



# POWER CONNECTION WE

Kulongoski's appointment for powerful investment council raises questions.

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One year ago, allegations of cronyism spurred Gov. Ted Kulongoski to shake up the powerful Oregon Investment Council. Given that action, some are puzzled that he recently put the wife of a friend and major campaign contributor on that same council.

In May, the governor appointed Katy Durant, a longtime commercial real-estate broker, to the council. She is married to Portland hotel magnate Gordon Sondland, who headed Kulongoski's transition team in 2002.

Sondland says his only interaction with the governor over his wife's appointment was "when [Kulongoski said] he thought she would be a good appointment, I said I thought...she would be a *great* candidate."

Council members are unpaid, but appointments to the board, which oversees the management of \$61 billion in state and local employee pension funds, is considered a political plum. Durant is largely unknown in investment circles but does possess an MBA in finance and 17 years' experience in real-estate investments—an area making up 6 percent of the OIC's portfolio. State Sen. Vicki Walker, who sits on the committee that confirmed Durant, says of her qualifications, "I wasn't overwhelmed, which isn't a good thing."

Unlike many gubernatorial picks, Durant's appointment went unaccompanied by press releases or media attention. "I was hoping I'd skated right under the radar screen," Durant quipped when contacted last week by *WW*.

Indeed, Bill Parish, an investment manager who monitors the investment council on behalf of his clients, noticed the appointment only on the Web. For him, red flags went up because of Durant's vice-presidency with Trammell Crow, the commercial real-estate giant—an affiliation that did not show up on the state website.

Says Parish, "When there are so many competent men and women available, why would Gov. Kulongoski agree to appoint the wife of someone on the governor's transition team with an obvious conflict?"

Durant says she is disengaging from Trammell Crow but has no plans to leave Atlas Investments, an acquisitions and development company she and two other Trammell Crow employees founded two years ago.

Besides chairing the governor's transition, Durant's husband contributed more than \$13,000 to Kulongoski's 2002 gubernatorial campaign and meets regularly with the Democratic governor—despite being a registered Republican.



Sondland is a major developer, hotel operator and financier who has as one of his partners Larry Mendelsohn, the former second-in-command at Andy Wiederhorn's Wilshire Financial Services Group. Mendelsohn was convicted last year of felony tax fraud.

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Randall Pozdena, a prominent economist and former chair of the OIC, says Durant's appointment is curious given the controversy when Diana Goldschmidt served on the council. During her tenure, questions surfaced about whether her decisions benefited her husband, Neil Goldschmidt, particularly her vote to commit \$300 million of state funds in 2003 to a group of Texas investors aiming to buy Portland General Electric. The day after the vote, the Texas group hired Neil Goldschmidt to run the company (see "The \$300 Million Emergency," *WW*, Sept. 22, 2004).

In July 2004, Kulongoski told *The Oregonian*, "I'm interested in looking at how the board is functioning." He fired Diana Goldschmidt from the OIC two months later.

Pozdena says appearances are important: "If your husband or wife is in the business, it's hard for people to imagine that there isn't pillow talk, that you share information that shouldn't be shared."

Mardi Saathoff, the governor's legal counsel, told *WW* Durant was selected strictly on qualifications: "She's an incredibly sophisticated, intelligent businesswoman."

Durant, for her part, told *WW* she won't share confidential information, and her interest in the council is altruistic: As she told the Senate committee in May, "It is important for every Oregonian to give back to our state."

While Durant is an Oregon resident, her husband is not-legally, at least. They both live in Portland, have offices here, school their kids here and register their cars here. But Sondland maintains a penthouse in Seattle at one of his hotels, where he claims residency for tax purposes.

A number of prosperous Oregon businesspeople maintain residences in Washington to avoid Oregon's income tax. Asked whether this was a factor for him, Sondland declined to respond directly, instead defending his claim of Washington residency as "reflective of the facts."

"I was born and raised in Seattle," he added. "I have a lot of ties to that community: We have a place up there, we have business investments up there, my mother still lives there, my sister lives there. I mean, I never left."

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