NEW ISSUE -- Negotiated
BOOK-ENTRY ONLY **RATING: Moody's A1**

In the opinion of K & L Gates LLP, Portland, Oregon, Bond Counsel, interest on the 2010 Series A Bonds is included in gross income subject to federal income taxation. In the opinion of Bond Counsel, interest on the 2010 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 K&L Gates LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2010 Series B Bonds is excludable from gross income of the owners of the 2010 Series B Bonds for federal income tax purposes under existing law. Interest on the 2010 Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not included in adjusted current earnings for the purpose of determining the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest on the 2010 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

$21,240,000 Lents Town Center Urban Renewal and Redevelopment Bonds 2010 Series A (Federally Taxable)

$15,650,000 Lents Town Center Urban Renewal and Redevelopment Bonds 2010 Series B (Tax Exempt)

Base CUSIP 736746

DATED: Date of Delivery **DUE:** June 15, as shown on the reverse hereof

The Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A (Federally Taxable) (the "2010 Series A Bonds") and the Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B (Tax Exempt) (the "2010 Series B Bonds") (collectively, the "2010 Bonds"), will be issued in registered book-entry only form, without coupons, in denominations of $5,000 or integral multiples thereof. The 2010 Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2010 Bonds. While Cede & Co. is the registered owner of the 2010 Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2010 Bonds. See "Book-Entry System" herein.

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

Interest on the 2010 Bonds is payable semi-annually on June 15 and December 15 of each year, beginning December 15, 2010. While the 2010 Bonds are in book-entry form, interest on the 2010 Bonds will be paid through DTC. See "Book-Entry System" herein.

The 2010 Bonds are being issued to finance capital projects in the Lents Town Center Urban Renewal Area (the "Area"), to pay outstanding balances on a line of credit, to fund the Reserve Requirement, and to pay issuance costs.

THE 2010 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY SECURED SOLELY BY AND PAYABLE SOLELY FROM THE LENTS TOWN CENTER TAX INCREMENT REVENUES. THE 2010 BONDS ARE ADDITIONALLY SECURED BY AMOUNTS CREDITED TO THE FIRST BOND RESERVE SUBACCOUNT, AS PROVIDED IN THE BOND DECLARATION. THE 2010 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 LENTS TOWN CENTER TAX INCREMENT REVENUES AND AMOUNTS IN THE APPLICABLE RESERVE SUBACCOUNT.

The 2010 Bonds are subject to optional and mandatory redemption prior to maturity. See "REDEMPTION OF THE 2010 BONDS" herein.

The 2010 Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of K & L Gates LLP, Bond Counsel, Portland, Oregon, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Counsel, Orrick, Herrington & Sutcliffe LLP, Portland, Oregon. The City expects that the 2010 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June 24, 2010.

Citi

BofA Merrill Lynch

Official Statement Dated June 16, 2010

MATURITY SCHEDULES

$21,240,000
Lents Town Center
Urban Renewal and Redevelopment Bonds
2010 Series A (Federally Taxable)

Due June 15	Principal Amount	Interest Rate	Price or Yield	CUSIP No.* 736746
2011	$1,175,000	2.488%	2.488%	TZ1
2012	1,155,000	3.138	3.138	UA4
2013	1,190,000	3.776	3.776	UB2
2014	1,235,000	4.253	4.253	UC0
2015	1,290,000	4.553	4.553	UD8

$7,570,000 5.784% 2010 Series A Term Bonds due June 15, 2020; Yield 5.784%
CUSIP Number* 736746UE6

$7,625,000 6.284% 2010 Series A Term Bonds due June 15, 2024; Yield 6.284%
CUSIP Number* 736746UF3

$15,650,000
Lents Town Center
Urban Renewal and Redevelopment Bonds
2010 Series B (Tax Exempt)

Due June 15	Principal Amount	Interest Rate	Price or Yield	CUSIP No.* 736746
2024	$220,000	4.25%	4.62%	UG1
2025	2,275,000	5.00	4.69†	UH9
2026	950,000	4.50	4.79	UJ5
2026	1,440,000	5.00	4.79†	UK2
2027	2,500,000	5.00	4.87†	UL0
2028	1,450,000	4.75	4.94	UM8
2028	1,175,000	5.00	4.94†	UN6
2029	2,755,000	4.75	5.00	UP1
2030	2,885,000	5.00	5.08	UQ9

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† Priced to par call on June 15, 2020.

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

$21,240,000

Lents Town Center Urban Renewal and Redevelopment Bonds

2010 Series A Bonds

(Federally Taxable)

$15,650,000

Lents Town Center Urban Renewal and Redevelopment Bonds

2010 Series B Bonds

(Tax Exempt)

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 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, and 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 2010 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 2010 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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APPENDICES

OFFICIAL STATEMENT

OF THE

CITY OF PORTLAND, OREGON

RELATED TO

$21,240,000	$15,650,000
LENTS TOWN CENTER URBAN RENEWAL AND REDEVELOPMENT BONDS 2010 SERIES A (Federally Taxable)	**LENTS TOWN CENTER URBAN RENEWAL AND REDEVELOPMENT BONDS 2010 SERIES B (Tax Exempt)**

INTRODUCTION

This Official Statement provides information concerning the City of Portland, Oregon (the "City"), the Portland Development Commission (the "Commission"), the Lents Town Center Urban Renewal Area (the "Area"), the tax increment revenues for the Lents Town Center Urban Renewal Area, and the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A (Federally Taxable) (the "2010 Series A Bonds") and Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B (Tax Exempt) (the "2010 Series B Bonds"), collectively the "2010 Bonds". The 2010 Bonds will be issued in accordance with City Ordinance No. 183537 (the "Ordinance"), which authorizes the issuance of the 2010 Bonds and the execution and delivery of a bond declaration, as described below.

The City's Debt Manager will execute the Master Bond Declaration (Lents Town Center Urban Renewal Area) (the "Master Bond Declaration"), which memorializes terms under which the City may issue obligations (see "Parity Indebtedness" and "Subordinate Indebtedness") which have a lien on the tax increment revenues of the Area. The City's Debt Manager will also execute the First Supplemental Bond Declaration (the "First Supplemental Declaration") to establish the specific terms and conditions of the 2010 Bonds which are issued as Parity Indebtedness under the Master Bond Declaration. The body of this Official Statement briefly summarizes many of the provisions of the Master Bond Declaration and the First Supplemental Bond Declaration (collectively, the "Bond Declaration") and does not purport to be complete. Reference should be made to the Master Bond Declaration found in Appendix A and the First Supplemental Declaration which is found in Appendix B for full and complete details of their contents. Capitalized terms that are used but not defined in the body of this Official Statement have the meanings defined for those terms in the Bond Declaration.

THE 2010 BONDS

DESCRIPTION

The 2010 Bonds will be issued in registered book-entry-only ("BEO") form only, without coupons, in denominations of $5,000 or integral multiples thereof. The 2010 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"). Interest on the 2010 Bonds is payable semi-annually on June 15 and December 15 of each year beginning December 15, 2010. While the 2010 Bonds are in BEO form, principal of and interest on the 2010 Bonds will be paid through DTC. See "BOOK-ENTRY SYSTEM" found in Appendix G.

AUTHORIZATION AND PURPOSE

The 2010 Bonds are being issued under the authority of Article IX, Section 1c and Article XI, Section 11(16) of the Oregon Constitution, Oregon Revised Statutes Chapter 457 and the City Charter. The City Council has adopted the Ordinance, which authorizes the 2010 Bonds and the Bond Declaration.

The 2010 Bonds are being issued to finance capital projects in the Area, to pay the outstanding balance on a line of credit, to fund the Reserve Funding Requirement, and to pay issuance costs.

FORM

The 2010 Bonds will be issued in fully-registered form without coupons in denominations of $5,000 or integral multiples thereof. The 2010 Bonds will be issued subject to the BEO 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 BEO System. In accordance with the BEO System, the 2010 Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2010 Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2010 Bonds. While Cede & Co. is the registered Owner of the 2010 Bonds (in such capacity, the "Owner") as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2010 Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2010 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 2010 Bonds under the Bond Declaration or applicable law. So long as the 2010 Bonds are subject to the BEO System, all registrations and transfers of Beneficial Ownership of the 2010 Bonds will be made only through the BEO System. See Appendix G, herein, for a discussion of the BEO System.

MATURITY AND PAYMENT

The 2010 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 2010 Bonds will be due and payable semiannually on June 15 and December 15 of each year, commencing December 15, 2010.

So long as the 2010 Bonds are subject to the BEO System, all payments of the principal of and interest on the 2010 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 2010 Bonds. The City has no responsibility for the distribution of any payments on the 2010 Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See "BOOK-ENTRY SYSTEM" in Appendix G herein.

REDEMPTION OF THE 2010 BONDS

Redemption of the 2010 Series A Bonds (Federally Taxable)

Par Optional Redemption. The 2010 Series A Bonds maturing on or after June 15**,** 2021, are subject to optional redemption at the election of the City, prior to their respective maturity dates, on any date on or after June 15, 2020, in whole or in part (and if in part, from the maturities selected by the City and by lot within a maturity in integral multiples of $5,000), at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the date fixed for redemption, from amounts deposited with the Paying Agent by the City and from any other funds available therefor.

Mandatory Redemption. The 2010 Series A Bonds maturing on June 15**,** 2020 and June 15, 2024, are subject to mandatory redemption in part and by lot within a maturity in integral multiples of $5,000, at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the date fixed for redemption and on June 15 of the years shown in the tables below.

2010 Series A Term Bonds
Due June 15, 2020

Year	Principal Amount
2016	$1,350,000
2017	1,425,000
2018	1,510,000
2019	1,595,000
2020*	1,690,000
Total	$7,570,000

*Final maturity.

2010 Series A Term Bonds
Due June 15, 2024

Year	Principal Amount
2021	$1,785,000
2022	1,900,000
2023	2,015,000
2024*	1,925,000
Total	$7,625,000

*Final maturity.

The City may credit against the mandatory redemption requirement any 2010 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 2010 Series B Bonds (Tax Exempt)

Par Optional Redemption. The 2010 Series B Bonds maturing on or after June 15, 2021, are subject to redemption at the option of the City on June 15, 2020, and on any date thereafter, in any order of maturity and by lot within a maturity, at a price of par, plus interest accrued to the date fixed for redemption.

While the 2010 Series B Bonds are in BEO form, if less than all the outstanding 2010 Series B Bonds of a particular maturity are to be redeemed, DTC will select the particular 2010 Series B Bonds in accordance with its customary practices.

Notice of Redemption

Unless DTC consents to a shorter period, for any 2010 Bonds which are in BEO form, the Paying Agent shall notify DTC not less than 20 days prior to the date fixed for redemption of the maturity to be redeemed in the manner required in the City's Letter of Representations to DTC. No other notice shall be required. See Section 3.3 of the Supplemental Bond Declaration in Appendix B, herein.

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 2010 Bond or 2010 Bonds called for redemption shall cease on the redemption date designated in the notice.

Conditional Notice of Redemption

Any notice of optional redemption to the Paying Agent or to the Owners may state that the optional redemption is conditioned upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2010 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 the Bond Declaration provides that 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. The Bond Declaration requires notice of such rescission or of the failure of any such condition to be given by the Paying Agent to affected Owners of 2010 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Effect of Notice of Redemption

The Bond Declaration provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the 2010 Bonds or portions of 2010 Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City fails to pay the redemption price) such 2010 Bonds or portions of 2010 Bonds shall cease to bear interest.

DEFEASANCE

The Bond Declaration permits the defeasance of the 2010 Bonds. See "TAX MATTERS – Disposition or Retirement" herein.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

Proceeds of the 2010 Bonds will be used to finance urban renewal capital projects in the Area, to repay outstanding balances on a line of credit, to fund the Reserve Funding Requirement, and to pay issuance costs. See "THE LENTS TOWN CENTER URBAN RENEWAL AREA – DEVELOPMENT PLANS AND PROJECTS – Planned Use of 2010 Bond Proceeds."

The anticipated sources and uses of proceeds from the 2010 Bonds are itemized in the following table.

Table 1
CITY OF PORTLAND, OREGON
Estimated Sources and Uses of 2010 Bond Proceeds

	2010 SERIES A	2010 SERIES B	TOTAL
SOURCES:			
Par amount of bonds	$21,240,000.00	$15,650,000.00	$36,890,000.00
Net original issue premium/(discount)	0.00	($73,870.35)	($73,870.35)
TOTAL SOURCES	$21,240,000.00	$15,576,129.65	$36,816,129.65
USES:			
Deposit to construction fund	$6,442,069.00	$5,286,706.92	$11,728,775.92
Repayment of line of credit	13,042,562.00	8,675,461.00	$21,718,023.00
Underwriters' discount	125,749.50	118,989.93	$244,739.43
Debt service reserve	1,576,649.05	1,455,942.25	$3,032,591.30
Costs of issuance	52,970.45	39,029.55	$92,000.00
TOTAL USES	$21,240,000.00	$15,576,129.65	$36,816,129.65

Source: City of Portland.

The following table presents the combined debt service on the 2010 Bonds.

Table 2
CITY OF PORTLAND, OREGON
Scheduled Debt Service on the Lents Town Center
Urban Renewal and Redevelopment Bonds
2010 Series A and B

Fiscal Year Ending June 30th	2010 SERIES A BONDS		2010 SERIES B BONDS		TOTAL
	Principal	Interest	Principal	Interest	
2011	$1,175,000	$1,110,208	$ 0	$746,448	$3,031,655
2012	1,155,000	1,109,440	0	765,588	3,030,028
2013	1,190,000	1,073,196	0	765,588	3,028,784
2014	1,235,000	1,028,262	0	765,588	3,028,850
2015	1,290,000	975,738	0	765,588	3,031,325
2016	1,350,000	917,004	0	765,588	3,032,591
2017	1,425,000	838,920	0	765,588	3,029,507
2018	1,510,000	756,498	0	765,588	3,032,085
2019	1,595,000	669,159	0	765,588	3,029,747
2020	1,690,000	576,905	0	765,588	3,032,492
2021	1,785,000	479,155	0	765,588	3,029,743
2022	1,900,000	366,986	0	765,588	3,032,573
2023	2,015,000	247,590	0	765,588	3,028,177
2024	1,925,000	120,967	220,000	765,588	3,031,555
2025	0	0	2,275,000	756,238	3,031,238
2026	0	0	2,390,000	642,488	3,032,488
2027	0	0	2,500,000	527,738	3,027,738
2028	0	0	2,625,000	402,738	3,027,738
2029	0	0	2,755,000	275,113	3,030,113
2030	0	0	2,885,000	144,250	3,029,250
Total	$21,240,000	$10,270,026	$15,650,000	$13,447,648	$60,607,674

Source: City of Portland.

SECURITY FOR THE 2010 BONDS

PLEDGE OF DIVIDE THE TAXES REVENUES AND RESERVE SUBACCOUNTS

The 2010 Bonds are secured by 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 the Bond Declaration (the "Divide the Taxes Revenues"). Collected amounts from the Divide the Taxes Revenues and the earnings thereon (collectively, the "Lents Town Center Tax Increment Revenues" or the "Tax Increment Revenues") are deposited into the Tax Increment Fund as described herein. Any Federal Interest Subsidies, defined as interest subsidy payments that the City is entitled to receive from the United States for Taxable Bonds, such as Build America Bonds, are also deposited into the Tax Increment Fund and constitute any security for Bonds issued under the Bond Declaration. See "FUNDS AND ACCOUNTS – The Tax Increment Fund" below.

The 2010 Bonds are additionally secured by a lien on, and pledge of, amounts credited to the First Reserve Subaccount.

This Official Statement refers to the amounts that are pledged to the Series of 2010 Bonds as the "Security." For the 2010 Bonds, "Security" means (i) the Lents Town Center Tax Increment Revenues and Federal Interest Subsidies scheduled to be received for the 2010 Bonds; (ii) all amounts credited to the First Reserve Subaccount, which are pledged solely to the 2010 Bonds and any Parity Indebtedness that the City elects to secure with the First Reserve Subaccount; and, (iii) all amounts available under any 2010 Reserve Credit Facilities, which are pledged solely to the 2010 Bonds, and, to the extent permitted by the terms of the 2010 Reserve Credit Facilities, to any Parity Indebtedness that the City elects to secure with the First Reserve Subaccount.

The 2010 Bonds are not secured by any taxing power or tax revenues except the Lents Town Center Tax Increment Revenues. The City has issued bonds for other urban renewal areas that are secured by additional taxes. See "THE PORTLAND DEVELOPMENT COMMISSION – URBAN RENEWAL AREAS – Collection Options" herein.

THE 2010 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY SECURED SOLELY BY AND PAYABLE SOLELY FROM THE SECURITY, AS PROVIDED IN THE BOND DECLARATION. THE 2010 BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION, AND ARE NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE PORTLAND DEVELOPMENT COMMISSION EXCEPT THE SECURITY.

DIVIDE THE TAXES REVENUES AND INCREMENTAL ASSESSED VALUE

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 for the Area is the sum of the tax rates of taxing districts that overlap the Area, except for the urban renewal special levy that is imposed for certain urban renewal areas in existence prior to December 6, 1996. The Incremental Assessed Value is the difference between the Assessed Value of all taxable property in the Area from the date the Area was formed (September 9, 1998) adjusted for amendments to the Plan (the "Frozen Base") and the current Assessed Value of all taxable property in the Area.

The Divide the Taxes Revenues are subject to compression by Article XI, Section 11b of the Oregon Constitution, which may reduce actual collections of Divide the Taxes Revenues. See "RISKS TO BONDHOLDERS – MEASURE 5 COMPRESSION" and "PROPERTY TAX AND VALUATION INFORMATION – SECTION 11b and URBAN RENEWAL REVENUES". Collections of Divide the Taxes Revenues also may be less due to delinquencies and by changes in Incremental Assessed Value or changes in the consolidated billing tax rate. (See "RISKS TO BONDHOLDERS" herein.)

MAXIMUM INDEBTEDNESS

The adopted Plan for the Area establishes a Maximum Indebtedness amount of $245,000,000. The Maximum Indebtedness limits the principal amount of indebtedness (except refunding indebtedness of the Area) and all direct expenditures of Divide the Taxes Revenues except expenditures for interest on indebtedness. See "THE LENTS TOWN CENTER URBAN RENEWAL AREA – MAXIMUM INDEBTEDNESS" herein.

OTHER COVENANTS

Reduction of Collections

The City and the Commission have covenanted that they shall not take formal action to limit the collection of the Divide the Taxes Revenues for a single Fiscal Year unless the Debt Manager reasonably projects that the reduction will not cause the Lents Town Center Tax Increment Revenues for such Fiscal Year to fall below one hundred twenty-five percent (125%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). Further, the City and the Commission have covenanted that they shall not take formal action to permanently limit the collection of Divide the Taxes Revenues unless the Debt Manager reasonably projects that the reduction will not cause the Lents Town Center Tax Increment Revenues to fall below one hundred forty percent (140%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). See Appendix A, Master Bond Declaration, Sections 7.10 and 7.11.

Reduction of Area

The City or the Commission shall not reduce the Area unless the Debt Manager reasonably projects that the Area, after the reduction, will have Lents Town Center Tax Increment Revenues which are at least equal to one hundred forty percent (140%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

Increases in Maximum Indebtedness

Before the City or the Commission increases the Maximum Indebtedness for the Area the Debt Manager shall project the Lents Town Center Tax Increment Revenues which will be available from the Area after the Maximum Indebtedness is increased. Neither the City nor the Commission shall increase the Maximum Indebtedness unless the Debt Manager reasonably projects that increasing the Maximum Indebtedness will not cause Lents Town Center Tax Increment Revenues to fall below one hundred forty percent (140%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

Granting or Approving of Tax Exemptions

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

(1) The City and the Commission may approve, grant, or provide property tax exemptions or programs that provide property tax exemptions that affect property in the Area without limitation, but only if the programs providing those exemptions (i) are in effect on the date of the Bond Declaration; (ii) replace or renew programs that are in effect on the date of the Bond Declaration, or (iii) only grant exemptions for the value of newly constructed property.

(2) Except for property tax exemptions or tax exemption programs described in (1) above, neither the City nor the Commission shall grant or approve any Nondiscretionary Exemption Program if the Debt Manager reasonably projects that the Lents Town Center Tax Increment Revenues will fall below one hundred forty percent (140%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). A Nondiscretionary Exemption Program is defined as a property tax exemption program that affects property in the Area and that grants any person the right to receive a property tax exemption for property in the Area without subsequent discretionary approval of that exemption by the City pursuant to (3) below.

(3) Except for property tax exemptions or tax exemption programs described in (1) above, neither the City nor the Commission shall grant or approve any Discretionary Property Tax Exemption if the Debt Manager reasonably projects that the Lents Town Center Tax Increment Revenues will fall below one hundred forty percent (140%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). A Discretionary Property Tax Exemption is defined as any property tax exemption which the City has the ability to deny because of its impact on Tax Increment Revenues.

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

FUNDS AND ACCOUNTS

The Tax Increment Fund

ORS 457.440(6)(b) and the Bond Declaration require the City to deposit all Divide the Taxes Revenues and Federal Interest Subsidies 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.

On the date the 2010 Bonds are issued and in each fiscal year thereafter until all Bonds are paid or defeased, the City shall deposit all Divide the Taxes Revenues and Federal Interest Subsidies in the Tax Increment Fund and shall credit each deposit in the following order of priority:

- First, to the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Annual Debt Service due in that Levy Year;

- Second, to the Reserve Account if the balance in any subaccount of the Reserve Account as determined on the immediately past Valuation Date is less than the applicable Reserve Funding Requirement for that subaccount, until the balances in all subaccounts of the Reserve Account are equal to their Reserve Funding Requirements (see "The Reserve Account" below); and

- Third, to the Subordinate Indebtedness Account, any amounts which remain after the foregoing deposits have been made.

Whenever Federal Interest Subsidies are received by the City, if the Debt Service Account already contains amounts sufficient to pay the remaining Annual Debt Service for the Levy Year, the City shall deposit those Federal Interest Subsidies in the Debt Service Account, but shall release an equal amount of Divide the Taxes Revenues that were previously deposited in the Debt Service Account and apply those released Divide the Taxes Revenues, first, to meet the Reserve Funding Requirements of subaccounts contained within the Reserve Account, and second, to the Subordinate Indebtedness Account.

<u>The Debt Service Account.</u> Amounts in the Debt Service Account shall be used only to pay Bond principal, interest and premium.

<u>The Reserve Account.</u> The City shall create a Reserve Account in the Parity Indebtedness Fund, and may create subaccounts in the Reserve Account to secure the Bonds. When each subaccount is created, the City shall determine whether the subaccount will secure one or more Series of Bonds. If the City creates a subaccount in the Reserve Account, the City shall, before it issues the first Series of Bonds that is secured by that subaccount, establish the Reserve Funding Requirement, withdrawal procedures, replenishment requirements, permitted investments, valuation provisions, and other terms and conditions for that subaccount and pledge amounts credited to that subaccount to pay the Bonds that are secured by that subaccount.

The City shall create a subaccount in the Reserve Account (the "First Reserve Subaccount"), which secures the 2010 Bonds. The City covenants to fund and maintain a balance in the First Reserve Subaccount which is at least equal to the First Reserve Subaccount Funding Requirement for all Bonds that are then Outstanding and secured by the First Reserve Subaccount. The First Reserve Subaccount Funding Requirement is generally equal to the lesser of the Adjusted Maximum Annual Debt Service on all Outstanding Bonds that are secured by the First Reserve Subaccount, or the amount the City was required to maintain in the First Reserve Subaccount prior to issuing a Series of Parity Indebtedness, plus the largest amount of proceeds of tax-exempt bonds the City may use to fund a reserve under the Internal Revenue Code of 1986, as amended. Amounts credited to the First Reserve Subaccount shall be used only to pay principal, interest and premium on the 2010 Bonds and any other Bonds that are secured by the First Reserve Subaccount, except as specifically provided in the Bond Declaration.

As of the date of Closing of the 2010 Bonds, the only Bonds that are Outstanding and are secured by the First Reserve Subaccount are the 2010 Bonds, and the First Reserve Subaccount Funding Requirement is equal to \$3,032,591.30, which is the Adjusted Maximum Annual Debt Service on the 2010 Bonds, with the 2010 Bonds treated as a single Series. For purposes of calculating the First Reserve Subaccount Funding Requirement, "Adjusted Maximum Annual Debt Service" means the largest Adjusted Annual Debt Service that occurs after the date for which the calculation is done, and "Adjusted Annual Debt Service" means Annual Debt Service for a Fiscal Year, reduced by the amount of any Federal Interest Subsidy that the City is scheduled to receive for Bond interest in that Fiscal Year.

PARITY INDEBTEDNESS

The City has reserved the right to issue future Parity Indebtedness only if all of the following conditions are met:

1. As of the date of Closing of the Parity Indebtedness, no Event of Default under the Bond Declaration has occurred and is continuing.

2. On or before the date of Closing of the Parity Indebtedness the City provides either:

    A. a certificate of the Debt Manager stating that the Lents Town Center Tax Increment Revenues for the Base Period at least equaled one hundred forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; or,

    B. both of the following:

        i. a certificate or opinion of a Qualified Consultant:

            a. stating the projected amount of the Lents Town Center Tax Increment Revenues for the Fiscal Year in which the proposed Parity Indebtedness is issued and the projected amount of the Lents Town Center 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 Lents Town Center Tax Increment Revenues in each of the Fiscal Years described in the preceding paragraph (a) are at least equal to one hundred forty percent (140.00%) of the Adjusted Annual Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding;

            c. stating the projected amount of the Lents Town Center 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 forty percent (140.00%) of the Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; and

        ii. a certificate of the Debt Manager stating that the Lents Town Center Tax Increment Revenues for the Base Period at least equaled one hundred percent (100.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding.

For purposes of the meeting the tests described in 2.A. and 2.B. above, "Adjusted Maximum Annual Debt Service" means the largest Adjusted Annual Debt Service that occurs after the date for which the calculation is done, and "Adjusted Annual Debt Service" means Annual Debt Service for a Fiscal Year, reduced by the amount of any Federal Interest Subsidy that the City is scheduled to receive for Bond interest in that Fiscal Year.

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.

3. In addition to allowing refunding of Parity Indebtedness which is not a Balloon Payment, the provisions allowing refunding of Parity Indebtedness permit Balloon Payments to be refunded with Parity Indebtedness when the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Balloon Debt Service Requirement for the refunded Balloon Payment (which is assumed to be amortized as provided either in the definitions of "Committed Debt Service Requirement" or "Estimated Debt Service Requirement") in any Fiscal Year by more than $5,000.

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

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 Account or a subaccount of the Subordinate Indebtedness Account. All Subordinate Indebtedness shall state clearly that it is secured by a lien on or pledge of the Lents Town Center Tax Increment Revenues which is subordinate to the lien on, and pledge of, the Lents Town Center Tax Increment Revenues for the Bonds. See Appendix A, Master Bond Declaration, "—Subordinate Indebtedness".

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 Owners representing not less than 51 percent in aggregate principal amount of the adversely affected Bonds then Outstanding. See Appendix A, Master Bond Declaration, " —Amendments of Declaration" and "—Ownership of Bonds."

RISKS TO BONDOWNERS

GENERAL

The 2010 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 Lents Town Center Tax Increment Revenues and other amounts pledged to pay the Bonds may not be sufficient to pay the 2010 Bonds.

RECEIPT OF LENTS TOWN CENTER TAX INCREMENT REVENUES

The Lents Town Center 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 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 Lents Town Center Tax Increment Revenues in amounts and at times sufficient to pay the 2010 Bonds. See "THE INITIATIVE PROCESS" herein.

DECLINES IN URBAN RENEWAL PROPERTY VALUES

If the Assessed Value of property in the Area declines substantially, the Divide the Taxes Revenues may not be sufficient to pay the 2010 Bonds. The Divide the Taxes 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 2010 BONDS – OTHER COVENANTS – Granting or Approving of Tax Exemptions," herein.

(6) reductions in the size of the Area. See "SECURITY FOR THE 2010 BONDS – OTHER COVENANTS – Reduction in Area," herein.

CHANGES IN PROPERTY TAX SYSTEM

The 2010 Bonds are payable from the Divide the Taxes Revenues, which are collected through the property tax system. Oregon law affecting the property tax system could change in ways that reduce the Divide the Taxes Revenues or make their collection less reliable. Historically, certain voter initiatives have had a significant impact on laws pertaining to the property tax system. See "THE INITIATIVE PROCESS" herein.

ERRORS IN ASSESSMENT PROCESS

Because the Divide the Taxes 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 Divide the Taxes Revenues.

MEASURE 5 COMPRESSION

General

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

The Divide the Taxes Revenues 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 2009-2010 by approximately 5.0 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 reduce the Lents Town Center 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.

THE LENTS TOWN CENTER URBAN RENEWAL AREA

DESCRIPTION AND PURPOSE

Overview

The original plan (the "Plan") for the Lents Town Center Urban Renewal Area (the "Area") was approved by the City Council of the City of Portland on September 9, 1998. The First Amendment (the "Amendment") to the Plan was approved by City Council on June 25, 2008. The Amendment increased the Area to 2,847 acres, extended the last date to issue long term debt to June 30, 2020, and increased the Maximum Indebtedness to $245 million.

Area Characteristics

The Area is located in the Southeast corner of the city limits, as shown on the map on the following page. The Area is served by multiple modes of transportation and is well connected to adjacent communities. Interstate 205 ("I-205") divides the Area and provides convenient vehicular access to and from the Area and connects residents to employment opportunities along the length of the corridor. The Foster-Woodstock Couplet provides efficient access to and from the I-205 interchange and SE 92nd Avenue is a primary North-South connection. The Tri-Met MAX Light Rail Green Line began servicing the Area in September 2009, with three stations within the Area. The Green Line will provide improved connections to downtown Portland, the Portland International Airport and Clackamas Town Center.

Nine residential neighborhoods make up the Area, including Argay, Brentwood/ Darlington, Creston-Kenilworth, Happy Valley, Lents, Mt. Scott-Arleta, Powellhurst, Gilbert, South Tabor, and Woodstock. The Area provides an alternative, close-in affordable place to live with 2008 single family homes, mostly valued in the $190,000 to $220,000 range. Population and household growth rates within the Area have exceeded citywide levels since 1990, a trend that is expected to continue over the next several years. In a recent market analysis of the Area, Marketek, Inc. noted that in 2008, approximately 25,983 people lived in the Area.

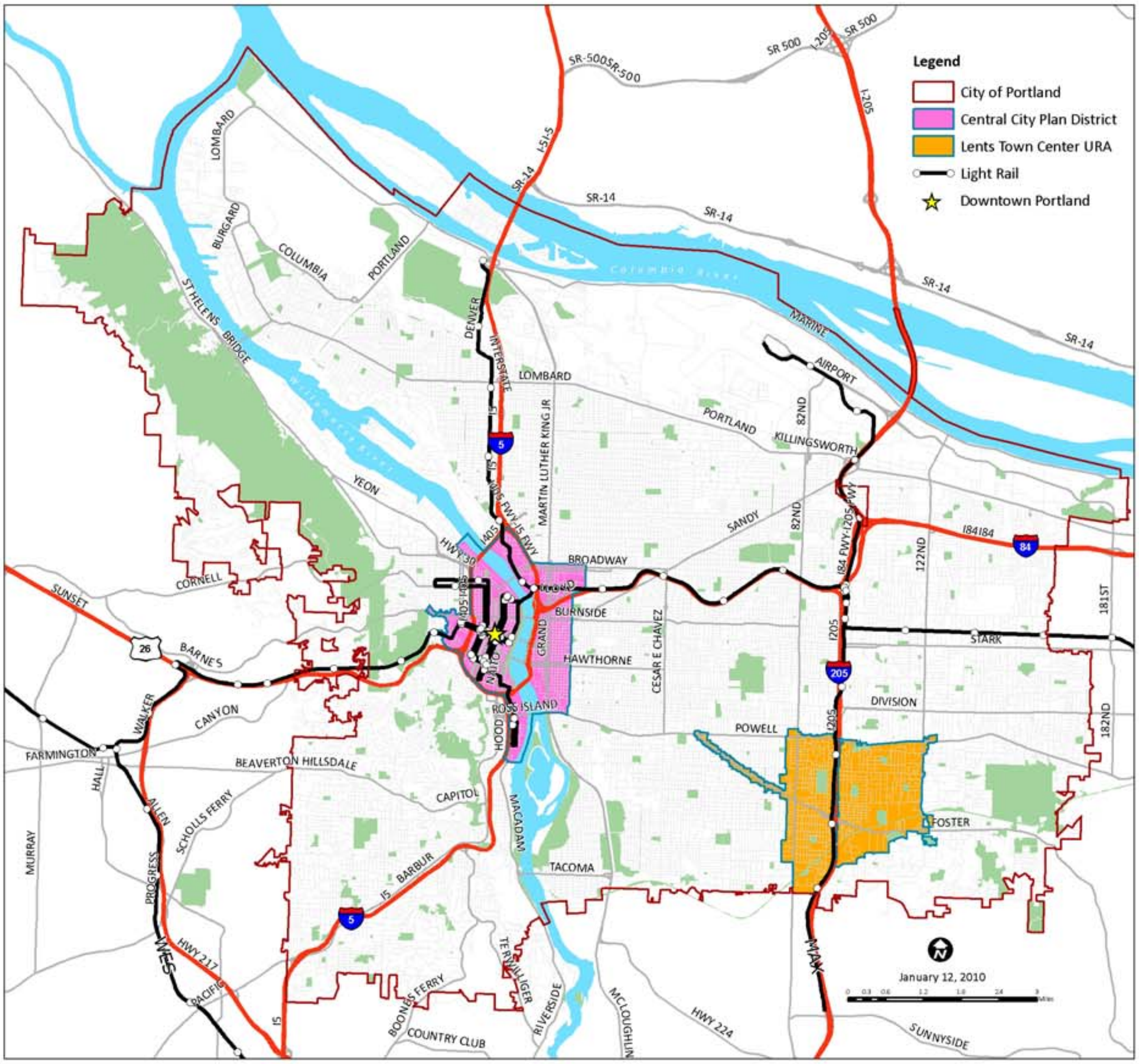
In its market analysis, Marketek, Inc. noted that the Area has approximately 847 businesses and 6,000 employees. Major employers in the Area are shown in the table below.

Table 3
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
LARGEST EMPLOYERS LOCATED IN THE AREA

Employer	Approx. Number of Employees
Tri-Met Transportation	464
Standard Appliance, Inc.	375
Wal Mart Associates, Inc.	288
Fred Meyer	182
Laidlaw Transit Services, Inc	147
LKQ Foster Auto Parts	99
Marshall High School	99
Cascade Terrace Nursing Center	94
Safeway Stores, Inc.	93
H&L Care Centers, Inc.	93

Source: Info USA; Portland Development Commission.

City of Portland - Lents Town Center Urban Renewal Area



AREA PROPERTY VALUES

Oregon's Property Tax System and Assessed Values

In Oregon, the assessor's estimate of a property's market value is called "Real Market Value." In conformance with Measure 5 (see "SECTION 11B" below), properties also are assigned a "Measure 5 Market Value", which adjusts the Real Market Value to reflect the value of specially assessed properties, including farm and forestland and exempt property. Properties are assessed at the "Assessed Value" or "AV." 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 Real 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.

The Assessed Value for new construction and changed property 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 14, "History of Changed Property Ratios by Property Type" in "INFORMATION PERTAINING TO LENTS TOWN CENTER TAX INCREMENT REVENUES – FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS – Historical Assessed Value" herein. For many types of new construction, including residential and commercial properties, the effect of the Changed Property Ratio is to bring property onto the tax rolls at values lower than their Real Market Value, and the Divide the Taxes Revenues generated by these properties will reflect the lower taxable value. However, the lower Assessed Value relative to Real Market Value provides a cushion that allows the Assessed Value to grow at the three percent limit allowed by the Oregon Constitution, even if Real Market Value is stable or declines.

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 Measure 5 Market Value by property type, see "INFORMATION PERTAINING TO LENTS TOWN CENTER TAX INCREMENT REVENUES – FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS" herein.

Historical Assessed Property Values

Between FY 2000-01 and FY 2008-09, the year before value was added to the Area due to the Plan amendment, the average annual compounded increase in Assessed Value of the Area was 4.4 percent. Over this same period, the average annual compounded increase in Incremental Assessed Value was 16.8 percent. With the effects of the Plan amendment, which increased the Frozen Base Assessed Value by 15 percent, the average annual compounded increase in Assessed Value through FY 2009-10 was 5.5 percent, and the annual compounded increase in Incremental Assessed Value was 16.5 percent. See Table 13 "Historical Assessed Value (FY 2000-01 through FY 2009-10)" in "INFORMATION PERTAINING TO LENTS TOWN CENTER TAX INCREMENT REVENUES – FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS – Historical Trends in Assessed Value" herein.

Projections of Future Assessed Value for the Area

Projections of Assessed Value between FY 2010-11 and FY 2014-15 have been provided by ECONorthwest. These projections are based on assumed growth in baseline Assessed Value and on expectations about new, smaller-scale development that will come onto the tax rolls.

According to ECONorthwest, recent economic conditions have significantly curtailed new real estate development. Additionally, at this time, the Commission knows of no significant private redevelopment projects scheduled within the Area in the next three years. Given the lack of new development expected in the Area, any additional growth in Incremental Assessed Value above the base is forecast to come mostly from remodeling and other improvements to existing properties. This new, unspecified development is projected to grow at a rate of 0.5 percent of the year's prior real property Assessed Value annually over the forecast period. The following tables provide more detail on Assessed Value growth for existing properties and for new development projects expected to be added to the tax roll. See Appendix D for a description of the methodology used to project Assessed Value in the Area.

Table 4
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
PROJECTED ASSESSED VALUES – EXISTING AND NEW DEVELOPMENT
(FY 2010-11 through FY 2014-15)

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Prior Year AV	$1,194,174,655	$1,232,254,995	$1,272,236,422	$1,313,607,061	$1,356,414,346
Growth Amount on Base					
Real Property	33,143,272	34,286,715	35,469,606	36,693,308	37,959,227
Manufactured Property	(457,116)	(116,595)	(110,765)	(105,227)	(99,966)
Personal Property	-	-	-	-	-
Utility Property	(223,320)	-	-	-	-
Total Growth on Base	32,462,836	34,170,119	35,358,841	36,588,080	37,859,261
Base Growth (%)	2.72%	2.77%	2.78%	2.79%	2.79%
New Development (Unspecified)	5,617,504	5,811,308	6,011,798	6,219,205	6,433,767
New Development Growth (%)	0.47%	0.47%	0.47%	0.47%	0.47%
Total Assessed Value	$1,232,254,995	$1,272,236,422	$1,313,607,061	$1,356,414,346	$1,400,707,374
Total AV Growth (%)	3.19%	3.24%	3.25%	3.26%	3.27%

Source: ECONorthwest.

Table 5
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
PROJECTED ASSESSED AND INCREMENTAL ASSESSED VALUE GROWTH
(FY 2010-11 through FY 2014-15)

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Frozen Base	$736,224,033	$736,224,033	$736,224,033	$736,224,033	$736,224,033
Incremental Assessed Value	$496,030,962	$536,012,389	$577,383,028	$620,190,313	$664,483,341
Total Assessed Value	$1,232,254,995	$1,272,236,422	$1,313,607,061	$1,356,414,346	$1,400,707,374
Incremental AV Growth (%)	8.32%	8.06%	7.72%	7.41%	7.14%

Source: ECONorthwest.

HISTORICAL AND PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE

Historical Trends

The following table shows the amounts of Lents Town Center Tax Increment Revenues received in the Area over the past five fiscal years.

Table 6
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
HISTORICAL TAX INCREMENT REVENUE COLLECTIONS
(Actual Results Reported on a Budgetary Basis)

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Tax Increment Revenues					
Tax Collections (Current Year)	$4,665,186	$4,987,307	$5,792,409	$6,996,153	$7,556,971
Tax Collections (Prior Years)	84,523	92,473	116,672	120,165	144,357
Investment Earnings	20,280	63,980	96,018	76,584	54,543
TOTAL	$4,769,989	$5,143,760	$6,007,099	$7,192,902	$7,755,871
Annual Debt Service					
Parity Indebtedness	$0	$0	$0	$0	$0
TOTAL	$0	$0	$0	$0	$0

Source: City of Portland.

Projected Divide the Taxes Collections

The following tables provide alternative projections for the current fiscal year and the next five years the amounts of Divide the Taxes Revenues to be collected and the annual debt service for the Bonds. Divide the Taxes Revenue projections are based on assumed growth in Incremental Assessed Value in the Area in each of the fiscal years. See "RISKS TO BONDOWNERS" regarding factors that could affect the Assessed Value of properties in the Area. It is important to note that the City's practice is to issue debt secured by tax increment revenues using a level debt service amortization schedule based on revenue collections in the year the bonds are issued. The City does not rely on future growth in the tax increment revenues to pay debt service.

Projections shown in the table entitled "Projected Divide the Taxes Collections (Conservative Scenario) and Annual Debt Service" are based on a assumption that local option levies currently in place for Portland Public Schools, the City and Multnomah County are not renewed. Also, no new general obligation bond levies are assumed to be approved. Projections shown in the table entitled "Projected Divide the Taxes Collections (Alternative Scenario) and Annual Debt Service" are based on a assumption that local option levies currently in place for Portland Public Schools, the City and Multnomah County are renewed at current levels. For this scenario, no new general obligation bond levies are assumed to be approved. Projections of the Divide the Taxes Revenues have been provided by ECONorthwest. (See Appendix D.)

The table shows that the City and the Commission expect to collect adequate Divide the Taxes Revenues to pay projected debt service over the planning period. The City may issue additional Bonds during the five-year planning period; however, the table does not include projected debt service for any such Bonds that may be issued.

Table 7
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
PROJECTED DIVIDE THE TAXES COLLECTIONS
(CONSERVATIVE SCENARIO) AND ANNUAL DEBT SERVICE

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Divide the Taxes Revenues						
Divide the Taxes to Raise	$9,839,373	$10,617,114	$11,470,086	$11,307,641	$12,082,570	$12,588,544
Less M5 Compression	(494,386)	(637,027)	(688,205)	(678,458)	(724,954)	(755,313)
Divide the Taxes Imposed	9,344,987	9,980,087	10,781,881	10,629,182	11,357,615	11,833,231
Less Discounts/Delinq.	(467,249)	(499,004)	(539,094)	(531,459)	(567,881)	(591,662)
Net Divide the Taxes	$8,877,738	$9,481,083	$10,242,787	$10,097,722	$10,789,734	$11,241,570
Annual Debt Service						
2010 Bonds	$0	$3,031,655	$3,030,028	$3,028,784	$3,028,850	$3,031,325

Source: Projections of Divide the Taxes Revenues and M5 Compression are provided by ECONorthwest (see Appendix D). Source of estimated delinquencies, discounts and prior year taxes is the City of Portland.

Table 8
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
PROJECTED DIVIDE THE TAXES COLLECTIONS
(ALTERNATIVE SCENARIO) AND ANNUAL DEBT SERVICE

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Divide the Taxes Revenues						
Divide the Taxes to Raise	$9,839,373	$10,617,114	$11,470,086	$12,330,882	$13,181,674	$14,033,665
Less M5 Compression	(494,386)	(637,027)	(688,205)	(801,507)	(856,809)	(912,188)
Divide the Taxes Imposed	9,344,987	9,980,087	10,781,881	11,529,374	12,324,865	13,121,477
Less Discounts/Delinq.	(467,249)	(499,004)	(539,094)	(576,469)	(616,243)	(656,074)
Net Divide the Taxes	$8,877,738	$9,481,083	$10,242,787	$10,952,905	$11,708,622	$12,465,403
Annual Debt Service						
2010 Bonds	$0	$3,031,655	$3,030,028	$3,028,784	$3,028,850	$3,031,325

Source: Projections of Divide the Taxes Revenues and M5 Compression are provided by ECONorthwest (see Appendix D). Source of estimated delinquencies, discounts and prior year taxes is the City.

MAXIMUM INDEBTEDNESS

The Lents Town Center Tax Increment Revenues will be used to repay debt incurred for projects in the Area. The Maximum Indebtedness amount for the Area is $245,000,000. (See "SECURITY FOR THE 2010 BONDS – Maximum Indebtedness.") The table below shows the estimated Maximum Indebtedness amount remaining after issuance of the 2010 Bonds and short-term debt issued in FY 1999-00 through the closing date of the 2010 Bonds.

Table 9
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
MAXIMUM INDEBTEDNESS, AMOUNTS ISSUED, AND AMOUNTS REMAINING
(as of Date of Closing of the 2010 Bonds)

Maximum Indebtedness	$245,000,000
Less:	
2010 Bonds New Money	15,171,978
Line of Credit Principal	21,718,022
Short-Term Subordinate Debt (1)	50,065,000
Remaining Maximum Indebtedness	$158,045,000

(1) In order 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. All such bonds possess a lien on the Lents Town Center Tax Increment Revenues that is subordinate to the lien of the 2010 Bonds and all other Parity Indebtedness.

Source: City of Portland.

DEVELOPMENT PLANS AND PROJECTS

Various strategies have been developed to guide the allocation of urban renewal dollars over the life of the Plan. Investment will be focused on projects and programs that:

- Assist in fulfilling community goals to facilitate the emergence of the Area as a key Town Center within the metropolitan region.
- Provide support for the revitalization of commercial and residential areas in and near the Area.
- Stimulate business development and investment in the Area.
- Provide increased opportunities for residents to compete for new quality jobs.
- Provide housing opportunities for the community's diverse income and tenure needs.
- Improve local streets and parks.

The majority of investment initiated by the Commission has been focused on infrastructure improvements, business and industry loans and grants, affordable housing, and community revitalization projects. The following table summarizes expenditures by category made in the Area over the past five years.

Table 10
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
PROJECT EXPENDITURES BY CATEGORY
(FY 2004-05 through FY 2008-09)

Project Category	Amount
Infrastructure	$13,335,262
Business and Industry	4,737,148
Revitalization	11,325,679
Housing	13,871,761
Debt Service	33,854
Administration	6,590
Total	$43,310,294

Source: Portland Development Commission.

Infrastructure Improvements

The Commission has invested approximately $13 million in infrastructure improvements in the Area over the past five years. Infrastructure improvements have included the construction, reconstruction, repair or replacement of sidewalks, streets, parks, and pedestrian amenities. The 92nd Avenue Improvements project was completed in 2007 and was showcased as an example of "Green Street" construction and was featured in the National Transportation Enhancement newsletter. The goal of the project was to beautify the streetscape using sustainable stormwater management while providing a safer pedestrian environment by creating a buffer between pedestrians and the street. The project included sidewalk construction, bike lanes, curbs and drainage, landscaping and lighting. Other street and transportation improvements projects included: improvements related to the I-205 Max Light Rail as well as street improvements on Lafayette Street, Insley Street, 107th Avenue, Boise Street, and SE Powell. The Commission provided funding in 2005 to help improve the Earl Boyles Park a 7.85 acre park on the corner of SE 112th and Boise Street. The improvements, completed in 2007, included curbs and sidewalks, pathways, park lighting, play area, landscaping picnic tables, benches and restroom enclosures. Other park improvement projects included: Lents Park Lighting Project and Little League Improvements; Bloomington Park Lighting Project; Glenwood Park Lighting Project; Ed Benedict Skate Plaza; and Brookside Wetlands Restoration.

Business and Industry and Revitalization Loans and Grants

The Commission has invested approximately $16 million on business and industry projects and Revitalization Loans and Grants over the past five years. The Commission has undertaken loan and grant programs to assist property owners and tenants in rehabilitating or redeveloping property within the Area. Financial assistance can be provided to improve older buildings to meet current code standards (including seismic standards), assistance to remediate environmental conditions, or other programs to eliminate blight in the area. The Commission is authorized to establish financial assistance programs and provide below-market rate interest and market rate interest loans and provide such other forms of financial assistance to property owners, owners of buildings, tenants, community groups, non-profits which are in need of rehabilitation or persons desiring to acquire or lease property from the Commission. The Commission has provided financial assistance to numerous businesses since the Area was formed. Since 2000, over 94 Storefront Grants and 29 Development Opportunity Strategy ("DOS") grants were provided to assist building and business owners with matching grants for façade improvements. Business and Development loans and grants have assisted with improvements to, among others, the Boys and Girls Club, Crossroads Plaza, Lents Tech Center, Marshall High School, Zenger Farm, and Assurety Northwest Headquarters.

Housing

The Commission has invested approximately $14 million in housing projects over the past five years. Housing projects have included funding for redevelopment of existing properties to provide affordable homeownership; predevelopment and/or financial assistance for the development of new homeownership opportunities. The Reedway was developed by Rose Community Development Corporation. The Commission provided $1.25 million to the project which was completed in 2003 and provides 24 apartments for families earning below 50% Median Family Income. The project also includes seven other scattered-site rental houses. Cooper Street Bungalows is an award winning new homeownership development project near 82nd

Avenue. The Commission provided homebuyer assistance to moderate income homebuyers through its Shared Appreciation Mortgage program. The Commission has assisted in the repair, purchase or renovation of over 93 homes in the Area through its assistance programs.

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.

Planned Commission Activities

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

<u>Business and Industry</u>. Business and Industry projects provide financial assistance and other incentive programs to support commercial corridor revitalization; to maximize the development potential of underutilized property; to increase the employment potential of existing businesses, and to attract private development and employment activities.

<u>Housing</u>. Housing projects include funding for redevelopment of existing properties to provide affordable homeownership; predevelopment and/or financial assistance for the development of new homeownership opportunities at 50-100% MFI; and predevelopment and/or financial assistance for the preservation of existing rental housing or new housing development for 0-60% MFI, especially as part of mixed use, mixed-income developments.

<u>Infrastructure</u>. Infrastructure projects include funds to implement parks public improvements, streets and sidewalk paving projects, and neighborhood transportation safety improvement features of SE Foster Road.

<u>Revitalization</u>. Revitalization projects will include financial assistance programs to support neighborhood revitalization, encourage development of underutilized properties for a variety of uses, including mixed-use commercial and residential, that will generate employment and housing opportunities and increase access to neighborhood and commercial services. Assistance includes predevelopment activities, acquisition, improvement, and disposition of real estate, financial and loan programs, access and infrastructure, and technical expertise.

Table 11
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
FY 2010-11 REVISED REQUESTED BUDGET AND FORECAST
(FY 2010-11 through FY 2014-15)

Project Category	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Business and Industry	$1,370,000	$1,800,000	$1,900,000	$1,900,000	$1,900,000
Housing	2,875,000	4,650,000	4,150,000	4,350,000	2,000,000
Infrastructure	3,155,000	1,715,000	2,575,000	2,865,000	1,115,000
Revitalization	5,910,000	8,125,000	7,675,000	8,375,000	5,470,000
Other (1)	3,564,507	3,270,001	3,272,000	3,510,000	2,109,000
TOTAL	$16,874,507	$19,560,001	$19,572,000	$21,000,000	$12,594,000

<u>Notes:</u>

(1) Includes Personal Services, Indirect Staff and Administration, and Other Administrative Expenses.

<u>Source:</u> Portland Development Commission.

Planned Use of 2010 Bond Proceeds

The following table shows project types expected to be funded with proceeds of the 2010 Bonds.

Table 12
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
Expenditures for Planned Bond-Funded Projects
(FY 2009-10 through FY 2011-12)

Project Category (1)	Line of Credit Takeout	New Money	Total
Business and Industry	$348,029	$1,370,000	$1,718,029
Housing	6,891,602	2,875,000	9,766,602
Infrastructure	7,626,683	4,870,000	12,496,683
Revitalization	6,849,176	2,606,978	9,456,154
Other (2)	2,533	0	2,533
Total	$21,718,022	$11,721,978	$33,440,000

Notes:

(1) The planned projects are based on the budget and forecast of the Commission, and may be changed in the future.
(2) 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

INFORMATION PERTAINING TO LENTS TOWN CENTER TAX INCREMENT REVENUES

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12), the City will provide annually the information presented in this section entitled "INFORMATION PERTAINING TO LENTS TOWN CENTER TAX INCREMENT REVENUES" and the next section entitled "CITY OPERATING AND FINANCIAL INFORMATION" to EMMA, so long as it is approved by the Municipal Securities Rulemaking Board. (See Appendix F, "Continuing Disclosure Certificate" herein.)

FACTORS AFFECTING INCREMENTAL AND ASSESSED VALUE USED FOR TAX COLLECTIONS

Historical Trends in Assessed Value

The table below shows actual Assessed Value from formation of the Area through FY 2009-10.

Table 13
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
HISTORICAL ASSESSED VALUE
(FY 2000-01 through FY 2009-10)

Fiscal Year	Frozen Base	Incremental Value	% Change Incremental AV	Total Assessed Value	% Change Total AV
2000-01	$620,720,135	$115,413,447	74.1%	$736,133,582	7.2%
2001-02	620,720,135	144,345,122	25.1%	765,065,257	3.9%
2002-03	620,720,135	179,595,927	24.4%	800,316,062	4.6%
2003-04	620,720,135	208,029,051	15.8%	828,749,186	3.6%
2004-05 (1)	640,177,922	243,212,853	16.9%	883,390,775	6.6%
2005-06	640,177,922	275,822,211	13.4%	916,000,133	3.7%
2006-07	640,177,922	312,317,448	13.2%	952,495,370	4.0%
2007-08	640,177,922	358,801,970	14.9%	998,979,892	4.9%
2008-09	640,177,922	400,982,105	11.8%	1,041,160,027	4.2%
2009-10 (2)	736,224,033	457,950,622	14.2%	1,194,174,655	14.7%

Notes:

(1) Frozen Base value was revised by Multnomah County Assessor in FY 2004-05 to correct for omissions of property included in the Plan.
(2) Reflects effect of First Amendment to the Lents Town Center Plan, adopted by the City Council on June 25, 2008 and recorded by Multnomah County on July 2, 2008, which added $96,046,111 to the Frozen Base of the Area.

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

Property Types and Values

The following table presents a five year history of Changed Property Ratios for Multnomah County for various property classifications. For new construction or changed property, the Assessed Value is determined by multiplying the Changed Property Ratios by the Real Market Value of the property. The reduction in the changed property ratio for industrial property beginning in FY 2008-09 reflects the county's reclassification of certain properties from commercial to industrial use. For additional information on Changed Property Ratios, see "THE LENTS TOWN CENTER URBAN RENEWAL AREA – AREA PROPERTY VALUES – Oregon's Property Tax System and Assessed Value" herein.

Table 14
CITY OF PORTLAND, OREGON
History of Multnomah County Changed Property Ratios by Property Type

Fiscal Year Ending June 30	2005-06	2006-07	2007-08	2008-09	2009-10
Residential	0.6150	0.5697	0.5159	0.5046	0.5515
Commercial	0.5353	0.5091	0.4660	0.4345	0.4425
Industrial	1.0000	1.0000	1.0000	0.7649	0.7754
Multi-Family	0.5934	0.5709	0.5639	0.5500	0.5461
Recreational	0.4745	0.6367	0.5841	0.6223	0.6381
Miscellaneous	0.7413	0.7244	0.7221	0.7455	0.6961
Personal Property	1.0000	1.0000	1.0000	1.0000	1.0000

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

The following table shows Assessed Value, "Measure 5 Market Value," which adjusts the Real Market Value to reflect the value of specially assessed properties, including farm and forestland and exempt property, and Assessed/Measure 5 Value Property Ratios for types of property in the Area. Note that for purposes of collecting Divide the Taxes Revenues, property taxes are levied on all property types shown in the table.

Table 15
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
ASSESSED AND MEASURE 5 MARKET VALUE BY PROPERTY TYPE
(FY 2009-10)

Property Class	Assessed Value	% of Total	Measure 5 Market Value	AV/Measure 5 Value Ratio
Real Property				
Residential Property	$759,775,910	63.6%	$1,306,828,060	58.1%
Commercial Property	241,861,550	20.3%	529,814,300	45.7%
Industrial Property	43,845,050	3.7%	85,518,190	51.3%
Multiple Family Housing	72,729,560	6.1%	113,758,890	63.9%
Other	985,730	0.1%	1,738,130	56.7%
Subtotal	1,119,197,800	93.7%	2,037,657,570	
Personal Property	46,706,145	3.9%	46,727,825	100.0%
Manufactured Structures				
Real Property	4,302,940	0.4%	6,013,880	71.6%
Personal Property	2,789,020	0.2%	2,896,380	96.3%
	7,091,960	0.6%	8,910,260	
Utilities	21,178,750	1.8%	21,178,750	100.0%
TOTAL	$1,194,174,655	100.0%	$2,114,474,405	

Source: Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2009-10, Lents Urban Renewal District, Multnomah County Division of Assessment, Recording and Taxation.

Principal Taxpayers

The principal property taxpayers in the Area are listed in the following table.

Table 16
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
PRINCIPAL PROPERTY TAXPAYERS

Company Name	Type of Business	2009-10 Assessed Value	Percent of Total Assessed Value
Total Lents Town Center		$1,194,174,655	
Eastport Plaza Shopping	Real estate (retail)	$30,583,590	2.6%
Wal-Mart Real Estate Business	Real estate (retail)	12,633,520	1.1%
Powell Street I LLC	Real estate (retail)	11,743,640	1.0%
Portland General Electric Company	Energy	10,273,000	0.9%
CRP-2 Holding CC L P	Warehouse/distribution	9,578,270	0.8%
Southeast Co.	Grocery/retail	8,587,450	0.7%
Blockbuster Entertainment Inc	Entertainment	7,889,261	0.7%
Union Retirement Association	Assisted living	6,132,200	0.5%
Northwest Natural Gas Co.	Energy	4,466,400	0.4%
Stonebridge Apartments Co.	Multi-family housing	3,840,280	0.3%
		$105,727,611	8.9%

Source: Multnomah County Division of Assessment, Recording 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, excluding the rate for the urban renewal special levy. The following tables show the consolidated billing tax rate for the past five years, and the breakdown of tax rates attributable to each Levy Code Area making up the Area for FY 2009-10. A Levy Code Area consists of a set of properties for which the consolidated billing tax rate is comprised of the tax rates of a unique mix of taxing jurisdictions. For FY 2009-10, Levy Code Area 703 represented approximately 68 percent of the Area's Incremental Assessed Value, Levy Code Area 705 represented nearly 32 percent of Incremental Assessed Value, and Levy Code Area 704 represented less than one percent of Incremental Assessed Value.

Table 17
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
CONSOLIDATED TAX RATE BY LEVY CODE AREA (1)

Fiscal Year Ending June 30	LEVY CODE 703	704	705	706	707
2006	$19.4661	$21.2413	$21.2380	$21.2380	$19.4661
2007	19.8105	21.3659	21.3687	21.3687	19.8105
2008	21.4667	21.7976	21.7842	N.A.	N.A.
2009	20.9113	21.2563	21.2449	N.A.	N.A.
2010	21.5375	21.5142	21.3734	N.A.	N.A.

Notes:

(1) Beginning in FY 2007-08, Multnomah County reclassified property in the Lents Town Center Urban to reflect the consolidation of levy code areas 707 into 703 and levy code area 706 into 705 due to the elimination of Powell Valley Water District.

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

Divide the Taxes Revenue Reductions Due to Measure 5 Compression

Divide the Taxes Revenues may be reduced by Measure 5 compression effects or delinquencies in tax collections. In FY 2009-10, Measure 5's $10/$1,000 tax rate cap was the primary factor in reducing the Divide the Taxes Revenues in the Area to $9,344,988 from the authorized amount of $9,839,373, or by about 5.0 percent, as shown in the table below.

Table 18
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
EFFECTS OF COMPRESSION ON DIVIDE THE TAXES REVENUES

Year	Divide the Taxes Revenue To Raise (1)	Divide the Taxes Revenues Imposed (2)	Losses Due Compression and Other Factors
2000-01	$2,319,071	$2,289,239	1.3%
2001-02	2,935,465	2,919,878	0.5%
2002-03	3,704,993	3,511,573	5.2%
2003-04	4,545,623	4,206,727	7.5%
2004-05	5,269,377	4,930,327	6.4%
2005-06	5,531,912	5,250,789	5.1%
2006-07	6,347,973	6,078,977	4.2%
2007-08	7,740,123	7,376,110	4.7%
2008-09	8,428,047	8,056,078	4.4%
2009-10	9,839,373	9,344,988	5.0%

Notes:

(1) Prior to Measure 5 Compression. See "RISKS TO BONDHOLDERS – Measure 5 Compression" and "PROPERTY TAX AND VALUATION INFORMATION – Section 11b" herein.
(2) After Measure 5 Compression but before losses due to delinquencies and discounts.

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

Divide the Taxes Revenue Reductions Due to Delinquencies

Tax collections are further reduced by delinquencies and discounts. As of December 31, 2009, total property tax collections were approximately 88 percent of the imposed levy, as shown in the table below. In recent years, taxes collected in the year in which they were levied have generally exceeded 95 percent, as shown in the following table.

Table 19
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 4/30/10 (3) (4)
2000-01	$257,865	96.35%	99.99%
2001-02	267,740	96.46%	99.98%
2002-03	283,978	96.57%	99.98%
2003-04	324,709	96.92%	99.98%
2004-05	332,887	97.11%	99.97%
2005-06	346,053	97.20%	99.95%
2006-07	363,073	97.29%	99.66%
2007-08	394,491	97.07%	99.27%
2008-09	397,822	96.43%	98.43%
2009-10 (4)	436,332	92.71%	92.71%

Notes:

(1) Tax collection information is for Multnomah County, which represents approximately 99.5% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.

(2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression. For a discussion on Measure 5 compression, see "PROPERTY TAX AND VALUATION INFORMATION – Section 11B" herein.

(3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy; discounts associated with the 2009-10 tax levy represented about 2.4% of that year's levy.

(4) Partial year collections.

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

Outstanding Indebtedness

As of the date of closing of the 2010 Bonds, the City expects to have $36,890,000 of outstanding long-term debt for the Area, which is the outstanding principal of the 2010 Bonds.

Table 20
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
OUTSTANDING LONG-TERM DEBT AS OF CLOSING OF THE 2010 BONDS

Issue Name	Dated Date	Maturity Date	Amount Issued	Amount Outstanding
Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A	6/24/2010	6/15/2024	$21,240,000	$21,240,000
Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B	6/24/2010	6/15/2030	$15,650,000	$15,650,000

Source: City of Portland.

Historical Revenue Collections and Annual Debt Service

The following table shows historical collections of Divide the Taxes Revenues in the Lents Town Center Urban Renewal Area Debt Redemption Fund (the Tax Increment Fund). The City's future annual disclosure filings will include debt service on Parity Indebtedness, including the 2010 Bonds. There was no Parity Indebtedness outstanding through FY 2008-09.

Table 21
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
HISTORICAL TAX INCREMENT REVENUE COLLECTIONS
(Actual Results Reported on a Budgetary Basis)

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Tax Increment Revenues					
Tax Collections (Current Year)	$4,665,186	$4,987,307	$5,792,409	$6,996,153	$7,556,971
Tax Collections (Prior Years)	84,523	92,473	116,672	120,165	144,357
Investment Earnings	20,280	63,980	96,018	76,584	54,543
TOTAL	$4,769,989	$5,143,760	$6,007,099	$7,192,902	$7,755,871
Annual Debt Service (1)					
Parity Indebtedness	0	0	0	0	0
TOTAL	$0	$0	$0	$0	$0

Source: City of Portland.

CITY OPERATING AND FINANCIAL INFORMATION

FISCAL YEAR

July 1 to June 30.

BASIS OF ACCOUNTING

The governmental fund types, expendable trust funds, and agency funds are maintained on the modified accrual basis of accounting. The accrual basis of accounting is used for all enterprise funds. The City's accounting practices conform to generally accepted accounting principles as interpreted by the Governmental Accounting Standards Board (the "GASB").

FINANCIAL REPORTING

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

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 2008-09.

A complete copy of the City's FY 2008-09 audit is available on the City's web site at http://www.portlandonline.com/omf/index.cfm?c=51731&a=279250. The City's web site is listed for reference only, and is not part of this Official Statement. See Appendix C, "EXCERPTS OF AUDITED FINANCIAL STATEMENTS," herein.

INSURANCE

The City is self-insured for workers' compensation, general liability claims and certain employees' medical coverage in internal service funds. Per ORS 30.270(1)(b)(c), general and fleet liability claims are capped. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self insurance claims in the combined statement of net assets).

Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ended June 30, 2009, the expected rate of return was 2.5 percent. For fiscal year ending June 30, 2010, the expected rate of return is 1.1 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. Furthermore, current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers individual claims in excess of $1,000,000, and an excess workers' compensation coverage insurance policy covers claims in excess of $750,000. The City purchases commercial insurance for claims in excess of coverage provided by the City's Workers' Compensation Self-Insurance Fund and for all other risks of loss. Settlements have not exceeded coverage limitations for each of the past three fiscal years.

Personal Injury and Death Claim

The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $500,000, for causes of action arising on or after July 1, 2009, and before July 1, 2010. From July 1, 2010 through June 30, 2015, this cap increases incrementally to $666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increase from $1 million, for causes of action arising on or after July 1, 2009, and before July 1, 2010, incrementally to $1,333,300, for causes of action arising on or after July 1, 2014, and before July 1, 2015.

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

Property Damage or Destruction Claim

The liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2009 are as follows: (a) $100,000, adjusted as described below, to any single claimant, and (b) $500,000, adjusted as described below, to all claimants. Beginning in 2010, these liability limits shall be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year pursuant to a formula provided in statute. The adjustment may not exceed 3 percent for any year.

At the advice of the City's independent actuary and in anticipation of the Oregon legislature raising tort caps (which the Legislature did up to the limits described above), the City made adjustments to its insurance program. Beginning in FY 2007-08, the City increased its limits of coverage on the excess liability policy from $10 million to $30 million per claim above the $1 million self-insurance retention. The confidence level for the self-insurance reserves in the Insurance & Claims Fund was increased from 60 percent to 70 percent for FY 2007-08, 75 percent for FY 2008-09 and 80 percent for FY 2009-10. An 80 percent confidence level means that there is an 80 percent chance that the self-insurance reserves will be too high and a 20 percent change that the reserves will be too low. Currently the City's independent actuary is conducting a special study. The study will assess the impact of the proposed new tort caps and the cost of increasing the City's self-insured retention above the current $1,000,000. A draft report was received in June of 2009. Based on the draft, the City is not planning any changes to its self-insurance retention.

PENSION PLANS

General

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

The Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") are defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Retirement benefits for T1/T2 Pension Program members are based on final average salary and length of service and are calculated under a full formula method, formula plus annuity method, or money match (defined contribution) method if a greater benefit results.

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

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

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

Employer Asset Valuation and Liabilities

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

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

The table below is a summary of principal valuation results from the 2007 City Valuation and the 2008 Interim City Report.

Table 22
CITY OF PORTLAND, OREGON
Valuation Results for 2007 and 2008
(as of December 31)

	2007	2008
Allocated Pooled T1/T2 UAL/ (surplus)	($221,774,371)	$256,882,860
Allocated Pooled OPSRP UAL/ (surplus)	(2,425,248)	2,358,563
Net unfunded pension actuarial accrued liability/(surplus)	($224,199,619)	$259,241,423

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/08 Valuation Report prepared by Mercer Human Resource Consulting.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 21 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

The funded status of the System and the City, as reported by Mercer, changes over time depending on the market performance of the securities that the Oregon Public Employees Retirement Fund (the "OPERF") is invested, future changes in compensation and benefits of covered employees, any additional lump sum deposits made by employers, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. No assurance can be given that the unfunded actuarial liability of PERS and of the City will not materially increase. Investment returns during calendar year 2008 have been particularly volatile, and between June 30, 2008 and December 31, 2008, the market value of assets in the OPERF decreased from approximately $60.7 billion to approximately $45.8 billion..

Employer Contribution Rates

Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF. The City's current employer contribution rates are based on the 2007 City Report. These rates became effective on July 1, 2009 and are effective through June 30, 2011. The 2008 Interim City Report includes estimated employer contribution rates for the 2011-2013 biennium. However, the 2008 Interim City Report will not affect the City's current or its 2011-2013 employer contribution rates, as only valuations as of the end of each odd-numbered year are used by the PERS Board to determine annual required employer contribution rates. Additionally, the contribution rates for the 2011-2013 biennium will be impacted by the PERS Board's decision in January 2009 to revise the employer rate collar. Under the new policy, contribution rates will increase from 3 percent to 6 percent of covered payroll or by 20 percent to 40 percent of the previous rate, whichever is greater, when an employer's funded status is between 80 percent to 70 percent. Contribution rates will decline from 6 percent to 3 percent of covered payroll or by 40 percent to 20 percent of the previous rate, whichever is greater, when an employer's funded status is between 120 percent to 130 percent.

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

Table 23
CITY OF PORTLAND, OREGON
Current Employer Contribution Rates and Advisory Rates
(Percentage of Covered Payroll)

	Current Rates 2009-2011			Advisory Rates 2011-2013		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Total net pension contribution rate	4.01%	4.85%	7.56%	10.58%	9.61%	12.32%

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/08 Valuation Report prepared by Mercer Human Resource Consulting.

Currently, one percent of covered payroll for the three pension benefit programs is approximately: $2,011,218 for T1/T2 Pension Programs; $713,223 for OPSRP general services; and $87,660 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 PERF, the use of reserves, further changes to system valuation methodology and assumptions and the outcome of litigation relating to legislative change and PERS Board action.

T1/T2 Pension Program employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees' IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table 23 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City's employer rate, each City bureau is required to make a contribution to pay debt service on approximately $287.5 million of outstanding Limited Tax Pension Obligation Revenue Bonds originally issued in FY 1999-2000 to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

Fire and Police Disability and Retirement Fund

The following discussion pertains to the City's Fire and Police Disability and Retirement ("FPDR") Fund. The Lents Town Center Tax Increment Revenues may not be used to address obligations of the FPDR Plan as described below.

Most of the fire and police personnel are covered under the FPDR Plan. The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP see "PENSION PLANS – General," above. The authority for the FPDR

Plan's vesting and benefit provisions is contained in the Charter of the City. Fire and police personnel generally become eligible for membership in the FPDR Plan immediately upon employment. The FPDR Plan provides for service connected disability benefits at 75 percent of salary, reduced by 50 percent of any wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for non-service connected disability benefits at reduced rates of base pay.

Effective July 1, 1990, the FPDR Plan was amended to create the FPDR Two tier, which provides for the payment of benefits upon termination of employment on or after attaining age fifty-five, or on or after attaining age fifty if the member has twenty-five or more years of service. Members become 100 percent vested after five years of service. Members enrolled in the FPDR Plan prior to July 1, 1990 were required to make an election as to whether they wished to fall under the provisions of the FPDR Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

On November 7, 2006, voters in the City of Portland passed a measure that created the FPDR Three tier and changed the retirement plan for most new police officers and firefighters. In general, police and firefighters hired on or after January 1, 2007, receive retirement benefits through OPSRP. The FPDR levy pays the employee and employer portions of the OPSRP contribution. This move is expected to increase property taxes for 35 years. Performance audits will be implemented to assess the implementation of the FPDR Plan reforms. The initial and follow-up disability program audits have been performed, and a pension program audit is expected to be completed in January 2010.

Another ballot measure passed by the voters November 6, 2007 also changed the medical coverage for retirees of the FPDR Fund. The change is effective for retirees after January 1, 2007. Under the ballot measure, the FPDR Fund will pay medical and hospital expenses associated with retired police and firefighters' approved job-related injuries and illnesses. New state legislation governing workers' compensation law requires that the FPDR Fund treat 12 cancers as presumptive occupational illnesses for firefighters effective January 1, 2010. Claims for these 12 cancers may be made up to seven years after employment ends. (See OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB") below.)

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mils on each dollar of valuation of property ($2.80 per $1,000 of real market value) not exempt from such levy. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2009-10 levy of $114,980,456 requires a tax rate of $2.6259 per $1,000 of assessed property value, or approximately $1.29 per $1,000 of real market value.

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

The FPDR Fund's Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the Actuarial Valuation of the Fund. The most recent assessment was as of July 1, 2008. The Fund's Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under $2.80 per $1,000 of real market value, but reaching the $2.80 threshold has a five percent probability level starting in 2024.

As of June 30, 2009, the City's actuary rolled forward the July 1, 2008 valuation to estimate that the unfunded actuarial liability of the FPDR Fund was $2.3 billion. Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, actuarial accrued pension liabilities, and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City continued to monitor the discount rate used to value the FPDR Fund liabilities throughout the fiscal year, and as a result, revised the rate for the July 1, 2008 valuation from

6.04 percent to 4.50 percent. The impact of this change in estimate increased the unfunded actuarial liability by $466 million. The June 30, 2009 roll-forward added an additional $63 million.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

The City's OPEB liability includes three separate plans. The City provides a contribution to the State of Oregon PERS cost-sharing multiple-employer defined benefit plan, an implicit rate subsidy for retiree Health Insurance Continuation premiums, and a stand-alone plan for certain retired police and firefighters. PERS Program

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2008 City Interim Report, the City's allocated share of the RHIA program's UAL is $11,040,792 as of December 31 2008.

The City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.29 percent and for OPSRP general services employees and police and fire employees is 0.19 percent. According to the 2008 City Interim Report, the City's contribution rates for fiscal years 2009-2011 for RHIA benefits for T1/T2 employees is 0.59 percent and for OPSRP general services employees and police and fire employees is 0.50 percent.

Health Insurance Continuation Option

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

The City's actuary for its OPEB liability associated with the Health Insurance Continuation Option, AON Employee Benefits Consulting, 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 prepared using an amortization period of 30 years and an assumed discount rate of five percent. The City's actuarial accrued liability attributable to the Health Insurance Continuation Option at the valuation date of July 1, 2008 (the date of the most recent actuarial valuation), is estimated to be $98,027,683 on an EAN-Service basis. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2009.

The City's annual OPEB cost is calculated based on the annual required contribution (the "ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a certain period of years.

For fiscal year 2008, the ARC to be recognized as the annual employer OPEB cost for the Health Insurance Continuation Option is estimated to be $10,934,810 on an EAN-Service basis. For fiscal year ended June 30, 2009, the City benefits paid on behalf of retirees exceeded the premiums they paid by $2,813,269. The City has elected to not pre-fund the fiscal year 2008 employer's ARC to the plan of $10,934,810. The amount unfunded in fiscal year 2009 is $17,050,959, which is the Health Insurance Continuation Option OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2008-09, less payments made in relation to the FY 2008-09 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its Health Insurance Continuation Option OPEB liability and assess whether a different approach is needed in future years.

FPDR OPEB

The City's FPDR Fund pays medical and hospital expenses for retired police officers and firefighters for approved service connected or occupational injuries or illnesses.

In the July 1, 2008 actuarial valuation (the date of the most recent actuarial valuation), the attained age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return and an annual healthcare cost trend rate of 4.5 to 10.05 percent for medical and prescription costs. The UAAL is being amortized over 30 years using the level dollar method. The UAAL of the FPDR OPEB as of July 1, 2008 was $20,308,278. Actuarial valuations for FPDR OPEB are undertaken every two years. The next report is scheduled to be issued in the fall of 2010.

The disability payments for retired police officers and firefighters are paid through the City's FPDR Fund, which operates on the pay-as-you-go basis. Benefits paid during the fiscal year ended June 30, 2009, totaled $328,656.

PROPERTY TAX AND VALUATION INFORMATION

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

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

SECTION 11

Permanent Tax Rate

Section 11 of the Oregon Constitution grants all local governments that levied property taxes for operations in FY 1997-1998 a permanent tax rate that was based on the taxing authority of those governments before Ballot Measure 50 was adopted. Permanent tax rates cannot be increased. The City's permanent tax rate is $4.5770/$1,000 of Assessed Value. In FY 2008-2009 revenues from the City's permanent tax rate (including prior year and current year collections) were approximately $180 million. Revenues from permanent tax rate levies may be spent for any lawful purpose.

Assessed Value

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

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

Other Property Taxes

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

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

Section 11 limits property tax collections by limiting increases in Assessed Value, by preventing increases in permanent tax rates, and through its voter participation requirements. See "General Obligation Bonds" below.

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

- Some urban renewal areas that 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. See "THE PORTLAND DEVELOPMENT COMMISSION – URBAN RENEWAL AREAS – Collection Options."

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

SECTION 11B

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

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

If the combined tax rates within a category exceed the rate limit for the category, local option levies are reduced first, and then permanent rate levies, urban renewal 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.

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

A Multnomah County local option levy for libraries was approved in November 2006. This local option levy took effect in FY 2007-08 and extends for five years at a rate of $0.8900 per $1,000 of Assessed Value. In November 2006, voters also 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.

In November 2008, voters approved a measure to renew a five-year levy for the Children's Investment Fund at a rate of $0.4026 per $1,000 of Assessed Value. This local option levy took effect in FY 2009-10.

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.

In many localities in Oregon, including the City, it is unusual for more than 50 percent of registered voters to cast ballots at an election other than a general election in an even numbered year.

GENERAL OBLIGATION BONDS

Levies to pay the following general obligation bonds are exempt from the limits of 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 issued to finance capital construction or capital improvements;

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

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

COLLECTION

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

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

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

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

PROPERTY TAX EXEMPTION PROGRAMS

City Programs

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

- <u>Non-Profit Owners of Low Income Housing Tax Exemption</u>: This exemption is intended to promote housing for low-income renters, and allows charitable, non-profit owners or managers of residential property to apply for a tax exemption based upon the number of affordable housing units they maintain. The tax exemption is granted for one year, with annual renewals.

- <u>Rental Rehabilitation Program</u>: To preserve rental property, the City offers a ten-year tax abatement (subject to annual review) on improvements to existing rental housing or conversion of existing structures to rental housing. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property and such Assessed Value can not exceed the Assessed Value as it appeared in the most recent assessment roll prior to the application filing date. Property owners must designate a minimum number of units to remain affordable to low-income households during the exemption period.

- Owner-Occupied Rehabilitation Program: To encourage the rehabilitation of owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the increased Assessed Value of the property resulting from approved rehabilitation. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property, along with any increases to these values allowed under Measure 50.

- Transit Oriented Development Program: This program is intended to promote high-density residential and mixed use development in transit oriented areas. Property owners receive a tax exemption on the residential portion of new construction or conversion of existing structures for up to ten years.

- Single Family New Construction: To encourage the new development owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the Assessed Value of the new improvements resulting from the development or redevelopment of the land. Property owners continue to pay taxes on the Assessed Value of the land along with any increases to these values allowed under Measure 50.

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

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

Oregon Enterprise Zone Program

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

Other State Programs

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

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 a 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 were to be consolidated into a single department under the leadership of Erin Flynn, who was the Commission's Economic Development Director.

In December of 2008, Mayor Sam Adams and City Commissioner Nick Fish announced the creation of the new Portland Housing Bureau to be formed by joining the existing City of Portland Bureau of Housing and Community Development and the Portland Development Commission Housing Department. The new bureau's mission is to meet the housing needs of the current and future residents of Portland. Consolidating housing programs, staff, and resources is anticipated to eliminate overlapping and conflicting priorities, conserve resources, and enhance Portland's ability to deliver on its comprehensive housing agenda. The Portland Housing Bureau was formalized in July 2009, however the transfer of the Commission Housing staff is not expected to take place until July 1, 2010. The Commission currently has the following core departments: Executive Office, Urban Development, Central Services and Housing.

URBAN RENEWAL AREAS

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

Collection Options

Tax increment revenues for the Option 3 Plan Areas are derived from Divide the Taxes Revenues and also may include revenues from an additional tax imposed within the boundaries of their creating city or county (the "Special Levy"). The Standard Rate Plan Areas, which includes Lents Urban Renewal Area, 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 2009-10 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 2009-10

Urban Renewal District	Certified Tax Increment Levies
Airport Way	$5,914,900
Central Eastside	5,349,011
Downtown Waterfront	11,233,279
Gateway Regional Center	3,029,736
Interstate Corridor	11,883,173
Lents Town Center	9,366,071
North Macadam	10,000,000
Oregon Convention Center	11,616,503
River District	24,617,109
South Park Blocks	7,885,318
Willamette Industrial	777,169
Total	$101,672,479

Notes:

(1) Division of Taxes amounts certified in the table are estimates based on projections of incremental assessed value and tax rates and may vary from actual amounts calculated by the county assessor. 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 applied against the Maximum Indebtedness amount as of April 1, 2010. 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 April 1, 2010 (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	68,629,592	36,349,408
Downtown Waterfront	165,000,000	165,000,000	0
Gateway Regional Center	164,240,000	24,740,073	139,499,927
Interstate Corridor	335,000,000	94,331,629	240,668,371
Lents Town Center	245,000,000	71,783,022	173,216,978
North Macadam	288,562,000	86,338,661	202,223,339
Oregon Convention Center	167,511,000	112,006,080	55,504,920
River District	489,500,000	170,472,216	319,027,784
South Park Blocks	143,619,000	112,035,000	31,584,000
Willamette Industrial	200,000,000	1,845,000	198,155,000
Total	$2,376,049,268	$979,819,542	$1,396,229,726

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 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 2010-11 Budget Process will be the third 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 2009-10 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 Commission also has an Internal Service Fund to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. The fund currently has an equity balance of $150,682.

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated population of 582,130 as of July 1, 2009, 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 2.19 million people as of July 1, 2008. 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, as shown in the table below.

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
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
2008	3,791,075	575,930	2,191,784	717,880	519,925	376,660
2009	3,823,465	582,130	2,216,785	724,680	527,140	379,845
2000-2009 Compounded Annual Rate of Change	1.43%	1.01%	1.52%	1.00%	1.79%	1.24%
2005-2009 Compounded Annual Rate of Change	1.30%	1.14%	1.58%	1.13%	1.85%	1.26%

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

Notes:

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

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

INCOME

Per capita personal income in the MSA has been consistently higher than in the State of Oregon, and until 2008, was higher than in 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 1999 to 2008 was 4.8 percent. The compounded annual rate of change in per capita income for the MSA was 3.1 percent from 1999 to 2008, compared with 3.6 percent for the State, and 3.9 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	Per Capita Income Oregon	Per Capita Income USA
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	73,287,419	35,115	31,580	34,690
2006	79,013,985	37,157	33,648	36,794
2007	84,151,048	38,842	35,143	38,615
2008	87,052,644	39,436	36,297	39,582
1999-2008 Compound Annual Rate of	4.8%	3.1%	3.6%	3.9%

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 1999 through 2009. For March 2010, the seasonally-adjusted unemployment rate for the MSA was 12.4 percent (11.4 percent not seasonally-adjusted) with a resident civilian labor force of 1,173,260. Table 29 below shows the seasonally-unadjusted, average annual unemployment rates for the MSA, the State and the United States for the period 2000 through 2009.

Table 28
CITY OF PORTLAND, OREGON
MSA LABOR FORCE AND UNEMPLOYMENT RATES[(1)]

Year	Resident Civilian Labor Force	Unemployment Number	Unemployment Percent of Labor Force	Total Employment
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	1,090,119	90,082	8.3	1,000,037
2004	1,089,204	76,576	7.0	1,012,628
2005	1,100,959	64,384	5.8	1,036,575
2006	1,124,030	56,422	5.0	1,067,608
2007	1,144,814	55,284	4.8	1,089,530
2008	1,171,267	68,322	5.8	1,102,945
2009	1,181,495	129,571	11.0	1,051,924

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
(Seasonally Adjusted)

Year	MSA	State of Oregon	USA
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	5.0	5.3	4.6
2007	4.8	5.1	4.6
2008	5.8	6.4	5.8
2009	11.0	11.4	9.3

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

EMPLOYMENT BY INDUSTRY

Non-manufacturing employment (including government) accounts for about 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 and computer and electronic equipment sectors.

Table 30
CITY OF PORTLAND, OREGON
PORTLAND-VANCOUVER-BEAVERTON, OREGON MSA
NON-FARM WAGE AND SALARY EMPLOYMENT [(1)] (000)

Industry	2005	2006	2007	2008	2009
Total nonfarm employment	**983,600**	**1,015,300**	**1,034,900**	**1,034,300**	**972,400**
Total private	**846,000**	**876,400**	**892,700**	**887,300**	**824,100**
Manufacturing	**123,400**	**126,600**	**126,100**	**123,200**	**108,600**
Durable goods	93,600	96,400	95,700	93,500	81,500
Wood product manufacturing	5,900	6,000	5,600	4,800	3,700
Primary metal manufacturing	6,000	6,300	6,600	7,100	5,800
Fabricated metal manufacturing	12,500	12,900	13,300	13,400	11,000
Machinery manufacturing	8,300	8,400	8,600	8,300	7,100
Computer/electronic manufacturing	36,500	37,700	36,900	35,900	33,600
Transportation equipment manufacturing	9,000	9,300	9,000	8,600	7,000
Nondurable goods	29,800	30,200	30,400	29,600	27,100
Food manufacturing	8,600	8,800	9,100	9,200	9,000
Paper manufacturing	5,000	4,900	4,700	4,500	3,900
Non-Manufacturing	**722,500**	**749,800**	**766,600**	**764,200**	**715,600**
Construction and mining	60,300	64,900	66,900	62,400	50,400
Trade, transportation, and utilities	198,000	202,600	205,700	203,900	189,600
Wholesale Trade	56,300	57,500	58,100	57,800	54,400
Retail trade	104,900	107,600	109,800	108,500	100,900
Transportation, warehousing, and utilities	36,900	37,500	37,800	37,600	34,300
Information	23,100	24,000	24,800	24,600	22,900
Financial activities	68,200	70,600	70,400	67,800	64,200
Professional and business services	128,500	134,700	136,400	136,500	124,400
Educational and health services	119,800	123,200	127,800	132,600	134,900
Leisure and hospitality	90,100	94,100	98,000	99,300	94,000
Other services	34,500	35,700	36,600	37,100	35,200
Government	**137,600**	**138,900**	**142,300**	**147,000**	**148,300**

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	2008 Estimated Employment (1)
Private Employers		
Intel Corporation	Computer and electronic products	15,500
Fred Meyer Stores	Grocery & retail variety chain	14,684
Providence Health System	Health care & health insurance	12,000
Kaiser Foundation of the Northwest	Healthcare	9,000
Legacy Health System	Health care	8,251
NIKE Inc.	Sports shoes and apparel	7,000
Wells Fargo	Bank	5,969
United Parcel Service (UPS)	Postal and mailing service	4,100
U.S. Bank	Bank & holding company	3,808
Southwest Washington Medical Center	Health care	3,800
Daimler Trucks North America	Heavy duty trucks	3,500
Regence BlueCross BlueShield of Oregon	Insurance	2,784
Farmers Insurance Company of Oregon	Insurance	2,500
Portland General Electric	Utilities	2,500
Public Employers		
Oregon Health and Science University	Health care & education	12,600
Multnomah County	Government	5,640
City of Portland	Government	5,587
Beaverton School District	Education	5,000
Portland School District	Education	4,900
Vancouver School District	Education	3,697
Portland Community College	Education	3,650
Portland State University	Education	3,443
Evergreen School District	Education	3,000
Bonneville Power Administration	Public Power	2,659
TriMet	Mass Transit	2,650

Source: Portland Business Journal, December 19, 2008.

REAL ESTATE

Industrial

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

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

The industrial sector has been negatively impacted by the downturn in the Portland economy. Overall vacancy rates increased to 9.1 percent compared to 8.0 percent in the first quarter of 2010, as reported by Grubb & Ellis in their publication *Industrial Trends Report -- First Quarter 2010, Portland, OR*. Vacancy rates were slightly higher relative to the fourth quarter of 2009. Grubb & Ellis note that despite the increase in vacancy rates, there are signs of improvement in the industrial property market, with some market segments showing increased user demand and positive net absorption. With no new construction projected to come online, it is expected that vacancy rates will gradually begin to decline.

Office

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

Vacancy rates have increased slightly over all markets in the first quarter of 2010, according to the *Office Trends Report -- First Quarter 2010, Portland, OR* prepared by Grubb & Ellis (the "Office Quarterly Report"). The first quarter vacancy rate for the Portland region was 15.3 percent, compared to 12.6 percent for the fourth quarter of 2009. Vacancy rates in the suburban market continued to grow to 18.1 percent from 14.9 percent in the first quarter of 2009. The first quarter 2010 vacancy rate in the downtown area of 10.8 percent was also higher than the first quarter 2009 vacancy rate of 8.7 percent. Despite the higher vacancy rates, Grubb & Ellis report that the downtown office market has stabilized, helped in large part to the relocation of federal General Services Administration tenants into the market while the Edith Green-Wendell Wyatt Federal Building is being renovated. The Office Quarterly Report indicates that the office market ended the first quarter of 2010 with a year-to-date net absorption gain for the overall market of 204,936 square feet. Class A office space in the downtown averaged $26.21 per square foot, and $23.65 per square foot for the Portland metropolitan area.

Housing

The year-to-date median selling price of a home in the Portland metropolitan area in March 2010 was $237,500, down 5.0 percent from March 2009 year-to-date price of $250,000, according to the Realtors Metropolitan Area Multiple Listing Service ("RMLS"). As of March 2010, homes in the Portland metropolitan area were on the market an average of 144 days during the year. According to RMLS, through March of 2010, the West and Southeast Portland regions were the most active residential real estate areas, with 1,573 and 1,548 closed sales, respectively. Portland metropolitan area closed sales year-to-date were up 37.3 percent from the same period in 2009. The table below compares the median home sale price for the first quarter of 2009 and 2010 in the Portland region with the nation and western U.S.

Table 32
CITY OF PORTLAND, OREGON
MEDIAN HOME SALE PRICE
(U.S., West, and Portland Metropolitan Area)

Region	1st Quarter 2009	1st Quarter 2010	Percent Change
U.S.	$167,300	$166,100	-0.7%
West	229,200	210,200	-8.3%
Portland Metro. Area	248,600	237,400	-4.5%

Source: National Association of Realtors and RMLS.

The market for condominiums also has deteriorated as a result of the downturn in the housing market as shown in the following table.

Table 33
CITY OF PORTLAND, OREGON
MEDIAN CONDO/COOP SALE PRICE
(U.S., West, and Portland Metropolitan Area)

Region	1st Quarter 2009	1st Quarter 2010	Percent Change
U.S.	$170,800	$170,700	-0.1%
West	167,500	155,300	-7.3%
Portland Metro. Area	191,500	172,200	-10.1%

Source: National Association of Realtors and RMLS.

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

Table 34
CITY OF PORTLAND, OREGON
NEW SINGLE FAMILY AND MULTI-FAMILY
RESIDENTIAL CONSTRUCTION PERMITS

	New Single Family		New Multi-Family	
Year	No. of Permits	Value	No. of Permits	Value
1999	929	$102,663,214	190	$102,755,559
2000	866	125,275,273	93	62,578,694
2001	1,040	159,218,264	102	46,446,402
2002	1,088	169,816,560	110	92,457,354
2003	1,093	176,408,264	198	195,489,464
2004	956	162,215,542	161	153,283,224
2005	981	172,372,705	196	247,646,057
2006	1,256	232,917,661	164	241,125,419
2007	1,205	236,732,683	179	346,708,925
2008	665	137,971,790	76	390,731,993
2009	430	95,701,263	14	36,851,117

Source: U.S. Census Bureau.

Urban Renewal

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

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

TRANSPORTATION AND DISTRIBUTION

Location and topography have established the City as a leading warehousing and distribution center for the Pacific Northwest. The City's location at the head of deep-water navigation on the Columbia River system gives it geographic and, therefore, economic advantages for the shipment of freight.

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

In 2009, 501 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2009 decreased by 27.1 percent, from 10.3 million short tons in 2009 compared to 14.1 million in 2008. Through January 2010, total maritime tonnage was up 10.5 percent over January 2009.

The Columbia River ship channel is currently maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. In 2005, the Columbia River Channel Deepening Project was initiated to deepen the shipping channel of the Columbia River from 40 feet to 43 feet to accommodate larger, more efficient vessels. The project will be paid for with federal, Washington and Oregon state, and local port funds. Because significant areas of the Columbia River are naturally deeper than what the new channel requires, only specific areas will require dredging. The Columbia River channel deepening effort is expected to be completed by the end of calendar year 2010.

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

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

PDX handles nearly 13 million passengers annually on 13 commercial carriers, with more than 500 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Vancouver, British Columbia; Calgary, Alberta; and Tokyo, Japan. PDX handles nearly 200,000 tons of air cargo annually on 11 carriers. In 2008, 243,193 short tons of cargo were handled by PDX. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

Two major railroads—the Burlington Northern Santa Fe and Union Pacific—plus the Amtrak passenger train system, serve the City.

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

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet's fiscal year, from July 2008 through June 2009, passengers boarded a TriMet bus or train approximately 101.5 million times.

TriMet's light rail system ("MAX") connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. The Interstate MAX line, which began service in 2004, 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.

In 2007, TriMet started construction of an 8.3 mile, two-phased extension of the light rail line. The estimated cost of the project is $494 million. Phase 1 provides service along Interstate-205 between Clackamas Town Center and the existing Gateway station where it will use the existing MAX Blue Line tracks to downtown Portland, then run on new tracks along the Portland Mall to Portland State University. Phase 2 would extend light rail from downtown Portland to Milwaukie. TriMet completed construction of Phase 1 with the opening of the MAX green line in September 2009.

In 2008, TriMet began service on the Washington County Commuter Rail, which runs from Beaverton to Wilsonville.

The Portland Streetcar, 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. Federal funding has been approved which completes the funding package for extension of the streetcar line to Portland's east side. The extension will cross the Willamette River using the Broadway Bridge, travel through the Lloyd District, continue south along Martin Luther King, Jr. Boulevard, and make a loop at either SE Mill or Stephens Street before returning back along Grand Avenue. The estimated cost of the extension is $147 million. The project is expected to be completed in 2011.

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

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is the State's largest city and the center of business and transportation routes in the State. Therefore, the City accommodates a large share of the State's tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland 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. A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June since 1907. More than two million participants enjoy the festival annually.

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

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. PGE Park, which was renovated and reopened in 2001, is currently 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). In 2009, Major League Soccer announced the conditional approval of a major league soccer franchise for Portland, and in 2010, the City Council approved an agreement with Peregrine Sports LLC to renovate PGE Park for use by Major League Soccer.

HIGHER EDUCATION

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

Portland State University ("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 213 undergraduate, masters, and doctoral programs. Enrollment for 2009-10 was approximately 29,972 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

Oregon State University and the University of Oregon, also within the Oregon University System, have field offices and extension activities in the Portland metropolitan area.

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Enrollment for 2008-09 was approximately 2,424 medical, dental, nursing, science, and allied health students were enrolled at OHSU.

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 and Natural Gas

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. NW Natural distributes natural gas.

Communications

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

Water, Sewer and Wastewater

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

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

AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 20.6 percent of the State's Gross Farm and Ranch Sales based on 2009 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 2009 Gross Farm and Ranch Sales in Clackamas County was $302,449,000; Washington County was $238,945,000; Yamhill County was $222,564,000; Multnomah County was $62,828,000; and Columbia County was $19,632 as estimated by the Oregon State University Extension Service.

THE INITIATIVE PROCESS

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

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

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 was eight percent (110,358 signatures) for a constitutional amendment measure and six percent (82,769 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2008 general election was 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 35
CITY OF PORTLAND, OREGON
Statewide Initiative Petitions that Qualified and Passed
1996-2008

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
1996	16	4
1998	16	6
2000	18	8
2002	7	3
2004	6	2
2006	10	3
2008	8	0

Source: Elections Division, Oregon Secretary of State.

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

2010 Series A Bonds – Federally Taxable

This advice was written to support the promotion or marketing of the 2010 Series A Bonds. This advice is not intended or written by K & L Gates 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 SERIES A BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE 2010 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 2010 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 2010 Series A Bond by an Owner is subject to U.S. federal income taxation. In addition, a 2010 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, including additional amounts of cash and interest, if any, paid on the 2010 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).

Disposition or Retirement. Upon the sale, exchange or other disposition of a 2010 Series A Bond, or upon the retirement of a 2010 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 2010 Series A Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. **Under the Bond Declaration, the 2010 Series A Bonds are subject to optional redemption. See "THE 2010 BONDS— Redemption of the 2010 Bonds." The 2010 Series A Bonds are subject to defeasance at any time prior to their stated maturities. See APPENDIX A—MASTER BOND DECLARATION - Defeasance." If the City defeases any 2010 Series A Bonds, such 2010 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 2010 Series A Bond would recognize a gain or loss on the 2010 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 2010 Series A Bond will be the cost of such 2010 Series A Bond to such Owner, and decreased by the amount of any payments under the 2010 Series A Bond that are part of its stated redemption price at maturity (i.e., all stated interest payments with respect to the 2010 Series A Bonds previously paid). Such gain or loss will be capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if at the time of disposition or retirement the 2010 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 on 2010 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 2010 Series A Bond for federal income tax reporting purposes.

Interest paid to an Owner of a 2010 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 2010 Series A Bonds, as well as payments of proceeds from the sale of 2010 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 2010 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 2010 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.

2010 Series B Bonds – Federally Tax-Exempt

In the opinion of K&L Gates LLP, Bond Counsel, interest on the 2010 Series B Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the 2010 Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2010 Series B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2010 Series B Bonds and the facilities financed or refinanced with proceeds of the 2010 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 2010 Series B Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010 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 2010 Series B Bonds. Owners of the 2010 Series B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010 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 2010 Series B Bonds should be aware that ownership of the 2010 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 2010 Series B Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2010 Series B Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2010 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 2010 Series B Bonds. Owners of the 2010 Series B Bonds are advised that, if the IRS does audit the 2010 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 2010 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 2010 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 2010 Series B Bond over its stated redemption price at maturity constitutes premium on that 2010 Series B Bond. A purchaser of a 2010 Series B Bond must amortize any premium over that 2010 Series B Bond's term using constant yield principles, based on the 2010 Series B Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2010 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 2010 Series B Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2010 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 2010 Series B Bonds.

Original Issue Discount

The initial public offering price of certain 2010 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 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 2010 Bonds is exempt from Oregon personal income taxation.

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 2010 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 2010 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 2010 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 2010 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 2010 Series A Bond, or (iii) the purchase and holding of such 2010 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 2010 Series A Bonds.

RATING

The 2010 Bonds have been rated "A1" by Moody's Investors Service. Such rating reflects only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 250 Greenwich Street, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2010 Bonds.

UNDERWRITING

On behalf of the Underwriters listed on the cover of this Official Statement, Citigroup Global Markets Inc. has agreed, subject to certain conditions, to purchase all of the 2010 Series A Bonds, if any are to be purchased, at a price of $21,114,250.50 (which is equal to the aggregate principal amount of the 2010 Series A Bonds of $21,240,000.00, less Underwriter's Discount of $125,749.50).

On behalf of the Underwriters listed on the cover of this Official Statement, Citigroup Global Markets Inc. has agreed, subject to certain conditions, to purchase all of the 2010 Series B Bonds, if any are to be purchased, at a price of $15,457,139.72 (which is equal to the aggregate principal amount of the 2010 Series B Bonds of $15,650,000.00, less Underwriter's Discount of $118,989.93, plus an original issue premium of $110,230.45 and less an original issue discount of $184,100.80).

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

Citigroup Inc., parent company of the Underwriter, has entered into a retail brokerage joint venture with Morgan Stanley & Co. Incorporated. As part of the joint venture, the Underwriter will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, the Underwriter will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2010 Bonds.

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.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2010 Bonds by the City are subject to the approving opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2010 Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2010 Series A Bonds conform to the 2010 Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions "THE 2010 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

There is no litigation pending or threatened against the City which impairs the City's ability to make principal and interest payments on the 2010 Bonds when due. There is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2010 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 2010 Series A Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 2010 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.

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 2010 Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix F for the benefit of the 2010 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

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 2010 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 2010 Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

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

CITY OF PORTLAND, OREGON

By: /S/ ERIC H. JOHANSEN
Debt Manager
Office of Management and Finance

CITY OF PORTLAND, OREGON
1851

APPENDIX A
MASTER BOND DECLARATION

CITY OF PORTLAND, OREGON

1851

MASTER BOND DECLARATION
(Lents Town Center Urban Renewal Area)

City of Portland, Oregon

Executed by the Debt Manager of the City of Portland, Oregon
As of the 24th day of June, 2010

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MASTER BOND DECLARATION

THIS MASTER BOND DECLARATION (LENTS TOWN CENTER URBAN RENEWAL AREA) is executed as of June 24, 2010, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. 183537 to establish the terms under which the City's Lents Town Center Urban Renewal and Redevelopment Bonds may be issued.

Section 1. Findings.

The Council finds:

1.1. The City and the Portland Development Commission have formed the Lents Town Center Urban Renewal Area in compliance with the requirements of Oregon law. Ordinance No. 172671, approving the urban renewal plan, was enacted on September 9, 1998, and no petitions were filed with the City or the Portland Development Commission seeking to refer the ordinance creating the plan and the Lents Town Center Urban Renewal Area to City voters.

1.2. Ordinance No. 181968 amended the urban renewal plan for the Lents Town Center Urban Renewal Area to establish a maximum indebtedness for the Area of $245,000,000.

1.3. This Declaration provides the terms under which the City may issue obligations that are secured by a lien on the Divide the Taxes Revenues of the City's Lents Town Center Urban Renewal Area.

Section 2. Definitions.

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

"Adjusted Annual Debt Service" means Annual Debt Service for a Fiscal Year, reduced by the amount of any Federal Interest Subsidy that the City is scheduled to receive for Bond interest in that Fiscal Year.

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

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

(i) Interest which is to be paid from proceeds of Bonds shall be subtracted.

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

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

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

(v) Each Balloon Payment shall be assumed to be paid according to its Balloon Debt Service Requirement.

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

"Area" means the Lents Town Center Urban Renewal Area which is described in the Plan, as it may be amended from time to time.

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

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

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

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

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

“City” means the City of Portland, Oregon.

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

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

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

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

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

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

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

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

“Declaration” means this Master Bond Declaration (Lents Town Center Urban Renewal Area) authorizing the, as it may be amended from time to time pursuant to Section 8.

“Defeasance Obligations,” unless otherwise provided in a Supplemental Declaration, means (i) direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and principal-only and interest-only strips that are issued by the U.S. Treasury); or (ii) noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; or (iii) any noncallable debt securities listed in Appendix A.

“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 the 2010 Series A Bonds are issued.

“DTC” means the Depository Trust Company of New York, and any successors to its rights and obligations, the initial securities depository for the Bonds.

“Estimated Average Interest Rate” is the interest rate that Variable Rate Obligations are assumed to bear, and shall be calculated as provided in Section 5.5.

“Estimated Debt Service Requirement” means the schedule of principal and interest payments for a hypothetical Series of Bonds that refunds a Balloon Payment that is prepared by the Debt Manager and that meets the requirements of Section 5.6.

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

“Exchange Agreement” means a swap, cap, floor, collar or similar transaction which includes a written contract between the City and a Reciprocal Payor under which the City is obligated to make one or more City Payments in exchange for the Reciprocal Payor’s obligation to pay one or more Reciprocal Payments, and which provides that:
(a) the Reciprocal Payments are to be deposited directly into the Parity Indebtedness Account; and,
(b) the City is not required to fulfill its obligations under the contract if: (i) the Reciprocal Payor fails to make any Reciprocal Payment; or (ii) the Reciprocal Payor fails to comply with its financial status covenants.

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

“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.

“Lents Town Center Tax Increment Revenues” means the Divide the Taxes Revenues, plus earnings on the Tax Increment Fund.

“Levy Year” means a period beginning on the first day of November 1 and ending on the last day of the following October.

“Maximum Annual Debt Service” means the largest Annual Debt Service that occurs after the date for which the calculation is done.

“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 Exchange Agreement” means an Exchange Agreement which qualifies as Parity Indebtedness in accordance with Section 5.

“Parity Indebtedness” means obligations issued in compliance with Section 5 of this Declaration which are secured by a lien on, and pledge of, the Security which is on a parity with the lien on, and pledge of, the Security which secures the 2010 Series A Bonds.

“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.”

“Paying Agent” means the Paying Agent for the Bonds, which, at the time of enactment of this Declaration, is U.S. Bank National Association or its successor.

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

“Permitted 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 Lents Town Center Urban Renewal Plan, that was first approved on August 23, 2000, as that plan has been and may be amended in the future.

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

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

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

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

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

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

“Reserve Credit Facility” means a Credit Facility in which provider of the Credit Facility unconditionally agrees to provide the City with funds to be used to pay debt service on Bonds in lieu of making withdrawals from a Reserve Subaccount.

“Reserve Funding Requirement” means a set of rules for funding a subaccount in the Reserve Account. Each Reserve Funding Requirement shall indicate the amount that is required to be credited to the subaccount, the dates by which that amount must be credited to the subaccount, and the requirements for restoring amounts to the subaccount if amounts are withdrawn to pay Bonds that are secured by the subaccount.

“Security” for a particular Series of Bonds means the Lents Town Center Tax Increment Revenues, any Federal Interest Subsidies, and any additional amounts that are pledged by the City to pay that particular Series of Bonds.

"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 City, regardless of variations in maturity, interest rate or other provisions, unless the documents authorizing the Bonds declare them to be part of a separate Series.

"SIFMA Index" means the SIFMA Municipal Swap Index disseminated by the Securities Industry and Financial Markets Association, or its successor. However, if that index ceases to be available, "SIFMA Index" means an index reasonably selected by the City which is widely available to dealers in municipal securities, and which measures the interest rate of municipal securities that bear interest at short term or variable rates.

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

"Subordinate Indebtedness Account" means the account of that name in the Tax Increment Fund established in Section 4.4.

"Supplemental Declaration" means any Declaration amending or supplementing this Declaration, which is adopted in accordance with Section 10.

"Tax Certificate" means the Tax Certificate delivered by the City at the time of the issuance of a Series of Tax-Exempt Bonds, as the same may be amended and supplemented in accordance with its terms.

"Tax Increment Fund" means the fund established under ORS 457.440(6)(b) to hold the Divide the Taxes Revenues, which is currently called the Lents Town Center Debt Service Fund.

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

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

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

"Valuation Date" means each date that a reserve subaccount is valued as prescribed in the supplemental declaration establishing the subaccount.

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

Section 3. Security for Bonds.

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

3.2. The City hereby irrevocably pledges the Lents Town Center Tax Increment Revenues and Federal Interest Subsidies to pay the Bonds. Pursuant to ORS 287A.325, these pledges shall be valid and binding from the time of the adoption of this Declaration. The amounts so pledged and hereafter received by the City shall immediately be subject to the lien of these pledges without any physical delivery or further act, and the lien of these pledges shall be superior to all other claims and liens whatsoever.

3.3. The provisions of this Declaration shall constitute a contract with the Owners, and shall be enforceable by them.

Section 4. The Tax Increment Fund.

The City has previously established the Tax Increment Fund. The Tax Increment Fund shall contain the Parity Indebtedness Fund and the Subordinate Indebtedness Account. The City may create subaccounts in these funds to the extent permitted by this Declaration, but it shall not create additional funds in the Tax Increment Fund. The Parity Indebtedness Fund shall contain the Debt Service Account and the Reserve Account.

4.1. Deposits to the Tax Increment Fund.

(A) On the date the first Series of Parity Indebtedness is issued and in each fiscal year thereafter until all Bonds are paid or defeased, the City shall deposit all Divide the Taxes Revenues and Federal Interest Subsidies in the Tax Increment Fund, and shall credit each deposit to the following accounts within the Tax Increment Fund in the following order of priority:

(1) Subject to Section 4.1(B), to the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Annual Debt Service for that Levy Year;

(2) To the Reserve Account, if the balance in any subaccount of the Reserve Account as determined on the immediately past Valuation Date is less than its Reserve Funding Requirement, until the balances in all subaccounts of the Reserve Account are equal to their Reserve Funding Requirements; and,

(3) To the Subordinate Indebtedness Account, any amounts which remain after the foregoing deposits have been made.

(B) Whenever Federal Interest Subsidies are received by the City, if the Debt Service Account already contains amounts sufficient to pay the remaining Annual Debt Service for the Levy Year, the City shall nevertheless deposit those Federal Interest Subsidies in the Debt Service Account, but shall release an equal amount of Divide the Taxes Revenues that were previously deposited in the Debt Service Account, and apply the released Divide the Taxes Revenues first, as provided in Section 4.1(A)(2) and second, as provided in Section 4.1(A)(3).

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 Lents Town Center Tax Increment Revenues in the following accounts in the following order of priority:

(1) First, from the Subordinate Indebtedness Account; and,

(2) Second, from any subaccount in the Reserve Account and any available Reserve Credit Facility that secures the Bonds for which the payment is due, but only to the extent required to pay Bonds that are secured by that subaccount or Reserve Credit Facility.

(D) If, after the credits described in Section 4.2(C), the balance credited to the Debt Service Account is not sufficient to pay the Bond principal, premium or interest that is then due, the amount credited to the Debt Service Account shall be applied to *pro rata* to pay the amounts that are then due.

4.3. Reserve Account.

(A) The City shall create a Reserve Account in the Parity Indebtedness Fund, and may create subaccounts in the Reserve Account to secure Bonds. When each subaccount is created, the City shall determine whether the subaccount will secure one or more Series of Bonds. If the City creates a subaccount in the Reserve Account, the City shall, before it issues the first Series of Bonds that is secured by that subaccount, establish the Reserve Funding Requirement, withdrawal procedures, replenishment requirements, permitted investments, valuation provisions, and other terms and conditions for that subaccount and pledge amounts credited to that subaccount to pay the Bonds that are secured by that subaccount.

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

4.4. Subordinate Indebtedness Account. Lents Town Center Tax Increment Revenues in the Subordinate Indebtedness Account may be used at any time for any legal purpose permitted under Chapter 457 of the Oregon Revised Statutes. However, if the balance in any subaccount of the Reserve Account is less than the amount specified in the Reserve Funding Requirement for that Subaccount, Lents Town Center Tax Increment Revenues credited to the Subordinate Indebtedness Account shall be used to eliminate that deficiency before money in the Subordinate Indebtedness Account 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 Account. While the balance in any subaccount in the Reserve Account is less than the amount specified for that subaccount in the applicable Reserve Funding Requirement, earnings on all accounts in the Tax Increment Fund shall be credited to the deficient subaccounts in the Reserve Account, *pro rata* based on the amounts of the deficiencies. If a Reserve Subaccount is funded with Bond proceeds, and the balance in that Reserve Subaccount is equal to its Reserve Funding Requirement, earnings on that Reserve Subaccount shall be credited to the Debt Service Account at the beginning of each Levy Year.

Section 5. Parity Indebtedness.

5.1. Except as provided in Section 5.2, 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 Lents Town Center Tax Increment Revenues for the Base Period at least equaled one hundred and forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; or,

(2) both of the following:

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

(a) stating the projected amount of the Lents Town Center Tax Increment Revenues for the Fiscal Year in which the proposed Parity Indebtedness is issued and the projected amount of the Lents Town Center Tax Increment Revenues for each of the four Fiscal Years after the Fiscal Year in which the proposed Parity Indebtedness are issued; and,

(b) concluding that the respective amounts of projected Lents Town Center Tax Increment Revenues in each of the Fiscal Years described in Section 5.1(B)(2)(I)(a) are at least equal to one hundred and forty percent (140.00%) of the Adjusted Annual Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; and,

(c) stating the projected amount of the Lents Town Center 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 5.1(B)(2)(I)(c) is at least equal to one hundred and forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; and,

(II) a certificate of the Debt Manager stating that the Lents Town Center Tax Increment Revenues for the Base Period at least equaled one hundred percent (100.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding.

5.2. The City may issue Parity Indebtedness to refund Outstanding Bonds without complying with Section 5.1 if:

(A) the refunded Bonds are defeased on the date of delivery of the refunding 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 a Balloon Payment, this Section 5.2 is intended to allow Balloon Payments to be refunded with Parity Indebtedness when the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Balloon Debt Service Requirement for the refunded Balloon Payment in any Fiscal Year by more than $5,000.

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

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

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

(A) For purposes of calculating Annual Debt Service for determining compliance with Sections 7.5, 7.6, 7.8, 7.9, 7.10, and 7.11, the Estimated Average Interest Rate for Tax-Exempt Bonds means the average SIFMA Index for the 52 week period that ends on or immediately before the end of the month preceding the month in which the calculation is made, expressed as an annualized interest rate, plus fifty basis points (0.50%); and the Estimated Average Interest Rate for Taxable Bonds means the average One Month LIBOR Rate for the 52 week period that ends on or immediately before the end of the month preceding the month in which the calculation is made, expressed as an annualized interest rate, plus fifty basis points (0.50%). For purposes of this section "One Month LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States Dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City.

(1) Unless Section 5.5(A)(2) applies, for purposes of calculating Annual Debt Service for the tests for issuing Parity Indebtedness under Section 5, the Estimated Average Interest Rate for any Series of Variable Rate Obligations: (i) that are Tax-Exempt Bonds means the average of the weekly Bond Buyer 20 Bond Index for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate; and (ii) that are Taxable Bonds means the average rate on United States Treasury bills maturing in ten years, as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City, for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate, plus two percent (2.00%).

(2) For any Series of Variable Rate Obligations that have been outstanding for at least 52 weeks at the end of the period described in Section 5.5(A)(1), if the actual, annualized rate on that Series during that 52 week period is greater than the average, annualized rate described in Section 5.5(A)(1), the Estimated Average Interest Rate for that Series means the average of the actual rates on that Series during that 52 week period, expressed as an annualized interest rate.

(B) To determine the amount that is required to be maintained in the First Reserve Subaccount, the Estimated Average Interest Rate for a Series of Parity Indebtedness that is secured by the First Reserve Subaccount and consists of Tax-Exempt Bonds shall be the average of the weekly Bond Buyer 20 Bond Index for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate. To determine the amount that is required to be maintained in the First Reserve Subaccount, the Estimated Average Interest Rate for a Series of Parity Indebtedness that is secured by the First Reserve Subaccount and consists of Taxable Bonds shall be the average rate on United States Treasury bills maturing in ten years, as reported in the Wall Street Journal (or if not reported in such newspaper, as reported in such other source as may be selected by the City) for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate, plus two percent (2.00%). This calculation of Estimated Average Interest Rate shall be used for that Series of Parity Indebtedness Obligations as long as that Series of Parity Indebtedness Obligations is Outstanding. This rule shall be used to calculate the amount that is required to be maintained in other subaccounts of the Reserve Account unless otherwise provided in subsequent Supplemental Declarations.

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

(A) Whenever a Balloon Payment will be Outstanding on the date a Series of Parity Indebtedness is issued, the Debt Manager shall prepare a schedule of principal and interest payments for a hypothetical Series of Parity Indebtedness that refunds each Outstanding Balloon Payment in accordance with this Section 5.6. The Debt Manager shall prepare that schedule as of the date the Parity Indebtedness is sold, and that schedule shall be used to determine compliance with the tests for Parity Indebtedness in Section 5.

(B) Each hypothetical Series of refunding Parity Indebtedness shall be assumed to be paid in equal annual installments of principal and interest sufficient to amortize the principal amount of the Balloon Payment over the term selected by the Debt Manager; however, the Debt Manager shall not select a term that exceeds the lesser of 20 years from the date on which the Series of Parity Indebtedness containing the Balloon Payment is issued or the City's estimate of the remaining weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed with the Balloon Payment. The annual installments shall be assumed to be due on the first day of each Fiscal Year, with the first installment due at least six months after the date on which the Estimated Debt Service Requirement is calculated.

(C) The hypothetical Series of refunding Parity Indebtedness shall be assumed to bear interest at the Debt Manager's estimate of the average rate that a Series of Parity Indebtedness would bear if it is amortized as provided in Section 5.6(B) and is sold at the time the schedule described in Section 5.6(A) is prepared.

Section 6. Subordinate 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 Account or a subaccount of the Subordinate Indebtedness Account. All Subordinate Indebtedness must state clearly that:

6.1. It is secured by a lien on or pledge of the Lents Town Center Tax Increment Revenues which is subordinate to the lien on, and pledge of, the Lents Town Center 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 Account or a subaccount of the Subordinate Indebtedness Account.

Section 7. General Covenants.

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

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

7.2. The City shall maintain complete books and records relating to the Tax Increment Fund, the Lents Town Center Tax Increment Revenues and the Bonds in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year as required by law, and will make the audits available for inspection by the Owners.

7.3. The City shall 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.

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

7.5. Before the City or the Commission reduces the Area the Debt Manager shall project the Lents Town Center Tax Increment Revenues which will be available from the Area after it is reduced. Neither the City nor the Commission shall reduce the Area unless the Debt Manager reasonably projects that the Area, after the reduction, will have Lents Town Center Tax Increment Revenues which are at least equal to one hundred forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

7.6. Before the City or the Commission increases the Maximum Indebtedness for the Area the Debt Manager shall project the Lents Town Center Tax Increment Revenues which will be available from the Area after the Maximum Indebtedness is increased. Neither the City nor the Commission shall increase the Maximum Indebtedness unless the Debt Manager reasonably projects that increasing the Maximum Indebtedness will not cause Lents Town Center Tax Increment Revenues to fall below one hundred forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

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

(A) Are in effect on the date of this Declaration;

(B) Replace or renew programs that are in effect on the date of this Declaration; or,

(C) Only grant exemptions for the value of newly constructed property.

7.8 Except as provided in Section 7.7, neither the City nor the Commission shall approve, grant or provide any "Nondiscretionary Exemption Program" (as defined below in this Section 7.8 which causes the Lents Town Center Tax Increment Revenues that will be available from the Area after the program is in effect, as reasonably projected by the Debt Manager, to fall below one hundred forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). "Nondiscretionary Exemption Program" means a property tax exemption program that affects property in the Area and that grants any person the right to receive a property tax exemption for property in the Area without subsequent, discretionary approval of that exemption by the City pursuant to Section 7.9.

7.9 Except as provided in Section 7.7, neither the City nor the Commission shall approve, grant or provide any "Discretionary Property Tax Exemption" (as defined below in this Section 7.9, which causes the Lents Town Center Tax Increment Revenues that will be available from the Area after the exemption is in effect, as reasonably projected by the Debt Manager, to drop below one hundred forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). "Discretionary Property Tax Exemption" means any property tax exemption which the City has the ability to deny because of its impact on Tax Increment Revenues.

7.10 Before the City or the Commission takes formal action to limit the collection of the Divide the Taxes Revenues for a single Fiscal Year under ORS 457.455(1) (or any subsequent statute that allows the City to reduce its collections of Divide the Taxes Revenues for a single Fiscal Year), the Debt Manager shall project the Lents Town Center Tax Increment Revenues which will be available from the Area after such action is taken. Neither the City nor the Commission shall reduce collections for that Fiscal Year unless the Debt Manager reasonably projects that the reduction will not cause Lents Town Center Tax Increment Revenues for such Fiscal Year to fall below one hundred twenty-five percent (125.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

7.11 Before the City or the Commission takes formal action to permanently limit the future collection of the Divide the Taxes Revenues under ORS 457.455(2) (or any subsequent statute that allows the City to elect to permanently reduce its future collections of Divide the Taxes Revenues), the Debt Manager shall project the Lents Town Center Tax Increment Revenues which will be available from the Area after such action is taken. Neither the City nor the Commission shall permanently reduce collections unless the Debt Manager reasonably projects that the reduction will not cause Lents Town Center Tax Increment Revenues to fall below one hundred forty percent (140.00%) of the Adjusted Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

7.12 The City shall file, or shall cause an agent designated to act on behalf of the City to file, such forms with the Internal Revenue Service, or the applicable agency of the Federal government, and take all other such actions as may be necessary to request and receive the Federal Interest Subsidy.

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 or Subordinate Indebtedness;

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

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

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 Lents Town Center 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 the Security) because of an Event of Default described in Section 9.1(A) which occurs because of an insufficiency of the Security.

9.4. No remedy in this Declaration conferred upon or reserved to Owners of 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 Credit Facility which insures payment of all principal and interest due on one or more Bonds may be treated as the Owner of all Bonds secured by that Credit Facility.

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 Paying Agent sends out notice of requesting consent, waiver or other action as provided herein.

Section 11. Defeasance.

The City shall be obligated to pay any Bonds which are defeased in accordance with this Section 12 solely from the money and Defeasance Obligations which are deposited in escrow pursuant to this Section 12. Bonds shall be deemed defeased if the City:

11.1. irrevocably deposits money or noncallable Defeasance 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 Defeasance 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.

Dated as of this 24th day of June, 2010.

City of Portland, Oregon

By:_______________________

Eric H. Johansen, Debt Manager

Appendix A

Additional Defeasance Obligations

The following noncallable debt obligations qualify as Defeasance Obligations:

- Senior, unsubordinated Federal Home Loan Mortgage Corp. (FHLMC) Debt Obligations.
- Senior, unsubordinated Federal Home Loan Banks (FHL Banks) Consolidated debt obligations.
- Senior, unsubordinated Federal National Mortgage Association (FNMA) Debt obligations.
- Senior, unsubordinated Farm Credit System consolidated system wide bonds and notes.
- Senior, unsubordinated Resolution Funding Corp. (REFCORP) debt obligations, including strips by the Federal Reserve Bank of New York.
- Financing Corp. (FICO) debt obligations.
- Senior, unsubordinated U.S. Agency for International Development (U.S. A.I.D.) guaranteed notes which mature at least four business days before the appropriate payment date.
- The obligations of any other agency of the United States, or any corporation sponsored by the United States, if those obligations are approved in advance and in writing by the by the issuers of all municipal bond insurance policies that guarantee payment of the defeased Bonds and were issued at the request of the City.

APPENDIX B
SUPPLEMENTAL BOND DECLARATION

CITY OF PORTLAND, OREGON
1851

FIRST SUPPLEMENTAL BOND DECLARATION

City of Portland, Oregon

Lents Town Center Urban Renewal and Development Bonds

2010 Series A
(Federally Taxable)

2010 Series B
(Tax-Exempt)

Executed by the Debt Manager of the City of Portland, Oregon
Dated as of June 24, 2010

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FIRST SUPPLEMENTAL BOND DECLARATION

THIS FIRST SUPPLEMENTAL BOND DECLARATION is executed as of June 24, 2010 by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. 183537 adopted February 10, 2010 to establish the terms under which the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A and 2010 Series B may be issued as Additional Bonds under the City's Master Bond Declaration (Lents Town Center Urban Renewal Area).

Section 1. Findings.

The Council finds:

1.1. The City and the Portland Development Commission have formed the Lents Town Center Urban Renewal Area in compliance with the requirements of Oregon law. Ordinance No. 172671, approving the urban renewal plan, was enacted on September 9, 1998, and no petitions were filed with the City or the Portland Development Commission seeking to refer the ordinance creating the plan and the Lents Town Center Urban Renewal Area to City voters.

1.2. Ordinance No. 181968 amended the urban renewal plan for the Lents Town Center Urban Renewal Area to establish a maximum indebtedness for the Area of $245,000,000. As of the date of this First Supplemental the City has issued $86,955,000 of indebtedness for the Area, including the 2010 Bonds.

1.3. In its Resolution No. 6759, adopted on January 13, 2010, the Portland Development Commission has requested the City to issue the 2010 Bonds pursuant to Section 15-106 of the Charter of the City of Portland.

1.4. The Debt Manager of the City has executed the Master Bond Declaration (Lents Town Center Urban Renewal Area), which provides the terms under which the City may issue obligations that are secured by a lien on the tax increment revenues of the Lents Town Center Urban Renewal Area.

1.5. This First Supplemental Declaration provides the terms under which the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A and 2010 Series B are issued as Parity Indebtedness under the Master Bond Declaration (Lents Town Center Urban Renewal Area).

Section 2. Definitions.

Capitalized terms used in this First Supplemental Declaration which are not defined in this Section 2 shall have the meanings defined for such terms in the Master Declaration, and capitalized terms listed in this Section 2 shall have the meanings defined for such terms in this Section 2, unless the context clearly requires use of a different meaning.

"2010 Bonds" means the 2010 Series A Bonds and the 2010 Series B Bonds.

"2010 Reserve Credit Facility" means a Credit Facility in which provider of the Credit Facility unconditionally agrees to provide the City with funds to be used to pay debt service on 2010 Bonds, in lieu of making withdrawals from the First Reserve Subaccount.

"2010 Series A Bonds" means the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A (Federally Taxable) which are described in Section 3.1 of this First Supplemental Declaration.

"2010 Series B Bonds" means the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B (Tax-Exempt) which are described in Section 3.2 of this First Supplemental Declaration.

"Area" means the Lents Town Center Urban Renewal Area which is described in the Plan, as it may be amended from time to time.

“First Reserve Subaccount” means the subaccount in the Reserve Account that secures the 2010 Bonds and is described in Section 4 of this First Supplemental Declaration.

“First Reserve Subaccount Funding Requirement” means an amount equal to the lesser of the Adjusted Maximum Annual Debt Service on all Outstanding Bonds that are secured by the First Reserve Subaccount or the amount described in the next sentence. If at the time of issuance of a Series of Bonds that are secured by the First Reserve Subaccount, the amounts required to be added to that subaccount to make the balance in that subaccount equal to Adjusted Maximum Annual Debt Service on all Outstanding Bonds that are secured by that subaccount exceeds the Tax Maximum for the Series of Bonds being issued, then the First Reserve Subaccount Funding Requirement shall mean the First Reserve Subaccount Funding Requirement in effect immediately prior to the issuance of that Series of Bonds, plus the Tax Maximum calculated with respect to that Series of Bonds. On the date of this Declaration the only Bonds that are Outstanding and are secured by the First Reserve Subaccount are the 2010 Bonds, and the First Reserve Subaccount Funding Requirement is equal to $3,032,591.30, which is the Adjusted Maximum Annual Debt Service on the 2010 Bonds as of the date of Closing of the 2010 Bonds, with the 2010 Bonds treated as a single Series.

“First Reserve Subaccount Valuation Date” means the first Business Day of each Fiscal Year, each date on which amounts are withdrawn from the First Reserve Subaccount, and each Closing date for a Series of Bonds that is secured by the First Reserve Subaccount.

“First Supplemental Declaration” means this First Supplemental Bond Declaration dated as of June 24, 2010, as it may be amended and supplemented in accordance with the terms of the Master Declaration.

“Master Declaration” means the Master Bond Declaration (Lents Town Center Urban Renewal Area) dated as of June 24, 2010, as it may be amended and supplemented in accordance with its terms, including by this First Supplemental Declaration, which describes the terms and conditions for issuing bonds which are payable from the Security, as defined in the Master Declaration.

“Record Date” means for the 2010 Bonds is the last business day of the calendar month immediately preceding each 2010 Bond Payment Date.

“Reserve Credit Event” means the occurrence of any of the following: (a) the withdrawal or suspension of all Reserve Credit Facility Ratings for a 2010 Reserve Credit Facility; or (b) the downgrading of all Reserve Credit Facility Ratings for a 2010 Reserve Credit Facility below investment grade, or the equivalent rating reasonably determined by the City if rating terminology changes after January, 2009 (As of January, 2010, a rating below investment grade by Moody’s is a rating below Baa3, and a rating below investment grade by S&P is a rating below BBB-); or (c) the City properly tenders a request for funds under a 2010 Reserve Credit Facility, and the requested funds are not delivered materially in accordance with the terms of such 2010 Reserve Credit Facility.

“Reserve Credit Facility” means a Credit Facility in which provider of the Credit Facility unconditionally agrees to provide the City with funds to be used to pay debt service on Bonds in lieu of making withdrawals from a Reserve Subaccount.

“Reserve Credit Facility Rating” means a long-term debt, financial strength or claims-paying ability rating assigned by a Rating Agency to: (a) a provider of a Reserve Credit Facility or (b) to any reinsurer of the obligations of a provider under a Reserve Credit Facility.

“Security” means for the 2010 Bonds (i) the Lents Town Center Tax Increment Revenues and Federal Interest Subsidies scheduled to be received for the 2010 Bonds; (ii) all amounts credited to the First Reserve Subaccount, which are pledged solely to the 2010 Bonds and any Parity Indebtedness that the City elects to secure with the First Reserve Subaccount; and, (iii) all amounts available under any 2010 Reserve Credit Facilities, which are pledged solely to the 2010 Bonds, and, to the extent permitted by the terms of the 2010 Reserve Credit Facilities, to any Parity Indebtedness that the City elects to secure with the First Reserve Subaccount.

Section 3. The 2010 Bonds.

3.1. The 2010 Series A Bonds

(A) The 2010 Series A Bonds shall be dated June 24, 2010, shall bear interest which is payable on June 15 and December 15 of each year, commencing December 15, 2010, and shall mature on the following dates in the following principal amounts:

Date (June 15)	Principal Amount ($)	Interest Rate (%)	CUSIP Number (Base 736746)
2011	1,175,000	2.488	TZ1
2012	1,155,000	3.138	UA4
2013	1,190,000	3.776	UB2
2014	1,235,000	4.253	UC0
2015	1,290,000	4.553	UD8
2020	7,570,000	5.784	UE6
2024	7,625,000	6.284	UF3

(B) *Par Optional Redemption*. The 2010 Series A Bonds maturing on or after June 15, 2021 are subject to optional redemption at the election of the City, prior to their respective maturity dates, on any date on or after June 15, 2020, in whole or in part (and if in part, from the maturities selected by the City and by lot within a maturity in integral multiples of $5,000), at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the date fixed for redemption, from amounts deposited with the Paying Agent by the City and from any other funds available therefor.

Mandatory Redemption. The 2010 Series A Bonds maturing on June 15, 2020 and June 15, 2024, are subject to mandatory redemption in part and by lot within a maturity in integral multiples of $5,000, at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the date fixed for redemption and on June 15 of the years shown in the table below.

2010 Series A Term Bonds
Due: June 15, 2020

Year	Principal Amount
2016	$1,350,000
2017	1,425,000
2018	1,510,000
2019	1,595,000
2020†	1,690,000
	$7,570,000

† Final Maturity

2010 Series A Term Bonds
Due: June 15, 2024

Year	Principal Amount
2021	$1,785,000
2022	1,900,000
2023	2,015,000
2024†	1,925,000
	$7,625,000

† Final Maturity

The City may credit against the mandatory redemption requirement any 2010 Series A Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.

(C) The 2010 Series A Bonds shall be Taxable Bonds.

3.2 The 2010 Series B Bonds

(A) The 2010 Series B Bonds shall be dated June 24, 2010, shall bear interest which is payable on June 15 and December 15 of each year, commencing December 15, 2010, and shall mature on the following dates in the following principal amounts:

Date (June 15)	Principal Amount ($)	Interest Rate (%)	CUSIP Number (Base 736746)
2024	220,000	4.250	UG1
2025	2,275,000	5.000	UH9
2026	950,000	4.500	UJ5
2026	1,440,000	5.000	UK2
2027	2,500,000	5.000	UL0
2028	1,450,000	4.750	UM8
2028	1,175,000	5.000	UN6
2029	2,755,000	4.750	UP1
2030	2,885,000	5.000	UQ9

(B) *Par Optional Redemption*. The 2010 Series B Bonds maturing on or after June 15, 2021, are subject to redemption at the option of the City on June 15, 2020, and on any date thereafter, in any order of maturity and by lot within a maturity, at a price of par, plus interest accrued to the date fixed for redemption.

(C) While the 2010 Series B Bonds are in BEO form, if less than all the outstanding 2010 Series B Bonds of a particular maturity are to be redeemed, DTC will select the particular 2010 Series B Bonds in accordance with its customary practices.

3.3. Administrative Provisions for the 2010 Bonds.

(A) Payment of 2010 Bonds. Principal of and interest on the 2010 Bonds shall be payable through the principal office of the Paying Agent. The 2010 Bonds shall be special obligations of the City, and shall be payable solely from the Security. The City hereby irrevocably pledges the Security to pay the Bonds. Pursuant to ORS 287A.325, this pledge shall be valid and binding from the time of the execution of this First Supplemental Declaration. The amounts so pledged and 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.

(B) Book-Entry System. The 2010 Bonds shall be initially issued as a book-entry only security issue, with no 2010 Bonds being made available to the beneficial owners, in accordance with the applicable Letter of Representations of The Depository Trust Company. Ownership of the 2010 Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on The Depository Trust Company book-entry-only system. The 2010 Bonds shall be initially issued in the form of separate single fully registered typewritten bonds for each series and maturity of the 2010 Bonds (the "Global Bonds") in substantially the form attached hereto as Exhibit A. Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the "Nominee") of The Depository Trust Company ("DTC") (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the "Depository") as the "Owner," and such Global Bonds shall remain in the Paying Agent's custody, subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and the Depository until early redemption or maturity of the 2010 Bond. The Paying Agent shall remit payment for the maturing principal or redemption price and interest on the 2010 Bonds to the Owner for distribution by the Nominee for the benefit of the beneficial owners (the "Beneficial Owners") by recorded entry on the books of the Depository participants and correspondents. While the 2010 Bonds are in book-entry-only form, the 2010 Bonds will be available in denominations of $5,000 and any integral multiple thereof.

(1) In the event the Depository determines not to continue to act as securities depository for the 2010 Bonds, or the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry-only system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry-only system, the 2010 Bonds shall no longer be a book-entry-only issue and the 2010 Bonds shall be printed and delivered and shall be registered as directed by DTC and thereafter shall be registered, transferred and exchanged as provided in Section 3.3(D) herein.

(2) With respect to 2010 Bonds registered in the registration books maintained by the Paying Agent in the name of the Nominee of the Depository, the City, and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Beneficial Owner on behalf of which such participants or correspondents act as agent for the Beneficial Owner with respect to:

(A) the accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the 2010 Bonds;

(B) the delivery to any participant or correspondent or any other person, other than an Owner, of any notice with respect to the 2010 Bonds, including any notice of redemption;

(C) the selection by the Depository of the beneficial ownership interest in 2010 Bonds to be redeemed prior to maturity; or

(D) the payment to any participant, correspondent, or any other person other than the Owner of the 2010 Bonds, of any amount with respect to principal of or interest on the 2010 Bonds.

(3) Notwithstanding the book-entry-only system, the City may treat and consider the Owner in whose name each 2010 Bond is registered in the registration books maintained by the Paying Agent as the Owner and absolute owner of such 2010 Bond for the purpose of payment of principal and interest with respect to such 2010 Bond, or for the purpose of giving notices of redemption and other matters with respect to such Bond, or for the purpose of registering transfers with respect to such 2010 Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal of and interest on the 2010 Bonds only to or upon the order of the Owner or such Owner's 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.

(4) Upon delivery by the Depository to the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in the Master Declaration shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. The Depository shall tender the 2010 Bonds it holds to the Paying Agent for re-registration.

(C) Notice of Redemption.

(1) For any 2010 Bonds which are not in book-entry form, unless waived by the Owner of such a 2010 Bond, official notice of any redemption 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 at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2010 Bond or 2010 Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent.

(2) Unless DTC consents to a shorter period, for any 2010 Bonds which are in book-entry form the Paying Agent shall notify DTC not less than 20 days prior to the date fixed for redemption of the maturity to be redeemed in the manner required in the City's Letter of Representations to DTC. No other notice shall be required.

(3) In addition to the requirements of Section 3.3(C)(5), all official notices of redemption shall be dated and shall state:

(A) the date fixed for redemption,

(B) the redemption price,

(C) if less than all outstanding 2010 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2010 Bonds to be redeemed,

(D) except for calls described in Section 3.3(C)(5), below, that on the date fixed for redemption the redemption price will become due and payable upon each such 2010 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(E) the place where such 2010 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be an office of the Paying Agent.

(4) Except for calls described in Section 3.3(C)(5), below, official notice of redemption having been given as aforesaid, the 2010 Bonds or portions of 2010 Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such 2010 Bonds or portions of 2010 Bonds shall cease to bear interest. Upon surrender of such 2010 Bonds for redemption in accordance with said notice, such 2010 Bonds shall be paid by the Paying Agent at the redemption price. Installments of interest due on or prior to the date fixed for redemption shall be payable as in the Master Declaration provided for payment of interest. Upon surrender for any partial redemption of any 2010 Bond, there shall be prepared for the Owner a new 2010 Bond or 2010 Bonds of the same maturity in the amount of the unpaid principal. All 2010 Bonds which have been redeemed shall be canceled and destroyed by the Paying Agent and shall not be reissued.

(5) Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Owners pursuant to this Section 3.3 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2010 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 2010 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

(6) Upon the payment of the redemption price of the 2010 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the 2010 Bonds being redeemed with the proceeds of such check or other transfer.

(D) Authentication, Registration and Transfer. (No Book-Entry). The provisions of this Section 3.3(D) apply only when the 2010 Bonds are not in book-entry form.

(1) No 2010 Bond shall be entitled to any right or benefit under the Master Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2010 Bonds properly surrendered for exchange or transfer pursuant to the Master Declaration.

(2) The ownership of all 2010 Bonds shall be entered in the 2010 Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2010 Bond register as the owner of the 2010 Bond for all purposes.

(3) 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 2010 Bond Owner, as that name and address appear on the 2010 Bond register as of the Record Date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

(4) 2010 Bonds may be exchanged for an equal principal amount of 2010 Bonds of the same series and maturity which are in different authorized denominations, and 2010 Bonds may be transferred to other owners if the 2010 Bond Owner submits the following to the Paying Agent:

(A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the 2010 Bond Owner or such Owner's legal representative or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and

(B) the 2010 Bonds to be exchanged or transferred.

(5) The Paying Agent shall not be required to exchange or transfer any 2010 Bonds submitted to it during any period beginning with a Record Date and ending on the next following interest payment date; however, such 2010 Bonds shall be exchanged or transferred promptly following the interest payment date.

(6) The Paying Agent shall not be required to exchange or transfer any 2010 Bonds which have been designated for redemption if such 2010 Bonds are submitted to it during the fifteen-day period preceding the designated date fixed for redemption.

(7) For purposes of this Section 3.4(D)(7), 2010 Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 3.3(B)(4).

(8) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all 2010 Bond 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.

3.4. Form, Execution and Authentication.

The 2010 Bonds shall be in substantially the form attached hereto as Appendix A, with such changes as may be approved by the Debt Manager. The 2010 Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

Section 4. The First Reserve Subaccount

4.1. The First Reserve Subaccount and the First Reserve Subaccount Funding Requirement.

(A) The First Reserve Subaccount is hereby created in the Reserve Account. The First Reserve Subaccount shall secure the 2010 Bonds and any Parity Indebtedness the City subsequently elects to secure with the First Reserve Subaccount. Except as specifically provided in this Section 4.1 amounts credited to the First Reserve Subaccount shall be used only to pay principal, interest and premium on the 2010 Bonds and any other Bonds that are secured by the First Reserve Subaccount, and only if amounts in the Debt Service Account are not sufficient to make those payments. The City hereby irrevocably pledges the amounts that are credited to the First Reserve Subaccount to pay the 2010 Bonds. Pursuant to ORS 287A.325, this pledge shall be valid and binding from the Closing date of the 2010 Bonds. The amounts so pledged and hereafter received by the City shall immediately be subject to the lien of this pledge without any physical delivery or further act, and the lien of this pledge shall be superior to all other claims and liens whatsoever.

(B) At Closing of the 2010 Bonds the City shall deposit into the First Reserve Subaccount an amount equal to the First Reserve Subaccount Funding Requirement. The deposit may be made from amounts available in the Subordinate Indebtedness Account, from 2010 Bond proceeds, or other amounts available to the City, or may be in the form of one or more 2010 Reserve Credit Facilities.

(C) If, on any Payment Date after the transfer described in Section 4.1 of the Master Declaration, the amounts credited to the Debt Service Account are insufficient to pay all the principal of, premium (if any) and interest due on all 2010 Bonds and any Parity Obligations that the City subsequently elects to secure with the First Reserve Subaccount that is due on that Payment Date, the City shall transfer an amount equal to the deficiency from the First Reserve Subaccount to the Debt Service Account and apply the amount so transferred solely to pay such Bonds.

(D) The City covenants to maintain a balance in the First Reserve Subaccount that is at least equal to the First Reserve Subaccount Funding Requirement, but solely from deposits of Lents Town Center Tax Increment Revenues pursuant to Section 4.1(A)(2) of the Master Declaration and a Closing deposit pursuant to Section 4.1(B). The balance in the First Reserve Subaccount shall be equal to the sum of the following amounts, calculated as of the most recent First Reserve Subaccount Valuation Date: the cash credited to the First Reserve Subaccount; plus the value of Permitted Investments and Reserve Credit Facilities in the First Reserve Subaccount.

(E) Replenishment of First Reserve Subaccount.

(1) If the balance in the First Reserve Subaccount on a First Reserve Subaccount Valuation Date is less than the First Reserve Subaccount Funding Requirement as a result of a withdrawal from the First Reserve Subaccount pursuant to 4.1(C) the City shall begin making transfers of Lents Town Center Tax Increment Revenues to the First Reserve Subaccount in accordance with Section 4.1(A)(2) of the Master Declaration.

(A) Transfers to the First Reserve Subaccount shall be applied first, to reimburse the providers of any 2010 Reserve Credit Facilities *pro rata* for amounts advanced under those 2010 Reserve Credit Facilities; second, to replenish the balance in the First Reserve Subaccount with cash or Permitted Investments; and third to pay any other amounts owed under a 2010 Reserve Credit Facility (including any interest, fees and penalties associated with any draw under that 2010 Reserve Credit Facility).

(B) Transfers under Section 4.1(A)(2) of the Master Declaration shall commence immediately following each First Reserve Subaccount Valuation Date on which the balance in the First Reserve Subaccount is less than the First Reserve Subaccount Funding Requirement, and shall continue until the balance in the First Reserve Subaccount is equal to the First Reserve Subaccount Funding Requirement.

(2) If the balance in the First Reserve Subaccount on a First Reserve Subaccount Valuation Date is less than the First Reserve Subaccount Funding Requirement as a result of a Reserve Credit Event, the City shall make consecutive annual transfers pursuant to Section 4.1(A)(2) of the Master Declaration in an amount equal to at least one-third (1/3) to restore the deficiency that was measured on the First Reserve Subaccount Valuation date that occurred on or after the Reserve Credit Event.

(F) If the balance in the First Reserve Subaccount on a First Reserve Subaccount Valuation Date is greater than the First Reserve Subaccount Funding Requirement the City may transfer the excess to the Debt Service Account or the Subordinate Indebtedness Fund.

(G) Moneys in the First Reserve Subaccount may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds that are secured by the First Reserve Subaccount, or in the City's investment pool. Earnings shall be credited as provided in Section 4.5 of the Master Declaration.

(H) Permitted Investments in the First Reserve Subaccount shall be valued on each First Reserve Subaccount Valuation Date in the following manner:

(1) 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 First Reserve Subaccount Valuation Date shall be valued at their face amount, plus accrued interest;

(2) Investments which mature more than two years after the First Reserve Subaccount 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;

(3) Investments which mature more than two years after the First Reserve Subaccount 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;

(4) Certificates of deposit and bankers acceptances which mature more than two years after the First Reserve Subaccount Valuation Date shall be valued at their face amount, plus accrued interest; and

(5) Any investment which is not specified above and which matures more than two years after the First Reserve Subaccount Valuation Date shall be valued at its fair market value as reasonably estimated by the City.

(I) Each Reserve Credit Facility credited to the First Reserve Subaccount shall be valued on each First Reserve Subaccount Valuation Date as provided in this subsection. A Reserve Credit Facility shall be valued at the amount available to be drawn under it as long as no Reserve Credit Event has occurred and is continuing for that Reserve Credit Facility. If a Reserve Credit Event has occurred and is continuing for a Reserve Credit Facility, the Reserve Credit Facility shall have no value.

(J) Withdrawals from the First Reserve Subaccount shall be made in the following order of priority:

(1) ***First***, from any cash on deposit in the First Reserve Subaccount;

(2) ***Second***, from the liquidation proceeds of any Permitted Investments on deposit in such First Reserve Subaccount; and

(3) ***Third***, from moneys drawn or paid pro-rata under any 2010 Reserve Credit Facilities.

(K) All amounts on deposit in the First Reserve Subaccount may be applied to the final payment (whether at maturity or by prior redemption) of Outstanding Bonds. Amounts so applied shall be credited against the amounts the City is required to transfer into the Debt Service Account under Section 4.1 of the Master Declaration.

(L) Amounts in the First Reserve Subaccount may be transferred into escrow to defease 2010 Bonds, but only if the balance remaining in the First Reserve Subaccount after the transfer is at least equal to the First Reserve Subaccount Funding Requirement for the 2010 Bonds which remain Outstanding after the defeasance.

4.2. The City may issue Parity Obligations that are secured by the First Reserve Subaccount even though the amount credited to the First Reserve Subaccount is less than the First Reserve Subaccount Requirement as long as the City has made all deposits required by Section 4.1(E).

Dated as of this 24th day of June, 2010.

City of Portland, Oregon

By:______________________

Eric H. Johansen, Debt Manager

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EXHIBIT A
Form of 2010 Bond

No. R-«BondNumber» $«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
City of Portland
Lents Town Center Urban Renewal and Redevelopment Bonds
2010 Series A/B/C

Dated Date: June 24, 2010
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 December 15, 2010. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association, in Portland, Oregon (the "Paying Agent"), as of the close of business on the last 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 Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A/B/C (the "Bonds"). The Bonds are issued for the purpose of financing and refinancing urban renewal projects within the Lents Town Center Urban Renewal Area. The Bonds are authorized by City Ordinance No. 183537 adopted February 10, 2010 (the "Ordinance"), Oregon Revised Statutes Chapter 457 and a Master Bond Declaration and a First Supplemental Declaration Bond Declaration (together, 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 Lents Town Center Tax Increment Revenues of the Lents Town Center Urban Renewal Area and the other amounts constituting the Security, as defined and provided in the Declaration.

THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY WHICH IS SECURED SOLELY BY AND PAYABLE SOLELY FROM THE LENTS TOWN CENTER TAX INCREMENT REVENUES AND OTHER AMOUNTS CONSTITUTING THE "SECURITY" AS DEFINED AND PROVIDED IN THE DECLARATION. THIS BOND IS NOT A GENERAL OBLIGATION OF THE CITY OR THE COMMISSION, AND IS NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE COMMISSION EXCEPT THE SECURITY.

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

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

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds which is dated June 16, 2010.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket City 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 Paying Agent 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 Paying Agent. 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 Paying Agent 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 Paying Agent 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.

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

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

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

CITY OF PORTLAND, OREGON 1851

City of Portland, Oregon

Sam Adams, Mayor

LaVonne Griffin-Valade, Auditor

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of $___ aggregate principal amount of City of Portland, Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A/B/C issued pursuant to the Declaration described herein.

Date of Authentication: June 24, 2010.

U.S. Bank National Association, as Paying Agent

____

Authorized Officer

ASSIGNMENT

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

____

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

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

Dated:____________________

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

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

Signature Guaranteed

____

(Bank, Trust Company or Brokerage Firm)

____

Authorized Officer

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

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

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

CITY OF PORTLAND, OREGON
1851

APPENDIX C
AUDITED FINANCIAL STATEMENTS

CITY OF PORTLAND, OREGON
1851

INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2005, 2006, 2007, 2008, and 2009. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

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

The following pages in this Appendix C are excerpted from the Comprehensive Annual Financial Reports of the City for the Fiscal Years ending June 30, 2005 through June 30, 2009.

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 2010 BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2010 BONDS.

CITY OF PORTLAND, OREGON
1851

CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area Debt Redemption Fund
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(FY 2004-05 through FY 2008-09)
Generally Accepted Accounting Principles Basis

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Revenues					
Taxes	$4,749,709	$5,079,780	$5,909,081	$7,116,318	$7,701,328
Investment earnings	20,352	64,006	97,988	76,765	54,711
Total Revenues	4,770,061	5,143,786	6,007,069	7,193,083	7,756,039
Expenditures					
Debt Service:					
Principal	4,700,000	4,855,000	5,530,000	6,790,000	7,560,000
Interest	170,381	294,948	378,204	458,365	164,501
Total Expenditures	4,870,381	5,149,948	5,908,204	7,248,365	7,724,501
Revenues Over (Under) Expenditures	(100,320)	(6,162)	98,865	(55,282)	31,538
Fund Balance (Beginning of Year)	205,549	105,229	99,067	197,932	142,650
Fund Balance (End of Year)	$105,229	$99,067	$197,932	$142,650	$174,188

Source: City of Portland audited financial statements.

CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area Debt Redemption Fund
CONSECUTIVE BALANCE SHEETS
As of June 30

	2005	2006	2007	2008	2009
Assets					
Restricted:					
Cash and investments	$25,761	$23,450	$99,851	$33,253	$36,104
Receivables:					
Property taxes	258,474	263,913	292,358	362,791	486,244
Accrued interest receivable	1,637	1,795	6,011	4,226	5,098
Total Assets	$285,872	$289,158	$398,220	$400,270	$527,446
Liabilities					
Liabilities payable from restricted assets:					
Deferred revenue	$180,643	$190,091	$200,288	$257,620	$353,258
Total Liabilities	180,643	190,091	200,288	257,620	353,258
Fund Balance:					
Reserved for debt service	105,229	99,067	197,932	142,650	174,188
Total fund balance	105,229	99,067	197,932	142,650	174,188
Total liabilities and fund balance	$285,872	$289,158	$398,220	$400,270	$527,446

Source: City of Portland audited financial statements.

APPENDIX D
CONSULTANT REPORT —
PROJECTIONS OF DIVIDE THE TAXES REVENUES

CITY OF PORTLAND, OREGON

1851

Lents Town Center Urban Renewal Area

Divide the Taxes Revenue Projections

Prepared for the Office of Management and Finance, City of Portland

Abe Farkas, Nick Popenuk, Lorelei Juntunen

April 2010

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ECONOMICS • FINANCE • PLANNING
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Portland, Oregon 97204
503-222-6060
www.econw.com

Preface

This report is an attachment to the Official Statement of the City of Portland, Oregon prepared in connection with the issuance of urban renewal and redevelopment bonds for the Lents Town Center Urban Renewal Area (hereafter, the "Area"). ECONorthwest completed this project for the Office of Management and Finance, City of Portland. Abe Farkas was project director. Lorelei Juntunen was project manager. Most of the research and analysis was conducted by policy analyst Nick Popenuk. Whit Perkins provided research assistance.

ECONorthwest gratefully acknowledges the substantial assistance provided by staff at Multnomah County Division of Assessment, Recording, and Taxation, and at the City of Portland Office of Management and Finance. Several other firms, agencies, and staff contributed to other research that this report relied on.

Despite all the assistance, ECONorthwest alone is responsible for the report's contents. The contents of this document do not necessarily reflect views or policies of the Office of Management and Finance or any public entity or person associated with the project.

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Section 1 Summary of results

ECONorthwest conducted a feasibility study to assess the potential of the Lents Town Center Urban Renewal Area (the "Area") to collect Divide the Taxes Revenues, which are based on the incremental assessed value of the Area. This analysis forecasts the amount of Divide the Taxes Revenues that will be generated in the Area over the next five years; results inform the issuance of the Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A and B by the City of Portland.

Exhibit 1 summarizes the results of our analysis. ECONorthwest projects assessed value in the Area to grow from $1,232,254,995 to $1,400,707,374 over the next five years, an average annual growth rate of 3.26%. ECONorthwest projects that Area Divide the Taxes Revenues will grow over the same period from just under $10 million to $11.8 million, increasing at an average annual rate of 4.3%.

Exhibit 1. Lents Town Center Urban Renewal Area Projected Divide the Taxes Revenues FY 2010-11 - 2014-15

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Total Assessed Value	$ 1,232,254,995	$ 1,272,236,422	$ 1,313,607,061	$ 1,356,414,346	$ 1,400,707,374
Frozen Base	$ 736,224,033	$ 736,224,033	$ 736,224,033	$ 736,224,033	$ 736,224,033
Incremental Assessed Value	$ 496,030,962	$ 536,012,389	$ 577,383,028	$ 620,190,313	$ 664,483,341
Consolidated Tax Rate	$ 21.4041	$ 21.3989	$ 19.5843	$ 19.4820	$ 18.9449
Taxes to be Raised	$ 10,617,114	$ 11,470,086	$ 11,307,641	$ 12,082,570	$ 12,588,544
Compression Loss ($)	$ (637,027)	$ (688,205)	$ (678,458)	$ (724,954)	$ (755,313)
Compression Loss (%)	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%
Divide the Taxes Revenue	**$ 9,980,087**	**$ 10,781,881**	**$ 10,629,182**	**$ 11,357,615**	**$ 11,833,232**

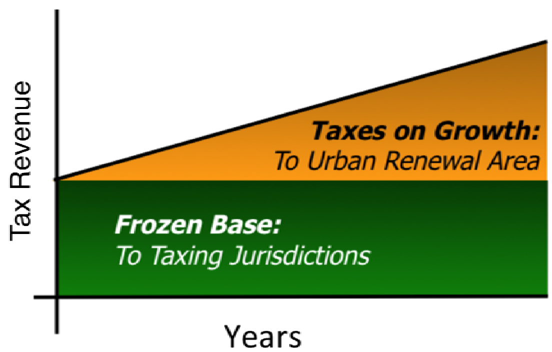
Source: ECONorthwest, 2010

Section 2 # Background

2.1 HOW URBAN RENEWAL WORKS

Urban renewal is a program used by over 50 cities and counties in Oregon to help them implement adopted plans to revitalize specified areas within their jurisdiction. Urban renewal, through the provision of tax increment financing (TIF), can provide for capital improvements such as parks, streets, parking garages, and transit systems that stimulate private investment and attract new businesses, jobs, and residents. It can also be used to assist with private development activities that are approved in an urban renewal plan, such as financing for affordable housing or mixed-use, transit-oriented development.

Exhibit 2: Tax Increment Illustration



Source: ECONorthwest, 2009

Tax increment financing is the primary finance vehicle used within urban renewal areas. Divide the Taxes Revenues are generated when a designated urban renewal area is established and the assessed value (AV) of all property in the area is 'frozen' (called the *frozen base*). Over time, the total AV in the area increases above the frozen base, from appreciation of existing property and from new taxable investment. The assessed value in the area above the frozen base is called the *incremental assessed value*.

> *Divide the taxes revenues* are the property tax revenues generated within an urban renewal area that are available to an urban renewal agency for reinvestment. *Tax increment financing* refers to the use of divide the tax revenues to finance projects.

The taxing jurisdictions that overlap the urban renewal area continue to collect tax revenue from the frozen base, but tax revenue generated from the incremental assessed value goes to the urban renewal area. The urban renewal area can then issue long-term bonds and other forms of debt (such as lines of credit) to pay for identified public improvements and/or investments in private projects that are in the public interest. The Divide the Taxes Revenues are used to repay this indebtedness.

In Oregon, planning and analysis associated with the creation of new urban renewal areas is guided by state statute (ORS Chapter 457). State statutes stipulate that urban renewal area plans must find that the proposed urban renewal area is eligible for urban renewal because of existing blight, typified by conditions such as deteriorated buildings, low improvement to land value ratios, and/or lack of adequate infrastructure. The plan must also contain goals and objectives, authorized urban renewal projects, a limit on the total indebtedness, specific provisions regarding acquisition and disposition of land, and provisions regarding how the plan may be amended in the future.

There are currently 11 active urban renewal areas in the City of Portland. The plan areas vary considerably in size and assessed value. Currently, the size of the 11 plan areas totals 14.2% of the total land area of the City and the frozen value is 10.2% of the assessed value of the City. State statutes specify that no more than 15% of a City's total AV and land area can be in plan areas. Division of tax calculations for these 11 URAs affect 14 taxing districts.[1]

Oregon state statues pertaining to urban renewal provide for several different types of urban renewal plans, depending on the date on which the district was formed or amended. The City has three types of urban renewal plans, including "Option 3" plans, "standard rate" plans, and "reduced rate" plans.

- Option 3 plans must have been formed or amended prior to December 6, 1996. These urban renewal areas may collect a fixed amount of Divide the Taxes Revenues and may receive an allocation of a City-wide special levy. The Portland City Council has currently set the special levy at $15 million in total for the City's four Option 3 plans.

- Standard Rate plans must have been formed or amended on or after December 6, 1996 but before October 6, 2001. The Lents Town Center Urban Renewal Area is a Standard Rate plan. The applicable tax rate used to calculate the Divide the Taxes Revenues is comprised of the permanent rates of the taxing jurisdictions overlapping the urban renewal area, the "local option" levies (e.g., the City's Children's Investment Fund and Multnomah County's library local option

[1] Tax Supervising and Conservation Commission Annual Report, 2009-10.

levies), the City's Fire and Police Disability and Retirement Fund ("FPDR) levy, and general obligation bond levies.

- Reduced Rate plans are those formed or amended on or after October 6, 2001. The applicable tax rate for these plans is comprised of only the permanent rates of the taxing jurisdictions overlapping the urban renewal areas, the City's FPDR levy, and "local option," and general obligation bond levies approved prior to October 6, 2001. Local option and general obligation bond levies approved by the voters on or after October 6, 2001 are excluded from the applicable tax rate.

2.2 OVERVIEW: OREGON PROPERTY TAX SYSTEM

This section describes past ballot measures that have shaped Oregon's property tax assessment system and impact the calculations of Divide the Taxes Revenues in this report. We also describe the four types of property in the State, and the specific methods for assessing the value of these property types.

2.2.1 PROPERTY TAX BALLOT MEASURES[2]

Citizen initiatives have changed the way that property taxes are raised in Oregon, and have limited the growth of assessed value and property tax revenues for taxing jurisdictions. Measure 5, passed in 1990, introduced tax rate limits. Measure 50 passed in 1996, cut taxes, introduced assessed value growth limits, and replaced most dollar-limited *levies* (an amount) with permanent tax *rate limits*.

Real market value is the sale price for property that changes hands between a willing seller and a willing buyer in the open market.

Assessed value is the value of that property for tax purposes. The assessed value is almost always lower than the real market value in Oregon's tax system.

Measure 5 introduced limits on the taxes paid by individual properties. It imposed limits of $5 per $1,000 of real market value for school taxes and $10 per $1,000 of real market value for general government taxes. These limits apply to all property taxes, other than those levied to repay voter-approved general obligation bonds.

The objective of Measure 50 was to reduce property taxes and to control their future growth. To do so, it made three fundamental changes.

[2] Most of this discussion is based on Appendix B in *Oregon Property Tax Statistics, Fiscal Year 2002-03*, prepared by the Research Section of the Oregon Department of Revenue.

It:

- Switched to permanent property tax rate limits
- Reduced assessed values
- Limited annual growth of assessed value

Under Measure 50, most levies were replaced by permanent limits on tax rates. The permanent rate limit is fixed, and does not change from year to year. Taxes levied under the permanent rate limits, typically referred to as operating taxes, are used primarily to fund the general operating budgets of the taxing districts. In addition to the permanent rate, taxing districts may impose general obligation bond levies and local option levies. The City of Portland also has the ability to levy for its FPDR Plan, which is in addition to its permanent rate. The sum of all the tax rates (including permanent rates, local option levy rates, and rates for bonds and other levies) of all taxing districts in a given levy code area is known as the *consolidated tax rate*.

Measure 50 changed the concepts of "assessed values" and "tax rates." Assessed value no longer equals real market value. For 1997-98, the maximum assessed value of every property was reduced to 90% of its 1995-96 real market value. Growth in maximum assessed value for existing properties is limited to 3% per year. Measure 50 also stipulates that assessed value may not exceed real market value. If the real market value of a property falls below its maximum assessed value, the assessed value will be set at the real market value.

New development and substantial redevelopment of existing property are exceptions to the 3% limit on maximum assessed value growth (referred to as "exception value" later in this report).[3] For these exceptions, maximum assessed value is calculated based on a changed property ratio (CPR). Each County calculates CPRs each year for each unique property class (e.g., residential, multi-family, industrial, commercial, etc.). The CPR is determined by the ratio of AV to RMV for similar property in the County.

Exceptions are properties with assessed values that do not grow by 3% per year. These include new development and substantial redevelopment, which are assessed as a percentage of the properties' real market value.

For new development, the CPR is multiplied by that property's real market value to determine its initial maximum assessed value. For example, if the CPR for residential property in Multnomah County is 0.5, then the maximum assessed value for a new house would initially be set at 50% of

[3] Other exceptions include: partitioning or subdividing a property, rezoning a property and change of use consistent with that zone, and the disqualification or termination of property tax exemptions (e.g., property transferring from public to private ownership).

its real market value. In all future years, the same Measure 50 limits apply for calculating change in maximum assessed value (i.e., no more than 3% growth per year).

One important implication of the combination of the CPR and Measure 50 limits to growth of assessed value is that the future stream of revenue from existing properties is relatively stable and straightforward to project. Because maximum assessed value can only grow at 3%, and historically, real market value growth has exceeded 3%, there is room for assessed value to continue to grow, even in a market where real market value growth slows or declines.

2.2.2 MEASURE 5 COMPRESSION

Projections of Divide the Taxes Revenues must account for compression, which occurs as a result of the rate limits enacted by Measure 5. These rate limits apply to the *real market value* of properties, rather than to the assessed value. If taxes to be raised on an individual property exceed the Measure 5 limits ($5 per $1,000 for education, or $10 per $1,000 for general government), then the tax bill for that property is reduced or "compressed." Compression loss means some properties pay less in taxes than are calculated by the product of the assessed value and consolidated tax rate.

Property owners are taxed on the combined rates of general government, education, and debt service for all overlapping governments that provide services to that property. In most cases, the taxes to be raised from an individual property are calculated as the consolidated rate multiplied by the assessed value. When the taxes to be raised using this methodology exceed the Measure 5 limits on real market value, the assessor must reduce the taxes to be raised until they equal the legal limits.

The *consolidated rate* is the combination of rates for all local option levies, bond levies, and permanent rates. When multiplied by the assessed value of a property, it results in the *taxes to be raised from* that property.

The components of the consolidated rate are not all compressed proportionately, but rather by a specific order of operations. Local option levies are compressed first. If all local option levies are reduced to zero, and the taxes still exceed the Measure 5 limits, then the revenues from the permanent tax rates and the FPDR levy are reduced proportionally, until the taxes imposed are within the Measure 5 limits. This protects all districts' permanent rate levies from being reduced if another district passes a local option levy.

At least two factors may cause compression rates to increase. First, because compression is calculated based on real market value, depressed real estate markets may result in more properties experiencing property tax compression. Second, the passage of new levies can increase the consolidated rate. As an example: a new levy for Portland Public Schools accounted for a nearly $6 million increase in 2007-08. This new levy, combined with other rate changes for taxing districts, caused the general government tax rate in Portland to increase from $13.7166 to $14.2048. This higher rate, combined with drops in real market value in the same year, caused compression losses for the City of Portland to increase by about $2.5 million.[4]

Taxes collected for urban renewal fall within the general government category for computing Measure 5 compression. Because urban renewal levies are assessed taxing-district wide (rather than just within urban renewal areas), compression that occurs anywhere in a taxing district will affect urban renewal Divide the Taxes Revenues. The reduction in the urban renewal levy on the compressed property will reduce the amount of revenue that the individual property generates for the urban renewal area, causing the total amount of revenue generated for the urban renewal area to be less than would have been anticipated based on the incremental value.

2.2.3 PROPERTY TYPES

In Oregon, taxes are assessed differently on each of four categories of properties: real property, personal property, manufactured homes, and utilities. County assessors appraise most property in Oregon, though the State Department of Revenue appraises certain large industrial sites, and utility properties. The method of assessment used is an important methodological consideration for the projections in this report.

Real property

Real property generally includes land and all improvements on land that are non-exempt and are not included in the other categories. Real property is taxed on its assessed value. Change in assessed value comes from three sources: (1) appreciation/depreciation of existing property, (2) expiration of tax abatements (e.g., transferring use or ownership from a public to a private entity), and (3) exception value from new development or substantial redevelopment.

Personal property

Taxable personal property includes "machinery, equipment, furniture, etc., used previously or presently in a business, including any property not

[4] Example drawn from Tax Supervising and Conservation Commission Annual Report, 2009-10.

currently being used, placed in storage, or held for sale."[5] Examples include air conditioning units, retail fixtures, laser equipment, juke boxes, professional printing equipment, computers, and road construction equipment.

Personal property is assessed at 100% of an adjusted market value. The market value is adjusted using an age life methodology, which depreciates the value of the property based on a schedule that is specific to the expected life of the property. The value of a computer, for example, is depreciated to $0 in three years, while the value of a set of tools may depreciate to $0 in 15 years.

Even though individual items categorized as personal property are constantly depreciating and the taxes collected on it drop correspondingly, on average across all businesses in a jurisdiction, personal property is usually replaced at a rate that maintains or increases its total assessed value relative to the total amount of assessed value from all categories of property taxes.

Manufactured homes

Manufactured homes are assessed separately from other types of real residential properties (including the land that they sit on), but using a similar methodology. A manufactured home's assessed value is the lower of its real market value or its maximum assessed value. For new manufactured homes, the residential CPR is applied in the first assessment year, but the home is not assumed to increase in market value in subsequent years, as is the case with other types of residential development.

Because the real market value of manufactured homes are constantly depreciating, the real market value usually drops below the maximum assessed value at some point in the manufactured home's life, and the tax revenues for these properties decline over time.

In FY 2009-10, manufactured homes in the Area make up less than half a percent (0.2%) of total assessed value in the Area.[6]

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[5] *2008 Personal Property Valuation Guidelines*, Oregon Department of Revenue, publication 150-303-441. For those interested in a more detailed description of the methodology for assessing personal property, we recommend this document.

[6] Due to current economic conditions, we do not anticipate significant new investment in manufactured homes in the Area over the next five years. From FY 2005-06 to FY 2009-10, manufactured homes in the Area depreciated at a rate of -0.8% per year. Without new investment, we anticipated depreciation to accelerate to a pace of -5% per year. Additionally, the Oregon

Utility property

Utility properties include privately-owned railroads, water transportation, communications, airlines, gas companies, pipelines, private railcars and electric companies. These companies are assessed annually at the State level by the Department of Revenue, as prescribed in ORS 308.505-665. Each utility company files an annual report; the Department of Revenue determines the total value on a unitary basis. The Department then determines the portion of that value that is attributable to Oregon. Of the portion that is in Oregon, the State apportions the assessed value to *code areas*, which equate to taxing districts. Tax rates are applied to the apportioned value to determine the property tax for the company in each taxing district.

2.3 ASSESSED AND REAL MARKET VALUE TRENDS IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

The Area was established in 1998. In 2008, the Area was amended to expand the boundaries by about 140 acres to a total of 2,846, increase maximum indebtedness to a total of $245 million, and provide that the last date for issuing bonded indebtedness is June 30, 2020. The frozen base was increased to $736,224,033, effective beginning in FY 2009-10.

Exhibit 3 shows historical growth in assessed values and real market values in the Area by property type from FY 2005-06 to FY 2009-10. The large increase in value in 2009-10 is partially the result of the 2008 amendment to the Plan that brought additional property and assessed value into the Area. From FY 2005-06 to FY 2008-09, assessed value in the Area increased at an average annual rate of 4.4%. During this same time period, real market values increased much faster, at an average annual rate of 11.3%. Manufactured homes were the only property type that experienced a decline in assessed value over this time.[7]

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legislature passed House Bill 3046 in 2010 that exempts manufactured homes with assessed values of less than $15,000 from paying taxes. This impact further reduces taxable assessed value of manufactured property in the Area, resulting an effective growth rate of -7.4% per year.

[7] This trend would be expected, given that manufactured homes depreciate rather than appreciate over time.

Exhibit 3. Lents Town Center Urban Renewal Area Assessed value and real market value by property type FY 2005-06 – FY 2009-10

Property Type	2005-06	2006-07	2007-08	2008-09	2009-10
			Assessed Value (millions)		
Real	$861.9	$897.5	$942.5	$985.2	$1,123.5
Manufactured	$2.9	$3.1	$3.0	$2.6	$2.8
Personal	$30.9	$31.6	$31.6	$32.0	$46.7
Utility	$20.2	$20.2	$21.9	$21.4	$21.2
Total	**$916.0**	**$952.5**	**$999.0**	**$1,041.2**	**$1,194.2**
			Real Market Value (millions)		
Real	$1,619.7	$1,815.0	$2,047.1	$2,235.4	$2,356.2
Manufactured	$3.0	$3.2	$3.1	$2.7	$3.0
Personal	$31.5	$31.9	$31.9	$32.3	$47.1
Utility	$20.2	$20.4	$22.8	$21.4	$21.2
Total	**$1,674.4**	**$1,870.5**	**$2,104.9**	**$2,291.8**	**$2,427.4**

Source: Calculations by ECONorthwest, 2010, based on data provided by the Multnomah County Assessor's Office for FY 2005-06 to 2009-10.

Real property constitutes the vast majority of assessed value in the Area. Every year, the Multnomah County Assessor's Office adjusts the real market value of real property. The Assessor uses a mass appraisal system, as opposed to an appraisal of individual properties. In this mass appraisal system, the Assessor divides real property into three categories: residential, multi-family residential, and commercial, and considers these categories at the neighborhood level. The Assessor's Office relies on market data and appraisal information on a subset of properties within each neighborhood to identify trends in real market value.

Based on this information, the Assessor's Office makes annual adjustments to real market value for all property of the same use in the same neighborhood. These adjustments are usually uniform for all properties, unless there are extenuating circumstances, or observed trends within different sub-types of properties. This means that even if individual properties are experiencing abnormal growth or decline in real market value, the Assessor will most likely set the real market value based on prevailing neighborhood trends. This system means that it is less likely that individual properties will experience dramatic swings in real market value relative to the property class as a whole.

Section 3 Methods & Assumptions

Calculating the Divide the Taxes Revenues for the Area involves a three-step process. This section describes the methods and assumptions used in this report to accomplish these three steps:

1. Calculate the incremental assessed value
2. Determine the consolidated tax rate
3. Forecast compression losses

The overarching methodology is straightforward:

> ***Incremental AV*** **(step 1) x** ***consolidated tax rate*** **(step 2) –** ***compression losses*** **(step 3) = Divide the Taxes Revenues**

The details, however, add significant complexity. This section provides those details along with the underlying assumptions used in the analysis. It is organized by the three steps of the methodology outlined above.

3.1 STEP ONE: CALCULATE THE INCREMENTAL ASSESSED VALUE

To determine the growth in incremental assessed value, we forecast the growth in assessed value for each property type. These forecasts are based on assumptions of future growth rates based on historical trends, and consideration of current and likely future market conditions. This section describes our assumptions for growth in assessed value, and our calculations of incremental assessed value.

3.1.1 ASSUMPTIONS FOR ASSESSED VALUE GROWTH

We forecast the growth in incremental assessed value for each property type in the Area. These forecasts were based on historical data, as well as projected future development activity. The Multnomah County Assessor's Office provided historical data on the assessed value of all property accounts within the Area, from FY 2005-06 to FY 2009-10.

Exhibit 4 below provides a summary overview of assumptions by property type. The text that follows provides a more detailed description of the reason for selecting each assumption.

Exhibit 4. Lents Town Center Urban Renewal Area
Summary of assessed value growth assumptions

Property Type	Total AV in URA (millions)	AV as % of Total	Average Annual Growth Rates: Projected FY 10/11 - 14/15	Actual FY 05/06 - 08/09
Real	$1,123.5	94.1%	3.45%	4.56%
Manufactured	$2.8	0.2%	-5.00%	-0.82%
Personal	$46.7	3.9%	0.00%	1.08%
Utility	$21.2	1.8%	0.00%	1.91%

Source: ECONorthwest, 2010, based on data from the Multnomah County Assessors Office, FY 2009-2010. Text in the remainder of this section provides details about sources of assumptions.

Methods for forecasting real property assessed values

In FY 2009-10, real property in the Area constituted 94% of total assessed value in the Area. For real property, we project growth in assessed value from appreciation as well as exceptions. Exhibit 5 shows the composition of real property in the area by use (i.e., residential, commercial, industrial, multi-family, and other). The area is predominantly single-family residential, constituting 66% of the total assessed value in the Area.

Exhibit 5. Lents Town Center Urban Renewal Area
Assessed value of real property by use, FY 2009-10

	Acres		Parcels		Assessed Value	
Land Use	Number	Percent	Number	Percent	Number	Percent
Single-family Residential	939	29%	6,762	78%	$747,048,370	66%
Commercial	101	3%	799	9%	$229,204,500	20%
Vacant	125	4%	740	9%	$64,401,550	6%
Multi-family Residential	191	6%	129	1%	$51,023,450	5%
Industrial	1,165	36%	101	1%	$21,156,180	2%
Rural	659	20%	70	1%	$1,288,470	0%
Other	40	1%	70	1%	$9,378,150	1%
Total	**3,222**	**100%**	**8,671**	**100%**	**$1,123,500,670**	**100%**

Calculated by ECONorthwest with raw data from Multnomah County Assessor's Office.

For appreciation of existing property, we use the statutory limit of 3% growth in AV for all properties, and adjust it slightly downward to account for the risk that some properties with assessed values close to or equal to their real market value may have limited growth in assessed value due to slow-growing or declining real market values.

As described earlier in this report, State law limits growth in maximum assessed value to 3%. Because the real market value of almost all real property is significantly more than the maximum assessed value, the assessed value of most property appreciates at 3% per year. Real market value for most properties would have to drop dramatically, in many cases more than 30%, before assessed value would be affected. Even if real market values decline in the next several years, the assessed value of most properties will continue to grow at 3%.

To evaluate the risk of real market value falling below the maximum assessed value, we considered the ratio of assessed value to real market value for real property in the Area (Exhibit 6). Only 1% of the property in the area is assessed at its real market value. An additional 2% of properties have assessed values at 80% or more of their real market values, suggesting some risk that declining real market values could limit future growth in assessed value on these high ratio properties to less than 3% per year.[8]

Exhibit 6. Lents Town Center Urban Renewal Area Assessed Value by AV/RMV ratio tiers, real property FY 2009-10

AV/RMV Ratios	Total Assessed Value (millions)	Percent of Total AV	Cumulative Percent of Total AV
Under 30%	$25.9	2%	2%
30% - 39%	$44.8	4%	6%
40% - 49%	$209.2	19%	25%
50% - 59%	$425.6	38%	63%
60% - 69%	$292.0	26%	89%
70% - 79%	$86.8	8%	97%
80% - 89%	$24.4	2%	99%
90% - 99%	$5.2	0%	99%
100%	$9.5	1%	100%
Total	**$1,123.5**	**100%**	**100%**

Source: ECONorthwest, 2010

To account for those few properties that may achieve less than 3% growth in assessed value due to slow growth or decline in real market value, ECONorthwest assumed a growth rate of 2.95% for real property in the Area.

For exception value, we considered growth in assessed value over the past five years that we estimate to come from exceptions. The average annual growth rate for real property over this period was 6.9% in the Area. However, this figure was bolstered by a large increase in value from

[8] Data provided by the Multnomah County Assessor's Office is for Measure 5 value and Measure 50 value. Measure 50 value is equal to a property's assessed value, whereas Measure 5 value is generally equal to real market value, with adjustments for specially assessed properties and exemptions.

FY 2008-09 to FY 2009-10, influenced by the urban renewal plan amendment, which brought more property into the Area. Excluding this year, the Area saw an average increase in assessed value of 4.6%. Assuming 3% of this growth was from appreciation of existing property, as an estimate for a baseline growth number, 1.6% of the growth each year came from exception value.

Recent economic conditions have significantly curtailed new real estate development. The Portland Development Commission knows of no significant private redevelopment projects scheduled for the Lents URA in the next three years. The reduction in development activity is expected to lead to lower growth in AV from exceptions. Given the fact that there is a two-year lag time from when new development occurs until when the increase in AV appears on the tax rolls, the impacts of the recession over the last two years have yet to be seen in the Assessor's tax records.

Given the lack of new development expected in the Area, exception value is forecast to come mostly from remodeling and other improvements to existing properties. We anticipate a conservative growth rate of 0.5% increase in AV of real property due to exceptions each year for the next five years.

The City structures and sizes its urban renewal and redevelopment bonds such that the payment of debt service is not dependent upon future increases in assessed value and Divide the Taxes revenues. Thus, even during periods where incremental assessed value and Divide the Taxes Revenues are not increasing or even declining modestly, debt service on outstanding bonds should be adequately covered.

Methods for forecasting personal property assessed values

In FY 2009-10, personal property in the Area constitutes 4% of total assessed value in the area. The assessed value of personal property within the Area can vary significantly from year to year, depending upon investment decisions of businesses in the Area. For example, from FY 2008-09 to FY 2009-10, personal property value in the Area increased 46%. However, in most years, investment in new equipment is more or less canceled out by depreciation of existing property. For these reasons, we forecast no growth in the assessed value of personal property over the next five years.

Methods for forecasting manufactured homes assessed values

In FY 2009-10, manufactured homes in the Lents URA constitute less than half a percent (0.2%) of total assessed value in the area.

Due to current economic conditions, we do not anticipate significant new investment in manufactured homes in the area over the next five years. From FY 2005-06 to 2009-10, manufactured homes in the Area depreciated at a rate of -0.8% per year. Without new investment, we anticipate depreciation to accelerate to a pace of 5% per year.

In 2010, the Oregon legislature passed House Bill 3046 that exempts manufactured homes with assessed values of less than $15,000 from paying taxes. This impact further reduces taxable assessed value of manufactured homes in the Area. The result is a projected decrease in assessed value of -16.4% in FY 2010-11, and a growth rate of -5.0% per year.

Methods for forecasting utility assessed values

In FY 2009-10, utility property constitutes 2% of total assessed value in the Area. Utility values are centrally assessed by the State Department of Revenue (DOR), and do not necessarily reflect broader economic trends. Instead, changes in AV for utility property depend on the specific investment patterns and financial performance of utility companies with property in the area.

From FY 2005-06 to 2009-10, utility property in the Area experienced an average annual growth rate of 1.1%. Interviews with representatives of the State DOR indicated that gas storage inventories owned by NW Natural Gas were found to be exempt from property taxation by the Oregon Supreme Court. The DOR estimates this will cause a 5% decrease in NW Natural Gas property values statewide. This impact may not be felt evenly across all levy code areas, but forecasts for changes in assessed value for specific levy code areas are not available. For the purposes of our analysis, we forecast NW Natural Gas property in the Area (total assessed value of $4,466,400 in FY 2009-10) will experience a 5% decrease in value next fiscal year.

Aside from the circumstances of NW Natural Gas, the DOR reported no recent or anticipated actions that would cause future growth in assessed value to vary from recent historical trends. To be conservative, we assumed no growth in utility assessed value in future years.

3.1.2 INCREMENTAL ASSESSED VALUE PROJECTIONS

To calculate the incremental assessed value, we begin with data on all property in the three levy code areas that constitute the Area. Then we forecast future growth in assessed value, using the growth rate assumptions for each property type (outlined in the previous section). The growth in assessed value for each property type is shown in Exhibit 7.

Exhibit 7. Lents Town Center Urban Renewal Area
Projected growth in assessed value by property type
FY 2010-11 to 2014-15

	Real Property					
Fiscal Year	**Appreciation**	**Exception**	**Manufactured**	**Personal**	**Utility**	**Total**
Initial Value	$1,123,500,740	N/A	$2,789,020	$46,706,145	$21,178,750	$1,194,174,655
2010-11	$33,143,272	$5,617,504	-$457,116	$0	-$223,320	$38,080,340
2011-12	$34,286,715	$5,811,308	-$116,595	$0	$0	$39,981,427
2012-13	$35,469,606	$6,011,798	-$110,765	$0	$0	$41,370,639
2013-14	$36,693,308	$6,219,205	-$105,227	$0	$0	$42,807,285
2014-15	$37,959,227	$6,433,767	-$99,966	$0	$0	$44,293,028
Total Growth	**$177,552,128**	**$30,093,581**	**-$889,669**	**$0**	**-$223,320**	**$206,532,719**
AAGR	**3.45%**	**N/A**	**-7.40%**	**0.00%**	**-0.21%**	**3.24%**

Source: ECONorthwest 2010

We subtract the frozen base value from the total assessed value to determine the incremental assessed value for each year. Exhibit 8 shows projected assessed value and incremental value from FY 2010-11 to FY 2014-15.

Exhibit 8. Lents Town Center Urban Renewal Area
Projected growth in assessed value and incremental assessed value
FY 2010-11 to 2014-15

Fiscal Year	**Total Assessed Value**	**Frozen Base**	**Incremental Assessed Value**
2010-2011	$1,232,254,995	$736,224,033	$496,030,962
2011-2012	$1,272,236,422	$736,224,033	$536,012,389
2012-2013	$1,313,607,061	$736,224,033	$577,383,028
2013-2014	$1,356,414,346	$736,224,033	$620,190,313
2014-2015	$1,400,707,374	$736,224,033	$664,483,341

Source: ECONorthwest, 2010

Once the incremental assessed value is projected, we can estimate the Divide the Taxes Revenues to be raised by multiplying the incremental assessed value by the consolidated tax rates in each levy code area within the Area. The next step, therefore, is to project the annual consolidated rates.

3.2 STEP TWO: DETERMINE THE CONSOLIDATED TAX RATES

Three different levy code areas overlap the Area. These levy code areas are determined by the boundaries of other taxing districts that overlap the Area. The sum of all the tax rates (including permanent rates, local option levy rates, and rates for bonds and other levies) of all taxing districts in a given levy code area is known as the *consolidated tax rate*.

The Area is a Standard Rate plan, meaning that it calculates Divide the Taxes Revenues from the sum of the tax rates of all permanent tax rates, the FPDR levy, local option levies, and general obligation bond levies. Note that the consolidated tax rate used to calculate Divide the Taxes Revenues for urban renewal does not include the rate for the urban renewal special levy that certain of the City's urban renewal areas (not including the Area) are authorized to receive. In FY 2009-10, this was $0.3100/$1,000 of AV. Exhibit 9 shows the FY 2009-10 consolidated tax rates for the Area's levy codes, as well as projected future tax rates used to calculate the Divide the Taxes Revenue.[9]

[9] Our analysis does not attempt to predict future changes to bonds and special levy rates, nor does it attempt to forecast potential general obligation bond and local option levies that may be approved by voters in the future.

Exhibit 9. Lents Town Center Urban Renewal Area

Consolidated Tax Rates for Calculating Area Divide the Taxes Revenues, Levy Code Area 703 ($/1,000 of Assessed Value)

FY 2009-10 to 2014-15

Levy Code Area 703	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Government - Permanent Rates						
City of Portland	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770
Port of Portland	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701
Metro	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966
Multnomah County	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434
East Multno Soil	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
City of Portland FPDR*	2.6259	2.6300	2.7000	2.8000	2.9000	2.9500
Subtotal	*11.8130*	*11.8171*	*11.8871*	*11.9871*	*12.0871*	*12.1371*
General Government - Local Option Levy Rates						
City of Portland	0.4026	0.4026	0.4026	0.4026	0.4026	0.0000
Multnomah County	0.8900	0.8900	0.8900	0.0000	0.0000	0.0000
Subtotal	*1.2926*	*1.2926*	*1.2926*	*0.4026*	*0.4026*	*0.0000*
General Government - GO Bond Rates						
City of Portland	0.2180	0.2121	0.2058	0.1998	0.1939	0.0865
Metro	0.3437	0.2651	0.2162	0.2102	0.1611	0.1565
Multnomah County	0.1692	0.1729	0.1678	0.1575	0.1529	0.1254
TriMet	0.0881	0.0854	0.0829	0.0803	0.0000	0.0000
Subtotal	*0.8191*	*0.7355*	*0.6727*	*0.6478*	*0.5079*	*0.3684*
General Government Subtotal	**13.9247**	**13.8452**	**13.8524**	**13.0375**	**12.9976**	**12.5055**
Education - Permanent Rates						
Portland Public School	5.2781	5.2781	5.2781	5.2781	5.2781	5.2781
PCC	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828
Multnomah County ESD	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576
Subtotal	*6.0185*	*6.0185*	*6.0185*	*6.0185*	*6.0185*	*6.0185*
Education - Local Option Levy Rates						
Portland Public School	*1.2500*	*1.2500*	*1.2500*	*0.0000*	*0.0000*	*0.0000*
Education - GO Bond Rates						
PCC	*0.3514*	*0.3601*	*0.3554*	*0.3285*	*0.3319*	*0.2834*
Education Subtotal	**7.6199**	**7.6286**	**7.6239**	**6.3470**	**6.3504**	**6.3019**
Consolidated Rate	**21.5447**	**21.4738**	**21.4763**	**19.3844**	**19.3480**	**18.8074**

Source: ECONorthwest, 2010, from Multnomah County Assessors Office and Office of Management and Finance
Note: The City of Portland is authorized to impose a levy for its Fire and Police Disability and Retirement Fund. The tax rate for their levy is expected to grow throughout the forecast period, though taxes to be raised by the fund are compressed as though they were from a permanent rate.

Exhibit 9 (Continued). Lents Town Center Urban Renewal Area Consolidated Tax Rates for Calculating Area Divide the Taxes Revenues, Levy Code Area 704 ($/1,000 of Assessed Value) FY 2009-10 to 2014-15

Levy Code Area 704	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Government - Permanent Rates						
City of Portland	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770
Port of Portland	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701
Metro	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966
Multnomah County	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434
East Multno Soil	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
City of Portland FPDR*	2.6259	2.6300	2.7000	2.8000	2.9000	2.9500
Subtotal	*11.8130*	*11.8171*	*11.8871*	*11.9871*	*12.0871*	*12.1371*
General Government - Local Option Levy Rates						
City of Portland	0.4026	0.4026	0.4026	0.4026	0.4026	0.0000
Multnomah County	0.8900	0.8900	0.8900	0.0000	0.0000	0.0000
Subtotal	*1.2926*	*1.2926*	*1.2926*	*0.4026*	*0.4026*	*0.0000*
General Government - GO Bond Rates						
City of Portland	0.2180	0.2121	0.2058	0.1998	0.1939	0.0865
Metro	0.3437	0.2651	0.2162	0.2102	0.1611	0.1565
Multnomah County	0.1692	0.1729	0.1678	0.1575	0.1529	0.1254
TriMet	0.0881	0.0854	0.0829	0.0803	0.0000	0.0000
Subtotal	*0.8191*	*0.7355*	*0.6727*	*0.6478*	*0.5079*	*0.3684*
General Government Subtotal	**13.9247**	**13.8452**	**13.8524**	**13.0375**	**12.9976**	**12.5055**
Education - Permanent Rates						
David Douglas	4.6394	4.6394	4.6394	4.6394	4.6394	4.6394
PCC	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828
Multnomah County ESD	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576
Subtotal	*5.3798*	*5.3798*	*5.3798*	*5.3798*	*5.3798*	*5.3798*
Education - GO Bond Rates						
David Douglas	1.8655	1.8028	1.7717	1.4372	1.2171	1.1803
PCC	0.3514	0.3601	0.3554	0.3285	0.3319	0.2834
Subtotal	*2.2169*	*2.1629*	*2.1272*	*1.7657*	*1.5490*	*1.4637*
Education Subtotal	**7.5967**	**7.5427**	**7.5070**	**7.1455**	**6.9288**	**6.8435**
Consolidated Rate	**21.5214**	**21.3879**	**21.3594**	**20.1830**	**19.9263**	**19.3490**

Source: ECONorthwest, 2010, from Multnomah County Assessors Office and Office of Management and Finance
Note: The City of Portland is authorized to impose a levy for its Fire and Police Disability and Retirement Fund. The tax rate for their levy is expected to grow throughout the forecast period, though taxes to be raised by the fund are compressed as though they were from a permanent rate.

Exhibit 9 (Continued). Lents Town Center Urban Renewal Area Consolidated Tax Rates for Calculating Area Divide the Taxes Revenues, Levy Code Area 705 ($/1,000 of Assessed Value) FY 2009-10 to 2014-15

Levy Code Area 705	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Government - Permanent Rates						
City of Portland	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770
Port of Portland	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701
Metro	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966
Multnomah County	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434
East Multno Soil	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
City of Portland FPDR*	2.6259	2.6300	2.7000	2.8000	2.9000	2.9500
Subtotal	*11.8130*	*11.8171*	*11.8871*	*11.9871*	*12.0871*	*12.1371*
General Government - Local Option Levy Rates						
City of Portland	0.4026	0.4026	0.4026	0.4026	0.4026	0.0000
Multnomah County	0.8900	0.8900	0.8900	0.0000	0.0000	0.0000
Subtotal	*1.2926*	*1.2926*	*1.2926*	*0.4026*	*0.4026*	*0.0000*
General Government - GO Bond Rates						
City of Portland	0.2180	0.2121	0.2058	0.1998	0.1939	0.0865
Metro	0.3437	0.2651	0.2162	0.2102	0.1611	0.1565
Multnomah County	0.1692	0.1729	0.1678	0.1575	0.1529	0.1254
TriMet	0.0881	0.0854	0.0829	0.0803	0.0000	0.0000
Subtotal	*0.8191*	*0.7355*	*0.6727*	*0.6478*	*0.5079*	*0.3684*
General Government Subtotal	**13.9247**	**13.8452**	**13.8524**	**13.0375**	**12.9976**	**12.5055**
Education - Permanent Rates						
David Douglas	4.6394	4.6394	4.6394	4.6394	4.6394	4.6394
Mount Hood CC	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917
Multnomah County ESD	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576
Subtotal	*5.5887*	*5.5887*	*5.5887*	*5.5887*	*5.5887*	*5.5887*
Education - GO Bond Rates						
David Douglas	*1.8655*	*1.8028*	*1.7717*	*1.4372*	*1.2171*	*1.1803*
Education Subtotal	**7.4542**	**7.3915**	**7.3604**	**7.0259**	**6.8058**	**6.7690**
Consolidated Rate	**21.3789**	**21.2367**	**21.2129**	**20.0634**	**19.8034**	**19.2745**

Source: ECONorthwest, 2010, from Multnomah County Assessors Office and Office of Management and Finance
Note: The City of Portland is authorized to impose a levy for its Fire and Police Disability and Retirement Fund. The tax rate for their levy is expected to grow throughout the forecast period, though taxes to be raised by the fund are compressed as though they were from a permanent rate.

We used conservative assumptions on tax rates in each levy code area. We assumed that all local option levies scheduled to expire during the study period would expire and not be renewed or expanded by voters. Additionally, we assumed no new general obligation bonds or other levies would be approved by voters. For general obligation bonds, we estimated future levy rates by dividing the scheduled debt service amount by the projected future assessed value of the jurisdiction, assuming 3% annual growth in assessed value.

If these local option levies are renewed or new bonds or levies are approved, then we would expect to see increased Divide the Taxes Revenues, as well as increased compression losses. The higher Divide the Taxes Revenues are expected to offset losses from compression, which overall would have a positive impact for Divide the Taxes Revenues in the Area.

Melded tax rates

For the purposes of our analysis, we created a melded tax rate for the three levy code areas. ECONorthwest calculated a weighted-average tax rate and applied it to all property within the Area. ECONorthwest assumed each levy code area's share of AV within the Area would remain constant over the five-year period at the levels seen in 2009-2010. Exhibit 10 shows each levy code's consolidated tax rate and percent of the Area's total AV and also the Area-wide melded tax rate, which is calculated as a weighted average of the rates in the three levy codes.

Exhibit 10. Lents Town Center Urban Renewal Area Melded tax rates

Levy Code	Projected AV Composition	Applicable Consolidated Levy Rates				
		2010-11	2011-12	2012-13	2013-14	2014-15
703	70.6%	$21.4738	$21.4763	$19.3844	$19.3480	$18.8074
704	0.1%	$21.3879	$21.3594	$20.1830	$19.9263	$19.3490
705	29.4%	$21.2367	$21.2129	$20.0634	$19.8034	$19.2745
Melded Rate		**$21.4041**	**$21.3989**	**$19.5843**	**$19.4820**	**$18.9449**

Source: ECONorthwest, 2010

To calculate the Divide the Taxes Revenues to be raised, the melded tax rate is multiplied by the incremental assessed value. It is important to note that although the Divide the Taxes Revenues are calculated within the urban renewal area, the tax rate is split at the city level. This is done by creating urban renewal tax rates, and adjusting other tax rates accordingly in each levy code area in the City.

Each district tax rate is "divided," so that a portion of the revenues associated with that rate contributes to the urban renewal incremental value, and a portion continues to contribute to the taxing district. The rate is calculated by dividing the Divide the Taxes Revenues that the district will generate in a given year by the total assessed value in that taxing district within the City. The result is an urban renewal rate, and an "urban renewal adjusted rate" for each taxing district rate. The Assessor calculates these rates for every combination of taxing district and urban renewal area in the City every year.

In other words, each taxing district's rate is divided between the portion going to urban renewal and the portion it retains. The urban renewal rate is deducted from the taxing district's rate. The total of all these deductions becomes the tax rate for the urban renewal area (the "Divide the Taxes Rate"). The Divide the Taxes Rate, when multiplied by the taxable assessed value of the property shared with the overlapping taxing districts within the City, determines the amount of Divide the Taxes Revenues to raise before the effects of Measure 5 compression.

3.3 STEP THREE: FORECAST COMPRESSION LOSS

As described previously, State statutes limit the taxes on any property to $10 per $1,000 of real market value for general government, and $5 per $1,000 of real market value for education. If these limits are lower than the taxes to be raised by applying the effective tax rate to the assessed value, then compression occurs, and the tax burden for that property is reduced.

The Divide the Taxes Rate is included in the general government category. The Divide the Taxes rate is combined with the tax rates of other general government taxing jurisdictions (i.e., all public agencies not related to education) to calculate compression. For any property, if the taxes to be raised for general government are greater than $10 per $1,000 of real market value, then compression occurs.

The Divide the Taxes rate consists of three parts: taxes from local option levies, taxes from permanent rates and other levies, and taxes from general obligation bonds. Taxes from local option levies are compressed first. The Area is impacted proportionately based on the portion of its rate from local option levies compared to all other local option levies in a levy code area.

If all local option levies are reduced to zero, and the taxes to be raised still exceed $10 per $1,000 of real market value, then taxes are reduced further by reducing permanent rates and other levies. Once again, the impact to the Area is proportional, compared to other taxing districts in each levy code area.

The Multnomah County Assessor's Office calculates compression on a property-by-property basis. An accurate projection of compression for this feasibility study would require data and assumptions on the future real market value, assessed value, and tax rates for all property in each levy code area in the City. The level of uncertainty associated with the assumptions that underlie future changes in these variables, combined with the complexity of the required city-wide, parcel-by-parcel analysis have led ECONorthwest to conclude that this approach would not be a sound methodology for this analysis.

To arrive at assumptions about compression change in our projections, we begin with an evaluation of historical levels of compression observed in the Area. Exhibit 11 shows compression losses for the Area from FY 2000-01 to FY 2009-10.

Exhibit 11. Lents Town Center Urban Renewal Area Historical compression losses FY 2000-01 – 2009-10

Year	Tax to be Raised	Compression and Other Losses	Divide the Taxes Revenue	Loss Percentage
2000-01	$2,319,071	($29,832)	$2,289,239	1.3%
2001-02	$2,935,465	($15,587)	$2,919,878	0.5%
2002-03	$3,704,993	($193,420)	$3,511,573	5.2%
2003-04	$4,545,623	($338,897)	$4,206,727	7.5%
2004-05	$5,269,377	($339,050)	$4,930,327	6.4%
2005-06	$5,531,912	($281,123)	$5,250,789	5.1%
2006-07	$6,347,973	($268,996)	$6,078,977	4.2%
2007-08	$7,740,123	($364,014)	$7,376,110	4.7%
2008-09	$8,428,047	($371,969)	$8,056,078	4.4%
2009-10	$9,839,373	($494,386)	$9,344,988	5.0%

Source: City of Portland Office of Management and Finance
Note: Compression losses includes miscellaneous adjustments made by the County Assessor.

Compression losses have grown in dollar amounts over time. However, compression loses as a percent of Divide the Taxes revenues has remained relatively stable between FY 2005-06 and FY 2009-10. During this period, compression losses have been as low as 4.2% of total Divide the Taxes revenues, and as much as 5.1%.

Factors that could cause compression losses to increase in the future would be increasing tax rates for general government, or a significant increase in the ratio of assessed value to real market value citywide. To account for the possibility of further decreases in real market value affecting compression rates across the City, we have conservatively assumed that compression losses will remain a constant 6.0% of taxes to be raised for the Area for the five years included in this analysis.

Exhibit 12 shows the projected Divide the Taxes Revenues, including the taxes to be raised, the compression loss, and taxes imposed. Assuming compression losses maintain a constant 6% of taxes to be raised, we forecast annual compression loss will be $637,027 in FY 2010-11, growing to $755,313 in FY 2014-15.

Exhibit 12. Lents Town Center Urban Renewal Area

Projected taxes to be raised, compression losses, and Divide the Taxes Revenue

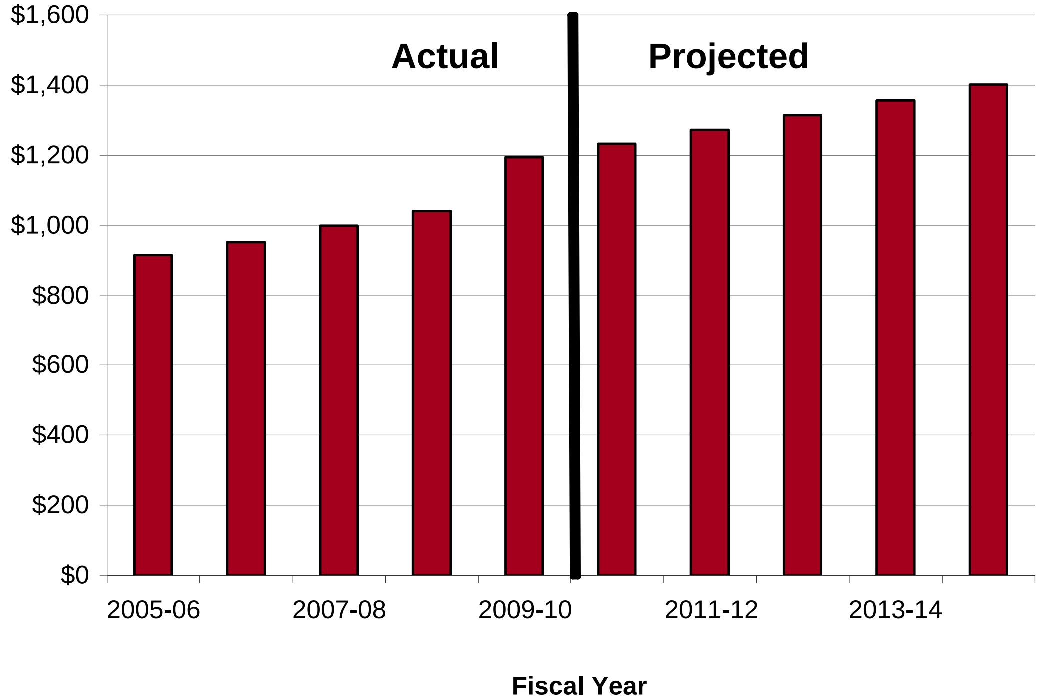
FY 2010-11 to 2014-15

Year	Tax to be Raised	Compression Loss	Divide the Taxes Revenue
2010-2011	$10,617,114	($637,027)	$9,980,087
2011-2012	$11,470,086	($688,205)	$10,781,881
2012-2013	$11,307,641	($678,458)	$10,629,182
2013-2014	$12,082,570	($724,954)	$11,357,615
2014-2015	$12,588,544	($755,313)	$11,833,232

Source: ECONorthwest, 2010

Exhibit 13 shows historical and projected growth in assessed value and incremental assessed value in the Area. Future growth in assessed value from FY 2010-11 to FY 2014-15 is projected to be 3.3% per year, compared with 4.4% per year from 2005-06 to 2008-09.[10]

Exhibit 13. Lents Town Center Urban Renewal Area Historical and projected growth in assessed value in Area FY 2005-06 – 2014-15



Source: ECONorthwest, with historical raw data from Multnomah County Assessor's Office.

Exhibit 14 shows projections for taxes to be raised, compression loss, and Divide the Taxes Revenues in nominal dollars from 2010-11 to 2014-15. Divide the Taxes Revenues are projected to be $9,934,319 for FY 2010-11, and grow at an average 4.5% per year. We have been informed by the City that its practice is to issue debt secured by Divide the Taxes Revenues using a level debt service amortization schedule that is based only on revenue collections in the year the bonds are issued. The City does not rely on future growth in the Divide the Taxes Revenues to pay debt service. Increases in the projected Divide the Taxes Revenues described herein would provide

[10] Note: we exclude FY 2009-10 from historical calculations of growth rates, because of the amendment to the Lents Urban Renewal Plan.

an additional cushion to ensure debt service can be paid in the event of unanticipated losses of incremental assessed value, higher delinquencies, or other factors.

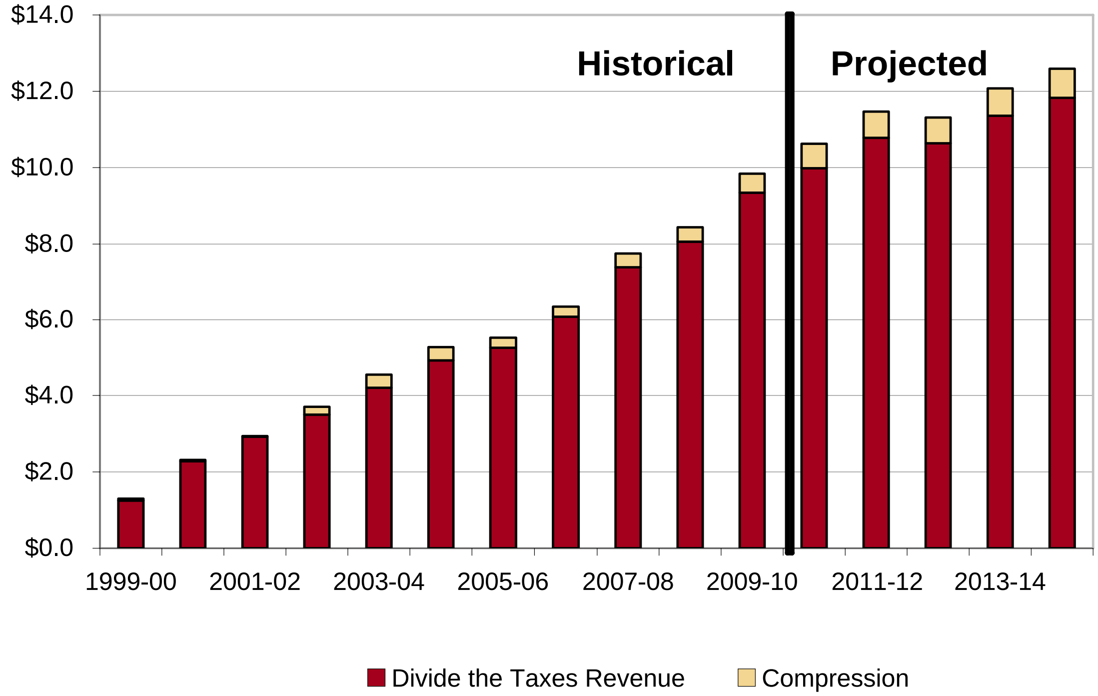
Exhibit 14. Lents Town Center Urban Renewal Area
Projected Divide the Taxes Revenues
FY 2010-11 to 2014-15

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Assessed Value	$ 1,232,254,995	$ 1,272,236,422	$ 1,313,607,061	$ 1,356,414,346	$ 1,400,707,374
Frozen Base	$ 736,224,033	$ 736,224,033	$ 736,224,033	$ 736,224,033	$ 736,224,033
Increment Value	$ 496,030,962	$ 536,012,389	$ 577,383,028	$ 620,190,313	$ 664,483,341
Consolidated Tax Rate	$ 21.4041	$ 21.3989	$ 19.5843	$ 19.4820	$ 18.9449
Taxes to be Raised	$ 10,617,114	$ 11,470,086	$ 11,307,641	$ 12,082,570	$ 12,588,544
Compression Loss ($)	$ (637,027)	$ (688,205)	$ (678,458)	$ (724,954)	$ (755,313)
Compression Loss (%)	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%
Divide the Taxes Revenue	**$ 9,980,087**	**$ 10,781,881**	**$ 10,629,182**	**$ 11,357,615**	**$ 11,833,232**

Source: ECONorthwest, 2010

Exhibit 15 shows historical and projected Divide the Taxes Revenues and compression losses. The chart shows that projected Divide the Taxes Revenues will grow at a slower rate than the observed historical trends, and forecast compression losses are a greater percentage of total TIF revenues than historical trends.

Exhibit 15. Lents Town Center Urban Renewal Area
Divide the Taxes Revenue and compression loss
FY 1999-00 to 2014-15



Source: ECONorthwest, 2010

4.1 ALTERNATIVE SCENARIO

Our analysis assumes that local option levies in the area expire as scheduled. It is possible that voters will approve extensions of these local option levies, which would increase consolidated tax rates above those used in our analysis. This would cause an increase in the Divide the Taxes Revenues generated by the Area.

Under this alternative scenario, Divide the Taxes Revenues would be $9,881,477 for FY 2010-11, and would grow at an average rate of 7.5% per year, as shown in Exhibit 16.[11] We understand that the City relies upon the more conservative assumptions described above in planning its debt financing.

[11] In this alternative scenario, we have assumed annual compression of 6.5% of Divide the Taxes Revenue to be raised, due to higher levy rates causing more loss to compression.

Exhibit 16. Lents Town Center Urban Renewal Area Alternative scenario Divide the Taxes Revenues FY 2010-11 to FY 2014-15

Year	Tax to be Raised	Compression Loss	Divide the Taxes Revenue
2010-2011	$10,617,114	($637,027)	$9,980,087
2011-2012	$11,470,086	($688,205)	$10,781,881
2012-2013	$12,330,882	($801,507)	$11,529,374
2013-2014	$13,181,674	($856,809)	$12,324,865
2014-2015	$14,033,665	($912,188)	$13,121,477

Source: ECONorthwest, 2010

Disclaimers

This report identifies sources of information and assumptions used in the analysis. Every effort was made to check the reasonableness of the data and assumptions that underlie the projections in the report. But any forecast of the future is uncertain. Concluding that these assumptions are reasonable does not guarantee that they will be realized. The actual Divide the Taxes Revenues (often referred to as "tax increment revenues") generated by the Area are subject to many unpredictable factors. Our analysis does not take into account the following factors that could cause actual Divide the Taxes Revenue collections to vary from our projections:

- Future legislative actions that affect the State property tax system or urban renewal
- Major external events that affect the local economy and real estate market
- Actions of individual property owners regarding the development or sale of property, or any other actions that could affect property values
- Other conditions described in the Risk to Bondholders section of the Official Statement for the City of Portland, Oregon Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A and B

ECONorthwest prepared this report based on its knowledge of economic impact analysis and feasibility studies for urban renewal areas, and information derived from government agencies (especially the Multnomah County Assessor's Office), private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest cannot verify the accuracy of all data sources used in this report and makes no representation regarding their accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

We have also described our analytic techniques and their limitations. Staff at the Office of Management and Finance reviewed our analysis for reasonableness. As time passes the results in this report should not be used without correcting for changing market conditions.

APPENDIX E
LEGAL OPINION

CITY OF PORTLAND, OREGON 1851

K&L|GATES

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June 24, 2010

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

Subject: City of Portland, Oregon, Lents Town Center Urban Renewal and Redevelopment Bonds
$21,240,000 2010 Series A (Federally Taxable)
$15,650,000 2010 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 Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A (Federally Taxable) (the "2010 Series A Bonds") and its Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B (Tax-Exempt) (the "2010 Series B Bonds" and collectively with the 2010 Series A Bonds, the "2010 Bonds"), which are dated as of June 24, 2010. The 2010 Bonds are issued pursuant to City Ordinance No. 183537 (the "Ordinance"), a Master Bond Declaration dated as of June 24, 2010 and a First Supplemental Bond Declaration dated as of June 24, 2010 (collectively, the "Bond Declaration"). Capitalized terms not defined herein shall have the meanings defined for such terms in the Bond Declaration.

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials relating to the 2010 Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

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

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

1. The 2010 Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Charter of the City, and the Ordinance. The Ordinance has been properly adopted by the City and the Bond Declaration and the 2010 Bonds constitute valid and legally binding obligations of the City enforceable in accordance with their terms.

2. The 2010 Bonds are special, limited obligations of the City secured solely by and payable solely from the Lents Town Center Tax Increment Revenues, Federal Interest Subsidies, and related amounts that are pledged to pay the 2010 Bonds in the Bond Declaration.

3. Interest on the 2010 Series B Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the 2010 Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is not included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The portion of this opinion set forth in this paragraph and the succeeding paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2010 Series B Bonds in order that the interest on the 2010 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 2010 Series B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010 Series B Bonds.

4. The initial public offering price of certain 2010 Series B Bonds is less than the amount payable at maturity. This difference between the initial public offering price and the amount payable at maturity constitutes original issue discount. The appropriate portion of the original issue discount that is allocable to the original and each subsequent holder is treated as interest upon sale, exchange, redemption, or payment at maturity of such 2010 Series B Bond and is excluded from gross income for federal income tax purposes under existing law to the same extent as the stated interest on the 2010 Series B Bonds.

5. Interest on the 2010 Series A Bonds is not excludable from gross income for federal income tax purposes.

6. Interest on the 2010 Bonds is exempt from Oregon personal income tax.

We note that the City has not designated the 2010 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 2010 Bonds. Owners of the 2010 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2010 Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

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

This opinion is 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 above referenced 2010 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 2010 Bonds, nor may copies be furnished to any other person or entity, without the prior written consent of K&L Gates LLP.

We have served only as bond counsel to the City in connection with the 2010 Bonds and have not represented any other party in connection with the 2010 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,

K&L GATES LLP

Lawyers

CITY OF PORTLAND, OREGON
1851

APPENDIX F
CONTINUING DISCLOSURE CERTIFICATE

CITY OF PORTLAND, OREGON
1851

City of Portland, Oregon

$21,240,000	$15,650,000
Lents Town Center Urban Renewal and Redevelopment Bonds 2010 Series A (Federally Taxable)	**Lents Town Center Urban Renewal and Redevelopment Bonds 2010 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 the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A (Federally Taxable) (the "2010 Series A Bonds") and its Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B (Tax-Exempt) (the "2010 Series B Bonds" and collectively with the 2010 Series A Bonds, the "Securities").

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

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

"Commission" means the Securities and Exchange Commission.

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

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

"Official Statement" means the final official statement for the Securities dated June 16, 2010.

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

Section 3. Financial Information. The City agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2011, for the fiscal year ended June 30, 2010):

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 for the Securities under the heading "Annual Disclosure Information."

Section 4. Timing. The information described in Sections 3.A and 3.B above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the MSRB.

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

Section 5. Material Events. The City agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Securities, 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 status of the security;
7. modifications to the rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities; 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 Securities. This Certificate, or any provision hereof, shall be null and void if the City (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB of such opinion and the cancellation of this Certificate.

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

A. If the amendment or waiver relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the Securities, or the type of business conducted;

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

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

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

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

Section 9. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB.

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

Section 11. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 24th day of June, 2010.

City of Portland, Oregon

____
Eric H. Johansen, Debt Manager

CITY OF PORTLAND, OREGON
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APPENDIX G
BOOK-ENTRY SYSTEM

CITY OF PORTLAND, OREGON

1851

BOOK-ENTRY SYSTEM

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

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for

their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

CITY OF PORTLAND, OREGON

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CITY OF PORTLAND, OREGON

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