



**Construction is down, but positive perceptions of development are up, according to report from city auditor's office**  
**Portland Development Commission not near its credit left within its URAs**  
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The annual Service Efforts and Accomplishments audit gives high remarks to the city's development and infrastructure maintenance efforts – including sewer diversion, which has improved to the point where less sewage is entering the Willamette River. The city hopes this trend continues with the completion of the Bureau of Environmental Services' East Side Big Pipe project, for which journeyman laborer Monica Gauthier of Kiewit-Bilfinger Berger cuts steel.

*Photo: Dan Carter/DJC*

As 2008 winds to a close, the city's development and construction bureaus are generally providing improved

services over past years, according to the latest Service Efforts and Accomplishments report by the [city auditor's office](#).

The annual report, which Director of Audit Services **Drummond Kahn** calls a "snapshot or thumbnail sketch," is not filled with policy recommendations per se; instead, it presents concise glimpses of where city bureaus are at the end of 2008.

"This is really intended to be a 20,000-foot view of the city's performance," Kahn said.

For bureaus related to development and infrastructure, such as the [Portland Development Commission](#) and the [Bureau of Development Services](#), the perception from afar is rosy. So too is it for bureaus such as [Portland Environmental Services](#), Kahn said, as the **Willamette River** continues to get cleaner.

But with telescopic precision, city auditors reviewed the city's most visible bureaus while also consolidating and assimilating survey results from residents and businesses.

For development and infrastructure projects, this positive perception from the public realm tends to swing toward visible commercial development, according to the audit.

For example, in the last decade, nearly half of all residents have considered commercial development to have a beneficial impact on their neighborhoods – and that percentage continues to grow. On the flipside, however, only about 41 percent of current residents believe that additional **housing development** benefits their neighborhoods.

But Kahn said Portland residents may see a decrease in both types of future development. There has been a decrease in construction projects in the last year, due to high construction prices and a general lack of credit available to developers. That has led to less work for the BDS and perhaps less revenue for the city in the long run.

Nonetheless, the Portland Development Commission, which was targeted in September for a critical audit concerning the agency's lax oversight of development agreement, was generally lauded for its community involvement and fiscal stewardship.

The PDC's reliance on **Tax Increment Financing**, for one, is on the rise – from 45 percent of total funding in the fiscal year 2001-02, to 68 percent in the fiscal year 2007-08.

The PDC told auditors that this reflects the addition of new urban renewal areas and boundary expansions. But not everything is positive: State statutes require that projects funded with TIF dollars stay within **URA boundaries**; thus, the PDC's ability to assist in citywide objectives is limited.

"Since funds have to be used within an urban renewal area, it just creates a natural tension between the boundaries of the URA versus whether the money spent in an URA will have citywide benefits," Kahn said.

Related to this, the assessed property values within the city's urban renewal areas continue to outpace the value of properties throughout the rest of the city. These values are up 40 percent, whereas assessed property values throughout the rest of the city are up about 29 percent.

And the PDC has spent only half of its credit limit within its URAs.

"The PDC could incur a lot more debt than they have," Kahn said. "But still, our audit work in addition to this report will look at topics ranging from – in PDC's case, at least – the disposition and development agreements and the housing tax abatements, and we continue to find improvements in both of those."