

# Portland will spend \$500 million to stimulate local economy

by Mark Larabee, The Oregonian

Tuesday January 13, 2009, 11:45 AM



Stephanie Yao/The

OregonianPortland Mayor Sam Adams hopes that \$500 million capital improvement projects ranging from affordable housing to road repair will stimulate the local economy. Friday, city crews were out fixing potholes, including this one on Northeast Grand near the north end of the Interstate 84 overpass.

Portland Mayor Sam Adams and fellow city commissioners rolled out a plan to spend \$500 million on capital improvements and loans to small businesses over the next year, a measure they hope will create about 5,000 construction jobs while stimulating the local economy.

During a press conference at City Hall, the mayor said the city's "first-ever" economic stimulus package is the city's response to the recession. And he promised that he and the council would continue to monitor the economic indicators and make decisions to insulate the city as much as possible.

In comparison to most U.S. cities, Portland is better off, Adams said.

"We will do what we can do locally to ensure that we stay one of the most prosperous economies in the United States," he said.

Adams has been talking about the package for months. In addition to spending, he hopes to attract companies to Portland that will provide family-wage jobs, push locally-made goods into foreign markets and reduce home foreclosures while getting more qualified home buyers into the market.

But a large part of the plan will use city money to build new affordable housing projects, install a new 50-million-gallon water reservoir at Powell Butte, repair roads and construct other projects that were already planned for the next five years.

By accelerating construction schedules, Adams said the city gets a better deal on labor costs in a soft economy and saves money because the projects are not subject to inflation. Construction costs tick up about 6 percent a year while a project sits on the books, he said.

Adams said the city would not go further into debt, but it's not as if the money is sitting in some bank account waiting to be doled out. The city borrowed the money or lined up the loans for these projects over the last two years. They will be paid back through general revenues such as taxes, development fees and other income, said Ken Rust, the city chief financial officer.

Borrowing is the normal way such projects are built. While the city's capital improvement budget is being spent at a faster rate than normal, city bureaus already are planning for cuts in their 2009-2010 operating budgets of up to 5 percent. The council set aside \$13 million last year in anticipation of declining revenue. That rainy-day fund is in addition to \$900 million in reserves the city maintains. Commissioner Randy Leonard said the city's efforts are exclusive of the federal stimulus package being pushed by President-elect Barack Obama. Portland has submitted a request for \$880 million in federal money that could be spent on "shovel-ready" projects such as East Portland light rail. Leonard also said that for every dollar the city injects into the local economy, it is spent twice more. A construction worker is bringing home a paycheck rather than sitting at home, and spends that money on food and clothing, for instance.

*Mark Larabee: 503-294-7664; [marklarabee@news.oregonian.com](mailto:marklarabee@news.oregonian.com)*