

# State of the City 2011

## Mayor Sam Adams

February 18, 2011

The prevailing theme in government today is recovery – and understandably so.

The recession has been brutal for Americans – and for far too many Portlanders. These years have strained our families and neighborhoods in ways we haven't felt since the Great Depression.

Mayors, governors, and other elected leaders across the land are framing the years ahead as the struggle to recover.

For the past two years, the focus of my administration, the work of the City Council and city staff, has been attending to the flood of new local victims of this national recession.

But we've done far more than that.

When I took office, we started tackling larger issues like our boom-bust economy, our decades-long educational achievement gap, the root causes of crime, and the lack of basic equity for all Portlanders. We weren't reacting to a recession—we were aiming for permanent resilience. We stared our most deep-seated problems in the face, problems such as:

- Too many middle income earners saddled with anemic job opportunities, low wages, and deep-debt.
- An abysmal high school graduation rate, with just 64% of 8<sup>th</sup> graders graduating on time.
- Too many Oregonians suffering hunger, poverty and underemployment rates higher than our nearest big-city neighbors.
- And persistent social inequities that crippled our collective performance, damaged our dignity, and violated our deep-rooted sense of fair treatment.

The work we've been doing to address these fundamental flaws is not flashy—it's messy, and cross-jurisdictional. We have invested not only in helping people get through this recession, but in the kind of systemic change that takes months and years to see results—not days.

Because we started this work more than two years ago, we're now in better shape than other cities as we move out of the recession. For example, the City has a surplus this year. While other cities are sharply raising taxes or reaching into their reserves just to get by—we're able to make investments in our future today.

We're well positioned to not only recover, but to emerge from this recession an even stronger city. A more resilient city. A small-and-scraggy, globally competitive city. Where all neighborhoods are complete, connected and beautiful. A Portland that is the city of cutting-edge innovation and culture, a deeply sustainable region integrated with nature, and a city that offers all of its citizens the most equal of opportunities.

In Portland, we've made sure this recovery will mean something.

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When I took office 25 months ago, deep internal budget cuts loomed just when Portlanders needed city government services most.

City government lacked the creativity to use its substantial external spending power to create private sector jobs in the worst of the recession. And pockets of chronic City government organizational dysfunction unnecessarily frustrated residents.

It required us to plan and act simultaneously.

Your city council and city staff took immediate action to improve City government on all three problems.

On the City's budget, we immediately cut spending—an earlier and deeper cut than city financial staff recommended.

We made more cuts as part of the next two budgets.

Thanks to these prudent early actions, and with some good luck, the City ended last fiscal year with a one-time \$9.4 million surplus; and, we start the next fiscal year with a one-time surplus of up to \$22 million.

We negotiated eight union contracts, saving an estimated \$10 million over the next ten years. We never touched our general fund reserve, and we maintained our top municipal credit rating.

Let me repeat this: We start next year's budget with a one-time \$22 million surplus.

We invested some of those extra budget savings into services to fund addiction and mental health programs, and those hit hardest by the recession: The unemployed facing homelessness, and small businesses facing declining revenues.

We set out to fast-track external spending on city public works and construction projects mostly using already-designated resources—to help create private-sector jobs when our construction workers needed them most.

So, in 24 months, we fast-tracked almost five years worth of work, half a billion dollars in construction contracts—nearly three times previous annual spending levels. It helped an estimated 2,000 people keep their jobs or get back to work, and thanks to lower bids in this recession—we saved taxpayers tens of millions of dollars.

Not satisfied to just tamp down internal government spending and fast-track contract spending to create more private-sector jobs, we were also determined to go after those pockets chronic city government dysfunction.

We merged the Bureau of Planning with the Office of Sustainable Development, to infuse our core value of sustainability into everything we plan and do.

We also separated the Portland Development Commission and the Bureau of Housing—allowing both to deliver better on their core missions. Please join me in thanking our dedicated housing Commissioner, Nick Fish.

We created a one-stop shop for development permitting and an office to better coordinate river-related health and businesses.

Yes, there is more work to do, but together, these three reforms are a down payment on making City government a provider of continuously improved public services.

Join with us in thanking the great staff of our City government.

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Obviously, we are not out of the economic storm yet. Too many Portlanders and their businesses are still struggling. But there are encouraging signs.

Like you, I was pleased to hear University of Oregon economist Tim Duy (DOO-ey) recent report of optimism in Oregon's economic upswing, including jobs, consumer confidence, and orders for capital goods.

And record profits from some of our most important traded sector partners—including Intel, and Nike—suggest the spring thaw is finally emerging from the long winter of economic recession.

Our manufacturing base—companies like Daimler, Ajinomoto and Danner LaCrosse—are hiring or expanding their local facilities.

We have retained and recruited new firms to Portland, who are attracted by our commitment to sustainability and the overall quality of life. Vestas Wind, ReVolt batteries for electric cars, NEXion renewable energy – Portland is the right fit for these and other sustainable companies.

Portland Development Commission Chair Scott Andrews and I just returned from Spain, global headquarters for Iberdrola, the renewable energy firm.

In a hyper-competitive global climate, other cities understandably want to lure Iberdrola's North American headquarters away from Portland.

- Let me be clear: We will work harder than any city to keep and grow our companies.

I've always talked about making Portland an international city, and people have wondered whether that's realistic for a city our size. But it's not hype – it's reality. We're better positioned to do more than you may think:

Among U.S. Metro regions, Portland is second in the nation when it comes to exports as a percentage of gross metro product. Second in the nation: \$22 billion in total earnings, and 126,000 jobs in the region, are derived from exports.

President Barack Obama—right now, at Intel in Hillsboro--has called on the U.S. to double export growth by 2015. Since World War II, only four metro areas in America have met this goal in such a short time frame. And in the last business cycle, the Portland region was one of them.

But we must continue to grow our international markets, or we risk becoming an economic suburb to cities like San Francisco and Seattle.

That's why, six months into my term, the City Council adopted a new strategy to better position Portland for global competition as the recession lifts. The Economic Development Strategy's goal: Create 10,000 new jobs by 2014. For the first time in 15 years, we have a tight focus on the key areas where our city and region can out-compete others. Clean tech, software, advanced manufacturing, athletic and outdoor industries—and one more to come in just a moment.

We've had to plan and act simultaneously. The day we approved the new jobs strategy, we also celebrated the first order for streetcars, locally-built by Oregon Ironworks United Streetcar, creating a new advanced manufacturing industry.

And the following day, we created a home energy efficiency pilot called Clean Energy Works—a program focused on increasing your home's comfort and creating green job opportunities.

We're about to complete our 500<sup>th</sup> home, and thanks to \$20 million in federal funding we expanded Clean Energy Work's innovative approach across the state. We're saving energy, and we're creating quality jobs.

And last year, I announced the launch of the Portland Seed Fund to invest in our city's start-up firms—to make sure that we're growing companies locally who are supported to compete on the global stage.

The City's \$540,000 contribution was matched by another half million dollars from the Oregon Growth Account, overseen by State Treasurer Ted Wheeler.

- And today, we're pleased to announce an additional \$840,000 has been raised privately. Thanks to fund managers Jim Huston (HUST-on) and Angela Jackson—and our generous investors—that's nearly \$2 million dollars to support Portland's emerging entrepreneurs.

At City Council, we sustained the business tax reforms I started as a City Commissioner: Permanent tax reductions that benefit an estimated 13,000 mostly smaller, owner-controlled businesses.

Finally, we have agreed to merge Greenlight Greater Portland with the Regional Partners, to create one four-county economic marketing and coordination agency. I'd like to thank Erin Flynn and Mark Ganz for their leadership.

This is great. Our challenge is to make the most of it—get out and tell our story.

- It was stopping by the German embassy in D.C. and sharing our Portland story that led Ambassador Klaus Scharioth (SHA-Ree-ott) to accept my invitation to come to Portland on March 10.

In late March, I'll join the Portland Business Alliance in visiting companies with names like Adidas, Daimler, Wacker Siltronic, and Solarworld. As one of the world's most sustainable countries, Germany also enjoys incredible economic success. We have a lot to learn from each other—our reputation as an innovative city can open other doors for us around the world.

Today, we are exporting more than just tangible goods—whether its the Decemberists and their #1 album, Grammy award winner Esperanza Spalding, or the second season of Portlandia (no thanks to my bad acting skills!)—we're exporting Portland-born culture.

To keep culture flowing for profit and jobs, I ask you to support Governor John Kitzhaber's leadership, to expand our film and video industry tax incentives. The show *Leverage* is in season 4, and a new NBC pilot just confirmed for filming in March (and no, I'm not in it!)—all demonstrate that there is a strong market for our cultural exports.

Though we have more work to do, we're already ahead of the pack when it comes to competing globally.

Whether it's foreign direct investment, green building expertise, manufacturing or culturally-driven exports, the economic destiny of the Portland we know and love is intertwined with the global economy. We're well positioned to succeed.

While we've recently made major strides on two Portland bridge projects, the largest public works project in the history of the state of Oregon, the Columbia River Crossing, is in major need of the kind of structural, cross-jurisdiction reform we've taken on in other arenas.

Nearly all effective government action involves collaboration and compromise. It's the nature of the work, and it will be necessary in forging a regional consensus for the Columbia River Crossing. We need a project that the federal and state governments will help fund, and that the local community supports. If the governors allow the regional partners a meaningful leadership role in the project, We can bring this project to consensus in 2011.

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So: There's been innovation and important advances in our private sector and in our city government. But to achieve resilience, we must further diversify our strengths.

➤ The march continues with a move I'm announcing today. We're expanding PDC's focus to research and commercialization, our new 5<sup>th</sup> target industry cluster.

Let me tell you why. We're a city that invents things—but we don't make enough of the things we invent. We need to address this—we need to be the city that invents it, makes it, and sells it to customers around the world.

Take the city's largest employer, Oregon Health AND Sciences University. They have made remarkable research strides in recent years with world-renowned Dr. Brian Druker (DREW-ker) leading the OHSU Knight Cancer Institute in the quest to kill cancer.

While OHSU brings life-saving medicine to patients when they need it most, they're also bringing jobs to our region. Patents and R&D lead to future export success. Royalties from intellectual property, the second largest export product in 2008 for the Portland region, highlight our strength in innovation and ability to secure patents and other intellectual properties.

This, coupled with manufacturing infrastructure, makes us competitive. We're expanding on our knowledge assets, and we'll turn this knowledge into exportable commodities.

To facilitate world-class research and commercialization, we need cutting-edge universities. Under the leadership of President Wim Wiewel, Portland State University has seen explosive growth as it charts its maturity from humble commuter college to academic world leader in sustainable practices.

- Today, I'm proposing a new urban renewal area focused on expanding Portland State University as a leading engine of economic growth, prosperity, and opportunity.

This will take collaboration and partnership to succeed. I look forward to having those conversations with my council colleagues, Multnomah County, and the school district.

And I'm confident we can deliver on our now-expanded targeted-cluster strategy, thanks in part to the Portland Development Commission Board and Bruce Warner, who have done a superb job in repositioning PDC.

And PDC makes another important advance today. As the business and industry manager for PDC, the person I'm about to introduce wrote the strategic plan that is the foundation for all that I've been referencing.

- On behalf of Chair Scott Andrews and the PDC Board, it is my pleasure to introduce the new executive director for the Portland Development Commission, Patrick Quinton.

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We're doing the work to grow and retain our key industries.

And just as our city competes in a global market, our young people will be competing against their global peers for the living-wage jobs our companies can produce.

We have to prepare them for this. As I've referenced in every State of the City speech, our high school graduation rate has been stunningly low.

According to Harvard University, the lifetime earnings gap between those with a college degree and those without is \$1 million. A million dollar gap is incredible.



We have an obligation to prepare our students to be capable adults, to keep them in school and help them reach their full potential.

When I took office, we could all agree on that. But resources focused on improving educational performance were too few and too scattered. 2010 was the year of reform in tracking educational performance. We brought together government, education, nonprofit, and private philanthropic partners. All agreed, for the first time, on one approach to measuring our students' success.

➤ It's called "Cradle to Career" and I am incredibly excited about it.

The Cradle to Career approach represents a level of focus on youth success that our city and our county have never had before. More importantly, this effort—with co-leadership from Multnomah County Chair Jeff Cogen—will examine more closely the glaring inequities we see in educational outcomes.

We've already started to implement this strategy on the ground: Our Summer Youth Connect programs, in partnership with Worksystems, Inc, help at-risk students connect the dots between classroom attendance, graduation, and jobs.

I'd like you to meet Sumitra Chhetri (Soo-MEE-tra SET-tree). As an incoming sophomore at David Douglas High School in 2009, Sumitra (Soo-MEE-tra) participated in the first year of Summer Youth Connect.

Sumitra (Soo-MEE-tra) was born in a Bhutanese refugee camp in Nepal. Through a federal resettlement program, she and her family arrived in Portland, speaking very little English, and at first struggling to get by.

Just a few months later, Sumitra (Soo-MEE-tra) joined the Summer Youth Connect program, where she made up school credits and engaged with other youth. The program also placed her as an intern with PDC that summer, her first work experience.

Her efforts paid off: Last winter, she secured a highly competitive paid position with the City's Youth Planning program, gathering input from young people to inform the 25-year Portland Plan. She tells us she felt a sense of pride doing something productive for her new community.

Sumitra (Soo-MEE-tra) is on track to graduate high school in 2012, and is already making plans to study social work at Portland Community College as one of the City's Future Connect Scholars. I would like to recognize Sumitra's (Soo-MEE-tra) father, mother, and big brother, for lending us your brilliant daughter. And Sumitra—please stand so we can recognize you!

She is just one of the 3,000 students we've already reached through Summer Youth Connect. Students overwhelmingly report feeling more prepared for high school, more motivated to stay in school and graduate, and more likely to pursue further education.

This is great—and we must push the envelope further. We must engage more businesses to create the kind of early opportunities that show these youth the path to a brighter future.

Speaking of businesses and education, I'm heartened by the outpouring of support for the schools bond measures in my conversations with business and community leaders. It's clear that education truly is a priority for Portland—and I urge all of you to support both the Parkrose and Portland Public Schools bond measures on the ballot this May 17.

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Public safety is the most basic of city services, and key to achieving long-term resiliency as a city.

I'm pleased to report that overall crime rates are as low as they have been in 40 years.

But we still have a few key issues that demand our attention. And we've gone right after them.

Human trafficking: Where people, mostly young women, are being bought and sold for sexual exploitation. This is happening every day, right here in your community.

For months, I have been working with Commissioners Dan Saltzman and Diane McKeel, Oregonians Against Trafficking Humans, the Soroptomist (Soar-OPT-o-mist) Club, Janus Youth Programs, and other community partners to create a system that supports escape to safer places. Because of our efforts, victims of human trafficking have a safe place to sleep tonight.

We have also addressed the long-neglected issue of illegal guns. I knew any local effort to address guns would be controversial—but it's the right thing to do. Now, using tougher federal laws and

other innovative enforcement tools, we are taking illegal guns off the street, and keeping them out of the hands of children: On April 9, we'll host another gun turn-in event in the Rose Quarter.

Meanwhile, since taking over as police commissioner last May, we have made tough but fair decisions about police accountability: We hiring a more diverse workforce, adding drug and steroid testing, and increasing independent expert and citizen oversight of operations.

At a time when there are a lot of questions about the relationship between the police and the community, these changes are crucial.

As police commissioner, I would like to congratulate the bureau on continuously striving for excellence, and I extend my gratitude to Chief Reese and the officers, for the difficult and important work they do to keep our neighborhoods safe.

Chief Reese and I are committed to providing the highest level of continual training to sworn police officers. The most integral piece of this priority is the development of a permanent training facility.

➤ So today, I am announcing that as part of my proposed budget I will be including funding for this facility. I look forward to working with Council to make it a reality.

Finally, I'm proposing another controversial-but-common sense and necessary local government structural reform. Drug crimes and mental illness require more action.

➤ Today, I am offering to Multnomah County Sheriff Dan Stanton and the County Board of Commissioners to take over funding and management of the River Patrol Unit. This move would free up over a million dollars that the County can put towards prosecution of misdemeanor drug crimes, and crucial mental health services. In turn, we will weave a stronger social safety net that benefits Portlanders throughout the city.

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Portland is a city of distinct neighborhoods with unique character. But we have to recognize that while every person in Portland lives in one of these neighborhoods, not all neighborhoods have everything Portlanders need.

So we've restructured the Portland Development Commission to explicitly acknowledge this reality, and work on filling the gaps.

➤ Today I introduce to you the Neighborhood Economic Development Action Plan.

With 94% of businesses in Multnomah County employing 50 people or fewer—it's clear that neighborhood prosperity is built on small business success.

With the Neighborhood Economic Development Action Plan, we will work with community leaders and local business associations to lift up the unique character of our neighborhoods, invest in revitalization of our commercial districts, and help residents connect to living-wage job opportunities.

Last year during this speech, I told you about our commitment to launching a Portland Main Street program – and I shared a vision with you of SE Foster, in the heart of Lents. That vision was of a safe and vital street served by streetcar, where people gather and businesses thrive. Over the past year, we have taken important steps toward making this happen—and with this Action Plan, we can take the vision from concept to reality.

Already, with Main Streets in Hillsdale, Alberta and St. Johns, we're seeing residents and business owners coming together to invest in their local Main Streets.

The City of Portland and the Portland Development Commission have never invested in our neighborhoods as we are today.

And that's just the beginning.

➤ Today, we're introducing the Neighborhood Opportunity District, a smaller scale job creation district designed to enhance our neighborhood commercial corridors.

Without the larger scope or length of traditional urban renewal debt, these micro districts can jumpstart small-scale, big-impact projects, while not hampering Multnomah County or the City of Portland's general funds.

While we're investing in neighborhood vitality, I want you to consider this: Approximately 40% of Portlanders live at least a mile away from a grocery store. While this may not sound like a big deal, it really defines how livable your neighborhood is.

- So I'm also announcing today an initiative to explore ways to make grocery stores financial feasible in underserved areas.

Not only could neighborhoods like Lents and Parkrose gain fresh, affordable food, but an accessible grocery store helps meet our emergent Portland Plan goals for healthy, connected neighborhoods—something all Portlanders deserve.

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And I mean it when I say all Portlanders.

Folks, we have a problem. Though some may have sensed that racial disparity is an underlying issue in Portland, we'd never really studied it or understood the magnitude. Recently, thanks to reports from State of Black Oregon and the Coalition of Communities of Color, we now know that our racial disparity problem is worse than we thought. Our minority population may be smaller than most cities our size, but it's growing—and the disparity here is greater. For comparison's sake: In King County, Washington, the child poverty rate for children of color is 21.5%. Here, it is 33.3%.

We must address this with the same kind of focus and deliberate action we've devoted to our economic and educational strategies. Under the leadership of Commissioner Amanda Fritz, we're going to put unprecedented effort into bridging the disparity gap and ensuring a fair and equitable Portland. We all win when everyone achieves their full potential, and the promise of opportunity is real.

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Before I close, I want to thank the City Club and the Friday Forum sponsors for providing this venue.

I also want to thank some of our important public partners here today:

- Multnomah County Chair Jeff Cogen;

- Vancouver Mayor Tim Leavitt;
- Clark County Chair Steve Stuart;
- Andre Baugh, the newly elected chair of our Planning & Sustainability Commission;
- Scott Andrews, Chair of the Portland Development Commission;
- Neal McFarlane from Tri-Met;
- and Superintendents Carole Smith and Karen Gray.

I'm reminded every day that running this city is a team effort. Please give a round of applause to my smart, hard-working and good-hearted colleagues: Amanda Fritz, Nick Fish, Randy Leonard, Dan Saltzman, and LaVonne Griffin-Valade.

Finally, a big hug and lots of love to my private partners: to my boyfriend, Peter Zuckerman, and to my family here today—my Mom, Kara, my Stepfather Stewart, and my grandma, 91-years-young, Marie Gibbons. (I love you, grandma!)

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Here is what I truly love most about this job: Discovering, each day, what Portland and its people are capable of.

Brick by brick, student-by-student, neighborhood by neighborhood, we are eliminating our underlying weaknesses and leveraging our strengths.

We must continue to work together to pull out of this recession, and get to a place beyond recovery—a place of long-lasting resilience.

Together, we will keep growing our traded-sector cluster industries, and invest in our main street small businesses.

We will make our neighborhoods even safer by reforming police policies, getting illegal weapons off the street, and protecting victims of human trafficking.

We will see young people like Sumitra (Soo-MEE-tra) and her peers pursue higher education—and we will see the youth of today enter the workforce tomorrow, prepared to succeed.

This work is leading us to a better future. With the recession lifting, we're taking what we love most about this city and protecting it. And where the city needs work, we imagine our future, and then we build it. We're creating not only a city we love, but the city we ought to be—a home to cutting edge innovation and culture, the most resilient and environmentally sustainable city, and a place that offers all of its people the most equal of opportunities.