

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 23, 2008

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

RATING: Moody's Aa3

In the opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Portland, Oregon, Bond Counsel, interest on the 2008 Series A Bonds is included in gross income subject to federal income taxation. In the opinion of Bond Counsel, interest on the 2008 Series A Bonds is exempt from personal income taxation by the State of Oregon. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

In the opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2008 Series B Bonds is excludable from gross income of the owners of the 2008 Series B Bonds for federal income tax purposes under existing law. Interest on the 2008 Series B Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2008 Series B Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. In the opinion of Bond Counsel, interest on the 2008 Series B Bonds is exempt from personal income taxation by the State of Oregon. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

City of Portland, Oregon

\$35,215,000*

\$31,870,000*

**South Park Blocks Urban Renewal
and Redevelopment Bonds
2008 Series A
(Federally Taxable)**

**South Park Blocks Urban Renewal
and Redevelopment and Refunding Bonds
2008 Series B
(Tax Exempt)**

DATED: Date of Delivery

DUE: June 15, as shown on inside cover

The City of Portland, Oregon South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) (the "2008 Series A Bonds") and the South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, 2008 Series B (Tax Exempt) (the "2008 Series B Bonds") (collectively, the "2008 Bonds") will be issued in registered book-entry form only, without coupons, in denominations of \$5,000 or integral multiples thereof. The 2008 Bonds, when executed and delivered, will be registered in the name of Cede & Co. as the registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2008 Bonds. While Cede & Co. is the registered owner of the 2008 Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners 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 2008 Bonds will bear interest at the rates as set forth on the inside cover. The 2008 Bonds will be dated as of their date of delivery. Interest on the 2008 Bonds will be payable semiannually on June 15 and December 15 of each year, beginning December 15, 2008. While the 2008 Bonds are in book-entry form, interest on the 2008 Bonds will be paid through DTC.

The 2008 Series A Bonds are being issued to finance capital projects in the South Park Blocks Urban Renewal Area (the "Area"), to fund the 2008 Series A Bond Reserve Subaccount, and to pay issuance costs. The 2008 Series B Bonds are being issued to finance capital projects in the Area, to refund all or a portion of the South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series A subject to market conditions, to fund the 2008 Series B Bond Reserve Subaccount, and to pay issuance costs.

THE 2008 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES. THE 2008 SERIES A BONDS ARE ADDITIONALLY SECURED BY AMOUNTS CREDITED TO THE 2008 SERIES A BOND RESERVE SUBACCOUNT AND THE 2008 SERIES B BONDS ARE ADDITIONALLY SECURED BY AMOUNTS CREDITED TO THE 2008 SERIES B BOND RESERVE SUBACCOUNT, AS PROVIDED IN THE BOND DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES LIMITATION. THE 2008 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 TAX INCREMENT REVENUES AND AMOUNTS IN THE APPLICABLE RESERVE SUBACCOUNT.

The 2008 Bonds are secured by a lien on, and pledge of, the Tax Increment Revenues on a parity with the lien on, and pledge of, the Tax Increment Revenues that secures the City's South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series A and B. Under current law, the 2008 Bonds are expected to be the final issue of new money Parity Indebtedness for the Area.

The 2008 Bonds are subject to optional redemption prior to maturity. See "REDEMPTION OF THE 2008 BONDS" herein.

The 2008 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 Kirkpatrick & Lockhart Preston Gates Ellis 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 2008 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July __, 2008.

Banc of America Securities LLC

Citi

*Preliminary, subject to change.

The information herein is subject to revision, completion or amendment in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULES

\$35,215,000*

South Park Blocks

Urban Renewal and Redevelopment Bonds

2008 Series A (Federally Taxable)

| <u>Due June 15</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price or Yield</u> | <u>CUSIP** Number</u> |
|-------------------------------|------------------------------------|---------------------------------|----------------------------------|----------------------------------|
| 2009 | \$1,295,000 | % | % | |
| 2010 | 1,225,000 | | | |
| 2011 | 1,315,000 | | | |
| 2012 | 1,365,000 | | | |
| 2013 | 3,540,000 | | | |
| 2014 | 4,075,000 | | | |
| 2015 | 4,295,000 | | | |
| 2016 | 4,535,000 | | | |
| 2017 | 4,795,000 | | | |
| 2018 | 5,075,000 | | | |
| 2019 | 3,700,000 | | | |

\$31,870,000*

South Park Blocks

Urban Renewal and Redevelopment and Refunding Bonds

2008 Series B (Tax Exempt)

| <u>Due June 15</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price or Yield</u> | <u>CUSIP** Number</u> |
|-------------------------------|------------------------------------|---------------------------------|----------------------------------|----------------------------------|
| 2019 | \$5,190,000 | % | % | |
| 2020 | 5,840,000 | | | |
| 2021 | 4,060,000 | | | |
| 2022 | 4,260,000 | | | |
| 2023 | 4,475,000 | | | |
| 2024 | 8,045,000 | | | |

*Preliminary, subject to change.

**Registered Trademark 2008, 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, OREGON**

\$35,215,000*
**South Park Blocks Urban Renewal
and Redevelopment Bonds
2008 Series A
(Federally Taxable)**

\$31,870,000*
**South Park Blocks Urban Renewal
and Redevelopment and Refunding Bonds
2008 Series B
(Tax Exempt)**

CITY COUNCIL

Tom Potter,
Mayor and Commissioner of Finance and Administration

Sam Adams, Commissioner No. 1**
Nick Fish, Commissioner No. 2
Dan Saltzman, Commissioner No. 3
Randy Leonard, Commissioner No. 4

CITY OFFICIALS

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

Kenneth L. Rust, Chief Administrative Officer
Jennifer Sims, Chief Financial Officer

PORTLAND DEVELOPMENT COMMISSION

Mark Rosenbaum, Commissioner and Chair
Sal Kadri, Commissioner and Secretary
Bertha Ferrán, Commissioner and Acting Secretary
John C. Mohlis, Commissioner
Charles A. Wilhoite, Commissioner

Bruce Warner, Executive Director
Julie V. Cody, Central Services Director & Chief Financial Officer

BOND COUNSEL

Kirkpatrick & Lockhart Preston Gates Ellis LLP
Portland, Oregon

* Preliminary, subject to change.

** City Commissioner Sam Adams received a majority of the votes for Mayor in the Portland primary election on May 20, 2008, and will take office as Mayor in January 2009.

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 2008 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 2008 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

\$35,215,000*
South Park Blocks Urban Renewal
and Redevelopment Bonds
2008 Series A
(Federally Taxable)

\$31,870,000*
South Park Blocks Urban Renewal
and Redevelopment and Refunding Bonds
2008 Series B
(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 South Park Blocks Urban Renewal Area (the “Area”), the tax increment revenues for the South Park Blocks Urban Renewal Area, and the City’s South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) (the “2008 Series A Bonds”) and its South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, 2008 Series B (Tax Exempt) (the “2008 Series B Bonds” and collectively, the “2008 Bonds”). The City adopted Ordinance No. 181831 (the “Ordinance”) on May 14, 2008, which authorizes the City to issue the 2008 Bonds, and to execute and deliver the Bond Declaration, as described below.

The City’s Debt Manager has executed an Amended and Restated Bond Declaration (the “Bond Declaration”) which memorializes the terms and conditions of the Outstanding Bonds, including the 2008 Bonds. The Bond Declaration includes the terms under which the City may issue future obligations that have a lien on the Tax Increment Revenues and the covenants of the City under the Bond Declaration for the benefit of Owners of all Outstanding Bonds, including covenants not to 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 130 percent of the Maximum Annual Debt Service on all then Outstanding Bonds. See “SECURITY FOR THE 2008 BONDS – MAXIMUM INDEBTEDNESS,” “SECURITY FOR THE 2008 BONDS – FUTURE INDEBTEDNESS,” “SECURITY FOR THE 2008 BONDS – OTHER COVENANTS – Reduction in Area” and “THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – AREA PROPERTY VALUES – Projections of Future Assessed Value for the Area” herein.

The 2008 Bonds are being issued as Parity Indebtedness with the South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series A (the “2000 Series A Bonds”) and 2000 Series B (the “2000 Series B Bonds” and collectively, the “2000 Bonds”). Currently, the 2000 Series A Bonds are outstanding in the amount of \$23,325,000 and the 2000 Series B Bonds are outstanding in the amount of \$16,560,000. The 2000 Series A Bonds and the 2000 Series B Bonds were issued pursuant to the Bond Declaration dated October 15, 2000 (the “2000 Bond Declaration”).

The South Park Blocks Urban Renewal Plan has established July 23, 2008 as the final date to issue new money bonded indebtedness. No additional new money bonded indebtedness may be incurred for the Area after this date. Consequently, the City expects the 2008 Bonds to be the final issue of Bonds issued under the Bond Declaration as Parity Indebtedness except for refunding Bonds. See “SECURITY FOR THE 2008 BONDS –FUTURE INDEBTEDNESS” herein.

The front portion of this Official Statement briefly summarizes many of the provisions of the Bond Declaration and does not purport to be complete. A complete copy of the 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 Bond Declaration.

*Preliminary, subject to change.

THE 2008 BONDS

DESCRIPTION

The 2008 Bonds will be issued in registered book-entry-only (“BEO”) form, without coupons, in denominations of \$5,000 or integral multiples thereof. The 2008 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” in Appendix E.

AUTHORIZATION AND PURPOSE

The 2008 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 2008 Bonds also are being issued pursuant to the Ordinance and the Bond Declaration.

The 2008 Series A Bonds are being issued to pay for capital improvements in the Area, to fund the 2008 Series A Bond Reserve Subaccount, and to pay issuance costs. See “THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – THE COMMISSION’S PLANNED ACTIVITY,” herein. The 2008 Series B Bonds are being issued to pay for capital improvements in the Area, to refund certain maturities of the City’s 2000 Series A Bonds subject to market conditions, to fund the 2008 Series B Bond Reserve Subaccount, and to pay issuance costs. See “REFUNDING PLAN” and “THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – THE COMMISSION’S PLANNED ACTIVITY,” herein.

FORM

The 2008 Bonds will be issued in fully-registered form without coupons in denominations of \$5,000 or integral multiples thereof. The 2008 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 2008 Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2008 Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2008 Bonds. While Cede & Co. is the registered Owner of the 2008 Bonds (in such capacity, the “Owner”) as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2008 Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2008 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 2008 Bonds under the Bond Declaration or applicable law. So long as the 2008 Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2008 Bonds will be made only through the Book-Entry System. See Appendix E, herein, for a discussion of the Book-Entry System.

MATURITY AND PAYMENT

The 2008 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 their date of delivery. Accrued and unpaid interest on the 2008 Bonds will be due and payable semiannually on June 15 and December 15 of each year, commencing December 15, 2008.

So long as the 2008 Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2008 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 2008 Bonds. The City has no responsibility for the distribution of any payments on the 2008 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 E herein.

REDEMPTION OF THE 2008 BONDS

Redemption of the 2008 Series A Bonds

Optional Redemption. 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* as described below) 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 fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus basis points.

“*Pro rata*” means in connection with any mandatory redemption or optional redemption in part, the amount that results from applying a fraction the numerator of which is equal to the amount of the 2008 Series A Bonds held by the holder of such 2008 Series A Bonds and the denominator of which is equal to the total amount of the 2008 Series A Bonds then outstanding.

To the extent the City optionally redeems or purchases for cancellation any 2008 Series A Bonds, the City may reduce the mandatory redemption requirements of the 2008 Series A Bonds of the same maturity in like aggregate principal amount *pro rata*.

The term “Treasury Rate” is defined in the Bond Declaration to mean, with respect to any date fixed for redemption 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 date fixed for redemption for a price equal to the Comparable Treasury Price. Additional relevant terms are defined as follows:

“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 date fixed for redemption for a particular 2008 Series A Bond, the average of the Reference Treasury Dealer Quotations for such redemption date.

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

“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, for each Reference Treasury Dealer and for a proposed redemption date, 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 date fixed for redemption.

Mandatory Redemption. The 2008 Series A Bonds maturing on _____ are subject to mandatory redemption, *pro rata*, at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, in the principal amounts and on June 15 of the years shown in the table below.

| Year | Principal Amount (\$) |
|------|-----------------------|
|------|-----------------------|

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.

Redemption of the 2008 Series B Bonds

Optional Redemption. The 2008 Series B Bonds maturing on or after June 15, 2019, are subject to redemption at the option of the City on June 15, 2018, and on any date thereafter, in any order of maturity and by lot within a maturity, at a price of _ percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

While the 2008 Series B Bonds are in BEO form, if less than all the outstanding 2008 Series B Bonds of a particular maturity are to be redeemed, DTC will select the particular 2008 Series B Bonds in accordance with its customary practices.

Notice of Redemption

While the 2008 Bonds are subject to the BEO System, notice of any redemption shall be given by the Paying Agent only to DTC in accordance with the agreement entered into among the City, the Paying Agent and DTC. It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above. Interest on any 2008 Bond or Bonds called for redemption shall cease on the redemption date designated in the notice.

DEFEASANCE

The Bond Declaration permits the defeasance of the 2008 Bonds. See “TAX MATTERS – Disposition or Retirement” herein.

REFUNDING PLAN

A portion of the proceeds of the 2008 Series B Bonds will be placed in an irrevocable escrow fund to be held by U.S. Bank National Association (the “Escrow Agent”) and invested in United States Government obligations maturing in amounts 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 effect debt service savings, the City intends to apply the proceeds from the sale of the 2008 Series B Bonds to refund any or all of the maturities of the outstanding 2000 Series A Bonds (the “Refunded Bonds”). The table below shows the Refunded Bonds that are expected to be refunded with the 2008 Series B Bonds. If any 2000 Series A Bonds are refunded, they would be called on June 15, 2010 at a redemption price of 101.00 percent of their principal amount, plus interest accrued to June 15, 2010.

The refunding of the Refunded Bonds is subject to market conditions. If in the opinion of the City the refunding of some or all of the Refunded Bonds will not result in sufficient debt service savings, the City may determine that no 2008 Series B Bonds should be issued to refund the Refunded Bonds. The City could also determine to refund additional Outstanding Bonds if market conditions warrant.

Table 1
CITY OF PORTLAND, OREGON
Refunding Plan for Outstanding South Park Blocks Urban Renewal
and Redevelopment Bonds, 2000 Series A

| CUSIP No. | Maturity Date | Principal |
|----------------------|-----------------------|----------------------|
| <u>736746</u> | <u>June 15</u> | <u>Amount</u> |
| PE2 | 2013 | \$640,000 |
| QB7 | 2013 | 1,455,000 |
| PF9 | 2014 | 250,000 |
| QC5 | 2014 | 2,300,000 |
| PG7 | 2015 | 2,695,000 |
| PH5 | 2016 | 120,000 |
| QD3 | 2016 | 2,730,000 |
| PJ1 | 2017 | 250,000 |
| QE1 | 2017 | 2,765,000 |
| PK8 | 2018 | 3,190,000 |
| PL6 | 2019 | 790,000 |
| QF8 | 2019 | 2,580,000 |
| PM4 | 2020 | 120,000 |
| QG6 | 2020 | 3,440,000 |
| | | \$23,325,000 |

Source: City of Portland.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The estimated sources and uses of proceeds from the 2008 Bonds are itemized in the following table.

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

| | 2008 SERIES A BONDS | 2008 SERIES B BONDS |
|-----------------------------------|--------------------------------|--------------------------------|
| SOURCES: | | |
| Par amount | \$ | \$ |
| Original issue premium/(discount) | _____ | _____ |
| TOTAL SOURCES | \$ _____ | \$ _____ |
| USES: | | |
| Deposit to construction fund | \$ | \$ |
| Repayment of line of credit | | |
| Deposit to refunding escrow | | |
| Deposit to reserve subaccounts | | |
| Underwriters' discount | | |
| Costs of issuance (1) | _____ | _____ |
| TOTAL USES | \$ _____ | \$ _____ |

Notes:

(1) Includes legal fees and expenses, rating agency fees, printing and distribution costs, and other costs related to the issuance of the 2008 Bonds.

Source: City of Portland.

DEBT SERVICE ON OUTSTANDING BONDS AS OF THE DATE OF DELIVERY

With the issuance of the 2008 Bonds, the City will have outstanding Bonds for the Area as follows: \$_____ of outstanding principal of the 2000 Bonds; and \$_____ of outstanding principal of the 2008 Bonds. See also “THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – HISTORICAL FINANCIAL RESULTS – Outstanding Indebtedness” herein.

The following table presents the combined debt service on the remaining outstanding Bonds and the 2008 Bonds as of the date of delivery of the 2008 Bonds.

Table 3
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Bonds
Remaining Scheduled Debt Service on 2000 Bonds and 2008 Bonds
As of the Date of Delivery of the 2008 Bonds

| Fiscal Year Ending 30-Jun | Outstanding 2000 Bonds (1) | | 2008 Series A Bonds | | 2008 Series B Bonds | | TOTAL |
|---------------------------------|-------------------------------|---------------------|---------------------|----------|---------------------|----------|-------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2009 | \$1,825,000 | \$1,939,121 | | | | | |
| 2010 | 1,955,000 | 1,809,728 | | | | | |
| 2011 | 2,095,000 | 1,669,164 | | | | | |
| 2012 | 2,250,000 | 1,517,486 | | | | | |
| 2013 | 2,415,000 | 1,353,461 | | | | | |
| 2014 | 2,550,000 | 1,214,310 | | | | | |
| 2015 | 2,695,000 | 1,069,310 | | | | | |
| 2016 | 2,850,000 | 914,348 | | | | | |
| 2017 | 3,015,000 | 751,073 | | | | | |
| 2018 | 3,190,000 | 578,835 | | | | | |
| 2019 | 3,370,000 | 395,410 | | | | | |
| 2020 | 3,560,000 | 204,400 | | | | | |
| 2021 | | | | | | | |
| 2022 | | | | | | | |
| 2023 | | | | | | | |
| 2024 | | | | | | | |
| TOTAL | \$31,770,000 | \$13,416,643 | | | | | |

Notes:

(1) Preliminary, subject to change. Includes debt service for the Refunded Bonds.

Source: City of Portland.

SECURITY FOR THE 2008 BONDS

INTRODUCTION

The Oregon property tax system and the tax increment system were both substantially changed when the voters of Oregon approved Measure 50, an amendment to Article XI, Section 11 of the Oregon Constitution. Although Measure 50 generally reduced tax rates and assessed values, it was not intended to reduce tax increment collections. Measure 50's tax and assessed value reductions would have reduced tax increment collections substantially. To prevent any unintended reduction in tax increment collections, Measure 50 also states:

“...The Legislative Assembly shall enact laws that allow collection of ad valorem property taxes sufficient to pay, when due, indebtedness incurred to carry out urban renewal plans existing on December 5, 1996...” Oregon Constitution, Article XI, Section 11(16).

Under the authority of Article XI, Section 11(16), the Oregon Legislative Assembly (the "Oregon Legislature") authorized urban renewal agencies to impose special levies for urban renewal areas that had plans in existence on December 5, 1996. The urban renewal plan for the Area (the "Plan") was in existence on December 5, 1996, and the 2008 Bonds are being issued to carry out this Plan.

For a general description of the Oregon property tax system, see "PROPERTY TAX AND VALUATION INFORMATION" herein.

PLEDGE OF TAX INCREMENT REVENUES

The 2008 Bonds are secured by a lien on, and a pledge of, the Tax Increment Revenues as defined in the Bond Declaration. The lien of the 2008 Bonds on the Tax Increment Revenues is on a parity with the lien on, and pledge of, the Tax Increment Revenues which secures the 2000 Bonds.

The Tax Increment Revenues consist of two types of taxes. The first tax securing the 2008 Bonds is the amount of taxes calculated based on the increase in value of property in the Area (the "Divide the Taxes Revenues"). The Divide the Taxes Revenues are fixed for the Area at an annual amount of \$5,660,000 before reductions due to compression, delinquencies and discounts. The second tax securing the 2008 Bonds is a special, citywide property tax levy (the "Special Levy"). 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 "SECURITY FOR THE 2008 BONDS – 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 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. See "RISKS TO BONDHOLDERS – Measure 5 Compression" and "PROPERTY TAX AND VALUATION INFORMATION – Section 11b."

PLEDGE OF RESERVE SUBACCOUNTS

The 2008 Series A Bonds are additionally secured by a lien on, and pledge of, amounts credited to the 2008 Series A Bond Reserve Subaccount. The 2008 Series B Bonds are additionally secured by a lien on, and pledge of, amounts credited to the 2008 Series B Bond Reserve Subaccount.

This Official Statement refers to the amounts that are pledged to each series of 2008 Bonds as the "Security" for that Series. For the 2008 Series A Bonds, "Security" means: (i) the Tax Increment Revenues which are pledged on a parity with all other Bonds; and (ii) all amounts credited to the 2008 Series A Bond Reserve Subaccount, which are pledged solely to the 2008 Series A Bonds. For the 2008 Series B Bonds, "Security" means: (i) the Tax Increment Revenues which are pledged on a parity with all other Bonds; and (ii) all amounts credited to the 2008 Series B Bond Reserve Subaccount, which are pledged solely to the 2008 Series B Bonds.

THE 2008 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES. THE 2008 SERIES A BONDS ARE ADDITIONALLY SECURED BY AMOUNTS CREDITED TO THE 2008 SERIES A BOND RESERVE SUBACCOUNT AND THE 2008 SERIES B BONDS ARE ADDITIONALLY SECURED BY AMOUNTS CREDITED TO THE 2008 SERIES B BOND RESERVE SUBACCOUNT, AS PROVIDED IN THE BOND DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES LIMITATION. THE 2008 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 TAX INCREMENT REVENUES AND AMOUNTS IN THE APPLICABLE RESERVE SUBACCOUNT.

MAXIMUM TAX INCREMENT REVENUES

The Maximum Tax Increment Revenues limits the Divide the Taxes Revenues and the Special Levy, and are the maximum amount of tax increment revenues that can be collected each year in urban renewal areas in existence on December 5, 1996, which includes the Area. The Maximum Tax Increment Revenues are the amount of taxes that could have been collected in the first year of Measure 50 if Measure 50 had not passed, adjusted each subsequent year for changes in the urban renewal area Incremental Assessed Value. The Incremental Assessed Value is the difference between the Assessed Value, as defined in "PROPERTY TAX AND VALUATION INFORMATION – Section 11" herein, of all taxable property in the Area for the year the Area was formed (1985) adjusted for amendments to the Plan (the "Frozen Base") and the current Assessed Value of all taxable property in the Area. The amount of the Maximum Tax Increment Revenues for the Area is \$22,414,988 in FY 2007-08. 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 fiscal year, adjusted by a percentage change equal to the percentage change in the Incremental Assessed Value from the preceding fiscal year. The Maximum Tax Increment Revenues are reduced only if the Incremental Assessed Value of the Area is reduced. See "SECURITY FOR THE 2008 BONDS – OTHER COVENANTS – Reduction in Area" and "THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – AREA PROPERTY VALUES" 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 determine what portion of the Maximum Tax Increment Revenues would be collected as the Divide the Taxes Revenues. The 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. 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. The Assessed Value of the Area was \$1,078,419,604 in FY 2007-08. The Frozen Base was \$378,055,680 and the Incremental Assessed Value was \$700,363,924. See "THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – AREA PROPERTY VALUES" herein.

Measure 50 permitted urban renewal agencies to elect to collect a lower amount of Divide the Taxes Revenues than would result by applying the consolidated billing tax rate to the Incremental Assessed Value under certain collection options. Oregon law required the election to be made by the end of FY 1997-98, and states that the election is irrevocable. See "PROPERTY TAX AND VALUATION INFORMATION, – Section 11 and Urban Renewal Revenues" herein. The City and the Commission elected to limit the Divide the Taxes Revenues for the Area to \$5,660,000 each Fiscal Year, although actual collections may be less due to compression, delinquencies, and discounts. Incremental Assessed Value not required to produce an amount equal to \$5,660,000 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. Certain urban renewal districts, including the Area, may collect taxes generated from all or a portion of this released Incremental Assessed Value through imposition of a "Special Levy," as described below.

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" herein.

THE SPECIAL LEVY

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. The Bond Declaration establishes the minimum amount of the Special Levy to be allocated to the Area and the Special Levy cannot exceed the limitations of the Maximum Tax Increment Revenues. See "OTHER COVENANTS – Collection Covenant" and "THE PORTLAND DEVELOPMENT COMMISSION – Urban Renewal Areas – Collection Options" herein. For FY 2007-08, the City certified a Special Levy of \$2,134,621 for the Area. The Special Levy can be reduced by changes in the Incremental Assessed Value of the Area and may be subject to compression. See "RISKS TO BONDHOLDERS" herein.

The City and the Commission have covenanted to impose a Special Levy each year which produces an amount in excess of the amount required to pay the Outstanding Bonds. See "OTHER COVENANTS – Collection Covenant" below. 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 these bonds are outstanding. See "SOUTH PARK BLOCKS URBAN RENEWAL AREA – TAX INCREMENT HISTORICAL AND PROJECTED REVENUES, DEBT SERVICE, AND MAXIMUM TAX INCREMENT REVENUES" 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 as established by Ordinance 172356 amending the Plan is \$143,619,000. The Maximum Indebtedness limitation applies to debt issued on or after December 5, 1996, but does not include refunding debt. See "THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – MAXIMUM INDEBTEDNESS" herein. The Maximum Indebtedness is not expected to be reached as of July 23, 2008, the final date established in the South Park Blocks Urban Renewal Plan to issue new money bonded indebtedness, defined as indebtedness maturing in greater than one year. If the Maximum Indebtedness is not reached, the City may issue each year short-term (maturing in less than one year) Subordinate Indebtedness up to the Maximum Indebtedness limit. See "SECURITY FOR THE 2008 BONDS – FUTURE INDEBTEDNESS – Subordinate Indebtedness" herein.

Oregon law does not clearly indicate the consequences if the City or the Commission issues indebtedness for the Area in an amount that exceeds the Maximum Indebtedness amount; however, it is possible that City and the Commission would lose the power to impose a Special Levy for the Area. 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 impose the Special Levy for the Area. See Appendix A, BOND DECLARATION, Section 7 – "General Covenants."

OTHER COVENANTS

Covenant Not to Issue Obligations with a Superior Lien on the Security

The City covenants in the Bond Declaration for the benefit of the Owners of the Outstanding Bonds not to issue any obligations which have a lien or claim on the Security which is superior to the lien or claim of the Owners.

Collection Covenant

Under the Bond Declaration, the City covenants that 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 expect to receive in that Fiscal Year. The Bond Declaration provides that if the amount of this estimate is less than 105 percent of the Required Levy Amount for that Fiscal Year, (i.e., the sum of (a) the Scheduled Debt Service for the Outstanding Bonds minus the balance in the Debt Service Account on July 1 of the Fiscal Year which will be available to pay the Scheduled Debt Service in that Fiscal Year, and (b) any amounts the City reasonably estimates will be required to restore the balances in the subaccounts of the Reserve Account to their Reserve Requirements), the City and the Commission shall notify the assessors to impose a Special Levy for that Fiscal Year (to the extent that the Maximum Tax Increment Revenues are sufficient) in an amount which

the City and the Commission reasonably estimate would result in the City and the Commission receiving Tax Increment Revenues for that Fiscal Year of at least 105 percent of the Required Levy Amount. See “SECURITY FOR THE 2008 BONDS – FUNDS AND ACCOUNTS” and “SECURITY FOR THE 2008 BONDS – FUTURE INDEBTEDNESS – Interim Financing” herein and definition of “Required Levy Amount” in APPENDIX A, Amended and Restated Bond Declaration.

Reduction in Area

The City covenants that it 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 130 percent of the Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). Under the Bond Declaration, before the Area is reduced, the Debt Manager must project the Maximum Tax Increment Revenues that will be available for the Area after its reduction.

Because the current level of Maximum Tax Increment Revenues exceed coverage requirements on the Maximum Annual Debt Service for all Outstanding Bonds, including the 2008 Bonds when issued, and to promote further revitalization in other parts of the City, the Commission and the City are currently considering recommendations to remove certain property from the Area. Decisions to reduce the Area’s boundaries are currently not expected to result in Maximum Tax Increment Revenues of less than 1.75 times the net maximum annual debt service on the Area’s outstanding and proposed indebtedness. “Net maximum annual debt service” means the greatest annual debt service that is due in any year, after adjusting debt service for principal and interest that will be paid from the 2008 Series A Bond Reserve Subaccount and the 2008 Series B Bond Reserve Subaccount. See “RISKS TO BONDHOLDERS – Declines in Urban Renewal Property Values” and “THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – AREA PROPERTY VALUES –Projections of Future Assessed Value for the Area” herein.

Granting or Approving of Tax Exemption

To the extent the City controls property tax exemptions, the City has covenanted in the Bond Declaration that it 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 the Bond Declaration. However, 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” herein.

THE TAX INCREMENT FUND AND ITS ACCOUNTS

Overview

ORS 457.440(6)(b) and the Bond Declaration require the City to deposit all Tax Increment Revenues into the Tax Increment Fund. The Bond Declaration separates the Tax Increment Fund into a Parity Indebtedness Fund, which includes the Debt Service Account and the Reserve Account, and a Subordinate Indebtedness Fund.

All Tax Increment Revenues deposited in the Tax Increment Fund must be credited:

- First, to the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Scheduled Debt Service for that Fiscal Year;
- Second, to the Reserve Account for allocation *pro rata* among any subaccounts of the Reserve Account that have balances that are less than their Reserve Requirements, until the balances in all subaccounts of the Reserve Account are equal to their Reserve Requirements (see “The Reserve Account” below); and
- Third, to the Subordinate Indebtedness Fund, to the extent that any amounts remain after the foregoing deposits have been made.

The Debt Service Account

Amounts in the Debt Service Account shall be used only to pay Bond principal, interest and premium.

The Reserve Account

The Reserve Account contains subaccounts that secure different series of Bonds. The 2000 Bonds are secured by the 2000 Bond Reserve Subaccount. The 2008 Series A Bonds are to be secured by the 2008 Series A Bond Reserve Subaccount. The 2008 Series B Bonds are to be secured by the 2008 Series B Bond Reserve Subaccount. The City has reserved the right to issue Parity Indebtedness in the future that is secured by the 2000 Bond Reserve Subaccount or new subaccounts in the Reserve Account. The City may not issue future Parity Indebtedness that is secured by the 2008 Series A Bond Reserve Subaccount or the 2008 Series B Bond Reserve Subaccount. Amounts in the 2008 Series A Bond Reserve Subaccount will be applied to the final payments due on the 2008 Series A Bonds, and amounts in the 2008 Series B Reserve Subaccount will be applied to the final payments due on the 2008 Series B Bonds. Amounts in a subaccount of the Reserve Account may be used only to pay Bonds that are secured by that Reserve Subaccount, except as specifically provided in the Bond Declaration.

The Bond Declaration requires that the City fund and maintain a balance in the 2008 Series A Bond Reserve Subaccount at least equal to the 2008 Series A Bond Reserve Requirement, and also requires that the City fund and maintain a balance in the 2008 Series B Bond Reserve Subaccount at least equal to the 2008 Series B Bond Reserve Requirement. As provided in the Bond Declaration, the 2008 Series A Bond Reserve Requirement will be equal to the Tax Maximum for the 2008 Series A Bonds, and the 2008 Series B Bond Reserve Requirement will be equal to the Tax Maximum for the 2008 Series B Bonds. The "Tax Maximum" for a Series of Bonds is equal to the lesser of Maximum Annual Debt Service on the Series, 125 percent of average Annual Debt Service on the Series, or 10 percent of the proceeds of the Series. For purposes of calculating Maximum Annual Debt Service, the final interest payment scheduled to be paid on the 2008 Series A Bonds shall be assumed to be paid from 2008 Series A Bond proceeds that are deposited in the 2008 Series A Bond Reserve Subaccount, and the final interest payment scheduled to be paid on the 2008 Series B Bonds shall be assumed to be paid from 2008 Series B Bond proceeds that are deposited in the 2008 Series B Bond Reserve Subaccount.

Reserve Equivalents for Parity Indebtedness

The Bond Declaration does not allow the City to fund the 2008 Series A Bond Reserve Subaccount or the 2008 Series B Bond Reserve Subaccount with Reserve Equivalents. The Bond Declaration defines "Reserve Equivalent" as "an insurance policy, surety bond or letter of credit issued by a municipal bond insurance company 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 Services, Standard & Poor's, or Fitch Ratings, 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."

The City has funded the 2000 Bond Reserve Subaccount entirely with Reserve Equivalents issued by Ambac Assurance Corporation, which have an aggregate face amount of \$3,768,835. The 2008 Bonds have no claim to be paid from the 2000 Bond Reserve Subaccount or the Reserve Equivalents in that subaccount. The City is not required, nor does it intend, to replace the Reserve Equivalents in the 2000 Bond Reserve Subaccount if the rating of the provider of the Reserve Equivalent falls below a credit rating of at least A by Moody's Investors Service, Standard & Poor's, or Fitch Ratings.

FUTURE INDEBTEDNESS

The South Park Blocks Urban Renewal Plan has established July 23, 2008 as the final date on which to issue new money bonded indebtedness. No additional new money bonded indebtedness may be incurred for the Area after this date. The City may issue Parity Indebtedness to refund outstanding Bonds. The City also may issue short-term Subordinate Indebtedness (maturing in less than one year) up to the Maximum Indebtedness limit as described below.

Additional Parity Indebtedness

The 2008 Bonds are being issued as Parity Indebtedness under the Bond Declaration. Under the Bond Declaration, the City has reserved the right to issue future Parity Indebtedness, but only if all of the following conditions are met:

- (A) As of the date of Closing of the Parity Indebtedness, no Event of Default under the Bond 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%) 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:
 - (a) 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 is 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 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;
 - (c) stating the projected amount of the Maximum Tax Increment Revenues for the fifth Fiscal Year after the Fiscal Year in which the Parity Indebtedness is issued; and,
 - (d) concluding that this projected amount described in the preceding paragraph (c) is at least equal to one hundred thirty percent (130%) 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.

The City may issue Parity Indebtedness 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 Parity Indebtedness; and,
2. 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.

In addition to allowing refunding of Parity Indebtedness which is not Interim Financing, the provisions allowing refunding of Parity Indebtedness permit 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 (which is assumed to be amortized as provided in the definition of "Annual Debt Service") in any Fiscal Year by more than \$5,000.

Interim Financing

The Bond Declaration permits Parity Indebtedness in the form of Interim Financing that matures within three years after its date of issue. For purposes of calculating Scheduled Debt Service as it relates to the collection covenant described above, Interim Financings are assumed to be paid in whole or in part from the proceeds of refunding Bonds, and the City and the Commission are not obligated to collect amounts each year sufficient to pay Scheduled Debt Service on Interim Financings. The City and Commission are obligated, however, to provide for payment of Interim Financings from the proceeds of Bonds or from Tax Increment Revenues. For purposes of calculating Annual Debt Service when Parity Indebtedness is issued, Interim Financings are assumed to be amortized as provided in the definition of "Annual Debt Service." The City has no Interim Financing as of the Date of Closing.

Subordinate Indebtedness

The City may issue Subordinate Indebtedness which 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 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.

AMENDMENTS, DEFAULTS, AND REMEDIES

The City may amend the Bond Declaration for certain purposes without consent of Bondowners, and for other purposes with the consent of 51 percent of the Owners. The issuer of a municipal bond insurance policy which insures payment of all principal and interest due on Parity Indebtedness may be treated as the Owner of that Parity Indebtedness for purposes of consenting to an amendment of the Bond Declaration.

RISKS TO BONDOWNERS

GENERAL

The 2008 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 2008 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 certify the levy for the Divide the Taxes Revenues and the Special Levy to the county assessors. The county assessors must impose and collect these taxes. Any circumstances that cause the property tax system to malfunction may prevent the City and the Commission from receiving Tax Increment Revenues in amounts and at times sufficient to pay the 2008 Bonds. See “THE INITIATIVE PROCESS” herein.

DECLINES IN URBAN RENEWAL PROPERTY VALUES

If the Assessed Value of property in the Area declines substantially, the Tax Increment Revenues may not be sufficient to pay the Bonds, including the 2008 Bonds. The City and Commission are not permitted by law to collect Tax Increment Revenues in amounts that exceed the Maximum Tax Increment Revenues. The Maximum Tax Increment Revenues will be reduced if the Incremental Assessed Value of the Area is reduced.

The Incremental Assessed Value of the Area could be adversely affected by many factors, including but not limited to:

- (1) changes in the economy of the Portland metropolitan area or changes in the businesses operating in the Area (the Assessed Value of business property in the Area may vary with the income that is produced from that property).
- (2) general trends in real and personal property values.
- (3) fire, flood, earthquake, environmental contamination or other unforeseen event or disaster which destroys property inside the Area or substantially reduces its value.
- (4) legislation or other government action that affects property values, including but not limited to:
 - (a) changes in zoning and land use laws;
 - (b) changes in the method of calculating Assessed Value;
 - (c) increases in the types of property tax exemptions that are available for property inside the Area;
 - (d) changes in environmental laws which restrict activities in the Area or impose penalties that reduce property values in the Area; and
 - (e) changes in tax laws affecting businesses operating in the Area (the Assessed Value of business property in the Area may vary with the income that is produced from that property).
- (5) changes in the way property is used in the Area which affect its value for tax purposes, including changes that qualify the property for exemption from property taxation. See “SECURITY FOR THE 2008 BONDS – OTHER COVENANTS – Granting or Approving of Tax Exemptions,” herein.
- (6) reductions in the size of the Area. See “SECURITY FOR THE 2008 BONDS – OTHER COVENANTS – Reduction in Area,” and “THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – AREA PROPERTY VALUES – Projections of Future Assessed Value for the Area” herein.

CHANGES IN PROPERTY TAX SYSTEM

The 2008 Bonds are payable from the Tax Increment Revenues, which are collected through the property tax system. Oregon law affecting the property tax system could change in ways that reduce the Tax Increment Revenues or make their collection less reliable.

ERRORS IN ASSESSMENT PROCESS

Because the Maximum Tax Increment Revenues are affected by the Incremental Assessed Value of the Area, errors in the assessment of property in the Area may adversely affect the collection of Tax Increment Revenues.

MEASURE 5 COMPRESSION

General

Divide the Taxes Revenues and Special Levies 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.

The Divide the Taxes Revenues and Special Levies are included in the Measure 5 limit of \$10/\$1,000 of real market value.

Measure 5 compression reduced the Divide the Taxes Revenues collected in Fiscal Year 2007-2008 by approximately 5.0 percent, and reduced the Special Levy by 2.7 percent. (See “ANNUAL DISCLOSURE INFORMATION – OTHER FACTORS AFFECTING TAX COLLECTIONS – Tax Increment Revenue Reductions Due to Measure 5 Compression.”) 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.

Compression of Divide the Taxes Revenues

The Divide the Taxes Revenues and similar charges by urban renewal agencies for other urban renewal areas are limited to \$10/\$1,000 by Measure 5 as discussed above. Those charges are referred to collectively in this discussion as “Divide the Taxes Charges.”

The method for calculating Measure 5 compression of Divide the Taxes Charges is complex. The Oregon Department of Revenue adopted administrative rules prescribing a method for calculating compression of Divide the Taxes Charges and those rules are now in effect. Those rules apply the same principles that were used to calculate compression of Divide the Taxes Charges before 1997. The calculations and projections of Divide the Taxes Revenues in this Official Statement have been done in compliance with those principles and administrative rules. However, the Oregon Legislature, or voter initiative could change the method for calculating Measure 5 compression of Divide the Taxes Charges. Those changes could either reduce or increase the amount of Measure 5 compression of Divide the Taxes Charges.

See also “PROPERTY TAX AND VALUATION INFORMATION – Section 11b” herein.

RESERVE EQUIVALENTS

The Bond Declaration does not allow the City to fund the reserve subaccounts for the 2008 Bonds with Reserve Equivalents. However, the City has funded the 2000 Bond Reserve Subaccount with Reserve Equivalents. The ratings of the provider of Reserve Equivalents may decline, and the City has no obligation to replace those Reserve Equivalents. If the provider of a Reserve Equivalent is unable to provide money to the City and the City needs to make withdrawals from the Reserve Account, the City may not be able to pay debt service for some or all of its 2000 Bonds.

THE SOUTH PARK BLOCKS URBAN RENEWAL AREA

DESCRIPTION AND PURPOSE

The South Park Blocks Urban Renewal Area was formed in 1985. The Portland Development Commission manages work in the Area. See “THE PORTLAND DEVELOPMENT COMMISSION” herein. The Area originally comprised 134 acres. The Plan for the Area was later amended to include 26.76 acres to the north. The Area now comprises approximately 161 acres. The map on the following page shows the boundaries of the Area. A proposed amendment to the Plan would reduce the Area by approximately 3.32 acres. (See THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – AREA PROPERTY VALUES – Projections of Future Assessed Value for the Area” herein.)

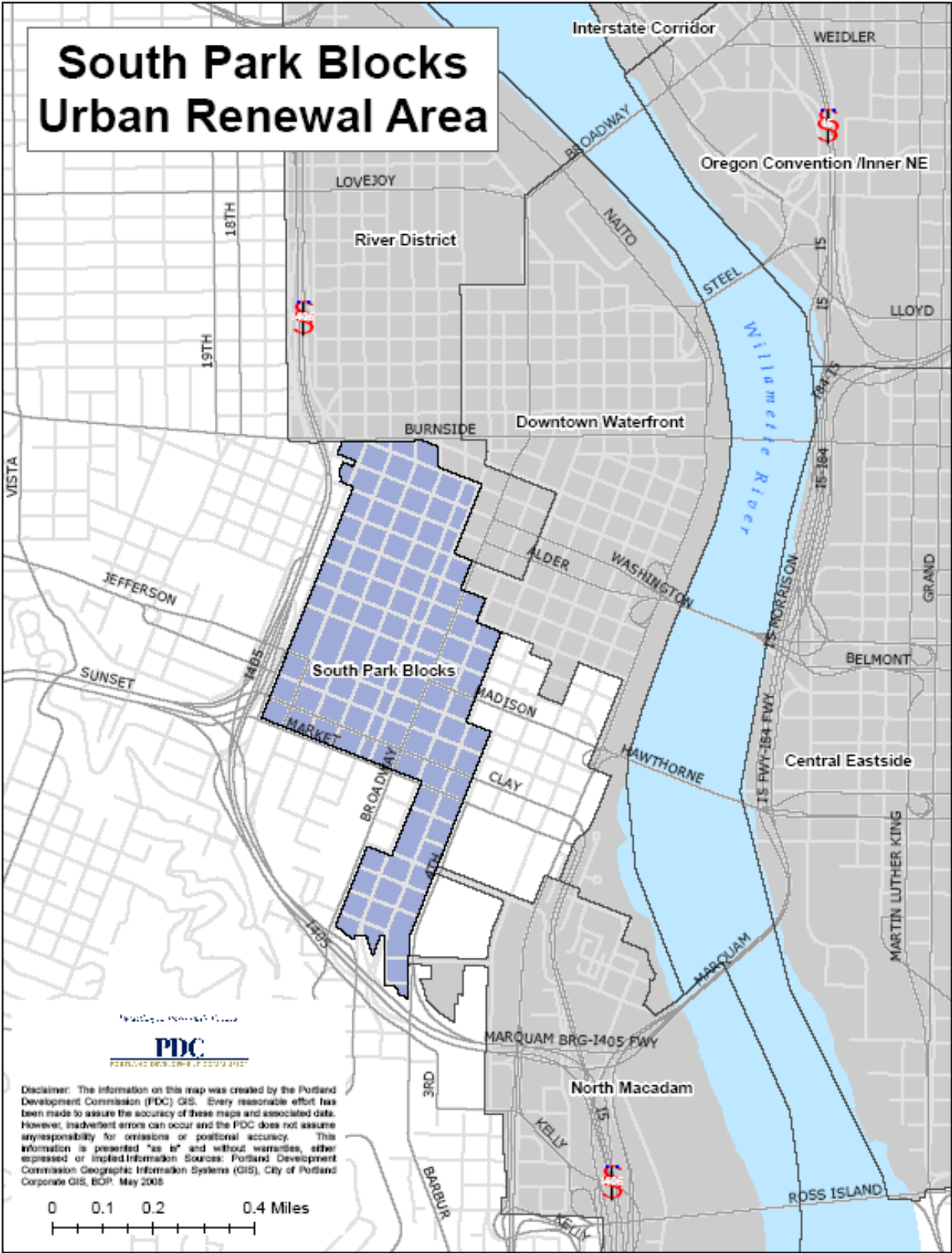
Situated adjacent to Portland State University (“PSU”) campus, the Area is home to the Multnomah County Central Library, the Portland Center for Performing Arts, the Portland Art Museum, the Oregon Historical Society, and is home to many downtown churches and mixed income, mixed-use housing developments. Among the more notable assets of the Area are the array of tree-lined park blocks, which provide a pedestrian link from PSU to the retail core, and easy access to the light rail system, the Central City Streetcar, and Interstate 405.

The primary objectives for the Area are to support the residential neighborhood by creating new middle income housing and maintaining the existing number of low and moderate income housing; to provide public improvements that support the cultural center and residential neighborhood; and to address the parking and circulation needs of the Area. Commission activities include retail revitalization; supporting development of parking structures that service older buildings, retail shops, and cultural attractions; and addressing transportation and regulatory challenges, such as seismic code regulations. The Commission is also working to promote the downtown’s vitality by making available a full range of housing opportunities.

ECONOMIC ACTIVITY

Employment

The Oregon Employment Department estimates employment within the South Park Blocks Urban Renewal Area to be 21,378 jobs, representing 16.1 percent of the total employment in the Central City Plan area. The Central City Plan comprises eight neighborhoods: Downtown, Goose Hollow, North of Burnside, Northwest Triangle, Lower Albina, Lloyd Center/Coliseum, Central Eastside and North Macadam. The Area’s economy is primarily a mix of business and financial services functions, retail and hotel/tourism functions and services.



Many large, public and private regional employers are located in the Area according to the Portland Business Alliance publication titled *Portland Metro Area Largest Employers*, which includes data collected between February 2006 through June 2007. The following table lists these employers and their estimated total regional employment.

Table 4
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
LARGEST EMPLOYERS LOCATED IN THE AREA

| Employer | Approx. Number of Regional Employees |
|----------------------------------|---|
| Portland State University | 6,000 |
| Wells Fargo Bank | 4,774 |
| Standard Insurance | 2,500 |
| The Oregonian Publishing Company | 1,231 |
| Hilton Hotel | 600 |
| City Center Parking | 475 |
| Hoffman Construction | 475 |
| The Portland Clinic LLP | 400 |
| Schwabe, Williamson & Wyatt | 351 |
| Washington Mutual Savings Bank | 254 |

Source: Portland Business Alliance, Portland Metro Area Largest Employers, September 2007.

ECONOMIC DEVELOPMENT

Tax increment revenues have played an important role in attracting private investment to the Area since its formation. Investment by the Commission, combined with private investment, has helped generate approximately a \$700 million increase in Assessed Value since the formation of the Area in 1985. The majority of new development initiated by the Commission has centered on improving the downtown transit mall to provide a better business environment and enhanced transit service; expanding and supporting the downtown retail core; providing new and renovated public open space for downtown residents, workers, and visitors; preserving affordable housing and providing middle income housing in support of a healthy mixed-income downtown residential neighborhood; and recruiting and retaining jobs and promoting business opportunities in downtown.

Commission Activity

Public Improvements

The Commission has been involved in significant public improvements in the Area in recent years. In 2001, construction of the Portland Streetcar line from Portland's Northwest neighborhoods to PSU was completed with a contribution of approximately \$7.5 million of tax increment funds. The first phase of the streetcar terminated at PSU's University Plaza, a \$5 million, 30,000 square foot public open space, completed in 2000. Together with the adjacent PSU Urban Center and university bookstore, the new plaza provides a central gathering place for the PSU community and Portland residents. The Commission contributed to the design and construction of the plaza as a transit-oriented gateway to the PSU campus, distinguished by its diagonal streetcar alignment and large granite sculptures. The 2005 streetcar extension outside of the Area to the east and south (within the North Macadam Urban Renewal Area) also involved Commission investment, helping to link PSU to the new Oregon Health & Sciences University development in South Waterfront.

Further public transportation investments have included the Commission's contribution of approximately \$7.2 million in funding for the Portland Mall light rail extension along the downtown transit mall in the Area (Southwest 5th and 6th Avenues), to be completed in 2009. Commission investment has assisted with light rail infrastructure, station, and sidewalk improvements as well as assistance to adjacent businesses and property owners to significantly improve buildings along the Transit Mall.

The Commission has also made significant investments in supporting the role of the South Park Blocks in the Area. In 2008, Portland Parks & Recreation initiated construction work on Park Block 5, at SW Taylor Street and SW Park Avenue. With \$3 million of Commission assistance, the new 20,000 square foot public square will include a glass canopy, water feature, and an 850 square foot café kiosk with two public restrooms. The Commission invested in the new park to help link the South and North Park Blocks and to provide open space for downtown residents and retailers.

Housing

The Commission's investment of approximately \$20 million in capital outlay and financial assistance from 1999 through 2003 in the three-block Museum Place development project, located at SW Tenth and Eleventh Avenues and SW Columbia and Main Streets, helped introduce more than 300 new housing units, a downtown grocery store, office space, renovated YWCA and community center, and over 500 new underground parking spaces to the West End area. Completed five years ago, the Commission's involvement, through land consolidation and financial assistance, helped spur over \$110 million in private investment.

The first project, completed in 2003, was the St. Francis apartment building owned by the Housing Authority of Portland with 131 mixed-income units, including 100 units for extremely low-income tenants. The renovated YWCA includes a health and fitness center, counseling center, community center, administrative offices, transitional housing, and extension of the Madison Plaza pedestrian way. The new housing project at Museum Place South includes a full service Safeway at the ground floor, with 142 lofts and town homes above. Completed in 2006, the 20-story Eliot Tower introduces 223 new condominiums to the neighborhood. The final project, Madison Place, includes over 25,000 square foot of office use and is one of Portland's first office condominium projects.

Several housing projects are anticipated to be funded through the Commission's current and 2008-09 budget. Approximately \$2.7 million has been identified for the Jeffrey/Jeff West projects which provides for replacement of 78 Section 8 units consistent with the City's No Net Loss policy. The Jeffrey Apartments includes 50 studio units serving households with incomes less than or equal to 30 percent of Median Family Income ("MFI") and 28 one-bedroom units serving households with incomes less than or equal to 50 percent of MFI. The Martha Washington project funding of approximately \$2.8 million includes predevelopment and rehabilitation loans to convert an existing unoccupied property, with 133 unit single resident occupancy units, into an 80 unit project including 25 studio units serving households with incomes less than or equal to 30 percent of MFI, 25 studio units serving households with incomes less than or equal to 50 percent of MFI, and 28 one-bedroom units serving households with incomes less than or equal to 50 percent of MFI. Additionally, funding in the amount of approximately \$18.7 million is included for rental preservation and preservation of expiring Section 8 housing.

On October 25, 2006, the City Council adopted Ordinance 180547 establishing a policy of the City to set aside 30 percent of proceeds from tax increment financing ("TIF Set Aside") over the life of an urban renewal area, which will be dedicated to the development, preservation and rehabilitation of housing affordable to households with incomes below 80 percent of median family income. This policy was amended by Ordinance 180889, in April 2007, to allow funds to also be used for the development of, or homebuyer assistance to, units with three bedrooms or more which are restricted to 100 percent median family income and below. Additionally, Ordinance 180889 incorporated an Implementation Plan into the Policy with set-aside percentages for each urban renewal area. The Implementation Plan established a spending requirement for the Area at 30 percent of total tax increment resources. Sufficient funding for housing projects is included in the Area's budget and forecast to comply with the spending requirements of the policy.

Financial Assistance

The Commission has provided financial assistance to numerous businesses in targeted industry clusters within the South Park Blocks urban renewal area to promote job creation and retention. The Commission has also used its popular Storefront Improvement Program to help building and business owners with matching grants for façade improvements. The Commission worked with more than 20 businesses in the South Park Blocks URA in FYs 2006-07 and 2007-08.

Other Development in the Area

In 2007, the Commission agreed to assist PSU with the construction of a 210,000 square foot mixed-use development at the Portland Center for Advanced Technology (at SW 6th Avenue and SW Montgomery Street) and adjacent to the University Center plaza. Expected to be completed in 2009, the development will include a new PSU student recreation center, ground floor retail, approximately 80,000 square feet of academic use, including the School of Social Work, and the integration of the

new City of Portland Archives. The building will further strengthen a hub of transit-oriented development in support of PSU and the more than 5 million visitors to the area annually.

THE COMMISSION’S PLANNED ACTIVITY

The following projects have been identified in the Commission’s budget process for funding over the next four fiscal years.

Commercial Development. Commercial development projects are aimed at attracting and retaining key retailers in the downtown core in support of the Downtown Retail Strategy, the URA Plan and the Central City Plan and funds for redevelopment of Montgomery Blocks properties.

Parks and Public Facilities. Parks and Public Facilities projects include funding to build a new park in the Midtown Blocks; funds to design streetscape improvements around the park and funds to PSU for redevelopment of the property for a new Recreation Center and academic space.

Housing. Housing projects include funding for the preservation and replacement of expiring Section 8 housing consistent with the City’s No Net Loss policy; and predevelopment and rehabilitation loans to for conversion of existing SRO units to serve low and extremely low-income housing. Funding for projects complies with the TIF Set Aside policy. See “THE SOUTH PARK BLOCKS URBAN RENEWAL AREA – ECONOMIC DEVELOPMENT – Housing” herein.

The following table identifies projects anticipated to be funded with the proceeds of the 2008 Bonds and their estimated costs.

**Table 5
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
PLANNED BOND-FUNDED PROJECTS (1)
(FYs 2007-08 through 2011-12)**

| Project Category | Amount (2) |
|-----------------------------|------------------------|
| Commercial Development | \$ 3,875,000 |
| Parks and Public Facilities | 4,800,000 |
| Housing | 24,238,483 |
| Other (3) | 643,542 |
| Total | \$ \$33,557,025 |

Notes:

- (1) The planned projects are based on the budget of the Commission, and may be changed in the future.
- (2) Preliminary, subject to change.
- (3) Includes bank fees paid from line of credit and staffing and indirect costs which will be allocated to projects based on final project amounts.

Source: Portland Development Commission

MAXIMUM INDEBTEDNESS

The Maximum Indebtedness limit for the Area is \$143,619,000. (See “SECURITY FOR THE 2008 BONDS – Maximum Indebtedness.”) The table below shows the estimated Maximum Indebtedness amount remaining after issuance of the 2008 Bonds. Bonds issued to refund outstanding debt do not count against the Maximum Indebtedness limitation.

Table 6
CITY OF PORTLAND, OREGON-
South Park Blocks Urban Renewal Area
MAXIMUM INDEBTEDNESS, AMOUNTS ISSUED, AND AMOUNTS REMAINING
(as of Date of Closing of the 2008 Bonds)

| | |
|------------------------------------|------------------------|
| Maximum Indebtedness Amount | \$143,619,000.00 |
| Less: Line of Credit Draws (1) (2) | 7,104,542.27 |
| 2000 Bond Proceeds (new money) | 30,990,000.00 |
| 2008 Bond Proceeds (new money) (2) | 40,582,665.25 |
| Taxable Short-Term Issues (3) | <u>34,225,000.00</u> |
| Remaining Maximum Indebtedness | <u>\$30,716,792.48</u> |

Notes:

- (1) A portion of the amount shown for line of credit draws will be repaid with the a portion of the proceeds of the 2008 Bonds.
- (2) Preliminary, subject to change.
- (3) To comply with requirements that tax increment revenues be spent on bonded indebtedness, the City issues bonds with very short maturities (typically overnight). These bonds, known as “du jour bonds” are typically sold to commercial banks. Amount shown is for FY 1997-98 through FY 2007-08.

Source: City of Portland.

AREA PROPERTY VALUES

Oregon’s Property Tax System and Assessed Values

Article XI, Section 11 of the Oregon Constitution (“Section 11”) limits annual increases in Assessed Value, as defined in “PROPERTY TAX AND VALUATION INFORMATION – Section 11” herein, to the lesser of three percent or the estimated market value of the property 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.”)

New construction and changed property is not assessed at its Real Market Value. Instead, it receives an Assessed Value that is calculated by multiplying the Real Market Value of the property by the ratio of Assessed Values of comparable property in the area to the Real Market Values of those properties (the “Changed Property Ratio”). This produces an Assessed Value for new construction and changed property that approximates to the Assessed Value of comparable property in the area. See Table 12, “History of Changed Property Ratios by Property Type” in “ANNUAL DISCLOSURE – FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS – Property Types and Values” herein.

In recent years, the Assessed Value of residential and commercial property has generally been well below the Real Market Value, and has been able to grow at the three percent limit imposed by the Oregon Constitution. The Assessed Value for other types of properties, such as industrial or utility property, has been at or near the Real Market Value, and has not grown at the three percent rate allowed by Section 11. See “PROPERTY TAX AND VALUATION – Section 11” herein. For current Area Assessed Value and Real Market Value by property type, see “ANNUAL DISCLOSURE INFORMATION – FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS” herein.

Historical Assessed Property Values

Between FY 1998-99 and FY 2007-08, the average annual compounded increase in Assessed Value of the Area was 4.7 percent. Over this same period, the average annual compounded increase in Incremental Assessed Value was 8.5 percent. See Table 11, "Assessed Value Growth and Tax Increment Levy" in "ANNUAL DISCLOSURE – FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS – Property Types and Values" herein.

Projections of Future Assessed Value for the Area

In May 2007, the Commission appointed an Urban Renewal Advisory Group ("URAG") to follow up on a 2004 Central City Urban Renewal Area Study. The URAG's final meeting was held in March 2008. Recognizing that the Area is a mature district and has largely achieved the redevelopment goals anticipated in the Plan, the URAG recommended the Area's last date to issue "new money" bonds should not be extended beyond July 2008. Further, in order to achieve the close-out goals for Area, the URAG recommended moving certain Area properties into the River District through a River District boundary expansion.

The URAG also recommended that the Commission encourage exploration of removing additional property from the Area to potentially allow for formation of new urban renewal areas to revitalize other parts of the downtown. This work would be done in conjunction with a review of the Central City Plan by the Bureau of Planning and is anticipated to be completed by early 2009. The URAG acknowledged that any such Area reductions had to conform with existing bond covenants in the Bond Declaration as well as any other limitations imposed on the Area. In response to the findings in the Central City Plan, the Commission may consider reductions to the Area that may result in up to approximately a 45 percent reduction in the Area's Assessed Value based on FY 2007-08 Assessed Values.

The City and Commission are evaluating how the URAG's recommendations could be implemented while ensuring that all bondholder obligations are met. The Tenth Amendment of the South Park Blocks Urban Renewal Plan was adopted by the Commission on May 14, 2008, and is scheduled to be presented to the City Council on June 25, 2008, for adoption. Adoption by the City Council would be followed by a 30-day referral period, which would end on July 25, 2008. If there are no referrals, the Tenth Amendment would be effective. The Tenth Amendment removes approximately 3.2 acres from the Plan Area with an estimated Assessed Value of \$5.2 million (0.5 percent of the total Assessed Value of the Area), consistent with recommendations of the URAG. The removed acreage will be added to the River District Urban Renewal Area, allowing projects specified for the parcels to be completed through funding from the River District Urban Renewal Area.

While the effects of reducing the Area includes a reduction in the Area's Incremental Assessed Value and Maximum Tax Increment Revenues, the City projects that any reductions to the Area will not affect the City's fixed amount of annual Divide the Taxes Revenues or its Special Levy collections. Moreover, based on current projections, the potential reductions of up to a total of about 45 percent of the Area's Assessed Value will still result in Maximum Tax Increment Revenues of not less than 1.75 times the net maximum annual debt service on the Area's outstanding and proposed indebtedness. "Net maximum annual debt service" means the greatest annual debt service that is due in any year, after adjusting debt service for principal and interest that will be paid from the 2008 Series A Bond Reserve Subaccount and the 2008 Series B Bond Reserve Subaccount. See "SECURITY FOR THE 2008 BONDS -- OTHER COVENANTS -- Reduction in Area" herein.

Except for reductions caused by reducing the Area's boundaries described above, the Assessed Value of the Area is projected to grow at an annual rate of approximately 2.5 percent over the next five years. This projection is based on an estimate of growth that reflects historic trends in property values of the Area, the recent economic slowdown, and limited new development activity. See "FORWARD LOOKING STATEMENTS" herein.

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

Historical Trends

The following table shows the amounts received in the Area from the Divide the Taxes Revenues and the Special Levy in the past five fiscal years.

Table 7
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
HISTORICAL TAX INCREMENT REVENUE COLLECTIONS,
MAXIMUM TAX INCREMENT REVENUES, AND ANNUAL DEBT SERVICE
 (Actual Results Reported on a Budgetary Basis)

| | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Tax Increment Revenues | | | | | |
| Tax Collections (Current Year) | \$6,416,965 | \$6,452,233 | \$6,593,373 | \$6,857,928 | \$7,172,360 |
| Tax Collections (Prior Years) | 157,507 | 169,052 | 154,088 | 144,714 | 168,621 |
| Investment Earnings | 57,949 | 42,535 | 43,743 | 93,864 | 137,031 |
| TOTAL | \$6,632,421 | \$6,663,820 | \$6,791,204 | \$7,096,506 | \$7,478,012 |
| Max. Tax Increment Revenues | \$16,085,348 | \$16,284,004 | \$17,293,253 | \$17,314,007 | \$18,118,547 |
| Annual Debt Service (1) | | | | | |
| Prior Lien Bonds (2) | \$2,227,048 | \$ -- | \$ -- | \$ -- | \$ -- |
| Parity Indebtedness | 3,176,862 | 3,180,014 | 3,179,072 | 3,178,981 | 3,764,343 |
| TOTAL | \$5,403,910 | \$3,180,014 | \$3,179,072 | \$3,178,981 | \$ 3,764,343 |

Notes:

- (1) Excludes debt service payments for subordinate indebtedness such as “du jour bonds” and interim financing.
- (2) Includes debt service on the City’s Urban Renewal and Redevelopment Bonds (South Park Blocks), Series C (the “Prior Lien Bonds”) issued on August 1, 1993. In FY 2002-03 the City called the remaining balance of the Prior Lien Bonds.

Source: City of Portland.

Projected Divide the Taxes 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 Bonds. As discussed earlier, any reductions to the Area would not affect projected Divide the Taxes Revenue or Special Levy collections.

Collections in excess of projected amounts may be used to reduce future Special Levy allocations or to redeem Bonds. The table shows that the City and the Commission expect to collect adequate Tax Increment Revenues to pay projected debt service over the planning period, while maintaining a sufficient cash balance to cushion unanticipated revenue shortfalls.

Table 8
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
PROJECTED TAX INCREMENT REVENUE COLLECTIONS,
MAXIMUM TAX INCREMENT REVENUES, AND ANNUAL DEBT SERVICE (1)

| | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Balance | \$266,816 | \$778,191 | \$1,376,396 | \$1,380,018 | \$1,381,114 | \$1,382,078 |
| Tax Increment Revenues | | | | | | |
| Divide the Taxes to Raise | \$5,660,000 | \$5,660,000 | \$5,660,000 | \$5,660,000 | \$5,660,000 | \$5,660,000 |
| Less M5 Compression | (283,906) | (339,600) | (339,600) | (339,600) | (339,600) | (339,600) |
| Less Discounts/Delinq. | (215,044) | (212,816) | (212,816) | (212,816) | (212,816) | (212,816) |
| Net Divide the Taxes | \$5,161,050 | \$5,107,584 | \$5,107,584 | \$5,107,584 | \$5,107,584 | \$5,107,584 |
| Special Levy to Raise | \$2,134,621 | \$2,725,708 | \$2,225,318 | \$2,257,547 | \$2,244,633 | \$2,254,936 |
| Less M5 Compression | (57,565) | (84,194) | (89,013) | (90,302) | (89,785) | (90,197) |
| Less Discounts/Delinq. | (83,082) | (105,661) | (85,452) | (86,690) | (86,194) | (86,590) |
| Net Special Levy | \$1,993,974 | \$2,535,853 | \$2,050,853 | \$2,080,555 | \$2,068,654 | \$2,078,149 |
| Total Tax Increment Revenues | \$7,155,024 | \$7,643,437 | \$7,158,437 | \$7,188,139 | \$7,176,238 | \$7,185,733 |
| Annual Debt Service (2) | | | | | | |
| 2000 Bonds | \$3,768,650 | \$2,434,148 | \$2,434,756 | \$2,434,191 | \$2,437,513 | \$343,488 |
| 2008 Bonds | - | 4,611,083 | 4,720,060 | 4,752,853 | 4,737,760 | 6,841,098 |
| TOTAL | \$3,768,650 | \$7,045,231 | \$7,154,816 | \$7,187,044 | \$7,175,273 | \$7,184,586 |
| Du Jour/Line of Credit Interest | 2,875,000 | 0 | \$0 | \$0 | \$0 | \$0 |
| Ending Balance | \$778,191 | \$1,376,396 | \$1,380,018 | \$1,381,114 | \$1,382,078 | \$1,383,226 |
| Maximum Tax Increment Revenues | \$22,414,988 | \$23,277,852 | \$24,046,469 | \$24,948,670 | \$25,873,427 | \$26,821,302 |

Notes:

- (1) Assumptions for projections include (a) 6 percent compression loss on Divide the Taxes to Raise, (b) 4 percent compression loss on Special Levy to Raise, (c) 4 percent net loss due to delinquencies, discounts, and prior year tax collections.
- (2) Preliminary, subject to change. Excludes debt service payments for subordinate indebtedness such as "du jour" bonds and interim financing.

Source: City of Portland.

ANNUAL DISCLOSURE INFORMATION

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12), the City will provide annually updated historical financial information and operating data of the type presented in this section entitled "Annual Disclosure Information" to all NRMSIRs and SIDs, if any. See Appendix D, "Continuing Disclosure Certificate" herein.

BASIS OF ACCOUNTING

The governmental fund types, expendable trust funds and agency funds are maintained on the modified accrual basis of accounting. The accounting practices of the City and the Portland Development Commission (the "Commission") conform to generally accepted accounting principles.

FISCAL YEAR

July 1 to June 30.

AUDITS

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

KPMG LLP conducted audits of the financial statements of the City of Portland and related entities from FY 1995-96 through FY 2001-02. Moss Adams LLP performed auditing services for FY 2002-03 through FY 2006-07.

A complete copy of the City's FY 2006-07 audit is available on the City's web site at <http://www.portlandonline.com/shared/cfm/image.cfm?id=180644>. A copy of the Commission's FY 2006-07 audit is available on the Commission's web site at http://www.pdc.us/pdf/pubs_general/cafr_2006-2007.pdf. The City's and the Commission's web sites are listed for reference only, and are not part of this Official Statement. Excerpts of audited financial results for the Tax Increment Fund are found in Appendix B.

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.

ENTERPRISE BUSINESS SOLUTION PROJECT

The City is currently in the process of implementing a citywide Enterprise Resource Plan ("ERP") system to replace its existing 18-year-old financial system known as IBIS. Functionality of IBIS is limited and is at risk of losing maintenance support from the vendor as well as the loss of in-house expertise due to retiring City employees. When complete, the proposed Enterprise Business Solution Project ("EBSP") will provide a suite of fully integrated financial, purchasing and human resources modules that are expected to help eliminate many duplicative side systems within individual City bureaus.

This project was initiated by the City in 2003 with an assessment of the City's needs and requirements, along with a review of the technology tools that could meet the City's current and future business needs. Recommendations were presented to Council in July 2004 with direction from Council to proceed with the project.

Since that time, considerable work has been completed including:

- Selection of the SAP software application
- Retention of a system integrator to lead the implementation effort
- Development and configuration of the ERP system to match City business needs

- Testing of the development and configuration
- Preparation of training programs and bureau readiness action plans

In December, 2007, the project Executive Steering Committee determined that work would not be done in time for the planned “go-live” date at the end of January 2008. The City decided that a different system integrator was needed to ensure project success. On May 7, 2008, the City Council approved a transition to SAP Public Consulting Services, Inc., a subsidiary of SAP America, Inc. While work has continued, the delay and extended timeframe has resulted in an expected \$18.5 million increase to the project cost for a new total budget of \$49.5 million.

The project is now scheduled to become operational in two phases. Phase One, including finance and purchasing, is expected to go live on November 1, 2008. Phase Two, including human capital management, is planned to go live on April 1, 2009. During the phase-in period, the existing IBIS system will continue to be operational.

SAP is proven software used by over 42,000 organizations globally. The SAP consulting team has recent successful public sector experience. ERP projects are large and complex. All development and configuration will be fully tested prior to becoming operational. This is the City’s first effort at implementing this type of system. Defects and errors may be identified after the EBS is operational. Business processes could be slowed or disrupted, especially during the critical period following the “go-live” dates. Extensive planning and training will occur to mitigate these risks. The City employs a quality assurance consultant to provide independent review and recommendations regarding project management and risk mitigation.

CITY 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 is provided to the City Council at the beginning of the budget process in December, which serves as the basis for determining resources available for budgeting. Major City bureaus generally prepare five-year financial plans and Capital Improvement Plans, which are required to be provided to the City Council about a month before budget requests are submitted.

Bureau budget requests are reviewed by teams of Council members and community advisors who solicit further public comment and make recommendations to the Mayor. The Mayor then develops a Proposed Budget that addresses City Council priorities, public input, and balancing requirements. Following presentation of the Proposed Budget, one or more community hearings are 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.

INSURANCE

The City is self-insured for workers’ compensation, general liability claims, and certain employees’ medical coverage in internal service funds. Per Oregon Revised Statute 30.270(1)(b)(c), general and fleet liability claims are limited to \$100,000 per person, an additional \$100,000 per person under special circumstances, and \$500,000 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers’ compensation, general and fleet liability and employee medical coverage. Workers’ compensation, general, and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City’s Risk Management Division and independent actuarial studies. Liabilities are based on the estimated 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 the present value of the liability. For FY 2007-08, the expected rate of return is 5.00 percent. The City's Bureau of Human Resources and the employee benefits consultant determine relevant employees' medical coverage estimates.

The City provides insurance coverage that has been deemed by independent actuaries and the City's Risk Management Division as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations, and outstanding liabilities. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability insurance policy covers individual claims in excess of \$1,000,000 and an excess workers' compensation insurance policy covers claims in excess of \$750,000. Settlements have not exceeded coverages in the past three fiscal years.

On December 28, 2007, the Oregon Supreme Court decided a case, *Clarke v. Oregon Health Sciences University* ("OHSU"), challenging the constitutionality of parts of the Oregon Tort Claims Act ("OTCA"). Under the OTCA, the State's common law sovereign immunity from suit is lifted and claims may be brought against a public body in Oregon, including the City. The liability of public bodies, however, is capped at \$200,000 for individual personal injury claims. In addition, the public body has to be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. In *Clarke*, the plaintiff was severely disabled as a result of the negligence of health professionals employed at OHSU, which is a public body. The damages alleged amounted to approximately \$12 million.

Article I, Section 10 of the Oregon Constitution provides the right to a remedy to persons who are injured in their person, property or reputation. The *Clarke* court concluded that the \$200,000 cap on the amount of potential recovery did not provide a substantial remedy to plaintiff in lieu of what plaintiff would have been able to claim at common law from individual government employees who were admittedly negligent. Therefore, the substitution of OHSU for the individual plaintiffs, under the facts at issue in *Clarke*, violated Article I, Section 10 of the Oregon Constitution.

Under the OTCA, the City currently indemnifies its employees for liability that they incur due to negligence within the scope of their work. Accordingly, with the decision upheld by the Oregon Supreme Court, it may mean that the City must pay higher amounts to indemnify its employees who would not be protected by the damage cap.

The City has addressed potential impacts of the *Clarke* case by making adjustments to its insurance program. Beginning in FY 2007-08, the limits of coverage on the excess liability policy were increased from \$10 million to \$30 million per claim above the \$1 million self-insurance retention, and the confidence level for the self-insurance reserves in the Insurance & Claims Fund was increased from 60 percent to 70 percent.

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.

Every two years the Public Employees Retirement Board ("PERB") establishes the 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.) The rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employee’s Retirement Fund, including known and anticipated investment performance of the fund. 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.

Employer Asset Valuation and Liabilities

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 annual required employer contribution rates. Valuations are released approximately one year after the valuation date. The State of Oregon’s current PERS actuary is Mercer Human Resources Consulting (“Mercer”).

An employer’s share of PERS’s unfunded actuarial liability (“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. 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.

In November 2007, Mercer released the City’s actuarial valuation as of December 31, 2006 (the “2006 City Valuation”). The following table is a summary of principal valuation results from the 2006 City Valuation and the City’s actuarial valuation as of December 31, 2005 (the “2005 City Valuation”), which was released by Mercer in January 2007.

**Table 9
CITY OF PORTLAND, OREGON
Valuation Results for 2005 and 2006**

| | 2005 | 2006 |
|---|----------------|-----------------|
| Allocated Pooled T1/T2 UAL/ (surplus) | (\$92,818,145) | (\$186,128,313) |
| Allocated Pooled OPSRP UAL/ (surplus) | 0 | (1,203,728) |
| Net unfunded pension actuarial accrued liability/(surplus) | (\$92,818,145) | (\$187,332,041) |

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/05 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/06 Valuation Report prepared by Mercer Human Resource Consulting.

The increase in the City's accrued actuarial surplus is due to a variety of factors, including net returns on investments in the Oregon Public Employees Retirement Fund (the “PERS Fund”) of 9.66 percent (before administrative expenses) in 2007, changes to certain actuarial methodologies and assumptions, and the deployment of certain excess System reserves to accounts that are treated as assets of the System.

Employer Contribution Rates

The City's current employer contribution rates are based on the 2005 City Valuation. These rates became effective on July 1, 2007 and are effective through June 30, 2009. Included in these rates are contribution rates for the PERS Retirement Health Insurance Account ("RHIA") program for Tier 1 and Tier 2 participants described below. The City's employer contribution rate is subject to future adjustment based on factors such as the results of subsequent actuarial valuations and changes in benefits resulting from legislative modifications.

The 2006 City Valuation provides advisory contribution rates for July 1, 2009. Actual contribution rates that take effect on July 1, 2009 will be based on an actuarial valuation as of December 31, 2007, which has not been released. Table 10 below shows the City's current employer contribution rates and the July 1, 2009 advisory rates.

Table 10
CITY OF PORTLAND, OREGON
Current Employer Contribution Rates and Advisory Rates
(Percentage of Covered Payroll)

| | 2005 City Valuation (Actual Rates 2007-2009) | | | 2006 City Valuation (Advisory Rates) | | |
|-----------------------------|---|---------|--------|---|---------|-------|
| | T1/T2 | OPSRP | OPSRP | T1/T2 | OPSRP | OPSRP |
| | | General | P & F | | General | P & F |
| Normal cost rate | 3.16% | 5.82% | 9.09% | 4.06% | 6.00% | 8.87% |
| UAL rate | 3.13% | 3.13% | 3.33% | 0.73% | 0.73% | 0.73% |
| Retiree healthcare rate | 0.37% | 0.26% | 0.26% | 0.32% | 0.22% | 0.22% |
| Total net contribution rate | 6.66% | 9.21% | 12.48% | 5.11% | 6.95% | 9.82% |

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/05 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/06 Valuation Report prepared by Mercer Human Resource Consulting.

These rates do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

Currently, one percent of covered payroll for the three pension benefit programs is approximately: \$1.9 million for T1/T2 Pension Programs; \$490,000 for OPSRP general services; and \$19,000 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 PERS Fund, the use of reserves, further changes to system valuation methodology and assumptions and the outcome of litigation relating to legislative change and PERB action.

In addition to the City's employer rate, each City bureau is required to make a contribution to pay debt service on approximately \$300.8 million Limited Tax Pension Obligation Revenue Bonds issued in FY 1999-2000 to fund the City's unfunded actuarial liabilities with PERS as of December 31, 1997.

Fire and Police Disability and Retirement Fund

Most of the fire and police personnel are covered under the City's Fire and Police Disability and Retirement ("FPDR") Fund. The FPDR Fund is financed from a special property tax levy of not less than \$1.00 or more than \$2.80 per \$1,000 of real market value of property in the City. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the \$2.80 per \$1,000 limit, then other City funds would be required to make up the difference. The FY 2007-08 imposed levy of \$95,365,463 for pension purposes requires a tax rate of \$2.3453 per \$1,000 of assessed property value, or approximately \$1.33 per \$1,000 of real market value.

In November 1989, the voters of the City agreed to amend the FPDR Plan to bring its provisions in line with PERS. Under state law, plans must be "equal to or better than" PERS. Basic retirement benefit changes involved reducing vesting from 25 years to 5 years, eliminating employee contributions, and eliminating termination of benefits to a surviving spouse that remarries. Disability benefits were modernized to cover conditions such as AIDS and Hepatitis B, vocational rehabilitation,

wage offsets for outside earnings, and reduction of benefits when conditions become medically stationary and a person is capable of other employment. Calculation of disability pay was also changed from 100 percent of salary for the first year, 100 percent of First Class Patrol or Firefighter for the next 3 years and 60 percent of First Class pay thereafter, to 75 percent of salary until medically stable and capable of other employment.

As of June 30, 2007, the unfunded actuarial liability of the FPDR Fund was \$1.9 billion. In consultation with its external auditor, 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 match more closely the funding and investment returns that could be achieved under existing investment. In FY 2005-06, City continued to monitor the discount rate used to value the Fund liabilities throughout the fiscal year and revised the 2005 discount rate of 6.63 percent used to value the FPDR Fund liabilities to 6.04 percent. The impact of this change increased the net pension obligation by \$362,344.

On November 7, 2006, City voters passed a ballot measure that changed the structure of the FPDR Plan. The change took effect on January 1, 2007. Under the new structure, the number of members on the board of trustees was reduced from the current eleven members to five. The five members include two citizen members with expertise in disability or retirement, one City representative, and two member representatives. In addition, the FPDR Board no longer decides claims. A qualified administrator denies or approves claims. Appeals are made to independent hearings officers with disability experience.

Under the ballot measure, the FPDR Fund pays lifetime medical coverage for retired police and fire-fighters' job-related injuries. The financial effects are preliminary, but the additional expenses are estimated to be up to \$100,000 to \$3 million in additional benefits each year, escalating as more members retire. Additional annual administrative costs related to the expense are estimated to be \$100,000 to \$200,000. The additional costs are not reflected in the actuarial valuation as of June 30, 2007, but will be included in the June 30, 2008 valuation.

All police and firefighters hired after January 1, 2007, receive retirement benefits through OPSRP rather than the existing FPDR Plan. The FPDR levy will pay the employee and employer portions of the OPSRP contribution. For information regarding OPSRP and the employee and employer contribution rates for OPSRP, see "PENSION PLANS – General," above. This move is expected to increase property taxes for 35 years. Performance audits will be implemented to assess the implementation of the FPDR Plan reforms.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

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 or allocated to individual employers. 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 2006 City Valuation, the City's allocated share of the RHIA program's UAL is \$9,600,622.

According to the 2005 City Valuation, the City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.37 percent and for OPSRP general services employees and police and fire employees is 0.26 percent. According to the 2006 City Valuation, the City's advisory contribution rates for RHIA benefits for T1/T2 employees is 0.32 percent and for OPSRP general services employees and police and fire employees is 0.22 percent. Actual RHIA contribution rates that will take effect on July 1, 2009 will be based on an actuarial valuation as of December 31, 2007, which has not been released. See "Table 10 - Current Employer Contribution Rates and Advisory Rates" above.

Distinct from the PERS program, the City is currently assessing its liability for other post-employment benefits ("OPEB") in anticipation of expanded reporting requirements specified by GASB Statement No. 45 ("GASB 45").

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. 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 non-PERS OPEB, AON Employee Benefits Consulting, has completed a final actuarial valuation for purposes of complying with the GASB 45 standards. The final valuation was prepared using the Entry Age Normal actuarial

cost method by spreading future normal costs evenly over future service (“EAN – Service”). The final valuation was also 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 implicit subsidies and at the valuation date of July 1, 2007, is estimated to be \$98 million on an EAN-Service basis. For fiscal year 2007, the annual required contribution (“ARC”) of the employer to be recognized as the annual employer OPEB cost is estimated to be \$10.9 million on an EAN-Service basis and for fiscal year 2008, the ARC is estimated to be \$11.5 million on an EAN-Service basis. The City expects to use a pay-as-you-go approach, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS

Assessed Value Growth and Tax Collections

The following table presents trends in Assessed Value for the Area. The table also shows the Maximum Tax Increment Revenues and the Tax Increment Revenues levied in recent fiscal years. Lower Assessed Value growth in FY 2002-03, FY 2003-04, and 2005-06 were largely due to decreases in utility property values, which declined by 34 percent, 21 percent and 33 percent in those years, respectively. Significantly higher growth in FY 2007-08 reflects the addition to the tax rolls of The Eliot, a residential condominium building, which increased the Area’s Assessed Value by \$61.6 million

**Table 11
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
ASSESSED VALUE GROWTH AND TAX INCREMENT LEVY**

| Fiscal Year | Assessed Value | | | Incremental AV % Change | Maximum Tax | Tax Increment to Raise (1) | Tax Incr. as % of MTIR |
|-------------|----------------|---------------|---------------|-------------------------|---------------------------|----------------------------|------------------------|
| | Total | Base | Incremental | | Increment Revenues (MTIR) | | |
| 1998-99 | \$713,914,760 | \$378,055,680 | \$335,859,080 | 21.0% | \$10,749,094 | \$6,640,000 | 61.8% |
| 1999-00 | 731,448,373 | 378,055,680 | 353,392,693 | 5.2% | 11,310,253 | 5,660,000 | 50.0% |
| 2000-01 | 780,158,548 | 378,055,680 | 402,102,868 | 13.8% | 12,869,211 | 6,560,000 | 51.0% |
| 2001-02 | 867,270,158 | 378,055,680 | 489,214,478 | 21.7% | 15,657,198 | 6,860,000 | 43.8% |
| 2002-03 | 880,647,843 | 378,055,680 | 502,592,163 | 2.7% | 16,085,348 | 7,160,000 | 44.5% |
| 2003-04 | 886,854,922 | 378,055,680 | 508,799,242 | 1.2% | 16,284,004 | 7,320,000 | 45.0% |
| 2004-05 | 918,389,259 | 378,055,680 | 540,333,579 | 6.2% | 17,293,253 | 7,423,713 | 42.9% |
| 2005-06 | 919,037,715 | 378,055,680 | 540,982,035 | 0.1% | 17,314,007 | 7,581,029 | 43.8% |
| 2006-07 | 944,175,847 | 378,055,680 | 566,120,167 | 4.7% | 18,118,547 | 7,858,154 | 43.4% |
| 2007-08 | 1,078,419,604 | 378,055,680 | 700,363,924 | 23.7% | 22,414,988 | 7,794,621 | 34.8% |

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.

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.

Table 12
CITY OF PORTLAND, OREGON
History of Changed Property Ratios by Property Type
(Multnomah County)

| Fiscal Year Ending June 30 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Residential | 0.6855 | 0.6642 | 0.6150 | 0.5697 | 0.5159 |
| Commercial | 0.5608 | 0.5748 | 0.5353 | 0.5091 | 0.4660 |
| Industrial | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| Multi-Family | 0.6613 | 0.6295 | 0.5934 | 0.5709 | 0.5639 |
| Personal Property | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |

Source: Multnomah County Department of Assessment and Taxation.

The following table shows Assessed Value, Real Market Value, and Changed 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 13
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
ASSESSED VALUE, REAL MARKET VALUE, AND CHANGED PROPERTY RATIOS
BY PROPERTY TYPE
(FY 2007-08)

| Property Class | 2007-08 Assessed Value | Percent of Total | 2007-08 Real Market Value | AV/RMV Ratio | 2007-08 Changed Property Ratio of Class |
|-----------------------|---------------------------------------|-----------------------------|--|-------------------------|--|
| Real Property | | | | | |
| Residential | \$168,596,370 | 15.6% | \$318,947,820 | 52.9% | 51.59% |
| Commercial | 632,824,350 | 58.7 | 1,303,342,850 | 48.6% | 46.60 |
| Industrial | 18,971,130 | 1.8 | 18,971,130 | 100.0% | 100.00 |
| Multi-Family | 85,274,680 | 7.9 | 177,619,710 | 48.0% | 56.39 |
| Subtotal | 905,666,530 | 84.0 | 1,818,881,510 | | |
| Personal Property | 132,487,104 | 12.3 | 132,487,115 | 100.0% | 100.0 |
| Utilities | 40,265,970 | 3.7 | 46,658,967 | 86.3% | N/A |
| Total | \$1,078,419,604 | 100.0% | \$1,998,027,592 | | |

Source: Multnomah County Department of Assessment and Taxation.

Principal Taxpayers

Principal property taxpayers in the Area are listed in the following table.

**Table 14
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
TOP TEN PROPERTY TAXPAYERS**

| Company Name | Type of Business | 2007-08 Assessed Value | Percent of Total Assessed Value |
|---|-------------------------|-----------------------------------|--|
| Total South Park Blocks | | \$1,078,419,604 | |
| Twelve Hundred Bldg Associates Ltd | Real estate (office) | 79,468,010 | 7.4% |
| Fox Tower LLC | Real estate (office) | 77,553,720 | 7.2% |
| First Interstate Bank of OR | Banking | 51,487,680 | 4.8% |
| OR Congress Center Limited | Real estate (office) | 37,058,360 | 3.4% |
| One Thousand Broadway Bldg. Ltd. Partnership | Real estate (office) | 32,429,770 | 3.0% |
| Chief Portland Hotel LLC | Hospitality | 32,149,790 | 3.0% |
| Weston Investment Co. LLC | Real estate | 24,290,700 | 2.3% |
| Harsch Investment Realty | Real estate | 23,593,410 | 2.2% |
| Standard Insurance Co. | Real estate | 23,569,010 | 2.2% |
| Oregonian Publishing Co. | Publishing | 18,971,130 | 1.8% |
| | | \$400,571,580 | 37.1% |

Source: Multnomah County Department of Assessment and Taxation.

City Assessed Value and Property Taxation

The 2008 Bonds will be 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 15
CITY OF PORTLAND, OREGON
Historical Trends in Assessed and Real Market Values
(000s)

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

| Real Market Value (2) | | | | | |
|------------------------------|--------------------------------|---------------------------------|--|------------------------------|-----------------------|
| Fiscal Year | Inside Multnomah County | Outside Multnomah County | Urban Renewal Incremental Value | Total Real Mkt. Value | Percent Change |
| 1997-98 (1) | \$34,374,190 | \$147,783 | \$2,231,355 | \$36,753,328 | 10.65% |
| 1998-99 | 36,598,114 | 165,782 | 2,522,729 | 39,286,625 | 6.89% |
| 1999-00 | 39,618,917 | 174,744 | 3,152,069 | 42,945,730 | 9.31% |
| 2000-01 | 41,884,242 | 188,959 | 4,250,563 | 46,323,764 | 7.87% |
| 2001-02 | 44,732,501 | 201,208 | 5,422,196 | 50,355,905 | 8.70% |
| 2002-03 | 46,445,323 | 207,172 | 6,010,206 | 52,662,701 | 4.58% |
| 2003-04 | 48,768,015 | 226,555 | 6,497,813 | 55,492,383 | 5.37% |
| 2004-05 | 51,540,278 | 250,013 | 7,059,947 | 58,850,238 | 6.05% |
| 2005-06 | 56,879,601 | 275,930 | 8,153,649 | 65,309,180 | 10.98% |
| 2006-07 | 62,788,119 | 336,963 | 9,778,605 | 72,903,688 | 11.63% |
| 2007-08 | 71,230,759 | 355,558 | 12,704,662 | 84,290,979 | 15.62% |

Notes:

- (1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area. See "PROPERTY TAX AND VALUATION INFORMATION – Section 11B" herein.
- (2) Allocation of Real Market Value to categories "Inside Multnomah County" and "Urban Renewal Incremental Value" is estimated by the City.

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

Major Taxpayers

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

Table 16
CITY OF PORTLAND, OREGON
Top Ten Property Taxpayers
FY 2007-08 Assessed Value

| Taxpayer Account | Type of Business | Property Assessed Value | Percent of Total City AV |
|---------------------------|---------------------------|------------------------------------|---|
| Total City Assessed Value | | \$44,194,992,258 | 100.00% |
| Qwest Corporation | Communications | \$291,822,920 | 0.66% |
| Portland General Electric | Energy | 246,548,330 | 0.56% |
| Pacificorp (PP&L) | Energy | 214,929,000 | 0.49% |
| Weston Investment Co. LLC | Real estate (office) | 205,381,030 | 0.46% |
| Oregon Steel Mills | Steel plate manufacturing | 170,274,330 | 0.39% |
| LC Portland LLC | Real estate (retail) | 148,570,890 | 0.34% |
| Northwest Natural Gas | Energy | 135,621,850 | 0.31% |
| Freightliner Corporation | Truck manufacturing | 131,388,300 | 0.30% |
| Verizon Wireless VAW LLC | Communications | 120,541,700 | 0.27% |
| Alaska Airlines | Airline | 116,962,000 | 0.26% |
| Total | | \$1,782,040,350 | 4.03% |

Source: Multnomah County Department of Assessment and Taxation.

OTHER FACTORS AFFECTING TAX COLLECTIONS

Property Tax Rates

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. 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 2007-08. In 2006, the Oregon Legislature approved Senate Bill 1100, which gives the Board of the Portland Public School District the authority to raise its district operating tax rate up to \$5.27 per \$1,000 of assessed value. This authority applies to each of three tax years beginning July 1, 2006. The school district would return to its permanent tax rate of \$4.77 per \$1,000 beginning in the FY 2009-10 tax year. In November 2006, voters approved a new five-year local option levy for the Portland Public School District at a rate of \$1.2500 per \$1,000 of Assessed Value. This local option levy began in FY 2007-08. In November 2006, voters approved a measure to increase the Multnomah County library local option levy. 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.

Table 17
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
CONSOLIDATED TAX RATE (1)

| Fiscal Year | Consolidated Billing Tax Rate (2) (3) |
|------------------------|--|
| 2001-02 | \$20.4423 |
| 2002-03 | 20.7906 |
| 2003-04 | 22.0147 |
| 2004-05 | 21.8686 |
| 2005-06 | 19.4248 |
| 2006-07 | 19.7779 |
| 2007-08 | 21.4330 |

Notes:

- (1) Rate per \$1,000 of Assessed Value.
- (2) Tax rate increase between FY 2002-03 and FY 2003-04 reflects new local option levies for Multnomah County and the City, and a higher rate for the City's FPDR Fund (see "PROPERTY TAX AND VALUATION INFORMATION" herein.)
- (3) Tax rate decrease between FY 2004-05 and FY 2005-06 reflects expiration of Portland Public Schools local option and bond levies. Tax increase in FY 2006-07 reflects temporary increase in tax rate for Portland Public Schools.

Source: Multnomah County Department of Assessment and Taxation

Table 18
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
CONSOLIDATED TAX RATE: FY 2007-08

| 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 | \$3.1379 | \$0.1875 | \$7.9024 |
| Multnomah County | 4.3434 | 0.8900 | 0.1837 | 5.4171 |
| Metro | 0.0966 | 0.0000 | 0.3326 | 0.4292 |
| Port of Portland | 0.0701 | 0.0000 | 0.0000 | 0.0701 |
| Tri-County Metropolitan Trans. Dist. | 0.0000 | 0.0000 | 0.0856 | 0.0856 |
| West Multnomah Soil & Conservation | 0.0378 | 0.0000 | 0.0000 | 0.0378 |
| Subtotal - General Government | \$9.1249 | \$4.0279 | \$0.7894 | \$13.9422 |
| Portland School District | \$5.2781 | \$1.2500 | \$0.0000 | \$6.5281 |
| Portland Community College | 0.2828 | 0.0000 | 0.2223 | 0.5051 |
| Multnomah Co. Education Svc. Dist. | 0.4576 | 0.0000 | 0.0000 | 0.4576 |
| Subtotal - Schools | \$6.0185 | \$1.2500 | \$0.2223 | \$7.4908 |
| Totals | \$15.1434 | \$5.2779 | \$1.0117 | \$21.4330 |

Notes:

(1) Includes the City Fire and Police Disability and Retirement pension levy, the Multnomah County local option library levy and the City's two local option levies. Does not include impact of urban renewal division of tax rates.

Source: Multnomah County Department of Assessment and Taxation.

Tax Increment Revenue Reductions Due to Measure 5 Compression

Tax Increment Revenues may be reduced by Measure 5 compression effects. In FY 2007-08, Measure 5's \$10/\$1,000 of Real Market Value tax limitation was the primary factor in reducing the projected Divide the Taxes property tax collections in the Area to \$5,376,094 from the authorized amount of \$5,660,000, or by about 5.0 percent.

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 eliminate 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.

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

Table 19
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) |
|--------------------|----------------------------------|------------------------------|--|-------------------------------------|---------------------------------|---|
| 1998-99 | \$5,660,000 | \$980,000 | \$6,640,000 | \$5,357,884 | \$927,711 | \$6,285,595 |
| 1999-00 | 5,660,000 | 0 | 5,660,000 | 5,433,542 | - | 5,433,542 |
| 2000-01 | 5,660,000 | 900,000 | 6,560,000 | 5,359,292 | 879,025 | 6,238,317 |
| 2001-02 | 5,660,000 | 1,200,000 | 6,860,000 | 5,361,843 | 1,172,351 | 6,534,194 |
| 2002-03 | 5,660,000 | 1,500,000 | 7,160,000 | 5,369,954 | 1,447,636 | 6,817,590 |
| 2003-04 | 5,660,000 | 1,660,000 | 7,320,000 | 5,230,703 | 1,592,251 | 6,822,953 |
| 2004-05 | 5,660,000 | 1,763,713 | 7,423,713 | 5,279,600 | 1,699,170 | 6,978,770 |
| 2005-06 | 5,660,000 | 1,921,029 | 7,581,029 | 5,369,537 | 1,862,208 | 7,231,745 |
| 2006-07 | 5,660,000 | 2,198,154 | 7,858,154 | 5,402,724 | 2,137,434 | 7,540,158 |
| 2007-08 | 5,660,000 | 2,134,621 | 7,794,621 | 5,376,094 | 2,077,056 | 7,453,150 |

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.

Source: Multnomah County Department of Assessment 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 20
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 4/30/08 (3) |
|----------------|-------------------------|------------------------------|--------------------------------|
| 1998-99 | \$228,449 | 96.87% | 99.99% |
| 1999-00 | 237,785 | 96.56% | 99.99% |
| 2000-01 | 257,865 | 96.35% | 99.98% |
| 2001-02 | 267,740 | 96.46% | 99.97% |
| 2002-03 | 283,978 | 96.57% | 99.96% |
| 2003-04 | 324,709 | 96.92% | 99.95% |
| 2004-05 | 332,887 | 97.11% | 99.73% |
| 2005-06 | 346,053 | 97.20% | 99.49% |
| 2006-07 | 363,073 | 97.29% | 98.90% |
| 2007-08 | 394,491 | 93.14% (4) | 93.14% (4) |

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.
- (2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. 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 2007-2008 tax levy represent about 2.5% of that year's levy.
- (4) Partial year collections.

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

HISTORICAL FINANCIAL RESULTS

Tax Increment Revenues, Maximum Tax Increment Revenues, and Annual Debt Service

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

Table 21
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
TAX INCREMENT REVENUES, MAXIMUM TAX INCREMENT REVENUES,
AND ANNUAL DEBT SERVICE
 (Actual Results Reported on a Budgetary Basis)

| | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Tax Increment Revenues | | | | | |
| Tax Collections (Current Year) | \$6,416,965 | \$6,452,233 | \$6,593,373 | \$6,857,928 | \$7,172,360 |
| Tax Collections (Prior Years) | 157,507 | 169,052 | 154,088 | 144,714 | 168,621 |
| Investment Earnings | 57,949 | 42,535 | 43,743 | 93,864 | 137,031 |
| TOTAL | \$6,632,421 | \$6,663,820 | \$6,791,204 | \$7,096,506 | \$7,478,012 |
| | | | | | |
| Max. Tax Increment Revenues | \$16,085,348 | \$16,284,004 | \$17,293,253 | \$17,314,007 | \$18,118,547 |
| | | | | | |
| Annual Debt Service (1) | | | | | |
| Prior Lien Bonds (2) | \$2,227,048 | \$ -- | \$ -- | \$ -- | \$ -- |
| Parity Indebtedness | 3,176,862 | 3,180,014 | 3,179,072 | 3,178,981 | 3,764,343 |
| TOTAL | \$5,403,910 | \$3,180,014 | \$3,179,072 | \$3,178,981 | \$ 3,764,343 |

Notes:

- (1) Excludes debt service payments for subordinate indebtedness such as "du jour bonds" and interim financing.
- (2) Includes debt service on the City's Urban Renewal and Redevelopment Bonds (South Park Blocks), Series C (the "Prior Lien Bonds") issued on August 1, 1993. In FY 2002-03 the City called the remaining balance of the Prior Lien Bonds.

Source: City of Portland.

The Tax Increment Fund

The following table presents audited financial statements for the South Park Block Redemption Fund on a budgetary basis. Appendix B provides excerpts of audited financial statements on a generally accepted accounting principles (GAAP) basis.

Table 22
CITY OF PORTLAND, OREGON
South Park Block Redemption Fund (1)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 (Actual Results Reported on a Budgetary Basis)

| | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | | |
| Current year property taxes | \$6,416,965 | \$6,452,233 | \$6,593,373 | \$6,857,928 | \$7,172,360 |
| Prior years' property taxes | 157,507 | 169,052 | 154,088 | 144,714 | 168,621 |
| Interest on investments | 57,949 | 42,535 | 43,743 | 93,864 | 137,031 |
| Total revenues | <u>6,632,421</u> | <u>6,663,820</u> | <u>6,791,204</u> | <u>7,096,506</u> | <u>7,478,012</u> |
| Expenditures | | | | | |
| Debt service and related costs (2) | | | | | |
| Principal | 4,110,000 | 4,930,000 | 4,505,000 | 4,865,000 | 5,215,000 |
| Interest | 2,493,984 | 2,350,242 | 2,294,413 | 2,234,609 | 2,169,971 |
| Total expenditures | <u>6,603,984</u> | <u>7,280,242</u> | <u>6,799,413</u> | <u>7,099,609</u> | <u>7,384,971</u> |
| Revenues over (under) expenditures | <u>28,437</u> | <u>(616,422)</u> | <u>(8,209)</u> | <u>(3,103)</u> | <u>93,041</u> |
| Net change in fund balances | 28,437 | (616,422) | (8,209) | (3,103) | 93,041 |
| Fund balances -- beginning | <u>773,072</u> | <u>801,509</u> | <u>185,087</u> | <u>176,878</u> | <u>173,775</u> |
| Fund balances -- ending | <u>\$801,509</u> | <u>\$185,087</u> | <u>\$176,878</u> | <u>\$173,775</u> | <u>\$266,816</u> |

Notes:

- (1) This is the Tax Increment Fund. Information presented on a budgetary basis. Appendix B presents tables on a Generally Accepted Accounting Principles (GAAP) basis.
- (2) Includes debt service on the City's Urban Renewal and Redevelopment Bonds (South Park Blocks), Series C, debt service on the 2000 Bonds, and debt service payments for subordinate indebtedness such as "du jour bonds" and interim financing.

Source: City of Portland audited financial statements.

Outstanding Indebtedness

The City will have outstanding indebtedness for the Area as of the closing date of the 2008 Bonds as follows: \$_____,000 of outstanding principal of the 2000 Bonds; and \$_____ of outstanding principal of the 2008 Bonds, as shown in the table below.

Table 23
CITY OF PORTLAND, OREGON
South Park Blocks Urban Renewal Area
OUTSTANDING LONG-TERM DEBT AS OF CLOSING OF THE 2008 BONDS

| <u>Issue Name</u> | <u>Dated Date</u> | <u>Final Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|--|-------------------|------------------------------------|-----------------------------|-------------------------------|
| South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series A (1) | 10/15/2000 | 6/15/2020 | \$23,325,000 | \$0 |
| South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series B | 10/15/2000 | 6/15/2013 | \$16,560,000 | \$8,445,000 |
| South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (2) | 7/__/2008 | 6/15/2019 | \$35,215,000 | \$35,215,000 |
| South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series B (2) | 7/__/2008 | 6/15/2024 | \$31,870,000 | \$31,870,000 |
| <i>TOTAL</i> | | | <u>\$106,970,000</u> | <u>\$75,530,000</u> |

Notes:

- (1) Amount outstanding is preliminary, subject to change.
- (2) Final maturity dates and amounts issued and outstanding are preliminary, subject to change.

Source: City of Portland.

(End of Annual Disclosure Information)

PROPERTY TAX AND VALUATION INFORMATION

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

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

SECTION 11

Section 11 of the Oregon Constitution granted all local governments that levied property taxes for operations in FY 1997-98 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, as defined below.

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

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

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

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

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

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

- Some urban renewal areas that were in existence when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. The City has five urban renewal areas with this taxing authority.
- The City is authorized to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to \$2.80/\$1,000 of Real Market Value under this exemption.
- Local governments are authorized to impose taxes to pay general obligation bonds (see “General Obligation Bonds” below).

In 2006, the Oregon Legislature approved Senate Bill 1106, which gives the Board of the Portland Public School District the authority to raise its district operating tax rate up to \$5.27 per \$1,000 of assessed value. This authority applies to each of three tax years beginning July 1, 2006. The school district would return to its permanent tax rate of \$4.77 per \$1,000 beginning in the FY 2009-10 tax year.

SECTION 11B

A citizen initiative, which is often called “Measure 5,” was added to the Oregon Constitution as Article XI, Section 11b. This section (“Section 11b”) limits property tax collections by limiting the tax rates (based on Real Market Value) 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 Real Market Value and rates for school taxes to \$5 per \$1,000 of Real Market Value.

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

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

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

LOCAL OPTION 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. Legislation was passed in the 1999 Oregon Legislative Session which allows school districts to use local option levies beginning October 23, 1999. In November 2006, voters approved a new five-year local option levy for Portland Public Schools at a rate of \$1.2500 per \$1,000 of Assessed Value. This local option levy began in FY 2007-08.

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

Three local government local option levies are currently in place within Multnomah County. In 2002, voters approved two local option levies of the City, which total \$0.7926 per \$1,000 of Assessed Value. These local option levies took effect in FY 2003-04 and extend for five years. A Multnomah County local option levy for libraries also was approved at a rate of \$0.7550 per \$1,000 of Assessed Value and also extends through FY 2007-08. In November 2006, voters approved a measure to replace the \$0.7550 Multnomah County library local option levy with a new library local option levy. 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.

The 2008 Bonds are not secured by or payable from any local option taxes. See “SECURITY FOR THE 2008 BONDS.”

VOTER PARTICIPATION

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

GENERAL OBLIGATION BONDS

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

- 1) general obligation bonds authorized by a provision of the Oregon Constitution (this applies to State of Oregon general obligation bonds);
- 2) general obligation bonds issued on or before November 6, 1990;
- 3) general obligation bonds that were approved by a majority of voters after November 6, 1990 and before December 5, 1996, and that were issued to finance capital construction or capital improvements;

- 4) general obligation bonds that are approved after December 5, 1996, and that are issued to finance capital construction or capital improvements, and which met the voter participation requirements described above; and
- 5) obligations issued to refund the general obligation bonds described in the preceding four subparagraphs.

The 2008 Bonds are not general obligations of the City or the Commission. See "SECURITY FOR THE 2008 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.

THE PORTLAND DEVELOPMENT COMMISSION

The Portland Development 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 four 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 August 1, 2005 is Bruce Warner. The Commission's Central Services Director and Chief Financial Officer is Julie V. Cody.

On March 10, 2008, the City Council approved a resolution directing the City Attorney to assume the duties of General Counsel to the Commission on or before July 1, 2008. The resolution further directed the City Attorney and the Director of the Commission to develop an agreement outlining the selection process for legal staff assigned to the Commission, and to outline circumstances when it is appropriate for the Commission to hire special legal counsel from outside the City.

On April 17, 2008, Bruce Warner announced a reorganization of the Commission's organizational structure. The functions of the Development, Housing and Economic Development Departments will be consolidated into a single department under the leadership of Erin Flynn, the current Economic Development Director. As of July 1, 2008, the Commission will have the following core departments: Executive Office, Urban Development (tentatively named), Central Services, Human Resources, Communications/Business Equity and Legal Services. The new Urban Development Department will have four major team elements: a Downtown Development, Neighborhood Development; a Traded Sector and Finance. The new structure is intended to better integrate the Commission's products, improve efficiency and provide better customer service and stakeholder interaction. A transition team has been put in place to assist in determining how best to integrate the functions, projects, workflows and personnel in implementing the change in structure.

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, which includes the South Park Blocks Urban Renewal Area, 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. The certified tax increment levies for FY 2007-08 for all eleven urban renewal areas are shown in the table below.

Table 24
CITY OF PORTLAND URBAN RENEWAL AREAS
Certified Tax Increment Levies (1)
FY 2007-08

| Urban Renewal District | Certified Tax Increment Levies |
|-------------------------------|---|
| Airport Way | \$5,736,136 |
| Central Eastside | 4,608,947 |
| Downtown Waterfront | 15,444,621 |
| Gateway Regional Center | 1,893,971 |
| Interstate Corridor | 8,075,196 |
| Lents Town Center | 6,944,369 |
| North Macadam | 3,452,703 |
| Oregon Convention Center | 7,674,621 |
| River District | 18,075,661 |
| South Park Blocks | 7,794,621 |
| Willamette Industrial | 160,000 |
| Total | \$79,860,846 |

Notes:

(1) Certified levies are before reductions due to Measure 5 compression.

Source: City of Portland.

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 expected to apply against the Maximum Indebtedness amount as of June 1, 2008. 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 25
CITY OF PORTLAND URBAN RENEWAL DISTRICTS
Maximum Indebtedness and Debt Issued as of June 1, 2008 (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 | 58,409,592 | 46,569,408 |
| Downtown Waterfront | 165,000,000 | 165,000,000 | 0 |
| Gateway | 164,240,000 | 16,220,051 | 148,019,949 |
| Interstate Corridor | 335,000,000 | 65,462,685 | 269,537,315 |
| Lents Town Center | 75,000,000 | 45,172,251 | 29,827,749 |
| North Macadam | 288,562,000 | 67,359,884 | 221,202,116 |
| Oregon Convention Center | 167,511,000 | 101,848,326 | 65,662,674 |
| River District | 224,780,350 | 123,943,966 | 100,836,384 |
| South Park Blocks | 143,619,000 | 72,319,542 | 71,299,458 |
| Willamette Industrial | 200,000,000 | 400,000 | 199,600,000 |
| Total | \$1,941,329,618 | \$788,774,565 | \$1,152,555,053 |

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 March, the Executive Director of the Commission prepares a Proposed 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 process includes a work group comprised of two City Commissioners, two commissioners from the Commission and one citizen member. This work group is intimately involved in the development of the Requested Budget, which is the precursor to the Proposed Budget.

The Proposed Budget is reviewed by the Commission, the City’s Office of Management and Finance and by the City Council. Recommended changes by the Commission and the Council are incorporated into the Approved Budget. The Commission authorizes the Approved Budget through the adoption of a resolution.

The Approved Budget is sent to City Council and the TSCC. The TSCC reviews the Approved Budget and conducts a public hearing with the Commission, normally in June. Final adoption of the budget is through a majority vote of the Commission during a public session that allows for further input from the public. This is scheduled to occur in late June, as close as practical to the beginning of the fiscal year.

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 2008-09 Budget Process will be the first 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 2007-08 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 accident and each employee. The Commission is covered by a commercial general liability policy including errors and omissions in the amount of \$1,000,000 per occurrence and \$2,000,000 in aggregate, an additional \$4,000,000 umbrella liability policy subject to \$10,000 deductible, and a blanket business personal property policy of \$25,514,000. A separate policy provides coverage for faithful performance (employee dishonesty) in the amount of \$300,000, providing protection from losses from forgery, alteration, theft, and disappearance.

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 five fiscal years.

The Internal Service Fund has equity of \$396,109 to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary.

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated population of 568,380 as of July 1, 2007, 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 2.16 million people as of July 1, 2007. 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. As a major transportation hub of the Pacific Coast with water, land and air connections, Multnomah and Washington counties serve expanding international markets and have experienced considerable growth.

POPULATION

The population for the City has increased steadily over the past decade. The compounded annual rate of growth in population for the City from 1998 to 2007 was 1.22 percent compared to 1.13 percent for Multnomah County and 1.89 percent for the MSA for the same period.

Table 26
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 |
|-----------------------|--------------------|---------------------|--------------------|---------------------|----------------------|---------------------|
| 1998 | 3,267,550 | 509,610 | 1,815,300 | 651,520 | 397,600 | 323,600 |
| 1999 | 3,300,800 | 512,395 | 1,841,200 | 656,810 | 404,750 | 326,850 |
| 2000 | 3,365,900 | 531,600 | 1,935,960 | 662,400 | 449,250 | 340,000 |
| 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 |
| 1998-2007 Compounded | | | | | | |
| Annual Rate of Change | 1.53% | 1.22% | 1.89% | 1.13% | 2.83% | 1.57% |
| 2003-2007 Compounded | | | | | | |
| Annual Rate of Change | 1.41% | 1.05% | 1.70% | 1.17% | 1.98% | 1.31% |

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

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

(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

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

Table 27 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 1997 to 2006 was 4.95 percent. The compounded annual rate of change in per capita income for the MSA was 3.23 percent from 1997 to 2006, compared with 3.48 percent for the State, and 4.21 percent for the nation.

Table 27
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 |
| 1997 | \$50,912,454 | \$27,672 | \$24,469 | \$25,334 |
| 1998 | 54,105,615 | 28,851 | 25,542 | 26,883 |
| 1999 | 56,918,006 | 29,858 | 26,480 | 27,939 |
| 2000 | 62,189,975 | 32,118 | 28,096 | 29,845 |
| 2001 | 63,933,229 | 32,338 | 28,518 | 30,574 |
| 2002 | 64,908,688 | 32,228 | 28,931 | 30,821 |
| 2003 | 66,576,262 | 32,650 | 29,565 | 31,504 |
| 2004 | 69,328,033 | 33,657 | 30,621 | 33,123 |
| 2005 | 73,086,912 | 34,921 | 31,599 | 34,757 |
| 2006 | 78,618,336 | 36,845 | 33,299 | 36,714 |
| 1997-2006 Compound Annual Rate of Change | 4.95% | 3.23% | 3.48% | 4.21% |

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

LABOR FORCE AND UNEMPLOYMENT

Table 28 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 1998 through 2007. For February 2008 the unemployment rate for the MSA was 5.7 percent with a resident civilian labor force of 1,147,962. Table 29 below shows the average annual unemployment rates for the MSA, the State and the United States for the period 1998 through 2007.

Table 28
CITY OF PORTLAND, OREGON
MSA Labor Force and Unemployment Rates⁽¹⁾

| Year | Resident Civilian Labor Force | Unemployment | | Total Employment |
|------|----------------------------------|--------------|---------------------------|---------------------|
| | | Number | Percent of Labor Force | |
| 1998 | 1,064,295 | 44,477 | 4.2% | 1,019,818 |
| 1999 | 1,077,532 | 46,665 | 4.3 | 1,030,867 |
| 2000 | 1,075,853 | 47,710 | 4.4 | 1,028,143 |
| 2001 | 1,087,254 | 65,569 | 6.0 | 1,021,685 |
| 2002 | 1,093,526 | 85,191 | 7.8 | 1,008,335 |
| 2003 | 1,092,887 | 90,272 | 8.3 | 1,002,615 |
| 2004 | 1,094,611 | 76,984 | 7.0 | 1,017,627 |
| 2005 | 1,106,334 | 64,717 | 5.8 | 1,041,617 |
| 2006 | 1,126,232 | 57,245 | 5.1 | 1,068,987 |
| 2007 | 1,147,959 | 57,120 | 5.0 | 1,090,838 |

Notes:

(1) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants.

Source: Oregon Employment Department.

Table 29
CITY OF PORTLAND, OREGON
Average Annual Unemployment
MSA, Oregon, and the United States

| Year | MSA | State of Oregon | USA |
|----------|------|--------------------|------|
| 1998 | 4.2% | 5.7% | 4.5% |
| 1999 | 4.3 | 5.5 | 4.2 |
| 2000 | 4.4 | 5.1 | 4.0 |
| 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 | 5.8 | 6.2 | 5.1 |
| 2006 | 5.1 | 5.4 | 4.6 |
| 2007 (1) | 5.0 | 5.2 | 4.6 |

Notes:

(1) Based on published monthly rates for 2007.

Source: Oregon Employment Department and U.S. Department of Labor – Bureau of Labor Statistics.

EMPLOYMENT BY INDUSTRY

Nonmanufacturing employment (including government) accounts for nearly 88 percent of non-farm employment in the Portland area. The Portland metropolitan area's manufacturing employment, accounting for the remaining 12 percent of area employment, is largely based in the metals, instruments, machinery and electrical equipment sectors.

Table 30
CITY OF PORTLAND, OREGON
Portland-Vancouver-Beaverton, Oregon MSA
Non-Farm Wage and Salary Employment ⁽¹⁾(000)

| | 2003 | 2004 | 2005 | 2006 | 2007 | Percent of Nonfarm 2007 |
|--------------------------------------|----------------|----------------|----------------|------------------|------------------|-------------------------------|
| Total nonfarm employment | 934,300 | 954,100 | 983,600 | 1,015,300 | 1,036,900 | 100.0% |
| Total private | 800,800 | 817,900 | 846,000 | 876,400 | 894,500 | 86.3% |
| Manufacturing | 118,100 | 120,100 | 123,400 | 126,600 | 126,000 | 12.2% |
| Durable goods | 87,900 | 90,100 | 93,600 | 96,400 | 95,800 | 9.2% |
| Wood products | 5,500 | 5,800 | 5,900 | 6,000 | 5,600 | 0.5% |
| Primary metals | 5,600 | 5,700 | 6,000 | 6,300 | 6,600 | 0.6% |
| Fabricated metals | 11,500 | 11,900 | 12,500 | 12,900 | 13,300 | 1.3% |
| Machinery | 8,400 | 8,300 | 8,300 | 8,400 | 8,600 | 0.8% |
| Computer and electronic products | 34,700 | 35,600 | 36,500 | 37,700 | 36,900 | 3.6% |
| Transportation equipment | 7,600 | 8,000 | 9,000 | 9,300 | 9,100 | 0.9% |
| Nondurable goods | 30,200 | 30,100 | 29,800 | 30,200 | 30,300 | 2.9% |
| Food manufacturing | 8,700 | 8,600 | 8,600 | 8,800 | 9,100 | 0.9% |
| Paper manufacturing | 5,400 | 5,200 | 5,000 | 4,900 | 4,700 | 0.5% |
| Non-manufacturing | 682,700 | 697,800 | 722,500 | 749,800 | 768,300 | 74.1% |
| Construction & Mining | 51,800 | 55,600 | 60,300 | 64,900 | 67,300 | 6.5% |
| Trade, transportation, and utilities | 190,900 | 193,400 | 198,000 | 202,600 | 206,600 | 19.9% |
| Information | 22,500 | 22,500 | 23,100 | 24,000 | 24,700 | 2.4% |
| Financial activities | 66,400 | 66,100 | 68,200 | 70,600 | 71,500 | 6.9% |
| Professional and business services | 117,900 | 122,100 | 128,500 | 134,700 | 136,300 | 13.1% |
| Educational and health services | 113,600 | 115,700 | 119,800 | 123,200 | 127,500 | 12.3% |
| Leisure and hospitality | 85,600 | 87,700 | 90,100 | 94,100 | 97,800 | 9.4% |
| Other services | 34,000 | 34,700 | 34,500 | 35,700 | 36,600 | 3.5% |
| Government | 133,500 | 136,200 | 137,600 | 138,900 | 142,400 | 13.7% |

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department.

Table 31
CITY OF PORTLAND, OREGON
Major Employers in the MSA

| Employer | Product or Service | 2007 Estimated Employment (1) |
|--|-----------------------------------|--|
| Private Employers | | |
| Intel Corporation | Semiconductor integrated circuits | 16,500 |
| Providence Health System | Health care & health insurance | 13,496 |
| Safeway Inc. | Grocery chain | 13,000 |
| Fred Meyer Stores | Grocery & retail variety chain | 10,500 |
| Kaiser Foundation of the Northwest | Healthcare | 8,747 |
| Legacy Health System | Nonprofit health care | 8,500 |
| Wells Fargo | Bank | 5,000 |
| NIKE Inc. | Sports shoes and apparel | 5,500 |
| U.S. Bank | Bank & holding company | 4,138 |
| United Parcel Service (UPS) | Package Delivery | 3,900 |
| Southwest Washington Medical Center | Health care | 3,200 |
| Freightliner LLC | Heavy duty trucks | 3,300 ⁽²⁾ |
| McDonald's Corporation | Fast food franchise | 3,000 |
| Portland General Electric | Utilities | 2,652 |
| Farmers Insurance Company of Oregon | Insurance | 2,500 |
| Standard Insurance Company | Insurance | 2,500 |
| Volt Services Group | Employment Services | 2,500 |
| Regence BlueCross BlueShield of Oregon | Insurance | 2,475 |
| Albertsons Food Centers | Grocery | 2,351 |
| Precision Castparts Corporation | Steel castings | 2,110 |
| Public Employers | | |
| State of Oregon | Government | 21,000 ⁽³⁾ |
| U.S. Government | Government | 18,000 ⁽³⁾ |
| Oregon Health and Science University | Health care & education | 11,300 |
| City of Portland | Government | 5,498 |
| Portland Public Schools | Education | 5,047 |
| Portland State University | Education | 4,000 |
| Beaverton School District | Education | 3,886 |
| Portland Community College | Education | 3,400 |
| TriMet | Mass Transit | 2,495 |

Notes:

- (1) 2007 estimated employment based on 2006 data.
- (2) Freightliner laid off 750 employees in March 2007; prior to March 2007, Freightline employed a total of 4,050 employees. In November 2007, Freightliner announced it will move an additional 341 "white-collar" jobs to its Fort Mill, South Carolina location by mid-2008.
- (3) Total may include part-time, seasonal and temporary employees.

Source: Portland Business Alliance and State of Oregon Employment Department

DEVELOPMENT ACTIVITY

In Clackamas, Multnomah and Washington counties, there are approximately 6,000 businesses, according to Travel Portland (formerly, Portland Oregon Visitor's Association).

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

Just west of the City, the Sunset Corridor has emerged as the center for Oregon's high technology industry and has drawn extensive investment in recent years. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. The Interstate 5 ("I-5") Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5, includes some of the area's most rapidly-growing distribution and warehouse operations. Another area of major retail development includes the I-205 corridor that connects Clackamas and Multnomah counties and includes the Clackamas Town Center, Mall 205 and the Gateway Mall.

Fourth quarter 2007 market data provided by Grubb & Ellis shows an overall office vacancy rate for the Portland region of 8.2 percent in the Central Business District and of 11.5 percent in the Portland region overall and an overall industrial vacancy for the Portland metropolitan area of 5.7 percent.

Changes in the Portland metropolitan area's retail, commercial and industrial environment are described in the following building and economic development projects.

Development within Downtown Portland

In May 2006, the PDC Board selected Gerding-Edlen Development Company for the redevelopment of the Montgomery Blocks/Block 153 properties. Block 153 properties owned by the PDC are the Jasmine Tree property and the Portland State University ("PSU") carpool lot. The designs for these blocks are currently in development, and construction is scheduled to begin in 2009.

The Oak Tower on Oak Street along SW Third Avenue is being developed by Trammell Crow Residential. Demolition was completed in 2006 but the project has been put on hold due to a slowdown in the condominium market. The plan for Oak Tower has a 31-story 219 condominium tower.

Macy's, a division of Federated Department Stores ("Macy's"), Sage Hospitality Resources ("Sage"), and the PDC are working together on a \$106 million project that will redevelop the Meier & Frank building in downtown Portland. Macy's has consolidated its store in the Meier & Frank Building to the first five floors. Sage plans to convert floors six through sixteen of the building to a 334-room Marriott Renaissance hotel. There are also plans for a face-lift to restore the outside of the building. Completion is anticipated in early 2008.

TMT Development has selected Hoffman Construction Co to construct Park Avenue West, a \$200 million mixed-use tower located at Southwest Park Avenue and Yamhill Street. The project will include 280,000 square feet of office space, three floors of retail, 85 housing units and 350 underground parking spaces and is scheduled to be completed in 2010.

Reliance Development and Williams & Dame Development are building The Harrison, a collection of three condominium towers with a total of 537 condominiums and 24 townhomes with floor-to-ceiling windows along SW Harrison Street. Residents began moving into Harrison East in early 2007. Construction of all towers is expected to be complete in September 2008.

Cyan Condominiums located at SW Fourth Avenue is a Gerding-Edlen Development project near PSU. The slab tower includes 16 stories of "entry-level" condominiums and is expected to be a catalyst for development of additional affordable housing in the area. The project is expected to be completed in August 2009.

Construction began on PSU's \$50 million, 177,540-square-foot multipurpose building in August 2007. Swedish construction firm Skanska expects to complete construction in late 2008. The project is designed to add a new student recreation facility, academic space, ground floor retail and link with the new light rail project on SW Fifth and Sixth Avenues. The Oregon Legislature has allocated funds for several PSU projects: a major upgrade including seismic retrofitting of Lincoln Hall, additions to the Sciences Teaching Research Center, and additional housing and parking facility projects.

Octagon Development built the \$30 million, 26-story, Benson Tower on SW 11th Avenue. The Benson Tower, with 168 condominiums, was finished early in August 2007.

Opus Carroll LLC is building Ladd Tower on Park Avenue. The 22-story, mixed-use residential tower will offer approximately 190 units along the South Park Blocks. Opus Carroll broke ground on the Ladd Tower in the fall of 2006 and sales began in January 2007.

Sockeye Development and GBD Architects teamed up to build the Madison Office Condominiums. The Madison building was completed in October 2006 and includes five floors, with office condominiums on four floors and retail on the ground floor.

“12W,” a 22-story tower, is being built by Gerding-Edlen Development Company at SW 12th and Washington and will contain a mix of 17 floors of luxury apartments and several floors of office space. Zimmer Gunsul Frasca (ZGF) Architects is designing the building and is expected to move its corporate headquarters there when the project nears completion in 2009. The building will be one of the first urban buildings in the nation to integrate wind energy into its design. A series of wind turbines will be installed on the roof and generate about one percent of the power the 22-story tower will use.

South Waterfront/North Macadam District

The North Macadam area was the last large piece of undeveloped land close to the downtown area when it was designated as an urban renewal district by the City in August 1999. The area comprises 409 acres, and is approximately defined by Boundary Street on the south; Macadam Avenue and Hood Street on the west; Montgomery Street on the North; and the Willamette River on the east. The South Waterfront, a neighborhood within the North Macadam area, is an extensive redevelopment effort that includes the transformation of an abandoned 130-acre industrial brownfield along the Willamette River south of downtown. It is expected that 20 high-rise buildings will be built on the site. This includes medical offices and labs for Oregon Health & Science University (“OHSU”).

Simpson Housing bought Block 46 in the South Waterfront district for about \$8 million in July 2007. Simpson Housing plans to begin building a 270-apartment project in 2008.

Construction of the John Ross Condominium Tower began in mid-2005. The 31-story elliptical shaped building with 286 units is nearly finished and has an expected cost of \$75 million. At the end of January 2008, approximately 57 units remain for sale.

The Atwater, a 23-story building offering 212 homes ranging in price from \$399,000 to \$3.9 million, is nearly complete, and approximately 50 of the units remain available. The Atwater is located along Bancroft Street on the waterfront.

The Mirabella Retirement Community is a 32-story continuing care retirement community with 224 units that offers a range of retirement living options, from apartments to nursing home-level care. The project is being developed by Pacific Retirement Services, Inc. of Medford, Oregon in partnership with OHSU. Nearly all units have been sold and ground breaking is scheduled for the end of March or early April 2008.

The RiverPlace Project is a mixed-use development on 73 acres along the west bank of the Willamette River, with apartments, restaurants, shops and office space. Construction of the first tower of The Strand, a \$110 million mixed use development, was complete in early 2007. The Strand consists of three glass and steel towers which, when all are complete, will house 189 condominium units, 27 two-story homes, a 110-space parking garage, a waterfront restaurant, and retail space. More than 86 percent of the Strand’s units have been sold.

The 3720 Condos will consist of a 30-story tower and a five-story "side-car" structure, which will together contain 323 units, for a total of 350,000 square feet of condominium space. In addition, the development also calls for 17,000 square feet of retail and 380 parking spaces.

Gerding-Edlen Development and Williams & Dame Development constructed the Meriwether condominiums, an \$81 million, twin-towered residential project. The 246-unit project is the first residential project in the South Waterfront Central District neighborhood and all units have been sold. Residents began moving into the tower in May 2006.

The Portland Streetcar Inc. opened a 0.6-mile extension from PSU to RiverPlace in early March 2005. Service began in July 2006 on the Gibbs Extension, a 0.6 mile extension that starts at SW River Parkway and SW Moody, follows SW Moody south to SW Sheridan and continues from SW Sheridan to SW Gibbs, utilizing the former Willamette Shore trolley rail right-of-way. Construction of the Lowell Extension began in August of 2006, with completion in August 2007. This 0.6 mile extension

connects at Moody and Gibbs, follows Moody south to Lowell, east on Lowell to Bond. The route continues north on Bond to Moody and Gibbs.

The River District, Pearl District, and Old Town

Located north of the central business district and east of Interstate 405, the River District urban renewal area is comprised of approximately 310 acres bounded generally by Burnside Street on the south, NW 16th Avenue on the west, the northern end of the Terminal One site on the north, and the Willamette River and the boundaries of the Downtown Waterfront urban renewal area on the east.

Construction is underway on the Encore, a 16-story 177-unit condominium tower designed by Boora Architects, located at NW 9th and Overton. Construction is expected to be complete in late 2008.

Project 937 is a 16-story mixed used housing development located at NW Glisan between Ninth and Tenth Avenues. Project 937 will include 114 residences and ground floor retail when it is complete in fall 2008.

The Casey is being developed by Gerding-Edlen Development on the corner of NW 12th and Everett, with 61 condominiums within a 16-story tower. Construction is nearly complete and residents are moving into the tower. The Casey is designed to be one of the most energy efficient and environmentally-friendly high rise residential projects in the United States. The developer, Gerding-Edlen, is aiming for it to be the first condo tower in the country to earn a top "platinum" rating under the U.S. Green Building Council's Leadership in Energy and Environmental Design ("LEED") program.

Bill Naito Corp. with Pemcor Investment Corp. and Grancorp Inc. started construction of two condominium towers in October 2005. The two ten-story towers adjoin Albers Mill and are called the Waterfront Pearl. The Waterfront Pearl will offer 192 condominiums starting at \$350,000 and an extensive water feature. The Waterfront Pearl is scheduled to be finished in spring 2008. Sales of the condos began in early 2007.

Hoyt Street Properties has developed the Metropolitan Condos, a mixed use project with 121 units in a 19-story tower that is paired with a four-story, 20,000-square-foot boutique live/work building. At 225 feet tall, the Metropolitan will be the tallest building in the Pearl District, offering views in almost every direction. The design of the slender condominium tower allows a majority of the units to be exclusive corner units, maximizing views and daylight for unit owners. Construction of the Metropolitan is complete and all but 16 units have sold.

Developer Robert Ball built the Wyatt, a 15-story condominium complex in the heart of the Pearl District. In September 2007 and with only 53 condos sold, Ball announced that the 15-story Wyatt will switch to rental apartments.

Riverscape Properties opened its new eight-story Pacifica Tower on the Willamette River. Pacifica Tower has 75 units selling from \$240,000 to \$2.1 million.

Portland Center Stage converted the Armory building in anticipation of a move from downtown Portland to the Pearl District. The \$36.1 million theater project opened for performances in late 2006. The performance hall is the first ever historic rehabilitation to receive a LEED Platinum Rating.

North Portland

Freightliner closed the Freightliner-brand truck production line in March 2007, laying off 750 employees. Freightliner will continue to produce Western Star and military trucks at the Portland Swan Island plant. In November 2007, Freightliner announced it will move an additional 341 "white-collar" jobs to its Fort Mill, South Carolina location by mid-2008.

The \$10 million Killingsworth Station project is to include affordable one- and two-bedroom rental units, affordable loft-style condominiums, ground floor commercial space, townhomes, and ground floor retail/office space along Killingsworth and Interstate Avenue, and structured parking. Construction is scheduled to begin in July 2008.

The 12.5 Condos, located at the corner of NE Knott Street and NE Seventh Avenue, are twelve three-story condominiums and one two-story condominium under construction.

Mississippi Avenue Lofts is a sustainable mixed-use development featuring 32 lofts, secure parking and locally owned retail store. The project is scheduled for completion in June 2008.

Salpare Bay was completed in mid-2006. Salpare Bay is a condominium community with seven four-story buildings and a marina on the Columbia River.

Westside Development

Construction of the Westerly began in early 2006. The new 14-story condominium tower will offer 104 units ranging from \$200,000 to \$1.2 million. Construction is nearly complete with approximately 60 of the units unsold as of April 2008.

The Cambridge is a five-story mixed use development that has 73 units including the Andover, Essex, Kensington Winchester and Chelsea condo buildings and ten townhouses fronting NW Westover Road. Move-in occurred in February 2008 with approximately two-thirds of the units sold.

The Vaux, a \$42 million, 242,000-square-foot project, located at the northern edge of Northwest Portland's Nob Hill District, contains 145 units configured in two separate four-story buildings. Fourteen units remain for sale as of April 1, 2008.

In May 2005, the PDC approved a 14-story, 104-unit, condominium tower to be built by ScanlanKemperBard Co. The estimated \$40 million building is located at NW Westover Road and 24th Place and is expected to be complete in the summer of 2008.

Irving Street Tower at 2109 N.W. Irving Street in Portland is a 52-unit building renovation. The restored structure, built in 1910, is on the National Historic Registry.

The Gerding-Edlen Development Company and the Housing Authority of Portland built The Civic, a complex with 261 market-rate condos, 140 apartments and retail space at a cost of \$76 million. Construction was completed in 2007.

In mid-2007, Doernbecher Children's Hospital completed expansion of the pediatric cancer treatment unit. The \$14 million project expanded the unit from 3,000 to 7,000 square feet and from 16 beds to 21.

In late 2005, construction of the \$113.4 million, 274,000-square-foot, OHSU Biomedical Research building on the Marquam Hill campus was completed. The \$216 million, 335,000-square-foot, 146 bed, Patient Care Facility was completed in mid-2006. OHSU built a 16-story, 400,000-square-foot Center for Health and Healing in November 2006 and added 80 new beds in the Kohler Pavilion in 2007. In December 2007, OHSU announced plans to spend \$375 million to add 150 hospital beds. The plan will expand OHSU's inventory of 582 beds by nearly one-third.

Construction on the Sitka, a five-story affordable apartment building with 210 units on NW Northrup was completed in summer 2006.

Eastside Development

Gerding-Edlen Development Company is building a \$32 million, five-story mixed-used project in the Hollywood District. The project will include Whole Foods Market, a bank and another retail establishment, two floors of parking, and 53 condominiums. Construction is scheduled to be complete in summer 2009.

Providence Portland Medical Center completed a 490,000-square-foot, 11-story medical facility with consolidated cancer services and a parking garage. The garage, which is adjacent to the clinic, has three levels and 635 spaces. Construction was completed in March 2008. Providence recently announced plans to raze the former Davis Business Center at NE Halsey and build a new six-story administrative office building. The project will add an estimated 260,000 square feet of space, widen Halsey Street adding an additional lane and designated bicycle lane and add a traffic light at NE Halsey and NE 44th Avenue.

Legacy Health System announced it will add 230,000 square feet to Emanuel Hospital over the next two years. The project, at an estimated cost of \$226 million, will add in-patient beds for children and a pediatric emergency department. Plans also call for upgrading existing space to add adult intensive care and acute care beds. Construction is expected to begin in spring of 2009 and work on a parking garage is expected to begin during summer 2008.

The Columbia Corridor

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

The Rivergate Industrial Park is a 3,000-acre area owned by The Port of Portland (the "Port") in North Portland. In addition to Rivergate's access to the Columbia River and Portland International Airport ("PDX"), the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives. The purpose of the City's Enterprise Zone is to stimulate business investment in North and Northeast Portland. In an attempt to hire and retrain Enterprise Zone residents for quality jobs, the PDC has set up this program to reward businesses that provide local jobs. Businesses who participate can make use of a property tax exemption from new taxes generated during the first three to five years of a non-retail business investment in the Enterprise Zone. The boundaries of the Enterprise Zone include north and northeast Portland residential, commercial and industrial land west of Interstate 205 and north of Broadway Street.

Solaicx, producer of ingots and wafers used to make solar panels, started leasing a 136,000-square-foot facility in the Rivergate Industrial District in June 2007.

Cascade Station is a 120-acre mixed use development of office, hotel and retail spaces. Trammell Crow opened the Village at Cascade Station with IKEA in July 2007. IKEA employs approximately 350 people in its Portland store. Other tenants in the estimated 800,000 square foot development include Golfsmith and Best Buy. New offices, hotels and a gas station are planned.

Work on improvements for the floating dock of Terminal 6, which Honda uses to bring in 87,000 autos every year, continues. The Port awarded \$2.52 million for construction on the floating dock, which is constructed of porous rain water filtering blacktop. The construction extended crane rails and with \$7.5 million in funding from ConnectOregon, a new crane is expected to arrive for the terminal in April 2008.

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 24 percent of the State's Gross Farm and Ranch Sales based on 2006 estimates from the Oregon State University Extension Economic Information Office. Clackamas County ranked second and Yamhill and Washington counties ranked third and fourth among all counties in the State in Gross Farm and Ranch Sales.

The 2006 Gross Farm and Ranch Sales in Clackamas County was \$394,556,000; Washington County was \$321,692,000; Yamhill County was \$276,491,000; and Multnomah County was \$79,277,000 as estimated by the Oregon State University Extension Service.

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. Leading exports include wheat, soda ash, potash and hay. The Port is the largest wheat export port in the United States. Leading imports include automobiles, petroleum products, steel and limestone. The Port is the largest volume auto handling port and mineral bulks port on the West Coast. Total maritime tonnage increased in 2007 to 14.4 million short tons compared to 12 million in 2006.

The Columbia River ship channel is maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. The City is a port of call for 16 regularly scheduled major steamship lines serving major world trade routes. Primary cargoes include containers, automobiles, grain, and mineral bulks.

Six Oregon and Washington port districts joined to fund a five-year study of the feasibility of deepening the shipping channel of the Columbia River from 40 feet to 43 feet, to accommodate larger, more efficient vessels. The resulting Columbia River Channel Deepening Project will provide local and national transportation and trade improvements. The total cost of the

proposed project is expected to be \$150.5 million. The states of Oregon and Washington have appropriated \$27.7 million each in matching funds for the local cost share, and the remaining funding will come from federal appropriations. On June 25, 2005, a U.S. Army Corp of Engineers contractor began deepening the navigating channel in selected areas near the mouth of the Columbia River. Because significant areas of the Columbia River are naturally deeper than what the new channel requires, only specific areas will require dredging. The project is expected to be completed by 2010.

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

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

PDX handles more than 14 million passengers annually. Portland is served by 15 passenger and 11 freight carriers providing about 600 flights daily. Construction has started on a second 3,000-space parking garage for PDX that could be completed as early as 2009. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

PDX has also expanded local flight connections during 2007 and 2008. Northwest Airlines, in cooperation with its joint venture partner, KLM Royal Dutch Airlines, announced service to Amsterdam beginning March 29, 2008. Alaska Airlines began nonstop domestic service to both Boston and Orlando, and Delta Air Lines launched service to New York's Kennedy Airport. US Airways began seasonal summer service to Charlotte and added a second daily flight to Philadelphia. Horizon Air launched seasonal service to Palm Springs and inaugurated its new Santa Rosa flight. In June 2008, Mexicana Airlines announced that it will discontinue its direct, non-stop flights to Mexico City and Guadalajara on September 2.

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 Portland Aerial Tram ("Tram") opened in January 2007. The Tram, which is owned by the City and operated by OHSU, links OHSU's North Macadam offices and its Marquam Hill campus. A total of 1,398,287 people rode the tram from February 2007 through January 2008.

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service through the 575 square miles in the area. During TriMet's fiscal year, from July 2006 through June 2007, passengers boarded a TriMet bus or train approximately 96.9 million times.

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

In 2007, TriMet started of an 8.3 mile, two-phased extension of the light rail line. The estimated cost of the project is \$494 million. Phase one would provide service along Interstate 205 between Clackamas Town Center and the existing Gateway station where it will use the existing MAX Blue Line tracks to downtown Portland, then run on new tracks along the Portland Mall to Portland State University. Service could begin as early as 2009. Phase two would extend light rail from downtown Portland to Milwaukie.

TriMet is adding a north/south section to the Portland Mall to accommodate additional MAX light rail lines. The new addition will allow for extension to PSU, Clackamas and Washington counties. When TriMet finishes with construction in 2009, a new MAX green line will run the length of the mall from Union Station to PSU.

TriMet began construction of the \$103.5 million Washington County Commuter Rail in late 2006. This line will run from Beaverton to Wilsonville and is expected to begin service in 2008.

The Portland Streetcar, which connects the downtown area with the Pearl District and Northwest Portland, began operations in 2001. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. Construction of the Gibbs extension of the streetcar line to the South Waterfront District was completed in the fall of 2005; service began in late 2006 following development of major components in the area. Construction of the Lowell extension started in August 2006 and was completed in August 2007.

TriMet expects to file a grant application with the Federal Transit Administration to extend the streetcar line to Portland's east side. The extension would 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 estimated cost of the extension is \$147 million. The project is expected to be completed in 2011. Public input is presently being solicited regarding other possible east side routes.

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

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

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. PGE Park, which was renovated and reopened in 2001, is home to the Portland Beavers (Triple-A baseball), the Portland Timbers (A-League soccer), and the Portland State Vikings (Division I college football and women's soccer). A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June since 1907. More than two million participants enjoy the Festival annually.

According to the "Portland Metropolitan Region Fact Book - 2006", published by Travel Portland, the total retail sales in the Portland metropolitan area in 2006 was \$29.2 billion.

According to the Oregon Lodging Association and data provided by Smith Travel Research, lodging occupancy rates for downtown Portland were 68.0 percent in January through November 2007, a 2.7 percent increase over January through November 2006.

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

HIGHER EDUCATION

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

PSU, one of the three large universities 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 over 100 undergraduate, masters, and doctoral degrees, as well as graduate certificates and continuing education programs. Fall 2007 enrollment was

approximately 24,999 students including 17,299 full-time equivalent 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. Each year, OHSU serves approximately 175,700 medical and dental patients and educates more than 3,900 students and trainees in health information technology, sciences, environmental engineering, computation and management. Competitive funding awards have nearly quadrupled during the last decade; OHSU receives more than \$260 million annually. In 2006, OHSU employed 11,300 people. See also "DEVELOPMENT ACTIVITY--South Waterfront/North Macadam District".

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

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

UTILITIES

Electric Power, Natural Gas and Communications

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

Water, Sewer and Wastewater

The City operates the water supply system that delivers drinking water to approximately 770,000 people in the Portland metropolitan 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.

HOUSING

The year-to-date median selling price of a home in metropolitan Portland in May 2008 was \$280,000, down 2.1 percent from \$285,000 year-to-date in May 2007, according to the Realtors Metropolitan Area Multiple Listing Service ("RMLS"). As of May 2008, homes in the Portland metropolitan area were on the market an average of 72 days. According to RMLS, the Southeast and West Portland regions were the most active residential real estate areas, with 1,085 and 962 closed sales, respectively, year-to-date through May 2008. In May 2008, Portland metropolitan area closed sales were down 8.3 percent from May 2007.

OTHER ECONOMIC FACTORS

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

Table 32
CITY OF PORTLAND, OREGON
Various Economic Indices
for Fiscal Years Ending June 30

| Fiscal Year Ending June 30 | Commercial Construction | | Residential Construction | | Total Construction | | Bank Deposits (\$000) |
|---|------------------------------------|----------------|-------------------------------------|---------------|-------------------------------|---------------|--------------------------------------|
| | No. of Permits | Value | No. of Permits | Value | No. of Permits | Value | |
| 1998 | 4,089 | \$ 778,910,533 | 4,153 | \$166,479,499 | 8,242 | \$945,390,032 | \$12,942,696 |
| 1999 | 3,746 | 712,690,707 | 4,128 | 164,598,675 | 7,874 | 877,289,382 | 14,529,741 |
| 2000 | 3,628 | 685,894,883 | 4,390 | 166,029,804 | 8,018 | 851,924,687 | 15,667,859 |
| 2001 | 3,524 | 693,494,820 | 5,304 | 227,161,633 | 8,828 | 920,656,453 | 12,978,750 |
| 2002 | 3,394 | 702,312,602 | 5,676 | 286,907,402 | 9,070 | 989,220,004 | 16,214,809 |
| 2003 | 3,738 | 647,952,470 | 6,008 | 314,138,287 | 9,746 | 962,090,757 | 18,455,222 |
| 2004 | 3,485 | 819,507,836 | 6,105 | 329,706,927 | 9,590 | 1,149,214,763 | 11,223,521 |
| 2005 | 4,022 | 872,050,904 | 6,216 | 341,898,757 | 10,238 | 1,213,949,661 | 11,283,590 |
| 2006 | 4,080 | 1,188,470,138 | 6,951 | 400,611,108 | 11,031 | 1,589,081,246 | 12,752,436 |
| 2007 | 2,916 | 1,366,932,658 | 5,362 | 365,568,171 | 8,278 | 1,732,500,829 | NA |

Sources:

Building:

City of Portland, Bureau of Development Services. Data is collected on a fiscal year basis and includes new construction and alterations. Permit data shown is for the City of Portland only.

Bank Deposits:

Oregon Department of Consumer and Business Services.

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.

PROPOSED INITIATIVES WHICH QUALIFY TO BE PLACED ON THE BALLOT

To place a proposed 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 2008 general election, the requirement is 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 2008 general election is July 3, 2008. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

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

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 33
CITY OF PORTLAND, OREGON
Initiative Petitions that Qualified and Passed
1996-2006

| <u>Year of General Election</u> | <u>Number of Initiatives that Qualified</u> | <u>Number of Initiatives that Passed</u> |
|-------------------------------------|---|--|
| 1996 | 16 | 4 |
| 1998 | 16 | 6 |
| 2000 | 18 | 8 |
| 2002 | 7 | 3 |
| 2004 | 6 | 2 |
| 2006 | 10 | 3 |

Source: Elections Division, Oregon Secretary of State.

MEASURE 37 AND MEASURE 49

Oregon voters approved citizen initiative petition Measure 37 on November 2, 2004. Measure 37 became effective on December 2, 2004, and is codified as Oregon Revised Statutes (“ORS”) 197.352.

Measure 37 entitles a property owner to either compensation or relief from certain land use regulations (the Restrictions) if the owner can show (a) the Restrictions were adopted after the owner acquired the affected property, and (b) the Restrictions have restricted the owner’s use of the property and reduced its value. The government body that enacted or enforced the Restrictions decides whether to pay the claim or waive the Restrictions.

“Restrictions” do not include the regulation of nuisances, regulations that protect public health and safety, regulations that are required to comply with federal law; regulations restricting or prohibiting the use of a property for the purpose of selling pornography or performing nude dancing, and regulations that were enacted before the current property owner (or a member of that owner’s family) acquired the property. Measure 37 does not require governments to pay claims for those regulations.

Measure 37 states that property owners making claims based on land use regulations enacted before December 2, 2004 were required to file their claims on or before December 4, 2006, with exceptions. In addition, Measure 37 may not require a government to pay claims that arise under Measure 37 unless the government affirmatively acts to fund those claims; if claims are not paid within two years after they accrue, Measure 37 releases the land from the Restrictions and it is not clear whether the governments imposing the Restrictions have any residual liability. Claims for Restrictions that were enacted before the effective date of Measure 37 must be submitted within two years.

The City has enacted Restrictions, and as of October, 2007, has received 92 claims. Of this number, seven have been approved by the Council, 14 have been denied, 12 have been withdrawn, 29 have been placed on hold and 30 are in various stages of the review process. To date, for the seven claims the City has approved, the City has paid no monetary compensation but has opted to release properties from the challenged Restrictions. There can be no assurance, however, that a similar proportion of future claims will be released or that the City will not be ordered to pay some claims as a result of litigation. Of the remaining unresolved claims, the amount being demanded is approximately \$242 million.

Measure 37 changes Oregon statutes and not the State Constitution, so the Legislative Assembly has the power to modify Measure 37. In its 2007 session, the Legislative Assembly enacted two bills with respect to Measure 37. On May 9, 2007, both houses of the Oregon Legislature approved, and on May 10, the Governor of the State of Oregon signed into law House Bill 3546 (“HB 3546”). HB 3546 grants an additional 360 days to act on Measure 37 claims filed between November 1 and December 5, 2006, and grants an extension for claims filed after November 1, 2006 with no cut off. HB 3546 contains an emergency clause and is currently in effect.

The changes in the second bill, House Bill 3540, incorporate the provisions of Measure 49, a statutory legislative referral approved by voters statewide at the November 6, 2007 Special Election, which modifies Measure 37. House Bill 3540 provides three alternatives for persons whose have submitted claims for compensation under the measure. Under the

“unconditional” alternative, a claimant may build up to three home-sites on its property. A “conditional” alternative allows four to ten home-sites on the claimant’s property. The third alternative allows a claimant to continue to pursue its claim under Measure 37 if the claimant has a vested right as of the effective date of Measure 37. House Bill 3540 also provides for transferability of development rights, revises the claims process for future land use regulations and provides a methodology for determining the amount of compensation to which a claimant may be entitled. A lawsuit has been filed, however, that challenges all of the state legislature’s referrals to the ballot, including Measure 49.

FUTURE INITIATIVE MEASURES

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

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

TAX MATTERS

FEDERAL INCOME TAX

2008 Series A Bonds

This advice was written to support the promotion or marketing of the 2008 Series A Bonds. This advice is not intended or written by Kirkpatrick & Lockhart Preston Gates Ellis LLP to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the 2008 Series A Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners (“Owners”) of 2008 Series A Bonds. This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations, including regulations concerning the tax treatment of debt instruments issued with original issue discount (the “OID Regulations”) (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only 2008 Series A Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the 2008 Series A Bonds as part of a hedging transaction, “straddle,” conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the 2008 Series A Bonds. **ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE 2008 SERIES A BONDS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE THE 2008 SERIES A BONDS.**

For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates

and trusts (“Foreign Owners”) to the extent that their ownership of the 2008 Series A Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

In General. Interest derived from a 2008 Series A Bond by an Owner is subject to U.S. federal income taxation. In addition, a 2008 Series A Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

Payments of Interest. Qualified Stated Interest (and other original issue discount), including additional amounts of cash and interest, if any, paid on the 2008 Series A Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner’s method of accounting for U.S. federal income tax purposes. For purposes of this discussion “Qualified Stated Interest” is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer), or that will be constructively received under Section 451 of the Code, at least annually at a single fixed rate (within the meaning of Treasury Regulation § 1.1273-1(c)(1)(iii)), as defined in Treasury Regulation § 1.1273-1(c). Special rules governing the treatment of [original issue discount], [acquisition premium], [market discount] or [amortizable premium] are described below.

[Original Issue Discount. If the issue price of the 2008 Series A Bonds is less than the stated redemption price at maturity of such 2008 Series A Bonds (the “Discount 2008 Series A Bonds”) then such 2008 Series A Bonds may be original issue discount obligations. Accordingly, as provided in the Code and the OID Regulations, the excess of the “stated redemption price at maturity” of each Discount 2008 Series A Bond over its “issue price” (defined as the initial offering price to the public, excluding bond houses and brokers, at which a substantial amount of the 2008 Series A Bonds have been sold) will be original issue discount. Except as described below, Owners of Discount 2008 Series A Bonds will have to include in gross income (irrespective of their method of accounting) a portion of such original issue discount for each year during which such 2008 Series A Bonds are held, without regard to the time at which the cash to which such income is attributable will be received. The amount of original issue discount included in income for each year will be calculated under a constant yield to maturity formula that results in the allocation of less original issue discount to earlier years of the term of such 2008 Series A Bonds and more original issue discount to the later years.

The foregoing summary is based on the assumptions that (a) the Underwriters have purchased the Discount 2008 Series A Bonds for contemporaneous sale to the general public and not for investment purposes, (b) all of the Discount 2008 Series A Bonds have been offered, and a substantial amount of each maturity thereof has been sold to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Discount 2008 Series A Bonds to the general public are equal to the fair market value thereof. Neither the City nor Bond Counsel warrants that the 2008 Series A Bonds will be offered and sold in accordance with such assumptions.]

[Acquisition Premium. In the event that an Owner purchases a 2008 Series A Bond at an acquisition premium (i.e., at a price in excess of its “adjusted issue price” but less than its stated redemption price at maturity), the amount includable in income in each taxable year as original issue discount is reduced by that portion of the acquisition premium properly allocable to such year. (For 2008 Series A Bonds that are purchased at a price in excess of the stated redemption price at maturity, see the discussion below under the heading *Amortizable Premium.*) The adjusted issue price is defined as the sum of the issue price of the 2008 Series A Bond and the aggregate amount of previously accrued original issue discount, less any prior payments of amounts included in its stated redemption price at maturity. Unless an Owner makes the accrual method election described below, acquisition premium is allocated on a pro rata basis to each accrual of original issue discount (i.e., to each six-month accrual period), so that the Owner is allowed to reduce each accrual of original issue discount by a constant fraction.]

[Market Discount. An Owner who purchases a 2008 Series A Bond at a “market discount” will be subject to provisions in the Code that convert certain capital gain on the redemption, sale, exchange or other disposition of the 2008 Series A Bond into ordinary income. A 2008 Series A Bond will have market discount to the extent the “revised issue price” of such 2008 Series A Bond exceeds, by more than a de minimis amount, the Owner’s tax basis in the 2008 Series A Bond immediately after the Owner acquires the 2008 Series A Bond. The “revised issue price” generally equals the issue price of the 2008 Series A Bond plus the amount of original issue discount (computed without regard to any “acquisition premium” described above) that had accrued on such 2008 Series A Bond as of the date the Owner acquired the 2008 Series A Bond and reduced by the stated interest previously paid with respect to such 2008 Series A Bond as of such date.

An Owner may elect to include market discount in income as it accrues, but such an election will apply to all market discount bonds or notes acquired by such Owner on or after the first day of the first taxable year to which such election applies and is revocable only with permission from the Internal Revenue Service (“IRS”). Unless a 2008 Series A Bond Owner elects to include market discount in income as it accrues, any partial principal payments on, or any gain realized upon the sale, exchange, disposition, redemption or maturity of a 2008 Series A Bond will be taxable as ordinary income to the extent any market discount has accrued on such 2008 Series A Bond. Market discount on a 2008 Series A Bond would accrue ratably each day between the date an Owner purchases the 2008 Series A Bond and the date of maturity. In the alternative, an Owner irrevocably may elect to use a constant interest accrual method under which marginally less market discount would accrue in early years and marginally greater amounts would accrue in later years.

If a 2008 Series A Bond purchased with market discount is disposed of in a nontaxable transaction (other than a nonrecognition transaction described in Section 1276(d) of the Code), accrued market discount will be includable as ordinary income to the Owner as if such Owner had sold the 2008 Series A Bond at its then fair market value. An Owner of a 2008 Series A Bond that acquired it at a market discount and that does not elect to include market discount in income on a current basis also may be required to defer the deduction for a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the 2008 Series A Bond until the deferred income is realized.]

[Amortizable Premium. An Owner who purchases a 2008 Series A Bond for any amount in excess of its principal amount, or in the case of a Discount 2008 Series A Bond, its stated redemption price at maturity, will be treated as having premium with respect to such 2008 Series A Bond in the amount of such excess. An Owner who purchases a Discount 2008 Series A Bond at a premium is not required to include in income any original issue discount with respect to such 2008 Series A Bond.

If an Owner makes an election under Section 171(c)(2) of the Code to treat such premium as “amortizable bond premium,” the amount of interest that must be included in such Owner’s income for each accrual period will be reduced by the portion of the premium allocable to such period based on the 2008 Series A Bond’s yield to maturity. If an Owner makes the election under Section 171(c)(2), the election also shall apply to all taxable bonds or debt obligations held by the Owner at the beginning of the first taxable year to which the election applies and to all such taxable bonds or debt obligations thereafter acquired by such Owner, and it is irrevocable without the consent of the IRS. If such an election under Section 171(c)(2) of the Code is not made, such an Owner must include the full amount of each interest payment in income in accordance with its regular method of accounting and will receive a tax benefit from the premium only in computing its gain or loss upon the sale of other disposition or retirement of the 2008 Series A Bond. The existence of bond premium and the benefits associated with the amortization of bond premium vary with the facts and circumstances of each Owner. Accordingly, each Owner of a 2008 Series A Bond should consult his own tax advisor concerning the existence of bond premium and the associated election.]

[Accrual Method Election. Under the OID Regulations, an Owner who uses an accrual method of accounting would be permitted to elect to include in gross income its entire return on a 2008 Series A Bond (i.e., the excess of all remaining payments to be received on the 2008 Series A Bond over the amount paid for the 2008 Series A Bond by such Owner) based on the compounding of interest at a constant rate. Such an election for a 2008 Series A Bond with amortizable bond premium (or market discount) would result in a deemed election for all of the Owner’s debt instruments with amortizable bond premium (or market discount) and could be revoked only with the permission of the IRS with respect to debt instruments acquired after revocation.]

Disposition or Retirement. Upon the sale, exchange or other disposition of a 2008 Series A Bond, or upon the retirement of a 2008 Series A Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner’s adjusted tax basis in the 2008 Series A Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. **Under the 2008 Series A Bond Declaration, the 2008 Series A Bonds are subject to optional redemption. See “THE 2008 BONDS— Redemption of the 2008 Bonds.” The 2008 Series A Bonds are subject to defeasance at any time prior to their stated maturities. See APPENDIX A— BOND DECLARATION - Defeasance.” If the City defeases any 2008 Series A Bonds, such 2008 Series A Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2008 Series A Bond would recognize a gain or loss on the 2008 Series A Bond at the time of defeasance.**

An Owner’s tax basis for determining gain or loss on the disposition or retirement of a 2008 Series A Bond will be the cost of such 2008 Series A Bond to such Owner, increased by the amount of original issue discount and any market discount includable in such Owner’s gross income with respect to such 2008 Series A Bond, and decreased by the amount of any payments under the 2008 Series A Bond that are part of its stated redemption price at maturity (i.e., all stated interest payments with respect to the 2008 Series A Bonds previously paid) and by the portion of any premium applied to reduce interest

payments as described above. Such gain or loss will be capital gain or loss (except to the extent the gain represents accrued original issue discount or market discount on the 2008 Series A Bond not previously included in gross income, to which extent such gain would be treated as ordinary income). Any capital gain or loss will be long-term capital gain or loss if at the time of disposition or retirement the 2008 Series A Bond has been held for more than one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments of interest and accruals of original issue discount (if any) on 2008 Series A Bonds held of record by U.S. persons other than corporations and other exempt Owners must be reported to the IRS. Such information will be filed each year with the IRS on Form 1099, which will reflect the name, address, and taxpayer identification number of the Owner. A copy of Form 1099 will be sent to each Owner of a 2008 Series A Bond for federal income tax reporting purposes. The amount of original issue discount required to be reported by the Paying Agent may not be equal to the amount required to be reported as taxable income by an Owner of a Discount 2008 Series A Bond that acquired such 2008 Series A Bond subsequent to its original issuance.

Interest paid to an Owner of a 2008 Series A Bond ordinarily will not be subject to withholding of federal income tax if such Owner is a U.S. person. Backup withholding of federal income tax may apply, however, to payments made in respect of the 2008 Series A Bonds, as well as payments of proceeds from the sale of 2008 Series A Bonds, to Owners who are not “exempt recipients” and who fail to provide certain identifying information. This withholding generally applies if the Owner of a 2008 Series A Bond (who is not an exempt recipient) (i) fails to furnish such Owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such Owner is not subject to backup withholding. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. To prevent backup withholding, each prospective Owner will be requested to complete an appropriate form.

Any amounts withheld under the backup withholding rules from a payment to a person would be allowed as a refund or a credit against such person’s U.S. federal income tax, provided that the required information is furnished to the IRS. Furthermore, certain penalties may be imposed by the IRS on an Owner who is required to supply information but who does not do so in the proper manner.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an owner’s particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 2008 Series A Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

2008 Series B Bonds

In the opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Bond Counsel, interest on the 2008 Series B 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 2008 Series B Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2008 Series B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2008 Series B Bonds and the facilities financed or refinanced with proceeds of the 2008 Series B 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 2008 Series B Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2008 Series B Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal income tax consequences of acquiring, carrying, owning or disposing of the 2008 Series B Bonds. Owners of the 2008 Series B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2008 Series B 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 2008 Series B Bonds should be aware that ownership of the 2008 Series B 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 2008 Series B Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2008 Series B Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2008 Series B 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 2008 Series B Bonds. Owners of the 2008 Series B Bonds are advised that, if the IRS does audit the 2008 Series B 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 2008 Series B 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 2008 Series B Bonds until the audit is concluded, regardless of the ultimate outcome.

[Premium. An amount equal to the excess of the purchase price of a 2008 Series B Bond over its stated redemption price at maturity constitutes premium on that 2008 Series B Bond. A purchaser of a 2008 Series B Bond must amortize any premium over that 2008 Series B Bond's term using constant yield principles, based on the 2008 Series B Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2008 Series B 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 2008 Series B Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2008 Series B 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 2008 Series B Bonds.]

[Original Issue Discount. The initial public offering price of certain 2008 Series B 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 2008 Series B 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 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 AND OTHER TAX MATTERS

In the opinion of Bond Counsel, interest on the 2008 Bonds is exempt from Oregon personal income taxation.

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2008 Bonds under federal or state law and could affect the market price for, or marketability of, the 2008 Bonds. For example, in *Davis v. Dep't of Revenues of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), cert. granted 127 S.Ct. 2451 (2007), the Court of Appeals for the Commonwealth of Kentucky held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. If the United States Supreme Court affirms the holding of the Court of Appeals for the Commonwealth of Kentucky, subsequent action by the Oregon Legislature designed to ensure the constitutionality of tax law in Oregon could, among other alternatives, adversely affect the Oregon tax-exemption of the 2008 Bonds, or result in the granting of Oregon tax-exemption on bonds issued by other states and their political subdivisions. Any subsequent action by the Oregon Legislature could affect the market price or marketability of the 2008 Bonds. It is not possible to predict how the United States Supreme Court will decide the *Davis* case or to predict any change in State law that would be occasioned by the United States Supreme Court's affirmation of the *Davis* decision.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee benefit plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any 2008 Series A Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Plan and a Party in Interest and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets. Depending on the identity of the Plan fiduciary making the decision to acquire or hold 2008 Series A Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibited transaction restrictions of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in Interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the "plan assets" involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a 2008 Series A Bond, each Purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any Plan have been used to purchase such 2008 Series A Bond, or (ii) the Underwriter is not a Party in Interest with respect to the "plan assets" of any Plan used to purchase such 2008 Series A Bond, or (iii) the purchase and holding of such 2008 Series A Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under Section 406 of ERISA or Section 4975 of the Code) should consult with its legal advisor concerning an investment in any of the 2008 Series A Bonds.

RATING

The 2008 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 2008 Bonds will not be revised at a later date.

UNDERWRITING

On behalf of the Underwriters listed on the cover of this Official Statement, _____ has agreed, subject to certain conditions, to purchase all of the 2008 Series A Bonds, if any are to be purchased, at a price of \$_____ (which is equal to the aggregate principal amount of the 2008 Series A Bonds of \$_____, plus a net original issue premium of \$_____ less Underwriters’ Discount of \$_____).

On behalf of the Underwriters listed on the cover of this Official Statement, _____ has agreed, subject to certain conditions, to purchase all of the 2008 Series B Bonds, if any are to be purchased, at a price of \$_____ (which is equal to the aggregate principal amount of the 2008 Series B Bonds of \$_____, plus a net original issue premium of \$_____ less Underwriters’ Discount of \$_____).

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2008 Bonds by the City are subject to the approving opinion of Kirkpatrick & Ellis Preston Gates Ellis 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 2008 Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2008 Bonds conform to the applicable laws under which they are issued. The statements made in this Official Statement under the captions “THE 2008 BONDS,” “SECURITY FOR THE 2008 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 2008 Bonds or the Tax Increment Revenues.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2008 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 2008 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 2008 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 2008 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 D for the benefit of the 2008 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 2008 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 2008 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 _____
Debt Manager
Office of Management and Finance

APPENDIX A
BOND DECLARATION



**AMENDED AND RESTATED BOND
DECLARATION**

City of Portland, Oregon

South Park Blocks Urban Renewal and Redevelopment Bonds

2000 Series A (Tax-Exempt) and,

2000 Series B (Federally Taxable)

and

South Park Blocks Urban Renewal and Redevelopment Bonds

2008 Series A (Federally Taxable) and,

South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds

2008 Series B (Tax-Exempt)

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

As of this ___th day of _____, 2008

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AMENDED AND RESTATED BOND DECLARATION

THIS AMENDED AND RESTATED BOND DECLARATION is executed as of _____, 2008, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance Nos. 174955 and 181831 to establish the terms under which the City's South Park Blocks Urban Renewal and Redevelopment Bonds 2000 Series A and 2000 Series B, the City's South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) and South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, 2008 Series B (Tax-Exempt) 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 South Park Blocks Urban Renewal Area.
- 1.2. The City has previously executed a Bond Declaration dated October 15, 2000 (the "2000 Bond Declaration") to establish the terms under which the City's South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series A and 2000 Series B (collectively, the "2000 Bonds") were issued pursuant to City Ordinance No. 174955.
- 1.3. The 2000 Bond Declaration provides that the pledge that secured the 2000 Bonds and future parity indebtedness was subordinate to the pledge that secured bonds the City had previously issued for the South Park Blocks Urban Renewal Area (the "Prior Lien Bonds").
- 1.4. The Prior Lien Bonds have been paid.
- 1.5. 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 South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) (the "2008 Series A Bonds") and South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, 2008 Series B (Tax Exempt) (the "2008 Series B Bonds" and together with the 2008 Series A Bonds, the "2008 Bonds") are issued pursuant to City Ordinance No. 181831.
- 1.6. In City Ordinance No. 172389 the City chose Option Three for the South Park Blocks Urban Renewal Area as provided in ORS 457.435(2)(c), and has limited Divide the Taxes Revenues to \$5,660,000 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).
- 1.7. In City Ordinance No. 172356, the City approved a maximum indebtedness limit for the South Park Blocks Area of \$143,619,000. 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 2008 Series B Bonds because those bonds are refundings. On the date the 2008 Bonds are issued, the City will have issued \$_____ of indebtedness to which the maximum indebtedness limit applies. That indebtedness consists of the following issues: \$39,885,000 of the 2000 Bonds; \$_____ of the 2008 Series A Bonds; the City's South Park Blocks Urban Renewal Area Credit Facility Bond dated as of December 31, 2007 in the amount of \$_____; and Short-Term Subordinate Urban Renewal and Redevelopment Bonds in total, aggregate principal amount of \$_____.

1.8. The City may amend the 2000 Bond Declaration without the consent of any party to authorize Parity Indebtedness.

1.9. 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 effect on the rights of the Owners because the Prior Lien Bonds have been paid.

1.10. The City may amend the 2000 Bond Declaration with the consent of 51% of the Owners. Pursuant to Section 10.2(B) of the 2000 Bond 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 Bond 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 policy insuring payment of all principal and interest due on the 2000 Bonds.

Section 2. Definitions.

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

"2000 Bond 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 2000 Bond Reserve Subaccount.

"2000 Bond Reserve Requirement" means:

(i) while only the 2000 Bonds are secured by the 2000 Bond Reserve Subaccount, an amount equal to the lesser of Maximum Annual Debt Service on all 2000 Bonds or the sum of the Tax Maximum for all then Outstanding Series of 2000 Bonds;

(ii) if the City issues Parity Indebtedness after the 2008 Bonds are issued, and secures that Parity Indebtedness with the 2000 Bond Reserve Subaccount, an amount equal to the lesser of the Maximum Annual Debt Service on all Outstanding Bonds that are secured by the 2000 Bond Reserve Subaccount or the amount described in the next sentence. If at the time the Parity Indebtedness that is secured by the 2000 Bond Reserve Subaccount is issued, the amounts

required to be added to the 2000 Bond Reserve Subaccount to make the balance in the 2000 Bond Reserve Subaccount equal to Maximum Annual Debt Service on all Outstanding Bonds that are secured by the 2000 Bond Reserve Subaccount exceeds the Tax Maximum for the Parity Indebtedness that is being issued, then the 2000 Bonds Reserve Requirement shall mean the 2000 Bonds Reserve Requirement in effect immediately prior to the issuance of that Parity Indebtedness, plus the Tax Maximum for that Parity Indebtedness.

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

“2000 Bonds” means the 2000 Series A Bonds and the 2000 Series B Bonds.

“2000 Series A Bonds” means the City’s South Park Blocks Urban Renewal and Redevelopment Bonds 2000 Series A (Tax-Exempt) which are described in Section 13 of this Declaration.

“2000 Series B Bonds” means the City’s South Park Blocks Urban Renewal and Redevelopment Bonds 2000 Series B (Federally Taxable) which are described in Section 13 of this Declaration.

“2008 Bonds” means the 2008 Series A Bonds and the 2008 Series B Bonds.

“2008 Series A Bond Reserve Requirement” means the Tax Maximum for the 2008 Series A Bonds. The Maximum Annual Debt Service component of the Tax Maximum shall be recomputed each time 2008 Series A Bond principal is paid.

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

“2008 Series A Bonds” means the City’s South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) which are described in Section 14 of this Declaration.

“2008 Series B Bond Reserve Requirement” means the Tax Maximum for the 2008 Series B Bonds. The Maximum Annual Debt Service component of the Tax Maximum shall be recomputed each time 2008 Series B Bond principal is paid.

“2008 Series B Bond Reserve Subaccount” means the subaccount in the Reserve Account that secures the 2008 Series B Bonds and is described in 4.3(F).

“2008 Series B Bonds” means the City’s South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, 2008 Series B (Tax-Exempt) which are described in Section 14 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 South Park Blocks 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 2008 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 date fixed for redemption for a particular 2008 Series A Bonds, the average of the Reference Treasury Dealer Quotations for the date fixed for such redemption.

“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 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 \$5,660,000 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 \$143,619,000, 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 \$22,414,988; 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” and is described as the “General Account in Ordinance No. 166792.

“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 South Park Blocks Urban Renewal Plan, which was which was originally dated July 23, 1985, 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.

“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, for each Reference Treasury Dealer and for a proposed redemption date, 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 date fixed for redemption.

“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 Bonds 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 balances in the subaccounts of the Reserve Account to their Reserve Requirements 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 Ratings, 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 Requirements” means the reserve requirement for each Reserve Subaccount, including the 2000 Bond Reserve Requirement, the 2008 Series A Bond Reserve Requirement and the 2008 Series B Bond Reserve Requirement.

“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, 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; and (ii) all amounts credited to the 2008 Series A Bond Reserve Subaccount, which are pledged solely to the 2008 Series A Bonds. For the 2008 Series B Bonds, “Security” means: (i) the Tax Increment Revenues which are pledged on a parity with all other Bonds; and (ii) all amounts credited to the 2008 Series B Bond Reserve Subaccount, which are pledged solely to the 2008 Series B Bonds. For the 2000 Bonds, “Security” means (i) the Tax Increment Revenues which are pledged on a parity with all other Bonds; (ii) all amounts credited to the 2000 Bond Reserve Subaccount, which are pledged solely to the 2000 Bonds and any Parity Indebtedness that the City elects to secure with the 2000 Bond Reserve Subaccount; and (iii) all amounts available under 2000 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 4.3(F).

“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 South Park Blocks 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” means, with respect to any date fixed for redemption for a particular 2008 Series A Bonds, 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 date fixed for redemption 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 the Ordinance and this Declaration.

3.2. The City hereby irrevocably pledges: the Tax Increment Revenues to pay the Bonds; the amounts credited to the 2000 Bond Reserve Subaccount to pay the 2000 Bonds, the amounts credited to the 2008 Series A Bond Reserve Subaccount to pay the 2008 Series A Bonds, and the amounts credited to the 2008 Series B Bond Reserve Subaccount to pay the 2008 Series B Bonds. Pursuant to ORS 287A.310, 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 287A.310.

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 this 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 287A.310, 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 the Closing of the 2000 Bonds 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 4.3 for allocation *pro rata* among any Reserve Subaccounts that have balances that are less than their Reserve Requirements, until the balance 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.

(A) 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.

(B) The Reserve Account shall contain the 2000 Bond Reserve Subaccount, the 2008 Series A Bond Reserve Subaccount, the 2008 Series B Bond Reserve Subaccount and any Reserve Subaccounts created to secure Parity Indebtedness issued after the 2008 Bonds. If the City creates any Reserve Subaccount after the 2008 Bonds are issued, the City shall determine whether the Reserve Subaccount may secure one or more Series of Bonds, shall establish the Reserve 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.

(C) At Closing of the 2008 Bonds and each Series of Parity Indebtedness issued after the 2008 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.

(D) The 2000 Bond Reserve Subaccount.

- (1) The 2000 Bond Reserve Subaccount shall secure only the 2000 Bonds and any Parity Indebtedness issued after the 2008 Bonds that the City subsequently elects to secure with the 2000 Bond Reserve Subaccount.
- (2) The City covenants to maintain a balance in the 2000 Bond Reserve Subaccount which is equal to the 2000 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(B) and Section 4.3(C). The balance in the 2000 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 2000 Bond Reserve Subaccount; plus the value of Permitted Investments in the 2000 Bond Reserve Subaccount; plus the amount available to be drawn under all 2000 Bond Reserve Equivalents.
- (3) If the value of the investments in the 2000 Bond Reserve Subaccount on a Valuation Date is less than the 2000 Bond Reserve Requirement, the City shall begin making transfers of Tax Increment Revenues to the 2000 Bond Reserve Subaccount in accordance with Section 4.1(B).
 - (a) Transfers to the 2000 Bond Reserve Subaccount shall be applied first, to reimburse the Providers of any 2000 Bond Reserve Equivalents *pro rata* for amounts advanced under the 2000 Bond Reserve Equivalents; second, to replenish the balance in the 2000 Bond Reserve Subaccount with cash or Permitted Investments; and third to pay any other amounts owed under a 2000 Bond Reserve Equivalent (including any interest, fees and penalties associated with any draw under a 2000 Bond Reserve Equivalent).
 - (b) Transfers under Section 4.1(B) shall commence immediately following each Valuation Date on which the balance in the 2000 Bond Reserve Subaccount is less than the 2000 Bond Reserve Requirement, and shall continue until the balance in the 2000 Bond Reserve Subaccount is equal to the 2000 Bond Reserve Requirement.
- (4) Moneys in the 2000 Bond Reserve Subaccount may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds, or in the City's investment pool. Earnings shall be credited as provided in Section 4.5.
- (5) Permitted Investments in the 2000 Bond Reserve Subaccount shall be valued on each Valuation Date in the following manner:

- (a) 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;
 - (b) 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;
 - (c) 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;
 - (d) 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
 - (e) 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.
- (6) Withdrawals from the 2000 Bond Reserve Subaccount shall be made in the following order of priority:
- (a) **First**, from any cash on deposit in the 2000 Bond Reserve Subaccount;
 - (b) **Second**, from the liquidation proceeds of any Permitted Investments on deposit in such 2000 Bond Reserve Subaccount; and
 - (c) **Third**, from moneys drawn or paid pro-rata under any 2000 Bond Reserve Equivalents.
- (7) All cash and Permitted Investments on deposit in the 2000 Bond Reserve Subaccount may be applied to the final payment (whether at maturity or by prior Redemption) of Outstanding 2000 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).
- (8) Cash and Permitted Investments in the 2000 Bond Reserve Subaccount may be transferred into escrow to defease 2000 Bonds, but only if the balance remaining in the 2000 Bond Reserve Subaccount after the transfer is at least equal to the

2000 Bonds 2000 Bond Reserve Requirement for the 2000 Bonds which remain Outstanding after the defeasance.

(E) The 2008 Series A Bond Reserve Subaccount.

- (1) The 2008 Series A Bond Reserve Subaccount shall secure only the 2008 Series A Bonds. At closing of the 2008 Series A Bonds the City shall deposit 2008 Series A Bond proceeds into the 2008 Series A Bond Reserve Subaccount in an amount equal to the 2008 Series A Bond Reserve Requirement. The City will not fund the 2008 Series A Bond Reserve Subaccount with Reserve Equivalents.
- (2) The City covenants to maintain a balance in the 2008 Series A Bond Reserve Subaccount which is equal to the 2008 Series A Bond Reserve Requirement, but solely from deposits of Tax Increment Revenues pursuant to Section 4.1(B) and Closing deposits pursuant to Section 4.1(C). The balance in the 2008 Series A 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 Series A Bond Reserve Subaccount; plus the value of Permitted Investments in the 2008 Series A Bond Reserve Subaccount.
- (3) If the value of the investments in the 2008 Series A Bond Reserve Subaccount on a Valuation Date is less than the 2008 Series A Bond Reserve Requirement, the City shall begin making transfers of Tax Increment Revenues to the 2008 Series A Bond Reserve Subaccount in accordance with Section 4.1(B).
 - (a) Transfers to the 2008 Series A Bond Reserve Subaccount shall be applied to replenish the balance in the 2008 Series A Bond Reserve Subaccount with cash or Permitted Investments.
 - (b) Transfers under Section 4.1(B) shall commence immediately following each Valuation Date on which the balance in the 2008 Series A Bond Reserve Subaccount is less than the 2008 Series A Bond Reserve Requirement, and shall continue until the balance in the 2008 Series A Bond Reserve Subaccount is equal to the 2008 Series A Bond Reserve Requirement.
- (4) Moneys in the 2008 Series A 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, or in the City's investment pool. Earnings shall be credited as provided in Section 4.5.
- (5) Permitted Investments in the 2008 Series A Bond Reserve Subaccount shall be valued on each Valuation Date in the following manner:
 - (a) 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;

- (b) 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;
 - (c) 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;
 - (d) 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
 - (e) 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.
- (6) Withdrawals from the 2008 Series A Bond Reserve Subaccount shall be made in the following order of priority:
- (a) **First**, from any cash on deposit in the 2008 Series A Bond Reserve Subaccount;
 - (b) **Second**, from the liquidation proceeds of any Permitted Investments on deposit in such 2008 Series A Bond Reserve Subaccount; and
 - (c) **Third**, from moneys drawn or paid *pro rata* under any 2008 Series A Reserve Equivalents.
- (7) The City shall apply all cash and Permitted Investments on deposit in the 2008 Series A Bond Reserve Subaccount may be applied to the final payment (whether at maturity or by prior Redemption) of 2008 Series A Bonds. 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). For purposes of calculating Maximum Annual Debt Service and Scheduled Annual Debt Service the final interest payment scheduled to be paid on the 2008 Series A Bonds shall be assumed to be paid from 2008 Series A Bond proceeds that are deposited in the 2008 Series A Bond Reserve Subaccount.

- (8) Cash and Permitted Investments in the 2008 Series A Bond Reserve Subaccount may be transferred into escrow to defease 2008 Series A Bonds, but only if the balance remaining in the 2008 Series A Bond Reserve Subaccount after the transfer is at least equal to the 2008 Series A Bond Reserve Requirement for the 2008 Series A Bonds which remain Outstanding after the defeasance.
- (F) The 2008 Series B Bond Reserve Subaccount.
- (1) The 2008 Series B Bond Reserve Subaccount shall secure only the 2008 Series B Bonds. At closing of the 2008 Series B Bonds the City shall deposit 2008 Series B Bond proceeds into the 2008 Series B Bond Reserve Subaccount in an amount equal to the 2008 Series B Bond Reserve Requirement. The City will not fund the 2008 Series B Bond Reserve Subaccount with Reserve Equivalents.
 - (2) The City covenants to maintain a balance in the 2008 Series B Bond Reserve Subaccount which is equal to the 2008 Series B Bond Reserve Requirement, but solely from deposits of Tax Increment Revenues pursuant to Section 4.1(B) and Closing deposits pursuant to Section 4.1(C). The balance in the 2008 Series B 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 Series B Bond Reserve Subaccount; plus the value of Permitted Investments in the 2008 Series B Bond Reserve Subaccount.
 - (3) If the value of the investments in the 2008 Series B Bond Reserve Subaccount on a Valuation Date is less than the 2008 Series B Bond Reserve Requirement, the City shall begin making transfers of Tax Increment Revenues to the 2008 Series B Bond Reserve Subaccount in accordance with Section 4.1(B).
 - (a) Transfers to the 2008 Series B Bond Reserve Subaccount shall be applied to replenish the balance in the 2008 Series B Bond Reserve Subaccount with cash or Permitted Investments.
 - (b) Transfers under Section 4.1(B) shall commence immediately following each Valuation Date on which the balance in the 2008 Series B Bond Reserve Subaccount is less than the 2008 Series B Bond Reserve Requirement, and shall continue until the balance in the 2008 Series B Bond Reserve Subaccount is equal to the 2008 Series B Bond Reserve Requirement.
 - (4) Moneys in the 2008 Series B Bond Reserve Subaccount may be invested only in Permitted Investments that mature no later than the final maturity date of the 2008 Series B Bonds, or in the City's investment pool. Earnings shall be credited as provided in Section 4.5.
 - (5) Permitted Investments in the 2008 Series B Bond Reserve Subaccount shall be valued on each Valuation Date in the following manner:

- (a) 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;
 - (b) 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;
 - (c) 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;
 - (d) 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
 - (e) 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.
- (6) Withdrawals from the 2008 Series B Bond Reserve Subaccount shall be made in the following order of priority:
- (a) **First**, from any cash on deposit in the 2008 Series B Bond Reserve Subaccount;
 - (b) **Second**, from the liquidation proceeds of any Permitted Investments on deposit in such 2008 Series B Bond Reserve Subaccount; and
 - (c) **Third**, from moneys drawn or paid *pro rata* under any 2008 Series B Reserve Equivalents.
- (7) The City shall apply all cash and Permitted Investments on deposit in the 2008 Series B Bond Reserve Subaccount to the final payment (whether at maturity or by prior Redemption) of 2008 Series B Bonds. 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). For purposes of calculating Maximum Annual Debt Service and Scheduled Annual Debt Service the final interest payment scheduled to be paid on the 2008 Series B Bonds shall be assumed to be paid from

2008 Series B Bond proceeds that are deposited in the 2008 Series B Bond Reserve Subaccount.

- (8) Cash and Permitted Investments in the 2008 Series B Bond Reserve Subaccount may be transferred into escrow to defease 2008 Series B Bonds, but only if the balance remaining in the 2008 Series B Bond Reserve Subaccount after the transfer is at least equal to the 2008 Series B Bond Reserve Requirement for the 2008 Series B Bonds 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 the balance in any Reserve Subaccount is less than the Reserve Requirement for the 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, 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:
 - (a) 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;

- (b) concluding that the respective amounts of projected Maximum Tax Increment Revenues in each of the Fiscal Years described in Section 5.2(B)(2)(a) 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.;
- (c) 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,
- (d) concluding that this amount described in Section 5.2(B)(2)(c) 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.

5.4. All Parity Indebtedness issued in accordance with this Section 5 shall have a lien on the Security 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 \$5,660,000.

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 December 15th and June 15th 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> | <u>Date</u> <u>June 15</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
|-------------------------------|-----------------------------------|--------------------------------|-------------------------------|-----------------------------------|--------------------------------|
| 2013 | \$640,000 | 5.00% | 2017 | 250,000 | 5.30 |
| 2013 | 1,455,000 | 5.75 | 2017 | 2,765,000 | 5.75 |
| 2014 | 250,000 | 5.10 | 2018 | 3,190,000 | 5.75 |
| 2014 | 2,300,000 | 5.75 | 2019 | 790,000 | 5.40 |
| 2015 | 2,695,000 | 5.75 | 2019 | 2,580,000 | 5.75 |
| 2016 | 120,000 | 5.25 | 2020 | 120,000 | 5.50 |
| 2016 | 2,730,000 | 5.75 | 2020 | 3,440,000 | 5.75 |

- (A) The 2000 Series A Bonds are subject to redemption at the option of the City on June 15, 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 outstanding obligations which are payable from the Tax Increment Revenues, 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 December 15th and June 15th 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 Amount</u> | <u>Interest Rate</u> |
|-------------------------------|-------------------------|----------------------|
| 2001 | 645,000 | 6.59% |
| 2002 | 730,000 | 6.67 |
| 2003 | 775,000 | 6.69 |
| 2004 | 830,000 | 6.74 |
| 2005 | 885,000 | 6.79 |
| 2006 | 945,000 | 6.84 |
| 2007 | 1,595,000 | 6.94 |
| 2008 | 1,710,000 | 6.99 |
| 2009 | 1,825,000 | 7.09 |
| 2010 | 1,955,000 | 7.19 |
| 2011 | 2,095,000 | 7.24 |
| 2012 | 2,250,000 | 7.29 |
| 2013 | 320,000 | 7.34 |

- (A) The 2000 Series B Bonds are subject to redemption at the option of the City on June 15, 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 B Bonds shall be Taxable Bonds.
- (C) The proceeds of the 2000 Series B Bonds may 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 refunding outstanding obligations which are payable from the Tax Increment Revenues and costs of issuing the 2000 Series A 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. 2008 Bonds.

14.1. The 2008 Bonds are being issued as Parity Indebtedness under Section 5 of this Declaration.

14.2. Section 5.2 of this Declaration authorizes the City to issue Parity Indebtedness only if the conditions in 5.2(A) and 5.2(B) are met.

14.3. Pursuant to Section 5.2(A), as of the date of Closing the 2008 Bonds, no Event of Default under this Declaration has occurred and is continuing.

14.4. Pursuant to Section 5.2(B)(2), the City has provided a certificate of a Qualified Consultant projecting that the Tax Increment Revenues are at least one hundred thirty percent (130%) of the debt service on the 2008 Bonds and other Outstanding Obligations as required by Section 5.2(B)(2).

14.5. The City shall issue the 2008 Bonds pursuant to City Ordinance No. 181831 and this Declaration. The 2008 Bonds shall be Parity Indebtedness and the City hereby reaffirms all of its covenants in this Declaration for the benefit of the Owners of the 2008 Bonds.

14.6. The 2008 Series A Bonds shall be dated _____, 2008, shall bear interest which is payable on June 15 and December 15 of each year, commencing _____ 15, 2008, and shall mature on the following dates in the following principal amounts:

| Date (<u>June 15</u>) | Principal <u>Amount</u> | Interest <u>Rate</u> |
|----------------------------|----------------------------|-------------------------|
|----------------------------|----------------------------|-------------------------|

(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) ___% 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 plus ___ basis points.

“*Pro rata*” means, in connection with any optional redemption in part of the 2008 Series A Bonds, that the City will select the 2008 Series A Bonds to be redeemed from all 2008 Series A Bonds not previously called for redemption, in a manner determined by the City to be fair and appropriate but, in all cases, *pro rata* within a maturity. No portion of a 2008 Series A Bond may be redeemed that would result in a 2008 Series A Bond that is smaller than the minimum denomination of \$5,000. So long as the 2008 Series A Bonds are in BEO Form, any selection of 2008 Series A Bonds to be redeemed will be made in accordance with the securities depository's rules and procedures as then in effect.

(B) The 2008 Series A Bonds maturing on June 15, 2024 are subject to mandatory redemption, in part, *pro rata*, at a price of 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, on the dates and in the amounts as follows:

Redemption Date
(June 15)

Principal Amount

* Final maturity

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

14.7. The 2008 Series B Bonds shall be dated _____, 2008, shall bear interest which is payable on June 15 and December 15 of each year, commencing _____ 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> |
|---------------------------------|-----------------------------------|--------------------------------|
|---------------------------------|-----------------------------------|--------------------------------|

(A) The 2008 Series B Bonds are subject to redemption at the option of the City on June 15, 20__ and on any date thereafter, in any order of maturity and by lot within a maturity at a price of ___% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

(B) The 2008 Series B 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 2008 Series B Bonds to become includable in gross income under the Code.

Section 15. The 2008 Bond Administrative Provisions.

15.1. Form. The 2008 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 Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

15.2. Book Entry System for 2008 Bonds. The 2008 Bonds shall be initially issued in BEO form and shall be governed by this Section 15.2. While 2008 Bonds are in BEO form no physical 2008 Bonds shall be provided to Owners of 2008 Bonds. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the 2008 Bonds are in BEO form, registration and transfer of beneficial interests in the 2008 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 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 Bonds. 2008 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 Bonds called for redemption or of any other action premised on such notice.
- (B) The City may discontinue maintaining the 2008 Bonds in the BEO form at any time. The City shall discontinue maintaining the 2008 Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2008 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 Bonds in BEO form, the City shall cause the Paying Agent to authenticate and deliver replacement 2008 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 15.4. below, regarding registration, transfer and exchange of 2008 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 Bonds;
 - (2) the delivery to any participant or correspondent or any other person of any notice with respect to the 2008 Bonds, including any notice of prepayment;
 - (3) the selection by DTC of the beneficial interest in 2008 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 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 Bonds.
- (E) The City shall pay or cause to be paid all principal, premium and interest on the 2008 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 15.2. 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.

15.3. Redemption of 2008 Bonds.

- (A) The City reserves the right to purchase 2008 Bonds in the open market.
- (B) If any 2008 Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any 2008 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 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 Bonds.
- (D) During any period in which the 2008 Bonds are not in BEO form, unless waived by any Owner of the 2008 Bonds to be redeemed, official notice of any redemption of 2008 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 Bond or Bonds to be redeemed at the address shown on the 2008 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 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2008 Bonds to be redeemed,

- (4) that on the redemption date the redemption price will become due and payable upon each such 2008 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 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.
- (E) Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Owners pursuant to this Section 15.3 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2008 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected Owners of 2008 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event

15.4. Authentication, Registration and Transfer.

- (A) No 2008 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 Bonds to be delivered at closing of the 2008 Bonds, and shall additionally authenticate all 2008 Bonds properly surrendered for exchange or transfer pursuant to this Declaration.
- (B) The ownership of all 2008 Bonds shall be entered in the 2008 Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2008 Bond register as the owner of the 2008 Bonds for all purposes.
- (C) While the 2008 Bonds are in BEO form, the Paying Agent shall transfer 2008 Bond principal and interest payments in the manner required by DTC.
- (D) If the 2008 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 Bond register as of the Record Date for the 2008 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 Bonds may be exchanged for an equal principal amount of 2008 Bonds of the same maturity which are in different denominations, and 2008 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 Bonds to be exchanged or transferred.
- (F) The Paying Agent shall not be required to exchange or transfer any 2008 Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such 2008 Bonds shall be exchanged or transferred promptly following that Payment Date.
- (G) The Paying Agent shall note the date of authentication on each 2008 Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2008 Bond register.
- (H) For purposes of this Section 15.4(H), 2008 Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 15.4(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 ___th day of _____, 2008.

City of Portland, Oregon

By: _____
Eric H. Johansen, Debt Manager

Appendix A

Form of 2000 Bond

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
City of Portland
South Park Blocks Urban Renewal and Redevelopment Bonds
2000 Series A/B

Dated Date: October 15, 2000

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 1, «MaturityYear»

CUSIP Number: «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 December and the 15th day of June in each year until maturity or prior redemption, commencing June 15, 2001. 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 Trust National Association, in Portland, Oregon (the "Registrar"), as of the close of business on the fifteenth 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 \$_____ in principal amount designated as South Park Blocks Urban Renewal and Redevelopment Bonds 2000 Series A/B, (the "Bonds"). The Bonds are issued for the purpose of financing urban renewal projects within the South Park Blocks Urban Renewal Area. The Bonds are authorized by City Ordinance No. 174955 (the "Ordinance"), Oregon Revised Statutes Chapter 457 and a Bond Declaration dated as of October 15, 2000 (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 Security, as defined and provided in the Declaration. The Bonds also are secured by the power to impose a Special Levy in excess of the amounts currently being levied, up to the Maximum Tax Increment Revenue limitation. The City has covenanted to impose a Special Levy to pay this Bond at the times and in the amounts specified in the Declaration. The lien of the Bonds on the Security amounts is subordinate to the lien of the Prior Lien Bonds, as provided in the Declaration.

THIS BOND IS A SPECIAL, LIMITED OBLIGATIONS OF THE CITY WHICH IS SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES AND OTHER AMOUNTS CONSTITUTING THE "SECURITY" AS DEFINED AND PROVIDED IN THE DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES. 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 shall mature and be subject to redemption as described in the final Official Statement for the Bonds which is dated October 24, 2000.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company, as referenced in the Declaration. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Registrar will notify The Depository Trust Company promptly of any Bonds called for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the Bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Declaration, upon the Bond register kept for that purpose by the Registrar. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The City and the Registrar may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Declaration.

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

Mayor

Auditor

Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to the United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$___ aggregate principal amount of City of Portland, Oregon South Park Blocks Urban Renewal and Redevelopment Bonds 2000 Series A/B issued pursuant to the Declaration described herein.

Date of Authentication: _____, 2000.

U.S. Bank Trust National Association, as Registrar

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

Form of 2008 Series A/B Bonds

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America

State of Oregon

Counties of Multnomah, Washington and Clackamas

City of Portland

South Park Blocks Urban Renewal and Redevelopment Bonds

2008 Series A/B

Dated Date: _____, 2008

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 15, «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 or prior redemption, commencing _____ 15, 2008. 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 "Registrar"), as of the close of business on the first day of the calendar month of 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 \$_____ in principal amount designated as South Park Blocks Urban Renewal and Redevelopment Bonds 2008 Series A/B, (the "Bonds"). The Bonds are issued for the purpose of financing and refinancing urban renewal projects in the South Park Blocks Urban Renewal Area. The Bonds are authorized by City Ordinance No. 181831 (the "Ordinance"), Oregon Revised Statutes Chapter 457 and an amended and restated bond declaration (the "Declaration") executed by the City's Debt Manager. 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 Security, as defined and provided in the Declaration. The Bonds also are secured by the power to impose a Special Levy in excess of the amounts currently being levied, up to the Maximum Tax Increment Revenue limitation. The City has covenanted to impose a Special Levy to pay this Bond at the times and in the amounts specified in the Declaration.

THIS BOND IS A SPECIAL, LIMITED OBLIGATIONS OF THE CITY WHICH IS SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES AND OTHER AMOUNTS CONSTITUTING THE "SECURITY" AS DEFINED AND PROVIDED IN THE DECLARATION. THE TAX INCREMENT REVENUES INCLUDE AMOUNTS DERIVED FROM THE POWER TO IMPOSE A SPECIAL LEVY IN EXCESS OF AMOUNTS CURRENTLY BEING LEVIED, UP TO THE MAXIMUM TAX INCREMENT REVENUES. 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 shall mature and be subject to redemption as described in the final Official Statement for the Bonds which is dated _____, 2008.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company, as referenced in the Declaration. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Registrar will notify The Depository Trust Company promptly of any Bonds called for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the Bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Declaration, upon the Bond register kept for that purpose by the Registrar. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The City and the Registrar may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Declaration.

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

Tom Potter, Mayor

Gary Blackmer, Auditor



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

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$___ aggregate principal amount of City of Portland, Oregon South Park Blocks Urban Renewal and Redevelopment Bonds 2008 Series A/B issued pursuant to the Declaration described herein.

Date of Authentication: _____, 2008.

U.S. Bank, National Association, as Registrar

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
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 2003, 2004, 2005, 2006, and 2007.

Copies of the Fiscal Years 2003 through 2007 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 B are excerpted from the City’s CAFRs for the Fiscal Years ending June 30, 2003 through June 30, 2007.

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 2008 BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2008 BONDS.



CITY OF PORTLAND, OREGON
South Park Block Redemption Fund (1)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Generally Accepted Accounting Principles Basis

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | | | | | |
| Taxes | \$6,574,472 | \$6,621,285 | \$6,747,462 | \$7,002,642 | \$7,340,981 |
| Investment earnings | 58,538 | 31,951 | 43,675 | 93,895 | 137,043 |
| Total revenues | 6,633,010 | 6,653,236 | 6,791,137 | 7,096,537 | 7,478,024 |
| Expenditures | | | | | |
| Debt service and related costs: | | | | | |
| Principal | 4,110,000 | 4,930,000 | 4,505,000 | 4,865,000 | 5,215,000 |
| Interest | 2,493,984 | 2,350,242 | 2,294,414 | 2,234,610 | 2,169,971 |
| Total expenditures | 6,603,984 | 7,280,242 | 6,799,414 | 7,099,610 | 7,384,971 |
| Revenues over (under) expenditures | 29,026 | (627,006) | (8,277) | (3,073) | 93,053 |
| Net change in fund balances | 29,026 | (627,006) | (8,277) | (3,073) | 93,053 |
| Fund balances -- beginning | 783,007 | 812,033 | 185,027 | 176,750 | 173,677 |
| Fund balances -- ending | \$812,033 | \$185,027 | \$176,750 | \$173,677 | \$266,730 |

Notes:

(1) This is the Tax Increment Fund.

Source: City of Portland audited financial statements.

CITY OF PORTLAND, OREGON
South Park Block Redemption Fund
CONSECUTIVE BALANCE SHEETS
As of June 30

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------|--------------------|------------------|------------------|------------------|------------------|
| Assets | | | | | |
| Cash and investments | \$684,445 | \$60,624 | \$49,180 | \$56,713 | \$119,054 |
| Receivables: | | | | | |
| Taxes | 439,529 | 421,928 | 398,017 | 376,412 | 376,424 |
| Accrued interest | 9,523 | 12,058 | 7,785 | 10,322 | 27,873 |
| Total assets | <u>\$1,133,497</u> | <u>\$494,610</u> | <u>\$454,982</u> | <u>\$443,447</u> | <u>\$523,351</u> |
| Liabilities | | | | | |
| Liabilities: | | | | | |
| Deferred revenue | \$321,464 | \$309,583 | \$278,232 | \$269,770 | \$256,621 |
| Total liabilities | 321,464 | 309,583 | 278,232 | 269,770 | 256,621 |
| Fund balances (deficits): | | | | | |
| Reserved for debt service | 812,033 | 185,027 | 176,750 | 173,677 | 266,730 |
| Total liabilities and fund balances | <u>\$1,133,497</u> | <u>\$494,610</u> | <u>\$454,982</u> | <u>\$443,447</u> | <u>\$523,351</u> |

Source: City of Portland audited financial statements.

APPENDIX C
LEGAL OPINIONS



_____, 2008

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

Banc of America Securities LLC
300 South Grand Avenue, 19th Floor
Los Angeles, California 90071-3157

Subject: \$_____ City of Portland, Oregon, South Park Blocks Urban Renewal and
Redevelopment Bonds, 2008 Series A (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City"), of its \$_____ aggregate principal amount of South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) (the "2008 Series A Bonds") pursuant to City Ordinance No. 181831 enacted on May 14, 2008 and an Amended and Restated Bond Declaration dated as of _____, 2008 (the "Bond Declaration"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. Capitalized terms used in this opinion and not defined herein have the meanings defined for such terms in the Bond Declaration.

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any of the preliminary official statement, the official statement or other offering materials relating to the 2008 Series A Bonds, and we express no opinion relating thereto.

Based on our examination, we are of the opinion, under existing law:

1. The 2008 Series A Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the City. The 2008 Series A Bonds constitute valid and legally binding special obligations of the City enforceable in accordance with their terms. The 2008 Series A Bonds are secured by a lien on, and a pledge of, the Security as provided in the Bond Declaration. The Bond Declaration has been duly authorized, executed and delivered by authorized official of the City and is a valid and binding obligation enforceable in accordance with its terms.
2. Interest on the 2008 Series A Bonds is not excludable from gross income for federal income tax purposes.
3. Interest on the 2008 Series A Bonds is exempt from State of Oregon personal income taxes.

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 2008 Series A Bonds. Owners of the 2008 Series A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2008 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.

This opinion is based on existing law and we assume no obligation to update 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 or become effective.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2008 Series A Bonds and the Bond Declaration 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 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 speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to our attention or any change in law that may hereafter occur.

This opinion is given solely for your benefit in connection with the 2008 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 2008 Series A Bonds, nor may copies be furnished to any other person or entity, without the prior written consent to Kirkpatrick & Lockhart Preston Gates Ellis LLP.

We have served only as bond counsel to the City in connection with the 2008 Series A Bonds and have not represented any other party in connection with the 2008 Series A Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

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.

Respectfully submitted,

KIRKPATRICK & LOCKHART PRESTON GATES ELLIS LLP

Lawyers

_____, 2008

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

Banc of America Securities LLC
300 South Grand Avenue, 19th Floor
Los Angeles, California 90071-3157

Subject: \$_____ City of Portland, Oregon, South Park Blocks Urban Renewal and
Redevelopment and Refunding Bonds, 2008 Series B (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 \$_____ aggregate principal amount of South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, 2008 Series B (Tax Exempt) (the "2008 Series B Bonds") pursuant to City Ordinance No. 181831 enacted on May 14, 2008 and an Amended and Restated Bond Declaration dated as of _____, 2008 (the "Bond Declaration"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. Capitalized terms used in this opinion and not defined herein have the meanings defined for such terms in the Bond Declaration.

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any of the preliminary official statement, the official statement or other offering materials relating to the 2008 Series B Bonds, and we express no opinion relating thereto.

Based on our examination, we are of the opinion, under existing law:

1. The 2008 Series B Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the City. The 2008 Series B Bonds constitute valid and legally binding special obligations of the City enforceable in accordance with their terms. The 2008 Series B Bonds are secured by a lien on, and a pledge of, the Security as provided in the Bond Declaration. The Bond Declaration has been duly authorized, executed and delivered by authorized official of the City and is a valid and binding obligation enforceable in accordance with its terms.

2. Interest on the 2008 Series B 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 2008 Series B Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2008 Series B Bonds in order that the interest on the 2008 Series B Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with these covenants may cause interest on the 2008 Series B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2008 Series B Bonds.

3. Interest on the 2008 Series B Bonds is exempt from State of Oregon personal income taxes.

We note that the City has not designated the 2008 Series B Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) 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 2008 Series B Bonds. Owners of the 2008 Series B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2008 Series B 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.

This opinion is based on existing law and we assume no obligation to update 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 or become effective.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2008 Series B Bonds and the Bond Declaration 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 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 speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to our attention or any change in law that may hereafter occur.

This opinion is given solely for your benefit in connection with the 2008 Series B 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 2008 Series B Bonds, nor may copies be furnished to any other person or entity, without the prior written consent to Kirkpatrick & Lockhart Preston Gates Ellis LLP.

We have served only as bond counsel to the City in connection with the 2008 Series B Bonds and have not represented any other party in connection with the 2008 Series B Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

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.

Respectfully submitted,

KIRKPATRICK & LOCKHART PRESTON GATES ELLIS LLP

Lawyers

APPENDIX D
CONTINUING DISCLOSURE CERTIFICATE



CONTINUING DISCLOSURE CERTIFICATE

City of Portland, Oregon

\$ _____
**South Park Blocks Urban Renewal and
Redevelopment Bonds
2008 Series A
(Federally Taxable)**

\$ _____
**South Park Blocks Urban Renewal and
Redevelopment and Refunding Bonds
2008 Series B
(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 its South Park Blocks Urban Renewal and Redevelopment Bonds, 2008 Series A (Federally Taxable) and its South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, 2008 Series B (Tax Exempt) (collectively, the "Bonds").

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

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

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

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

"Commission" means the Securities and Exchange Commission.

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

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

"Official Statement" means the final official statement for the Bonds dated _____, 2008.

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

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

Section 3. Financial Information. The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2009, for the fiscal year ended June 30, 2008):

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

B. To the extent not included in those annual financial statements, information generally of the type included in the Official Statement under the heading "Annual Disclosure Information" and under Appendix B: "Excerpts of Audited Financial Statements."

Section 4. Timing. The information described in Sections 3.A and 3.B above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating

data, the City may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

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

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

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

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

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

A. If the amendment or waiver relates to the provisions of Sections 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 Bonds, or the type of business conducted;

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

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

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

which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

Dated as of the _____ day of _____, 2008.

City of Portland, Oregon

Eric H. Johansen, Debt Manager



APPENDIX E
BOOK-ENTRY SYSTEM



DESCRIPTION OF DTC AND ITS BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2008 Bonds. The 2008 Bonds 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 bond certificate will be issued for each series of the 2008 Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

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

Purchases of 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2008 Bond (“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 2008 Bonds 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 the 2008 Bonds, except in the event that use of the book-entry system for the 2008 Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Bonds 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 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2008 Bonds 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.

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 2008 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2008 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2008 Bonds may wish to ascertain that the nominee holding the 2008 Bonds 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 Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008 Bonds 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Fiscal Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Fiscal 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.

DTC may discontinue providing its services as securities depository with respect to the 2008 Bonds at any time by giving reasonable notice to State or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

To the extent permitted by law, the State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE STATE BELIEVES TO BE RELIABLE, BUT THE STATE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE STATE NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES OR BENEFICIAL OWNERS WITH RESPECT TO DTC'S RECORD KEEPING, PAYMENTS BY DTC OR PARTICIPANTS, NOTICES TO BE DELIVERED BY DTC, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE 2008 Bonds.

So long as Cede & Co. is the registered owner of the 2008 Bonds, as nominee for DTC, references herein to the holders or registered owners of the 2008 Bonds (other than under the caption "TAX MATTERS" in the Official Statement) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2008 Bonds. When reference is made to any action, which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given the State or the Fiscal Agent shall send them to DTC only.

For every transfer and exchange of the 2008 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.



