter 457 and an Amended and Restated Second Lien Bond Declaration (the “Declaration”) executed by the City’s Debt Manager pursuant to the Ordinance. The provisions of the Ordinance and the Declaration are hereby incorporated into this Bond by reference. The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding special obligations of the City which are payable solely from the Tax Increment Revenues of the Downtown Waterfront Urban Renewal Area and the other amounts constituting the Security, as defined and provided in the Declaration. The lien of the pledge of the Tax Increment Revenues that secures this Bond is subordinate to the lien that secures the First Lien Bonds, as defined in the Declaration.

THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY WHICH IS SECURED SOLELY BY AND PAYABLE SOLELY FROM THE DOWNTOWN WATERFRONT TAX INCREMENT REVENUES AND OTHER AMOUNTS CONSTITUTING THE “SECURITY” AS DEFINED AND PROVIDED IN THE DECLARATION. THE LIEN OF THE PLEDGE OF THE TAX INCREMENT REVENUES THAT SECURES THIS BOND IS SUBORDINATE TO THE LIEN THAT SECURES THE FIRST LIEN BONDS, AS

DEFINED IN THE DECLARATION. THIS BOND IS NOT A GENERAL OBLIGATION OF THE CITY OR THE COMMISSION, AND IS NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE COMMISSION EXCEPT THE SECURITY.

The Bonds are initially issued in book-entry-only form with no certificates provided to the beneficial owners of the Bonds. Records of ownership of beneficial interests in the Bonds will be maintained by The Depository Trust Company and its participants.

Should the book-entry only security system be discontinued, the Bonds shall be issued in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount and maturity date, but different authorized denominations, as provided in the Declaration.

The Bonds are not subject to optional or mandatory redemption prior to maturity.

Any transfer of this Bond must be registered, as provided in the Declaration, upon the Bond register kept for that purpose by the Registrar. Upon registration, a new registered Bond or Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The Registrar and the City may treat the person in whose name this Bond is registered as its absolute owner for all purposes, as provided in the Declaration.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Portland, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Auditor, and has caused a facsimile of the corporate seal of the City to be imprinted hereon, all as of the date first above written.



City of Portland, Oregon


Sam Adams, Mayor


LaVonne Griffin-Valade, Auditor

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$30,370,000 aggregate principal amount of City of Portland, Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) issued pursuant to the Declaration described herein.

Date of Authentication: _____, 2011.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM -- tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship and not as tenants in common
- OREGON CUSTODIANS use the following
 _____ CUST UL OREG _____ MIN
 as custodian for (name of minor)
- OR UNIF TRANS MIN ACT
 under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above



APPENDIX B
FIRST LIEN BOND DECLARATION



**AMENDED AND RESTATED
BOND DECLARATION**

City of Portland, Oregon

**Downtown Waterfront Urban Renewal and Redevelopment Bonds
2000 Series A and B
and
Downtown Waterfront Urban Renewal and Redevelopment Bonds
2008 Series A (Federally Taxable)**

**Executed by the Debt Manager of the City of Portland, Oregon
As of this 22nd day of April, 2008**

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BOND DECLARATION

THIS AMENDED AND RESTATED BOND DECLARATION is executed as of April 22, 2008, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance Nos. 174681, 176840 and 181683 to establish the terms under which the City's Downtown Waterfront Urban Renewal and Redevelopment Bonds 2000 Series A and 2000 Series B, the City's Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2008 Series A (Taxable) and future parity obligations may be issued.

Section 1. Findings.

The Council finds:

- 1.1 The City is authorized to issue bonds which are payable from the tax increment revenues of the Downtown Waterfront Urban Renewal Area.
- 1.2 The City previously executed a Bond Declaration dated October 1, 2000 (the "2000 Bond Declaration") to establish the terms under which the City's Downtown Waterfront Urban Renewal and Redevelopment Bonds 2000 Series A and 2000 Series B (collectively, the 2000 Bonds") were issued pursuant to City Ordinance No. 174681.
- 1.3 The City executed a Supplemental Declaration dated September 15, 2002 (the "2002 Supplemental Declaration") to establish the terms under which the City's Downtown Waterfront Urban Renewal and Redevelopment Refunding Bonds 2002 Series A (the "2002 Series A Bonds") and 2002 Series B (the "2002 Series B Bonds") were issued pursuant to City Ordinance No. 176840. As of the date of this Amended and Restated Bond Declaration, the 2002 Series A Bonds have been paid and the final maturity of the 2002 Series B Bonds will be paid on June 1, 2008. While the 2002 Series B Bonds remain outstanding, such bonds will continue to be governed by the 2002 Supplemental Declaration.
- 1.4 The 2000 Bond Declaration and the 2002 Supplemental Declaration provide that the pledge that secured the 2000 Bonds, the 2002 Series A Bonds and the 2002 Series B Bonds, and future parity indebtedness was subordinate to the pledge that secured bonds the City had previously issued for the Downtown Waterfront Urban Renewal Area (the "Prior Lien Bonds").
- 1.5 The Prior Lien bonds have been paid.
- 1.6 The City now executes this Amended and Restated Bond Declaration to amend the provisions of the 2000 Bond Declaration to delete references to the Prior Lien bonds, to create a reserve subaccount to secure the outstanding bonds and reserve subaccounts for future bonds, and to establish the terms under which the City's Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2008 Series A (the "2008 Series A Bonds") are issued pursuant to City Ordinance No. 181683.
- 1.7 In City Ordinance No. 172389 the City chose Option Three for the Downtown Waterfront Urban Renewal Area as provided in ORS 457.435(2)(c), and has limited Divide the Taxes Revenues to \$7,710,000 in each Fiscal Year. The Portland Development Commission and the City are authorized to notify the county assessor to impose the Special Levies described in ORS 457.435(2)(c) and ORS 457.440(2)(c).
- 1.8 In City Ordinance No. 172356 the City approved a maximum indebtedness limit for the Downtown Waterfront Area of \$165,000,000. The maximum indebtedness limit does not apply to the Prior Lien Bonds because they were issued before the maximum indebtedness limit was created, and the maximum indebtedness limit does not apply to the 2002 Series A Bonds and the 2002 Series B Bonds because those bonds are refundings. On the date the 2008 Series A Bonds are issued the City will have issued \$165,000,000 of indebtedness to which the maximum indebtedness limit applies. That indebtedness consists of the following issues (representing the new money portions of the issues): \$31,520,000 of the 2000 Bonds; \$35,768,708 of

the 2008 Series A Bonds; the City's Downtown Waterfront Urban Renewal Area Credit Facility Bond dated as of December 13, 2007 in the amount of \$29,396,292; and Short-Term Subordinate Urban Renewal and Redevelopment Bonds in total, aggregate principal amount of \$68,315,000.

- 1.9 The City may amend the 2000 Bond Declaration without the consent of any party to authorize Parity Indebtedness.
- 1.10 The City may amend the 2000 Bond Declaration without the consent of the Owners "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 amendments in this Declaration that delete references to the Prior Lien Bonds do not have any material or adverse affect on the rights of the Owners because the Prior Lien Bonds have been paid.
- 1.11 The City may amend the 2000 Declaration with the consent of 51% of the Owners. Pursuant to Section 10 of the 2000 Declaration, the issuer of a municipal bond insurance policy which insures payment of all principal and interest due on one or more of the Outstanding Bonds may be treated as the Owner of such Bonds insured by that policy for purposes of determining the percentage of Owners consenting to an amendment of the 2000 Declaration. The amendments in this Declaration that create reserve subaccounts to secure separate Series of Bonds are being made with the consent of Ambac Assurance Corporation, the issuer of the municipal bond insurance policies insuring payment of all principal and interest due on the Prior Bonds.

Section 2. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

"2000 Bonds" means the City's Downtown Waterfront Urban Renewal and Redevelopment Bonds 2000 Series A (Tax-Exempt) and the Downtown Waterfront Urban Renewal and Redevelopment Bonds 2000 Series B (Federally Taxable), which are described in Section 13 of this Declaration.

"2002 Bonds" means the 2002 Series A Bonds and the 2002 Series B Bonds.

"2002 Series A Bonds" means the City's Downtown Waterfront Urban Renewal and Redevelopment Refunding Bonds, 2002 Series A.

"2002 Series B Bonds" means the City's Downtown Waterfront Urban Renewal and Redevelopment Refunding Bonds, 2002 Series B (Non-AMT).

"2008 Bond Reserve Subaccount" means the subaccount in the Reserve Account that secures the 2008 Series A Bonds and is described in Section 4.3(D).

2008 Series A Bonds "2008 Reserve Equivalent" means a Reserve Equivalent in which the insurance company, corporation or commercial bank agrees unconditionally to provide the City with funds for the payment of debt service on Bonds that are secured by the 2008 Bond Reserve Subaccount.

"2008 Reserve Requirement" means:

- (i) while only the 2008 Series A Bonds are secured by the 2008 Bond Reserve Subaccount, an amount equal to the Tax Maximum for the 2008 Series A Bonds. Maximum Annual Debt Service shall be recomputed each time 2008 Bond principal is paid;
- (ii) if the City issues Parity Indebtedness after the 2008 Series A Bonds are issued, and secures that Parity Indebtedness with the 2008 Bond Reserve Subaccount, an amount equal to the lesser of the Maximum Annual Debt Service on all Outstanding Bonds that are secured by the 2008 Bond Reserve Subaccount or the amount described in the next sentence. If at the time the Parity Indebtedness that is secured by the 2008 Bond Reserve Subaccount is issued, the amounts required to be added to the 2008 Bond Reserve Subaccount to make the balance in the 2008 Bond Reserve Subaccount equal to Maximum Annual Debt Service on all Outstanding Bonds that are secured by the 2008 Bond Reserve Subaccount exceeds the Tax Maximum for the Parity Indebtedness that is being issued, then the 2008 Bond Reserve Requirement shall

mean the 2008 Bond Reserve Requirement in effect immediately prior to the issuance of that Parity Indebtedness, plus the Tax Maximum for that Parity Indebtedness.

“2008 Series A Bonds” means the City’s Downtown Waterfront Urban Renewal and Redevelopment Bonds, 2008 Series A (Taxable) which are described in Section 15.6 of this Declaration.

“Accounting Period” means a period of four consecutive weeks.

“Annual Debt Service” means the amount required to pay principal and interest on Outstanding Bonds in a Fiscal Year, calculated as follows:

- (i) Interest which is to be paid from proceeds of Bonds shall be subtracted.
- (ii) Bonds 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.
- (iii) Bonds which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates.
- (iv) Each Series of Interim Financings shall be assumed to bear interest at its stated rate prior to its final maturity date. The principal amount of each Series of Interim Financings plus the interest due on that Series of Interim Financings at its final maturity date (the “Assumed Principal”) shall be assumed to bear interest from the final maturity date of the Series at the most recent estimate of the Refunding Rate which has been prepared pursuant to Section 5.1. The Assumed Principal for each Series of Interim Financings shall be assumed to be paid in equal semiannual payments which are sufficient to fully amortize that Assumed Principal, with interest at the Refunding Rate for that Series, over the Refunding Amortization Period for that Series. The first semiannual payment shall be assumed to be due on the first day of December which is at least six months after the final maturity date of the Series of Interim Financings and subsequent semiannual payments for that Series shall be assumed to be due on the following first days of June and December of each year.

“Area” means the Downtown Waterfront Urban Renewal Area which is described in the Plan, and all additions thereto.

“Base Period” means any 12 consecutive months (or thirteen Accounting Periods) from the 24 full months (or 26 Accounting Periods) preceding the issuance of a series of Parity Indebtedness.

“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.

“Bonds” means the 2000 Bonds, the 2002 Bonds, the 2008 Series A 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.

“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.

“Comparable Treasury Issue” means the U.S. Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity comparable to the remaining weighted average life of the applicable 2008 Series A Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining weighted average life of such 2008 Series A Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular 2008 Series A Bonds, (a) the average of the Reference Treasury Dealer Quotations for such redemption date.

“Debt Manager” means the Debt Manager of the City, the Director of the Bureau of Financial Management 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 this Declaration.

“Debt Service Account” means the account of that name in the Parity Indebtedness Fund described in Section 4.2.

“Debt Service” means Bond principal, interest and any premium.

“Declaration” means this Amended and Restated Bond Declaration establishing the terms of the 2000 Bonds, the 2008 Series A Bonds and prescribing conditions under which the City may issue any Parity Indebtedness, as it may be amended from time to time pursuant to Section 8.

“Divide the Taxes Revenues” means the taxes which are divided based on the increase in value of property in the Area and which are payable to the City or the Commission under the provisions of Article IX, Section 1c of the Oregon Constitution and ORS Chapter 457, as those provisions exist on the date of this Declaration. The Divide the Taxes Revenues for the Area are limited to \$7,710,000 each Fiscal Year, before reduction for any compression or delinquencies.

“DTC” means the Depository Trust Company of New York, the initial securities depository for the Bonds.

“Event of Default” refers to an Event of Default listed in Section 9.1 of this Declaration.

“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.

“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.

“Incremental Assessed Value” means the difference between the assessed value of property in the Area for a Fiscal Year and the assessed value of property in the Area which is specified in the certified statement for the Area which is filed with the assessor pursuant to ORS 457.430.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Paying Agent in consultation with the City.

“Interim Financing” means Parity Indebtedness which matures within three years after its date of issue and which is designated as “Interim Financing” in the closing documents for the Interim Financing. If an Interim Financing is in the form of a line of credit, the Projected Refunding Debt Service for the line of credit shall be calculated assuming that the entire amount available under the line of credit is drawn on the date of closing.

“Maximum Annual Debt Service” means the greatest Annual Debt Service, calculated on all Bonds which are Outstanding on the date of calculation.

“Maximum Indebtedness” means the amount of \$165,000,000, which is the principal amount of indebtedness included in the Plan pursuant to ORS 457.190; “Maximum Indebtedness” does not include indebtedness incurred to refund or refinance existing indebtedness.

“Maximum Tax Increment Revenues” for Fiscal Year 2007-2008 means the amount of \$29,418,342; for each subsequent Fiscal Year “Maximum Tax Increment Revenues” means the amount of Maximum Tax Increment Revenues for the prior Fiscal Year adjusted by a percentage change equal to the percentage change in the Incremental Assessed Value from the preceding Fiscal Year.

“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 their paying agent.

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

“Parity Indebtedness Fund” means the fund of that name described in Section 4. The Parity Indebtedness Fund is a part of the “Tax Increment Fund.”

“Parity Indebtedness” means obligations issued in compliance with Section 5 of this Declaration which are secured by a lien on, and pledge of, the Tax Increment Revenues which is on a parity with the lien on, and pledge of, the Tax Increment Revenues which secures the 2000 Bonds.

“Paying Agent” means the Paying Agent for the Bonds, which, at the time of enactment of this Declaration, is U.S. Bank Trust 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 Investments” means any investments in which the City is authorized to invest surplus funds under the laws of the State of Oregon.

“Plan” means the Commission's Downtown Waterfront Urban Renewal Plan, which was first adopted on April 25, 1974, as that plan has been, and may in the future be, amended.

“Prior Bonds Reserve Equivalent” means a Reserve Equivalent in which the insurance company, corporation or commercial bank agrees unconditionally to provide the City with funds for the payment of debt service on Bonds secured by the Prior Bonds Reserve Subaccount.

“Prior Bond Reserve Requirement” means:

- (i) while only the Prior Bonds are secured by the Prior Bonds Reserve Subaccount, an amount equal to the lesser of Maximum Annual Debt Service on all Prior Bonds or the sum of the Tax Maximum for all then Outstanding Series of Prior Bonds;
- (ii) if the City issues Parity Indebtedness after the 2008 Series A Bonds are issued, and secures that Parity Indebtedness with the Prior Bonds Reserve Subaccount, an amount equal to the lesser of the Maximum Annual Debt Service on all Outstanding Bonds that are secured by the Prior Bonds Reserve Subaccount or the amount described in the next sentence. If at the time the Parity Indebtedness that is secured by the Prior Bonds Reserve Subaccount is issued, the amounts required to be added to the Prior Bonds Reserve Subaccount to make the balance in the Prior Bonds Reserve Subaccount equal to Maximum Annual Debt Service on all Outstanding Bonds that are secured by the Prior Bonds Reserve Subaccount exceeds the Tax Maximum for the Parity Indebtedness that is being issued, then the Prior Bonds Reserve Requirement shall mean the Prior Bonds Reserve Requirement in effect immediately prior to the issuance of that Parity Indebtedness, plus the Tax Maximum for that Parity Indebtedness.

“Prior Bonds Reserve Subaccount” means the subaccount in the Reserve Account that secures the Prior Bonds and is described in Section 4.3(C). “Prior Bonds” means the 2000 Bonds, the 2002 Bonds, and any Parity Indebtedness secured by the Prior Bonds Reserve Subaccount.

“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 this Declaration.

“Record Date” means the date used to determine ownership of Bonds for purposes of mailing Bond payments.

“Reference Treasury Dealer” means Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Lehman Brothers Inc., and their respective successors; *provided, however*, that if any of them ceases to be a Primary U.S. Government securities

dealer in the City of New York (a “Primary Treasury Dealer”), the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means the average, as determined by the Independent Investment Banker and communicated to the Paying Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Paying Agent by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the tenth (10th) day (or, if such day is not a business day, the next preceding business day) preceding such redemption date.

“Refunding Amortization Period” means a period equal to the lesser of: twenty (20) years; or the weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed with the Series of Interim Financings, as reasonably estimated by the City.

“Refunding Rate” means the average, fixed rate of interest which the Debt Manager reasonably estimates that a Series of Parity Obligations would bear if they were issued on the date of the estimate and matured over the Refunding Amortization Period in substantially equal amounts of principal and interest.

“Required Levy Amount” means an amount equal to the sum of:

- a) the Scheduled Debt Service for that Fiscal Year minus the balance in the Debt Service Account on July 1 of that Fiscal Year which will be available to pay Scheduled Debt Service in that Fiscal Year; and,
- b) any amounts the City reasonably estimates will be required to be deposited into the Reserve Account to restore the balance to the Reserve Requirement pursuant to Section 4.1(B) (including all amounts to be paid to the provider of a Reserve Equivalent in that Fiscal Year).

“Reserve Account” means the account of that name in the Parity Indebtedness Fund described in Section 4.3.

Reserve Equivalent” means an insurance policy, surety bond or guarantee or letter of credit issued by a municipal bond insurance company, a domestic corporation or a commercial bank having a credit rating (when the policy, bond, or letter of credit is issued) of at least A by Moody’s Investors Service, Standard & Poor’s Corporation, or Fitch Investors Service, or their successors, in which the insurance company, corporation or commercial bank agrees unconditionally to provide the City with funds for the payment of debt service on Bonds.

“Reserve Subaccount” means a subaccount in the Reserve Account.

“Scheduled Debt Service” means the amount required to be paid in a Fiscal Year of principal and interest on any Outstanding Bonds, calculated as follows:

- (i) interest which is to be paid from Bond proceeds shall be subtracted;
- (ii) Bonds (other than Interim Financings) 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;
- (iii) Bonds (other than Interim Financings) which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates;
- (iv) Interim Financing principal shall be assumed to be paid from the proceeds of refunding Bonds, and shall not be considered in calculating Scheduled Debt Service;
- (v) Interest on Interim Financing shall be assumed to be paid from the proceeds of Bonds only if and to the extent that the documents authorizing the Interim Financing declare that the City intends to pay interest on the Interim Financing from the proceeds of refunding Bonds.

“Security” means for a particular Series of Bonds means the Tax Increment Revenues, plus any additional amounts that are pledged to pay that particular Series of Bonds. For the 2008 Series A Bonds, “Security” means (i) the Tax Increment Revenues which are pledged on a parity with all other Bonds; (ii) all amounts credited to the 2008 Bond Reserve Subaccount, which are pledged solely to the 2008 Series A Bonds and any Parity Indebtedness that the City elects to secure with the 2008 Bond Reserve Subaccount; and (iii) all amounts available under 2008 Reserve

Equivalents. For the Prior Bonds, "Security" means (i) the Tax Increment Revenues which are pledged on a parity with all other Bonds; (ii) all amounts credited to the Prior Bond Reserve Subaccount, which are pledged solely to the Prior Bonds and any Parity Indebtedness that the City elects to secure with the Prior Bond Reserve Subaccount; and (iii) all amounts available under Prior Bond Reserve Equivalents.

"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 Levy" means a city-wide property tax levy for the Area which is authorized by Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(c), as those provisions exist on the date of this Declaration.

"Subordinate Indebtedness Fund" means the account of that name in the Tax Increment Fund established in Section 0.

"Subordinate Indebtedness" means obligations issued in compliance with Section 6 of this Declaration which are secured by a lien on, and pledge of, the Tax Increment Revenues which is on subordinate to the lien on, and pledge of, the Tax Increment Revenues which secures the Bonds.

"Supplemental Declaration" means any Declaration amending or supplementing this Declaration, which is adopted in accordance with Section 8.

"Tax Increment Fund" means the fund established under ORS 457.440(6)(b) to hold the Tax Increment Revenues, which is currently called the Downtown Waterfront Debt Service Fund.

"Tax Increment Revenues" means all revenues from the Divide the Taxes Revenues and the Special Levies, and all earnings on amounts held in the Tax Increment Fund.

"Tax Maximum" means, for any Series of Bonds, the lesser of: Maximum Annual Debt Service on the Series; 125% of 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, ten percent of the proceeds of such Series, as "proceeds" is defined for purposes of Section 148(d) of the Code.

"Taxable Bond" means a Bond which pays interest which is not excluded from gross income under Section 103 of the Code.

"Treasury Rate" is defined in the Bond Declaration to mean, with respect to any redemption date for a particular 2008 Series A Bond, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

"Valuation Date" means the first Business Day of each Fiscal Year, each date on which amounts withdrawn from the Reserve Account, and each Closing date for a Series of Bonds.

Section 3. Security for Bonds

- 3.1. The Bonds shall not be general obligations of the City or the Commission. The City and the Commission shall be obligated to pay the Bonds solely from the Security as provided in this Ordinance and the Declaration.
- 3.2. The City hereby irrevocably pledges: the Tax Increment Revenues to pay the Bonds; the amounts credited to the Prior Bonds Reserve Subaccount to pay the Prior Bonds, and the amounts credited to the 2008 Bond Reserve Subaccount to pay the 2008 Series A Bonds. Pursuant to ORS 288.594, these pledges shall be valid and binding from the time of the adoption of this Ordinance. The amounts so pledged and hereafter received by the City shall immediately be subject to the lien of these pledges without any physical delivery or further act, and the lien of these pledges shall be superior to all other claims and liens whatsoever to the fullest extent permitted by ORS 288.594(2).
- 3.3. When the City and the Commission finalize their budgets for a Fiscal Year the City and the Commission shall reasonably estimate the Divide the Taxes Revenues that the City and the Commission will receive in that Fiscal Year. If the amount of this estimate is less than one hundred five percent (105%) of the Required Levy Amount for that Fiscal Year, the City and the Commission shall notify the assessors to impose a Special Levy for that Fiscal Year in an amount which the City and the Commission reasonably estimate will result in the City and the Commission receiving Tax Increment Revenues for that Fiscal Year of at least one hundred five percent (105%) of the Required Levy Amount, but not to exceed Maximum Tax Increment Revenues.
- 3.4. The provisions of the Ordinance and the Declaration shall constitute a contract with the Owners, and shall be enforceable by them.
- 3.5. The City acknowledges that the covenant contained in Section 3.3., and the collection each year of the amounts described in that Section, is required to market the 2000 Bonds and to protect the rights of the Owners, and that the Owners will rely on that covenant. The City enters into that covenant pursuant to the authority of Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435. The City is also authorized to enter into that covenant by ORS 288.594(2), which authorizes the City to enter into covenants to maintain levels of pledged revenues at least equal to operations and maintenance expenses of the system that produces the pledged revenues, plus debt service on a borrowing, plus an additional amount that is reasonably required to obtain favorable terms for the borrowing. The Area and the Plan are the system which produces the Tax Increment Revenues. The system does not have operations and maintenance expenses. The covenant in Section 3.3 requires the City to collect a level of Tax Increment Revenues equal to the debt service on the Bonds, plus an additional five percent of that debt service which is reasonably required to obtain favorable terms for the Bonds.

Section 4. The Tax Increment Fund.

The City has previously established the Tax Increment Fund. The Tax Increment Fund shall contain the following funds: the Parity Indebtedness Fund, and the Subordinate Indebtedness Fund. The Parity Indebtedness Fund shall contain the Debt Service Account and the Reserve Account.

- 4.1. Beginning with Fiscal Year 2000-2001 and continuing until all Bonds are paid or defeased, the City shall deposit all Tax Increment Revenues in the Tax Increment Fund, and shall credit each deposit to the following accounts within the Tax Increment Fund in the following order of priority:
 - (A) To the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Scheduled Debt Service for that Fiscal Year;
 - (B) To the Reserve Account as provided in Section 4.3 for allocation *pro rata* among any Reserve Subaccounts that have balances that are less than their Reserve Requirements, until the balances in all Reserve Subaccounts are equal to their respective Reserve Requirements; and,

- (C) To the Subordinate Indebtedness Fund, any amounts which remain after the foregoing deposits have been made.

4.2. Debt Service Account.

- (A) Money in the Debt Service Account shall be used only to pay Bond principal, interest and premium.
- (B) Amounts credited to the Debt Service Account may be invested in Permitted Investments which mature within one year or in the City's investment pool. Earnings shall be credited as provided in Section 4.5.
- (C) Five (5) days before any payment of principal, premium or interest on the Bonds is due, if the balance in the Debt Service Account is less than the amount due, the City shall credit to the Debt Service Account an amount equal to the deficiency from Tax Increment Revenues in the Subordinate Indebtedness Fund.
- (D) If, after the credits described in Section 4.2(C), the balance credited to the Debt Service Account is not sufficient to pay Bond principal, premium or interest that is then due:
 - (1) The amount credited to the Debt Service Account shall be applied *pro rata* to pay the amounts that are then due; and,
 - (2) Any deficiency remaining after the *pro rata* application described in 4.2(D)(1) that is allocable to a Series of Bonds that is secured by a Reserve Subaccount shall be paid from that Reserve Subaccount to the extent that amounts available in that Reserve Subaccount are sufficient.

4.3. Reserve Account.

Except as specifically provided in this Section 4.3. amounts credited to the Reserve Account shall be used only to pay Bond principal, interest and premium, but only if amounts in the Debt Service Account are not sufficient.

- (A) The Reserve Account shall contain the Prior Bonds Reserve Subaccount, the 2008 Bond Reserve Subaccount, and any Reserve Subaccounts created to secure Parity Indebtedness issued after the 2008 Series A Bonds. If the City creates any Reserve Subaccount after the 2008 Series A Bonds are issued, the City shall determine whether the Reserve Subaccount may secure one or more Series of Bonds, shall establish the Reserve Funding Requirement for that Reserve Subaccount, and shall pledge amounts created to that Reserve Subaccount to pay the Bonds that are secured by that Reserve Subaccount.
- (B) At Closing of the 2008 Series A Bonds and each Series of Parity Indebtedness issued after the 2008 Series A Bonds the City shall deposit into the subaccount of the Reserve Account that secures those Bonds an amount equal to the Reserve Requirement for that subaccount. The deposit may be made from amounts available in the Tax Increment Fund, from Bond proceeds, or other amounts available to the City, or may be in the form of a Reserve Equivalent.
- (C) The Prior Bonds Reserve Subaccount.
 - (1) The City shall create and maintain the Prior Bonds Reserve Subaccount so long as any Prior Bonds are Outstanding. Immediately before the closing date of the 2008 Series A Bonds, the City shall transfer all amounts in the Reserve Account, including any Prior Bonds Reserve Equivalents issued to secure the 2000 Bonds and the 2002 Bonds, to the Prior Bonds Reserve Subaccount. The City covenants to maintain a balance in the Prior Bonds Reserve Subaccount which is equal to the Prior Bonds Reserve Requirement, but solely from deposits of Tax Increment Revenues pursuant to Section 4.1(B) and Closing deposits pursuant to Section 4.3(B). The balance in the Prior Bonds Reserve Subaccount shall be equal to the sum of the following

amounts, calculated as of the most recent Valuation Date: the cash credited to the Prior Bonds Reserve Subaccount; plus the value of Permitted Investments in the Prior Bonds Reserve Subaccount; plus the amount available to be drawn under all Prior Bonds Reserve Equivalents.

- (2) If the value of the investments in the Prior Bonds Reserve Subaccount on a Valuation Date is less than the Prior Bonds Reserve Requirement, the City shall begin making transfers of Tax Increment Revenues to the Prior Bonds Reserve Subaccount in accordance with Section 4.1(B).
 - (I) Transfers to the Prior Bonds Reserve Subaccount shall be applied first, to reimburse the Providers of any Reserve Equivalents *pro rata* for amounts advanced under the Reserve Equivalent; second, to replenish the balance in the Prior Bonds Reserve Subaccount with cash or Permitted Investments; and third to pay any other amounts owed under a Reserve Equivalent (including any interest, fees and penalties associated with any draw under a Reserve Equivalent).
 - (II) Transfers under Section 4.1(B) shall commence immediately following each Valuation Date on which the balance in the Prior Bonds Reserve Subaccount is less than the Prior Bonds Reserve Requirement, and shall continue until the balance in the Prior Bonds Reserve Subaccount is equal to the Prior Bonds Reserve Requirement.
- (3) Moneys in the Prior Bonds Reserve Subaccount may be invested only in Permitted Investments that mature no later than the final maturity date of the Prior Bonds, or in the City's investment pool. Earnings shall be credited as provided in Section 4.5.
- (4) Permitted Investments in the Prior Bonds Reserve Subaccount shall be valued on each Valuation Date in the following manner:
 - (I) Demand deposits, deposits in the City's investment pool and the Oregon Short Term Fund and other investments which mature in two years or less after the Valuation Date shall be valued at their face amount, plus accrued interest;
 - (II) Investments which mature more than two years after the Valuation Date and for which bid and asked prices are published on a regular basis in the Wall Street Journal (or, if not there, then in the New York Times) shall be valued at the average of their most recently published bid and asked prices;
 - (III) Investments which mature more than two years after the Valuation Date and for which the bid and asked prices are not published on a regular basis in the Wall Street Journal or the New York Times shall be valued at the average bid price quoted by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
 - (IV) Certificates of deposit and bankers acceptances which mature more than two years after the Valuation Date shall be valued at their face amount, plus accrued interest; and
 - (V) Any investment which is not specified above and which matures more than two years after the Valuation Date shall be valued at its fair market value as reasonably estimated by the City.
- (5) Withdrawals from the Prior Bonds Reserve Subaccount shall be made in the following order of priority:
 - (I) **First**, from any cash on deposit in the Prior Bonds Reserve Subaccount;

- (II) **Second**, from the liquidation proceeds of any Permitted Investments on deposit in such Prior Bonds Reserve Subaccount; and
 - (III) **Third**, from moneys drawn or paid pro-rata under any Prior Bond Reserve Equivalents.
 - (IV) All cash and Permitted Investments on deposit in the Prior Bonds Reserve Subaccount may be applied to the final payment (whether at maturity or by prior Redemption) of Outstanding Prior Bonds. Amounts so applied shall be credited against the amounts the City is required to transfer into the Debt Service Account under Section 4.2(D).
 - (V) Cash and Permitted Investments in the Prior Bonds Reserve Subaccount may be transferred into escrow to defease Prior Bonds, but only if the balance remaining in the Prior Bonds Reserve Subaccount after the transfer is at least equal to the Prior Bonds Reserve Requirement for the Prior Bonds which remain Outstanding after the defeasance.
- (D) The 2008 Bond Reserve Subaccount.
- (1) The City covenants to maintain a balance in the 2008 Bond Reserve Subaccount which is equal to the 2008 Bond Reserve Requirement, but solely from deposits of Tax Increment Revenues pursuant to Section 4.1(B) and Closing deposits pursuant to Section 4.3(C). The balance in the 2008 Bond Reserve Subaccount shall be equal to the sum of the following amounts, calculated as of the most recent Valuation Date: the cash credited to the 2008 Bond Reserve Subaccount; plus the value of Permitted Investments in the 2008 Bond Reserve Subaccount; plus the amount available to be drawn under all 2008 Bond Reserve Equivalents.
 - (2) If the value of the investments in the 2008 Bond Reserve Subaccount on a Valuation Date is less than the 2008 Bond Reserve Requirement, the City shall begin making transfers of Tax Increment Revenues to the 2008 Bond Reserve Subaccount in accordance with Section 4.1(B).
 - (I) Transfers to the 2008 Bond Reserve Subaccount shall be applied first, to reimburse the providers of any 2008 Bond Reserve Equivalents *pro rata* for amounts advanced under the 2008 Bond Reserve Equivalents; second, to replenish the balance in the 2008 Bond Reserve Subaccount with cash or Permitted Investments; and third to pay any other amounts owed under a 2008 Bond Reserve Equivalent (including any interest, fees and penalties associated with any draw under a 2008 Bond Reserve Equivalent).
 - (II) Transfers under Section 4.1(B) shall commence immediately following each Valuation Date on which the balance in the 2008 Bond Reserve Subaccount is less than the 2008 Bond Reserve Requirement, and shall continue until the balance in the 2008 Bond Reserve Subaccount is equal to the 2008 Bond Reserve Requirement.
 - (3) Moneys in the 2008 Bond Reserve Subaccount may be invested only in Permitted Investments that mature no later than the final maturity date of the 2008 Series A Bonds and any Parity Indebtedness secured by the 2008 Bond Reserve Subaccount, or in the City's investment pool. Earnings shall be credited as provided in Section 4.5.
 - (4) Permitted Investments in the 2008 Bond Reserve Subaccount shall be valued on each Valuation Date in the following manner:
 - (I) Demand deposits, deposits in the City's investment pool and the Oregon Short Term Fund and other investments which mature in two years or less after the Valuation Date shall be valued at their face amount, plus accrued interest;

- (II) Investments which mature more than two years after the Valuation Date and for which bid and asked prices are published on a regular basis in the Wall Street Journal (or, if not there, then in the New York Times) shall be valued at the average of their most recently published bid and asked prices;
 - (III) Investments which mature more than two years after the Valuation Date and for which the bid and asked prices are not published on a regular basis in the Wall Street Journal or the New York Times shall be valued at the average bid price quoted by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
 - (IV) Certificates of deposit and bankers acceptances which mature more than two years after the Valuation Date shall be valued at their face amount, plus accrued interest; and
 - (V) Any investment which is not specified above and which matures more than two years after the Valuation Date shall be valued at its fair market value as reasonably estimated by the City.
- (5) Withdrawals from the 2008 Bond Reserve Subaccount shall be made in the following order of priority:
- (I) **First**, from any cash on deposit in the 2008 Bond Reserve Subaccount;
 - (II) **Second**, from the liquidation proceeds of any Permitted Investments on deposit in such 2008 Bond Reserve Subaccount; and
 - (III) **Third**, from moneys drawn or paid pro-rata under any Reserve Equivalents.
- (6) All cash and Permitted Investments on deposit in the 2008 Bond Reserve Subaccount may be applied to the final payment (whether at maturity or by prior Redemption) of Bonds secured by the 2008 Bond Reserve Subaccount. Amounts so applied shall be credited against the amounts the City is required to transfer into the Debt Service Subaccount under Section 4.2(D).
- (7) Cash and Permitted Investments in the 2008 Bond Reserve Subaccount may be transferred into escrow to defease 2008 Series A Bonds and any Parity Indebtedness secured by the 2008 Bond Reserve Subaccount, but only if the balance remaining in the 2008 Bond Reserve Subaccount after the transfer is at least equal to the 2008 Bond Reserve Requirement for the Bonds secured by the 2008 Bond Reserve Subaccount which remain Outstanding after the defeasance.

4.4. Subordinate Indebtedness Fund. Tax Increment Revenues in the Subordinate Indebtedness Fund may be used at any time for any legal purpose permitted under Chapter 457 of the Oregon Revised Statutes. However, if the balance in the Reserve Account is less than the Reserve Requirement, Tax Increment Revenues credited to the Subordinate Indebtedness Fund shall be used to eliminate those deficiencies (in the order of priority described in Section 4.1) before money in the Subordinate Indebtedness Fund is used for any other purpose.

4.5. Earnings. Except as provided below in this Section 4.5, earnings on all funds and accounts in the Tax Increment Fund shall be credited to the Subordinate Indebtedness Fund. While balance in any Reserve Subaccount is less than the Reserve Requirement for that Reserve Subaccount, earnings on all accounts in the Tax Increment Fund shall be credited to all deficient Reserve Subaccounts *pro rata*.

Section 5. Parity Indebtedness

5.1. Each time a Series of Parity Indebtedness is issued the Debt Manager shall prepare an estimate of the Refunding Rate for each Series of Interim Financings which is being issued or is then Outstanding. That

estimate shall be used to calculate Annual Debt Service and Maximum Annual Debt Service for the Parity Indebtedness which is being issued.

5.2. Except as provided in Section 5.3, the City may issue Parity Indebtedness only if all of the following conditions are met:

(A) As of the date of Closing of the Parity Indebtedness and no Event of Default under this Declaration has occurred and is continuing.

(B) On or before the date of Closing of the Parity Indebtedness the City provides either:

(1) a certificate of the Debt Manager stating that the Tax Increment Revenues for the Base Period at least equaled one hundred ten percent (110.00%) of the Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Bonds treated as if they were part of a single Series; or,

(2) a certificate or opinion of a Qualified Consultant:

(I) stating the projected amount of the Maximum Tax Increment Revenues for the Fiscal Year in which the proposed Parity Indebtedness is issued and the projected amount of the Maximum Tax Increment Revenues for each of the four Fiscal Years after the Fiscal Year in which the proposed Parity Indebtedness are issued;

(II) concluding that the respective amounts of projected Maximum Tax Increment Revenues in each of the Fiscal Years described in Section 5.2(B)(2)(I) are at least equal to one hundred thirty percent (130.00%) of the Scheduled Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Bonds treated as if they were part of a single Series.;

(III) stating the projected amount of the Maximum Tax Increment Revenues for the fifth Fiscal Year after the Fiscal Year in which the Parity Indebtedness are issued; and,

(IV) concluding that this amount described in Section 5.2(B)(2)(III) is at least equal to one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding and all Outstanding Bonds treated as if they were part of a single Series.

5.3. The City may issue Parity Indebtedness to refund Outstanding Bonds without complying with Section 5.2. 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.

(C) In addition to allowing refunding of Parity Indebtedness which is not Interim Financing, this Section 5.3 is intended to allow Interim Financings to be refunded with Parity Indebtedness when the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service of the refunded Interim Financing in any Fiscal Year by more than \$5,000.

All Parity Indebtedness issued in accordance with this Section 5 shall have a lien on the Tax Increment Revenues which is equal to the lien of all other Outstanding Bonds.

Section 6. Subordinate Indebtedness.

The City may issue Subordinate Indebtedness only if the Subordinate Indebtedness complies with the requirements of this Section 6. Subordinate Indebtedness shall not be payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Fund or a subaccount of the Subordinate Indebtedness Fund. All Subordinate Indebtedness shall state clearly that:

- 6.1. It is secured by a lien on or pledge of the Tax Increment Revenues which is subordinate to the lien on, and pledge of, the Tax Increment Revenues for the Bonds; and,
- 6.2. It is not payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Fund or a subaccount of the Subordinate Indebtedness Fund.

Section 7. General Covenants.

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

- 7.1. The City shall promptly cause the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of this Declaration and any Supplemental Declaration, but solely from the Tax Increment Revenues, amounts deposited in the Tax Increment Fund, and amounts available under any Reserve Equivalents.
- 7.2. The City shall maintain complete books and records relating to the Tax Increment Fund, the Tax Increment Revenues 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.
- 7.3. The City shall not issue any obligations which have a lien or claim on the Security, which is superior to the lien or claim of the Owners.
- 7.4. The City shall issue obligations which have a lien or claim on the Security which is on a parity with the lien and claim of the Owners only as provided in Section 5.
- 7.5. The City shall refinance or otherwise provide for the payment of any Interim Financing not later than the date on which the Interim Financing is actually due.
- 7.6. The City shall not to take any action which would cause the Plan to cease to qualify as an “existing urban renewal plan” as defined in ORS Chapter 457, or which would cause the Commission or the City to cease to be able to levy taxes for the Area pursuant to Article XI, Section 11(16) of the Oregon Constitution and ORS 457.435(2)(c) or any replacement statute.
- 7.7. Before reducing the Area the Debt Manager shall project the Maximum Tax Increment Revenues which will be available from the Area after it is reduced. The City shall not reduce the Area unless the Debt Manager reasonably projects that the Area, after the reduction, will have Maximum Tax Increment Revenues which are at least equal to one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).
- 7.8. The City shall not grant or approve any property tax exemption which may, at the time it is granted, reasonably be expected to prevent the City from collecting sufficient Tax Increment Revenues to pay the Bonds and comply with its obligations under this Declaration.
- 7.9. Laws in effect on the date of this Declaration do not permit the City or the Commission to refuse or further limit collection of the Divide the Taxes Revenues. If those laws change and the City or the Commission are permitted to refuse or further limit collection of the Divide the Taxes Revenues, the City and the Commission covenant that they shall, each Fiscal Year, notify the assessors to collect Tax Increment Revenues in an amount which is not less than \$7,710,000.

Section 8. Amendment of Declaration.

- 8.1. The City may enact a Supplemental Declaration to amend this 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 this Declaration;
 - (B) To add to the covenants and agreements of the City in this Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this Declaration or any Supplemental Declaration;
 - (D) To issue Parity Indebtedness pursuant to this Declaration; or,
 - (E) 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.
- 8.2. The City may amend this Declaration for any other purpose, but only if the City obtains the consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding in accordance with Section 10. However, no amendment shall be valid which:
- (A) 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
 - (B) Reduces the percent of Owners required to approve Supplemental Declarations.

Section 9. Default and Remedies.

- 9.1. The occurrence of one or more of the following shall constitute an Event of Default under this 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 this Declaration;
 - (B) Failure by the City to observe and perform any covenant, condition or agreement which this Declaration requires the City to observe or perform for the benefit of Owners of Bonds, which failure continues for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph (B); or,
 - (C) 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, files a petition in bankruptcy, or consents to the appointment of a receiver for Tax Increment Revenues.
- 9.2. The Owners of ten percent 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 Section 9.1(A).

- 9.3. Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent 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 this Declaration or in aid of the exercise of any power granted in this Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Declaration or by law. However: the Bonds shall not be subject to acceleration; and, neither the City nor the Commission shall be required to pay any amounts to Owners (other than Tax Increment Revenues, amounts in the Tax Increment Fund and amounts available under Reserve Equivalents) because of an Event of Default described in Section 9.1(A) which occurs because of an insufficiency of Tax Increment Revenues, amounts in the Tax Increment Fund and amounts available under Reserve Equivalents.
- 9.4. No remedy in this Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this 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 shall 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 shall not be necessary to give any notice other than such notice as may be required by this Declaration or by law.

Section 10. Ownership of Bonds.

- 10.1. For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Declaration:
- (A) 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; and,
 - (B) the issuer of a municipal bond insurance policy which insures payment of all principal and interest due on one or more Bonds may be treated as the Owner of all Bonds insured by that policy.
- 10.2. For purposes of determining the percentage of Owners taking action under this Declaration, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall 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.

Section 11. Defeasance.

The City shall be obligated to pay any Bonds which are defeased in accordance with this Section 11 solely from the money and Government Obligations which are deposited in escrow agent pursuant to this Section 11. Bonds shall be deemed defeased if the City:

- 11.1. 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,
- 11.2. files with the escrow agent or trustee 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.

Section 12. Rules of Construction.

In determining the meaning of provisions of this Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

- 12.1. References to section numbers shall be construed as references to sections of this Declaration.
- 12.2. References to one gender shall include all genders.
- 12.3. References to the singular include the plural, and references to the plural include the singular.

Section 13. The 2000 Bonds.

13.1 2000 Series A Bonds. The 2000 Series A Bonds shall be dated October 15, 2000, shall bear interest which is payable on June 15 and December 15 of each year, commencing June 15, 2001, and shall mature on the following dates in the following principal amounts:

<u>Date</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2013	\$170,000	5.100%
2014	275,000	5.100%
2014	3,685,000	5.625%
2015	785,000	5.200%
2015	3,400,000	5.625%
2016	430,000	5.250%
2016	3,985,000	5.750%
2017	50,000	5.375%
2017	4,615,000	5.750%
2018	710,000	5.400%
2018	4,225,000	5.750%
2019	5,215,000	5.750%
2020	5,515,000	5.500%

(A) The 2000 Series A Bonds are subject to redemption at the option of the City on June 15, 2010, and on any date thereafter, in any order of maturity and by lot within a maturity, on the following dates at the following prices:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 15, 2010 – June 14, 2011	101%
June 15, 2011 and thereafter	100%

(B) The 2000 Series A Bonds shall be Tax-Exempt Bonds, and the City covenants not to take any action, or omit to take any action, if the taking or omitting would cause interest on the 2000 Series A Bonds to become includable in gross income under the Code.

(C) The proceeds of the 2000 Series A Bonds shall be used to pay for costs of carrying out the Plan, including costs of refunding the City’s Outstanding Series K Bonds and a portion of the City’s Outstanding Series L Bonds, costs of paying outstanding interim financing, and costs of issuing the 2000 Series A Bonds.

13.2 2000 Series B Bonds. The 2000 Series B Bonds shall be dated October 15, 2000, shall bear interest which is payable on June 15 and December 15 of each year, commencing June 15, 2001, and shall mature on the following dates in the following principal amounts:

<u>Date</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2001	\$420,000	6.570%
2003	1,375,000	6.650%
2004	1,460,000	6.690%
2005	1,560,000	6.740%
2006	1,665,000	6.790%
2007	1,775,000	6.890%
2008	1,900,000	6.990%
2009	1,635,000	7.090%
2013	13,180,000	7.260%

- (A) The 2000 Series B Bonds are not subject to optional redemption prior to maturity.
- (B) The 2000 Series B Bonds maturing on June 15, 2013 are subject to mandatory prepayment, in part and by lot, on June 15, 2010 through June 15, 2013, at a price of 100 percent of the principal amount thereof, plus accrued interest to the prepayment date, on the dates and in the amounts as follows:

<u>Prepayment Date</u>	<u>Principal Amount</u>
June 15, 2010	\$2,995,000
June 15, 2011	3,215,000
June 15, 2012	3,445,000
June 15, 2013*	3,525,000

* Final maturity

- (C) The 2000 Series B Bonds shall be Taxable Bonds.
 - (D) The proceeds of the 2000 Series B Bonds shall be used to pay for costs of carrying out the Plan which are not eligible for tax-exempt financing under Section 103(a) of the Code, including costs of paying outstanding interim financing, and costs of issuing the 2000 Series B Bonds.
- 13.3. For purposes of calculating the Reserve Requirement, the 2000 Bonds shall be treated as a single Series.
- 13.4. Form. The 2000 Bonds shall be in substantially the form attached hereto as Appendix A, with such changes as may be approved by the Debt Manager. The 2000 Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.
- 13.5. Book Entry System for 2000 Bonds. The 2000 Bonds shall be initially issued in BEO form and shall be governed by this Section 13.5. While 2000 Bonds are in BEO form no physical 2000 Bonds shall be provided to Owners of 2000 Bonds. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the 2000 Bonds are in BEO form, registration and transfer of beneficial interests in the 2000 Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer Letter of Representations. So long as 2000 Bonds are in BEO form:
- (A) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of 2000 Bonds. 2000 Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will

not affect the validity of the redemption of 2000 Bonds called for redemption or of any other action premised on such notice.

- (B) The City may discontinue maintaining the 2000 Bonds in the BEO form at any time. The City shall discontinue maintaining the 2000 Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2000 Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (C) If the City discontinues maintaining the 2000 Bonds in BEO form, the City shall cause the Paying Agent to authenticate and deliver replacement 2000 Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 13.7. below, regarding registration, transfer and exchange of 2000 Bonds shall apply.
- (D) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2000 Bonds;
 - (2) the delivery to any participant or correspondent or any other person of any notice with respect to the 2000 Bonds, including any notice of prepayment;
 - (3) the selection by DTC of the beneficial interest in 2000 Bonds to be redeemed prior to maturity; or
 - (4) the payment to any participant, correspondent, or any other person other than the registered owner of the 2000 Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2000 Bonds.
- (E) The City shall pay or cause to be paid all principal, premium and interest on the 2000 Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
- (F) The provisions of this Section 13.5. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in BEO form.

13.6. Redemption of 2000 Bonds.

- (A) The City reserves the right to purchase 2000 Bonds in the open market.
- (B) If any 2000 Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any 2000 Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.
- (C) So long as 2000 Bonds are in BEO form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a Letter of Representation submitted to DTC in connection with the issuance of the 2000 Bonds.
- (D) During any period in which the 2000 Bonds are not in BEO form, unless waived by any Owner of the 2000 Bonds to be redeemed, official notice of any redemption of 2000 Bonds shall be given by

the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2000 Bond or Bonds to be redeemed at the address shown on the 2000 Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all Outstanding 2000 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2000 Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such 2000 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such 2000 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

13.7. Authentication, Registration and Transfer.

- (A) No 2000 Bond shall be entitled to any right or benefit under this Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2000 Bonds to be delivered at closing of the 2000 Bonds, and shall additionally authenticate all 2000 Bonds properly surrendered for exchange or transfer pursuant to this Declaration.
- (B) The ownership of all 2000 Bonds shall be entered in the 2000 Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2000 Bond register as the owner of the 2000 Bond for all purposes.
- (C) While the 2000 Bonds are in BEO form, the Paying Agent shall transfer 2000 Bond principal and interest payments in the manner required by DTC.
- (D) If the 2000 Bonds cease to be in BEO form, the Paying Agent shall 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 2000 Bond register as of the Record Date for the 2000 Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (E) 2000 Bonds may be exchanged for an equal principal amount of 2000 Bonds of the same maturity which are in different denominations, and 2000 Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (1) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (2) the 2000 Bonds to be exchanged or transferred.
- (F) The Paying Agent shall not be required to exchange or transfer any 2000 Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such 2000 Bonds shall be exchanged or transferred promptly following that Payment Date.

- (G) The Paying Agent shall note the date of authentication on each 2000 Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2000 Bond register.
- (H) For purposes of this Section 13.7, 2000 Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 13.7(E), above.
- (I) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 14. The 2002 Bonds.

The 2002 Bonds shall have been issued and shall be administered as provided in the Supplemental Bond Declaration for the 2002 Bonds that is dated as of September 15, 2002.

Section 15. 2008 Series A Bonds as Parity Indebtedness.

- 15.1. The 2008 Series A Bonds are being issued as Parity Indebtedness under Section 5 of the Declaration.
- 15.2. Section 5.2 of the Declaration authorizes the City to issue Parity Indebtedness only if the conditions in 5.2(A) and 5.2(B) are met.
- 15.3. Pursuant to Section 5.2(A), as of the date of Closing the 2008 Series A Bonds, no Event of Default under the Declaration has occurred and is continuing.
- 15.4. Pursuant to Section 5.2(B), the City has provided a certificate of the Debt Manager stating that the Tax Increment Revenues for the Base Period at least equaled one hundred ten percent (110%) of the Maximum Annual Debt Service on all then Outstanding Obligations, with the 2008 Series A Bonds treated as Outstanding and all Outstanding Obligations treated as if they were part of a single Series.
- 15.5. The City shall issue the 2008 Series A Bonds pursuant to City Ordinance No. 181683 and this Declaration. The 2008 Series A Bonds shall be Parity Indebtedness and the City hereby reaffirms all of its covenants in the Declaration for the benefit of the Owners of the 2008 Series A Bonds.
- 15.6. The 2008 Series A Bonds shall be dated April 22, 2008, shall bear interest which is payable on June 15 and December 15 of each year, commencing June 15, 2008, and shall mature on the following dates in the following principal amounts:

<u>Date</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rate (%)</u>	<u>CUSIP Number</u> <u>(Base 736746)</u>
2009	2,805,000	3.47	SZ2
2010	1,655,000	3.72	TA6
2011	1,715,000	4.17	TB4
2012	1,790,000	4.47	TC2
2013	1,870,000	4.67	TD0
2014	1,960,000	4.96	TE8
2015	2,050,000	5.11	TF5
2016	2,160,000	5.21	TG3
2017	2,275,000	5.31	TH1
2018	2,390,000	5.36	TJ7
2024	29,495,000	6.30	TK4

- (A) The 2008 Series A Bonds will be subject to redemption prior to maturity at the election of the City, in whole or in part, (and if in part, *pro rata*) on any date, at a redemption price equal to the greater of: (i) 100% of the principal amount of such 2008 Series A Bonds to be redeemed, plus accrued and unpaid interest on such 2008 Series A Bonds being redeemed to the date fixed for redemption; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such 2008 Series A Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 25 basis points. .
- (B) The 2008 Series A Bonds maturing on June 15, 2024 are subject to mandatory prepayment, in part, at a price of 100 percent of the principal amount thereof, plus accrued interest to the prepayment date, on the dates and in the amounts as follows:

<u>Prepayment Date</u> <u>(June 15)</u>	<u>Principal Amount</u>
2019	2,520,000
2020	2,680,000
2021	5,415,000
2022	5,760,000
2023	6,120,000
2024*	7,000,000

* Final maturity

- (C) The 2008 Series A Bonds shall be Taxable Bonds.

Section 16. The 2008 Series A Bond Administrative Provisions.

- 16.1. Form. The 2008 Series A Bonds shall be in substantially the form attached hereto as Appendix B, with such changes as may be approved by the Debt Manager. The 2008 Series A Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.
- 16.2. Book Entry System for 2008 Series A Bonds. The 2008 Series A Bonds shall be initially issued in BEO form and shall be governed by this Section 16.2. While 2008 Series A Bonds are in BEO form no physical 2008 Series A Bonds shall be provided to Owners of 2008 Series A Bonds. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the 2008 Series A Bonds are in BEO form, registration and transfer of beneficial interests in the 2008 Series A Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer Letter of Representations. So long as 2008 Series A Bonds are in BEO form:

- (A) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of 2008 Series A Bonds. 2008 Series A Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of 2008 Series A Bonds called for redemption or of any other action premised on such notice.
- (B) The City may discontinue maintaining the 2008 Series A Bonds in the BEO form at any time. The City shall discontinue maintaining the 2008 Series A Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2008 Series A Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (C) If the City discontinues maintaining the 2008 Series A Bonds in BEO form, the City shall cause the Paying Agent to authenticate and deliver replacement 2008 Series A Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 16.4. below, regarding registration, transfer and exchange of 2008 Series A Bonds shall apply.
- (D) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2008 Series A Bonds;
 - (2) the delivery to any participant or correspondent or any other person of any notice with respect to the 2008 Series A Bonds, including any notice of prepayment;
 - (3) the selection by DTC of the beneficial interest in 2008 Series A Bonds to be redeemed prior to maturity; or
 - (4) the payment to any participant, correspondent, or any other person other than the registered owner of the 2008 Series A Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2008 Series A Bonds.
- (E) The City shall pay or cause to be paid all principal, premium and interest on the 2008 Series A Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
- (F) The provisions of this Section 16.2. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in BEO form.

16.3. Redemption of 2008 Series A Bonds.

- (A) The City reserves the right to purchase 2008 Series A Bonds in the open market.
- (B) If any 2008 Series A Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any 2008 Series A Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.

- (C) So long as 2008 Series A Bonds are in BEO form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a Letter of Representation submitted to DTC in connection with the issuance of the 2008 Series A Bonds.
- (D) During any period in which the 2008 Series A Bonds are not in BEO form, unless waived by any Owner of the 2008 Series A Bonds to be redeemed, official notice of any redemption of 2008 Series A Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2008 Series A Bond or Bonds to be redeemed at the address shown on the 2008 Series A Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:
 - (1) the redemption date,
 - (2) the redemption price,
 - (3) if less than all Outstanding 2008 Series A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2008 Series A Bonds to be redeemed,
 - (4) that on the redemption date the redemption price will become due and payable upon each such 2008 Series A Bonds or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - (5) the place where such 2008 Series A Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

16.4. Authentication, Registration and Transfer.

- (A) No 2008 Series A Bond shall be entitled to any right or benefit under this Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2008 Series A Bonds to be delivered at closing of the 2008 Series A Bonds, and shall additionally authenticate all 2008 Series A Bonds properly surrendered for exchange or transfer pursuant to this Declaration.
- (B) The ownership of all 2008 Series A Bonds shall be entered in the 2008 Series A Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2008 Series A Bond register as the owner of the 2008 Series A Bonds for all purposes.
- (C) While the 2008 Series A Bonds are in BEO form, the Paying Agent shall transfer 2008 Series A Bond principal and interest payments in the manner required by DTC.
- (D) If the 2008 Series A Bonds cease to be in BEO form, the Paying Agent shall 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 2008 Series A Bond register as of the Record Date for the 2008 Series A Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (E) 2008 Series A Bonds may be exchanged for an equal principal amount of 2008 Series A Bonds of the same maturity which are in different denominations, and 2008 Series A Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:

- (1) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (2) the 2008 Series A Bonds to be exchanged or transferred.
- (F) The Paying Agent shall not be required to exchange or transfer any 2008 Series A Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such 2008 Series A Bonds shall be exchanged or transferred promptly following that Payment Date.
- (G) The Paying Agent shall note the date of authentication on each 2008 Series A Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2008 Series A Bond register.
- (H) For purposes of this Section 16.4(H), 2008 Series A Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 16.4(E), above.
- (I) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Dated as of this 22nd day of April, 2008.

City of Portland, Oregon

By: _____
Eric H. Johansen, Debt Manager



**APPENDIX C
EXCERPTS OF
AUDITED FINANCIAL STATEMENTS**



INTRODUCTION TO EXCERPTS OF AUDITED FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2006, 2007, 2008, 2009 and 2010.

Copies of the Fiscal Years 2006 through 2010 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 following pages in this Appendix C are excerpted from the City’s CAFRs for the Fiscal Years ending June 30, 2006 through June 30, 2010.

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 201 SERIES A BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2011 SERIES A BONDS.



CITY OF PORTLAND, OREGON
Waterfront Renewal Bond Sinking Fund (1)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Generally Accepted Accounting Principles Basis

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Revenues					
Taxes	\$14,134,953	\$14,549,942	\$14,346,958	\$10,455,901	\$10,451,667
Investment earnings	273,326	373,918	350,726	330,670	64,425
Total revenues	14,408,279	14,923,860	14,697,684	10,786,571	10,516,092
Expenditures					
Current:					
Legislative/admin/support services	--	--	--	595,518	440,000
Debt Service:					
Principal	10,830,000	11,390,000	24,681,292	4,440,000	4,650,000
Interest	3,599,546	3,407,075	3,678,150	5,758,419	5,545,164
Total expenditures	14,429,546	14,797,075	28,359,442	10,793,937	10,635,164
Revenues/ over (under) expenditures	(21,267)	126,785	(13,661,758)	(7,366)	(119,072)
Other Financing Sources (Uses)					
Bonds and notes issued	--	--	18,522,792	--	--
Total other financing sources	--	--	18,522,792	--	--
Net change in fund balances	(21,267)	126,785	4,861,034	(7,366)	(119,072)
Fund balances -- beginning	2,038,024	2,016,757	2,143,542	7,004,576	6,997,210
Fund balances -- ending	\$2,016,757	\$2,143,542	\$7,004,576	\$6,997,210	\$6,878,138

Notes:

(1) This is the Tax Increment Fund.

Source: City of Portland audited financial statements.

CITY OF PORTLAND, OREGON
Waterfront Renewal Bond Sinking Fund
CONSECUTIVE BALANCE SHEETS (1)
As of June 30

	2006	2007	2008	2009	2010
Assets					
Restricted:					
Cash and investments	\$1,765,266	\$1,825,418	\$6,705,213	\$6,681,034	\$6,618,639
Receivables:					
Taxes	789,780	775,881	808,039	807,866	757,519
Accrued interest	34,911	78,566	71,362	108,209	43,333
Total assets	<u>\$2,589,957</u>	<u>\$2,679,865</u>	<u>\$7,584,614</u>	<u>\$7,597,109</u>	<u>\$7,419,491</u>
Liabilities					
Liabilities payable from restricted assets:					
Deferred revenue	\$573,200	\$536,323	\$580,038	\$599,899	\$541,353
Total liabilities	573,200	536,323	580,038	599,899	541,353
Fund balances (deficits):					
Reserved for debt service	2,016,757	2,143,542	7,004,576	--	--
Unreserved	--	--	--	6,997,210	6,878,138
Total fund balances	<u>2,016,757</u>	<u>2,143,542</u>	<u>7,004,576</u>	<u>6,997,210</u>	<u>6,878,138</u>
Total liabilities and fund balances	<u>\$2,589,957</u>	<u>\$2,679,865</u>	<u>\$7,584,614</u>	<u>\$7,597,109</u>	<u>\$7,419,491</u>

Notes:

(1) In years ending June 30, 2006, through June 30, 2008, inclusive, no distinction was made as to whether assets were "restricted" or "unrestricted" or whether liabilities were payable from "restricted" assets or "unrestricted" assets. These designations first appear in the CAFR for FY 2008-09.

Source: City of Portland audited financial statements.

APPENDIX D
CITY OPERATING AND FINANCIAL INFORMATION



CITY OPERATING AND FINANCIAL INFORMATION

FISCAL YEAR

July 1 to June 30.

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").

FINANCIAL REPORTING AND BUDGETING

Financial Reporting

The City has been awarded the Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to the 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 financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

Budget Process

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of 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 Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus. The Council conducts an extensive public information process to obtain direct public input on City service priorities, and most bureaus include key stakeholders in developing their budget requests. In addition to this public outreach process, the City created the Portland Utilities Review Board (the "PURB") in 1994. The PURB, an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, stormwater, and solid waste financial plans and rates, operates in an advisory capacity to Council.

A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council along with budget requests. Major City bureaus generally prepare and submit five-year financial plans and Capital Improvement Plans.

Bureau budget requests are reviewed by the Mayor and Council members, as well as a panel of community advisors. The Mayor develops a Proposed Budget that addresses City Council priorities, public input, and balancing requirements. Following presentation of the Proposed Budget, a community hearing is scheduled wherein public testimony is taken. A budget summary and notice of hearing are published prior to the hearings. The City Council, sitting as the Budget Committee, considers the testimony from the community and can alter the budget proposal before voting to approve the budget.

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

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 shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP performed auditing services for FY 2002-03 through FY 2009-10.

A complete copy of the City's FY 2009-10 audit is available on the City's web site at <http://www.portlandonline.com/omf/index.cfm?c=54148>. The City's web site is listed for reference only, and is not part of this Official Statement. See Appendix C, "EXCERPTS OF AUDITED FINANCIAL STATEMENTS," herein.

INSURANCE

The City is self-insured for workers' compensation, general liability claims and certain employees' medical coverage in internal service funds. The Oregon Tort Claims Act (ORS 30.260 to 30.300) limits certain claims against the City for personal injury, death and property damage or destruction as described below. 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 (included in accrued self insurance claims in the combined statement of net assets).

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 estimated ultimate 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 present value of the liability. For fiscal year ended June 30, 2010, the expected rate of return is 0.75 percent. For fiscal year ending June 30, 2011, the expected rate of return is 0.40 percent. The 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. Furthermore, current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers individual claims in excess of \$1,000,000 with a \$500,000 sublimit on City Attorney defense costs for the 2010-11 policy year. An excess workers' compensation coverage insurance policy covers claims in excess of \$750,000. The City purchases commercial insurance for claims in excess of coverage provided by the City's Workers' Compensation Self-Insurance Fund and for all other risks of loss. A 2010 proposed settlement of a 2006-07 policy year liability claim has reached the excess liability policy attachment point.

Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$533,300 for causes of action arising on or after July 1, 2010, and before July 1, 2011. This cap increases incrementally through June 30, 2015, to \$666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to \$1,066,700, for causes of action arising on or after July 1, 2010, and before July 1, 2011, and incrementally to \$1,333,300 for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.272. The adjustment may not exceed three percent for any year.

Property Damage or Destruction Claim

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2010, and before July 1, 2011, are as follows: (a) \$100,100 for any single claimant and (b) \$500,600 to all claimants. Beginning in 2010, these liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

At the advice of the City's independent actuary and in anticipation of the Oregon legislature raising tort caps, the City made adjustments to its insurance program. Beginning in FY 2007-08, the City increased its limits of coverage on the excess liability policy from \$10 million to \$30 million per claim above the \$1 million self-insurance retention. The confidence level for the self-insurance reserves in the Insurance & Claims Fund was increased from 60 percent to 70 percent for FY 2007-08, 75 percent for FY 2008-09 and 80 percent for FY 2009-10. An 80 percent confidence level means that there is an 80 percent chance that the self-insurance reserves will be too high and a 20 percent change that the reserves will be too low. No changes are anticipated for FY 2010-11.

PENSION PLANS

General

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in three retirement pension benefit programs under the State of Oregon Public Employees Retirement System ("PERS" or the "System") – Tier 1, Tier 2, or the Oregon Public Service Retirement Plan ("OPSRP").

The Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") are defined benefit pension plans that provide 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 T1/T2 Pension Program 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.

Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Program. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund the Individual Account Program ("IAP") under the separate defined contribution program. Beginning January 1, 2004, active members of the T1/T2 Pension Program became members of the IAP under OPSRP and their employee contributions were directed to the member's IAP account and will be part of a separate defined contribution program.

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years. Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine contribution rates that employers will be required to pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan ("RHIA"). See "POST-EMPLOYMENT RETIREMENT BENEFITS" below.

In September 2008, Mercer Human Resource Consulting ("Mercer"), the PERS actuary, released the City's 2007 actuarial valuation report (the "2007 City Report"), which includes the City's share of the System's actuarial accrued liabilities and assets as of December 31, 2007 and provides the City's employer contribution rates that are currently in effect (effective from July 1, 2009 through June 30, 2011). In October 2010, Mercer released an actuarial valuation for the City as of December 31, 2009 (the "2009 City Report"), which included the City's share of the System's actuarial accrued liability as of December 31, 2009 and provides the City's employer contribution rates for the 2011-2013 biennium.

Employer Asset Valuation and Liabilities

An employer's share of PERS's UAL is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

The City is pooled with the State of Oregon and other Oregon local government and community college public employers for its T1/T2 Pension Programs (the “State and Local Government Rate Pool” or “SLGRP”), and the SLGRP’s assets and liabilities are pooled. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City’s portion of the SLGRP’s assets and liabilities is based on the City’s proportionate share of SLGRP’s pooled covered payroll. OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City’s allocated share of OPSRP’s assets and liabilities is based on the City’s proportionate share of OPSRP’s pooled covered payroll. The City’s proportionate liability of the T1/T2 Pension Programs and OPSRP may increase if other pool participants fail to pay their full employer contributions.

The table below is a summary of principal valuation results from the 2007 City Valuation and the 2009 City Report.

Table D-1
CITY OF PORTLAND, OREGON
Valuation Results for 2007 and 2009
(as of December 31)

	2007	2009
Allocated Pooled T1/T2 UAL/ (surplus)	(\$221,774,371)	\$178,802,989
Allocated Pooled OPSRP UAL/ (surplus)	(2,425,248)	3,216,137
Net unfunded pension actuarial accrued liability/(surplus)	(\$224,199,619)	\$182,019,126

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

The funded status of the System and the City, as reported by Mercer, changes over time depending on the market performance of the securities that the Oregon Public Employees Retirement Fund (the “OPERF”) is invested, future changes in compensation and benefits of covered employees, any additional lump sum deposits made by employers, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. No assurance can be given that the unfunded actuarial liability of PERS and of the City will not materially increase.

Employer Contribution Rates

Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF. The City’s current employer contribution rates are based on the 2007 City Report. These rates became effective on July 1, 2009 and are effective through June 30, 2011. The 2009 City Report provides employer contribution rates for the 2011-2013 biennium.

In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the “Rate Collar”). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by 0.3 percent for every percentage point under the 80 percent funded level until it reaches six percent at the 70 percent funded level. The 2009 System Valuation found that the SLGRP was 77 percent funded, resulting in a Rate Collar of 3.9 percent. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and RHIPA. Because the 2011-2013 employer contribution rates were reduced by the Rate Collar, further rate increases are anticipated for the 2013-2015 biennium. Presently, PERS anticipates that system-wide, the 2013-2015 rates will be increased by approximately 5 percent of covered payroll as a result of the implementation of the Rate Collar in the 2011-2013 biennium. This increase, however, will be subject to change based on the investment performance of OPERF and other factors. The City’s actual 2013-2015 contribution rate increase also may vary from the system-wide number.

The table below shows the City’s current employer contribution rates and the 2011-2013 rates.

Table D-2
CITY OF PORTLAND, OREGON
Current and Future Employer Contribution Rates
(Percentage of Covered Payroll)

	Current Rates			Future Rates		
	2009-2011			2011-2013		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Total net pension contribution rate	4.01%	4.85%	7.56%	8.71%	7.19%	9.90%

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting.

Currently, one percent of covered payroll for the three pension benefit programs is approximately: \$1,876,136 for T1/T2 Pension Programs; \$798,072 for OPSRP general services; and \$136,227 for OPSRP police and fire. The City’s contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board and changes in benefits resulting from legislative modifications.

T1/T2 Pension Program employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees’ contribution in addition to the required employers’ contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees’ IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table D-2 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City’s employer rate, each City bureau is required to make a contribution to pay debt service on approximately \$280.2 million of outstanding Limited Tax Pension Obligation Revenue Bonds originally issued in FY 1999-2000 to fund the City’s share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

Fire and Police Disability and Retirement Fund

Most of the fire and police personnel are covered under the FPDR Plan. The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and death benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP see “PENSION PLANS – General,” above. The authority for the FPDR Plan’s vesting and benefit provisions is contained in the Charter of the City. Fire and police personnel generally become eligible for membership in the FPDR Plan immediately upon employment. The FPDR Plan provides for service connected disability benefits at 75 percent of salary, reduced by 50 percent of any wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for non-service connected disability benefits at reduced rates of base pay.

Effective July 1, 1990, the FPDR Plan was amended to create the FPDR Two tier, which provides for the payment of benefits upon termination of employment on or after attaining age fifty-five, or on or after attaining age fifty if the member has twenty-five or more years of service. Members become 100 percent vested after five years of service. Members enrolled in the FPDR Plan prior to July 1, 1990 were required to make an election as to whether they wished to fall under the

provisions of the FPDR Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

On November 7, 2006, voters in the City of Portland passed a measure that created the FPDR Three tier and changed the retirement plan benefits of new members to OPSRP. The FPDR levy pays the employee and employer portions of the OPSRP contribution. This move is expected to increase property taxes for 35 years. Performance audits have been implemented to assess the implementation of the FPDR Plan reforms. The initial and follow-up disability program audits have been performed, and a pension program audit was completed in January 2010.

Another ballot measure passed by the voters November 6, 2007 also changed the medical coverage for retirees of the FPDR Fund. The change is effective for retirees after January 1, 2007. Under the ballot measure, the FPDR Fund will pay medical and hospital expenses associated with retired police and firefighters' for job-related injuries and illnesses accepted before retirement. New state legislation governing workers' compensation law requires that the FPDR Fund treat 12 cancers as presumptive occupational illnesses for firefighters effective January 1, 2010.

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property (\$2.80 per \$1,000 of real market value) not exempt from such levy. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2010-11 levy of \$118,526,184 required a tax rate of \$2.6348 per \$1,000 of assessed property value, or approximately \$1.3722 per \$1,000 of gross real market value.

In accordance with the Charter's provisions, there are no requirements to fund the Plan using actuarial techniques, and the Charter indicates that the City cannot pre-fund the FPDR Plan benefits. As required by the Charter, the FPDR Fund's Board of Trustees estimates the amount of money required to pay and discharge all requirements of the FPDR Fund for the succeeding fiscal year and submits this estimate to the City Council. The Council is required by Charter to annually levy a tax sufficient to provide amounts necessary to fund the estimated requirements for the upcoming year provided by the FPDR Fund's Board of Trustees. While the FPDR Fund has not experienced any funding shortfalls to date, future funding is dependent on the availability of property tax revenues and, in the absence of sufficient property tax revenues, City funds.

The FPDR Fund's Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the Actuarial Valuation of the Fund. The most recent assessment was as of July 1, 2010. The Fund's Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under \$2.80 per \$1,000 of real market value, but reaching the \$2.80 threshold has a five percent or greater probability level starting in 2023 and an almost 10 percent probability in 2029.

Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, actuarial accrued pension liabilities, and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City revised the rate for the July 1, 2010, valuation from 4.50 percent to 4.00 percent. This change increased the unfunded actuarial liability by \$190 million. Overall the unfunded actuarial liability increased from \$2.21 billion on July 1, 2008 to \$2.53 billion on July 1, 2010.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (“OPEB”)

The City's OPEB liability includes two separate plans. The City provides a contribution to the State of Oregon PERS cost-sharing multiple-employer defined benefit plan and an implicit rate subsidy for retiree Health Insurance Continuation premiums.

PERS Program

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide

basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2009 City Report, the City's allocated share of the RHIA program's UAL is \$10,603,769 as of December 31, 2009.

The City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.29 percent and for OPSRP general services employees and police and fire employees is 0.19 percent. According to the 2009 City Report, the City's contribution rates for fiscal years 2011-2013 for RHIA benefits for T1/T2 employees is 0.59 percent and for OPSRP general services employees and police and fire employees is 0.50 percent.

Health Insurance Continuation Option

Distinct from the PERS program, Oregon municipalities, including the City, are required to allow retirees and their dependents to continue to receive health insurance by paying the premiums themselves at a rate that is blended with the rate for current employees until retirees and spouses are eligible for federal Medicare coverage and until children reach the age of 18 (the "Health Insurance Continuation Option"). GASB 45 refers to this as an implicit subsidy and therefore requires the corresponding liability to be determined and reported.

The City's actuary for its OPEB liability associated with the Health Insurance Continuation Option, AON Employee Benefits Consulting, completed an actuarial valuation for purposes of complying with the GASB 45 standards. The valuation was prepared using the Entry Age Normal actuarial cost method by spreading future normal costs evenly over future service ("EAN-Service"). The valuation was prepared using an amortization period of 30 years and an assumed discount rate of five percent. The City's actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2009 (the date of the most recent actuarial valuation), is estimated to be \$104,203,230 on an EAN-Service basis. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2011.

For fiscal year 2010, the annual required contribution (the "ARC") of the employer to be recognized as the annual employer OPEB cost is estimated to be \$10,595,075 on an EAN-Service basis. For fiscal year ended June 30, 2010, the City benefits paid on behalf of retirees exceeded the premiums they paid by \$6,457,534. The City has elected to not pre-fund the fiscal year 2010 employer's annual required contribution to the plan (ARC) of \$10,595,075. The amount unfunded in fiscal year 2010 is \$20,920,813, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2009-10, less payments made in relation to the FY 2009-10 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.



APPENDIX E
LEGAL OPINION



July 6, 2011

City of Portland
1221 S.W. Fourth Avenue, Room 120
Portland, Oregon 97204

Subject: \$30,370,000 City of Portland, Oregon, Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) (the "2011 Series A Bonds") which are dated as of July 6, 2011. The 2011 Series A Bonds are issued pursuant to City Ordinance No. 184513 adopted April 13, 2011 (the "Ordinance"), and a Bond Declaration dated as of July 6, 2011 ("Bond Declaration") executed in connection with the Bonds. Capitalized terms not defined herein shall have the meanings defined for such terms in the Bond Declaration.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials relating to the 2011 Series A Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

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

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2011 Series A Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Charter of the City, and the Ordinance. The 2011 Series A Bonds constitute valid and legally binding obligations of the City enforceable in accordance with their terms.
2. The 2011 Series A Bonds are special, limited obligations of the City secured solely by and payable solely from the Security. The lien of the 2011 Series A Bonds on the Tax Increment Revenues and other components of the Security is subordinate to the lien and pledge that secures the First Lien Bonds.
3. Interest on the 2011 Series A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The portion of the opinion set forth in this paragraph is subject to the condition that the City comply with all applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and its statutory predecessor, that must be satisfied subsequent to the issuance of the 2011 Series A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2011 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2011 Series A Bonds.
4. Interest on the 2011 Series A Bonds is exempt from Oregon personal income tax.

We note that the City has not designated the 2011 Series A Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2011 Series A Bonds. Owners of the 2011 Series A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2011 Series A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2011 Series A Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights generally; (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; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to 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 this opinion.

This opinion is given solely for your benefit in connection with the 2011 Series A Bonds 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 2011 Series A Bonds, nor may copies be furnished to any other person or entity, without the prior written consent of K&L Gates LLP.

We have served only as bond counsel to the City in connection with the 2011 Series A Bonds and have not represented any other party in connection with the 2011 Series A Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

Respectfully submitted,

K&L GATES LLP

Lawyers

APPENDIX F
CONTINUING DISCLOSURE CERTIFICATE



CONTINUING DISCLOSURE CERTIFICATE
\$30,370,000
City of Portland, Oregon
Downtown Waterfront
Second Lien Urban Renewal and Redevelopment Refunding Bonds
2011 Series A (Tax-Exempt)

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 Downtown Waterfront Second Lien Urban Renewal and Redevelopment Refunding Bonds, 2011 Series A (Tax-Exempt) (the “Securities”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the Bondowners as defined below, and to assist the underwriter(s) of the Securities in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended, (the “Rule”). This Certificate constitutes the City’s written undertaking for the benefit of the Bondowners as required by paragraph (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 Securities, including persons holding Securities through nominees or depositories.

“Bondowners” means the registered owners of the Securities, as shown on the bond register maintained by the paying agent for the Securities, and any Beneficial Owners.

“Commission” means the Securities and Exchange Commission.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB or any successor thereto, and which is currently accessible at <http://emma.msrb.org/>.

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

“Official Statement” means the final official statement for the Securities dated June 28, 2011.

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

Section 3. Financial Information. The City agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2012, for the fiscal year ended June 30, 2011):

A. The City’s previous fiscal year annual financial statements prepared in accordance with the Oregon Local Budget Law (ORS 294.305 to 294.565, as amended, 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 under Appendix D: “City Operating

and Financial Information” and the following current and historical information generally of the type in the Official Statement under the heading "Area Property Values, Tax Increment Revenues, and Indebtedness”

- Measure 5 Market Value and Assessed Values
- Maximum Tax Increment Revenues and Tax Increment Revenues
- Changed Property Ratios
- Top Taxpayer Accounts
- Consolidated Tax Rates
- Measure 5 Compression
- Tax Collection Records
- Tax Increment Collections
- Long-Term Debt

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 the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to the MSRB, 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 to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to the rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of the event identified in this paragraph 12, the event is considered

to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 Securities. 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 provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB 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 3.A or 3.B or Section 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 Securities, 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 Securities, 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 Securities 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 documents authorizing issuance of the Securities, 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. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Filing with EMMA. Any filings required by this certificate to be made with the MSRB may be made through EMMA so long as it is approved by the MSRB.

Section 11. 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 6th day of July, 2011.

City of Portland, Oregon

Debt Manager

APPENDIX G
BOOK-ENTRY SYSTEM



BOOK-ENTRY SYSTEM

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 securities 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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 MMI 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, 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. 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.

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

11. 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.

APPENDIX H
THE PORTLAND DEVELOPMENT COMMISSION



THE PORTLAND DEVELOPMENT COMMISSION

The Portland Development Commission (the “Commission”) was created as a City agency in 1958 by Portland voters to deliver projects and programs that achieve the city’s housing, economic development and redevelopment priorities and link citizens to jobs.

PURPOSE AND FUNCTIONS

The Commission is the City agency that helps provide sustained livability for the City and region. The mission is to bring together community resources to achieve Portland’s vision of a vital economy with healthy neighborhoods and quality jobs for all citizens.

In carrying out City policy, the Commission has developed and managed projects and programs which have played a major role in keeping Portland one of America’s most livable cities. In the five decades since the Commission was established, City Council has created over 20 urban renewal areas in Portland neighborhoods to deliver a broad range of housing and neighborhood improvement programs, and has carried out a comprehensive range of economic development programs aimed at creating jobs for City residents. The Commission currently administers eleven urban renewal areas.

MANAGEMENT

The Commission is governed by a five-member citizen Board, appointed by the Mayor and approved by the City Council. Commission business is conducted at monthly public meetings and all Commission activities are guided by its annual budget. The Executive Director of the Commission since March 23, 2011, is Patrick Quinton. Mr. Quinton has been with the Commission for three years and had served as the Business and Industry Division Manager. The Commission’s Central Services Director and Chief Financial Officer is Julie V. Cody.

URBAN RENEWAL AREAS

The Commission currently has four urban renewal areas – Airport Way, Downtown Waterfront, Oregon Convention Center, South Park Blocks – that were in existence on December 5, 1996 and designated as “Option 3” plans for tax collection purposes (the “Option 3 Plan Areas”). Five urban renewal areas, including River District, Lents Town Center, North Macadam, Interstate Corridor, and Gateway Regional Center, have been established since December 5, 1996, but before October 6, 2001, (the “Standard Rate Plan Areas”). Two urban renewal areas, the Willamette Industrial Urban Renewal Area and the Central Eastside Urban Renewal Area, have been formed or substantially amended on or after October 6, 2001 (the “Reduced Rate Plan Areas”). Tax increment revenues collected for one area may not be transferred to or used to pay debt service on indebtedness for another area.

Collection Options

Tax increment revenues for the Option 3 Plan Areas are derived from Divide the Taxes Revenues and also may include revenues from an additional tax imposed within the boundaries of their creating city or county (the “Special Levy”). The Standard Rate Plan Areas are only authorized to collect Divide the Taxes Revenues. The Divide the Tax Revenues for each of the Standard Rate Plan Areas are generated by multiplying the incremental assessed value of the area by the consolidated billing tax rate, which is the sum of all tax rates of overlapping taxing jurisdictions, including permanent rates, local option levy rates, the City’s FPDR levy rate, and general obligation bond rates. The Reduced Rate Plan Areas also are only authorized to collect the Divide the Taxes Revenues. However, the consolidated billing tax rate used to calculate the Divide the Taxes Revenues for these areas excludes all local option levies and general obligation bond levies approved by the voters on or after October 6, 2001, as well as a portion of the Portland Public School permanent rate.

Maximum Indebtedness

The eleven urban renewal areas have approved plans establishing Maximum Indebtedness amounts, which are shown in the table below. The table also shows the amount of debt applied against the Maximum Indebtedness amount as of May 1, 2011. The Maximum Indebtedness amounts represent the maximum amount of debt that can be issued in each area through the life of the urban renewal plan to complete the projects identified in the plan. The City is not required to fund the Maximum Indebtedness amount.

Table H-1
CITY OF PORTLAND URBAN RENEWAL DISTRICTS
Maximum Indebtedness and Debt Issued as of May 1, 2011 (1)

Urban Renewal District	Maximum Indebtedness	Debt Issued (2)	Remaining Indebtedness
Airport Way	\$72,638,268	\$72,638,268	\$0
Central Eastside	104,979,000	74,595,340	30,383,660
Downtown Waterfront	165,000,000	165,000,000	0
Gateway Regional Center	164,240,000	27,680,073	136,559,927
Interstate Corridor	335,000,000	115,381,683	219,618,317
Lents Town Center	245,000,000	93,405,000	151,595,000
North Macadam	288,562,000	94,800,000	193,762,000
Oregon Convention Center	167,511,000	117,746,155	49,764,845
River District	489,500,000	202,617,846	286,882,154
South Park Blocks	143,619,000	112,035,000	31,584,000
Willamette Industrial	200,000,000	1,845,000	198,155,000
Total	\$2,376,049,268	\$1,077,744,365	\$1,298,304,903

Notes:

- (1) Totals may not foot due to rounding.
- (2) This amount includes both long term debt and short-term subordinate debt.

Source: City of Portland.

FINANCIAL OPERATIONS

The Commission has been awarded the Government Finance Officers Association’s (the “GFOA”) Certificate of Achievement for Excellence in Financial Reporting every year since 1988. 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.

Budgeting Process

The Commission prepares an annual budget in accordance with provisions of the Oregon Local Budget Law, which provides standard procedures for the preparation, presentation, administration, and approval of budgets. In addition to the annual budget, the Commission develops a five-year capital project forecast for planning purposes.

Every year between the months of October and January, the Executive Director of the Commission prepares a Requested Budget based upon the overall goals of the Commission, the goals and objectives in the respective urban renewal area plans, and availability of resources. The Commission engages in significant public outreach to stakeholder groups during the budget development phase. The budget development phase includes early involvement with the City Council, which is structured to enhance the linkage between the policies and strategic direction of City Council and Commission implementation. The Requested Budget is reviewed by the Commission, the City’s Office of Management and Finance, and the City Council. Recommended changes by the Commission and the Council are incorporated into the Proposed Budget. The Proposed Budget is sent to City Council, acting as the Commission’s Budget Committee, for review and approval.

In May 2007, City voters authorized a change to the City Charter to provide oversight of the Commission budget by the City Council and to authorize the City Auditor to conduct financial and performance audits of the Commission. The City Charter was amended to establish the City Council as the Commission’s Budget Committee. Further, the 2007 State of Oregon Legislature passed House Bill 3104 (Chapter 670, Oregon Laws 2007), which amends ORS 294.341 to establish the City Council as the Budget Committee for the Commission’s budget under Oregon Local Budget Law.

The FY 2011-12 Budget Process will be the fourth budget process that includes the City Council as the Commission’s Budget Committee. The purpose of the Budget Committee is to publicly meet and review the Proposed Budget of the Commission. Through one or more public meetings, the Budget Committee will receive the Proposed Budget, provide an opportunity for the

public to ask questions, and take action to approve the budget. When approving the budget, the Budget Committee through a majority vote will take action to establish the maximum total expenditures for each fund. Following Budget Committee approval, the budget is forward to the TSCC for review and the Commission for review and adoption of the budget. When adopting the budget, the Commission cannot increase any one fund's expenditures by more than ten percent of the total approved by the Budget Committee.

The Commission has been awarded the GFOA's "Distinguished Budget Presentation Award" for its FY 2002-03 through FY 2010-11 budget documents. The Budget Awards Program is designed to encourage governments to prepare budget documents of the highest quality that meets criteria as an operations guide, as a financial plan, and as a communications device.

Insurance

The Commission is not part of the City's self-insurance program and purchases a variety of commercial insurance policies to protect itself against loss. Like most other large public agencies, the Commission is exposed to various risks of losses related to torts, errors and omissions, general liability, property claims, injuries to employees, and unemployment claims.

The Commission is insured by the State Accident Insurance Fund ("SAIF") against losses from employee workers' compensation claims up to a limit of \$500,000 for each incident and each employee. The Commission is covered by a commercial general liability policy through Travelers Insurance in the amount of \$2,000,000 per occurrence and an additional \$5,000,000 excess liability policy subject to \$10,000 deductible and a blanket property policy through Lloyd's of London for \$100,000,000. A separate policy provides coverage for faithful performance (employee dishonesty) through Hartford Insurance in the amount of \$300,000, providing protection from losses from forgery, alteration, theft, and disappearance; employment practices liability coverage is provided through Zurich American Insurance in the amount of \$3,000,000 per claim with a \$150,000 deductible per claim; public officials errors and omission coverage is provided through Travelers in the amount of \$2,000,000 with a \$4,000,000 aggregate and a deductible of \$25,000 per claim. Automobile coverage for Commission fleet vehicles is provided through Travelers in the amount of \$1,000,000 for bodily injury/property damage with a \$250 deductible for comprehensive and \$500 deductible for collision. Umbrella policy provides an additional \$5 million under the excess liability umbrella policy.

The Commission has an aggressive risk management policy of transferring liability to contractors, lessees, event sponsors, and other entities through specific indemnification and insurance requirements in all contracts and agreements. The Commission has generally been successful in resolving claims and has not suffered any significant losses over the past year. In addition, there have been no significant reductions in insurance coverage or any insurance settlements that exceeded insurance coverage in any of the past six fiscal years.

The Commission also has an Internal Service Fund to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. The fund currently has an equity balance of \$249,700.





