

**J. Scott Andrews**  
Commissioner Chair

**Aneshka Dickson**  
Commissioner

**John C. Mohlis**  
Commissioner

**Steven Straus**  
Commissioner

**Charles A. Wilhoite**  
Commissioner

**Charlie Hales**  
Mayor

**Patrick Quinton**  
Executive Director

This document represents the official meeting record of the September 13, 2013, Portland Development Commission (PDC) Board of Commissioners (Board) Meeting held at 222 NW Fifth Ave., Portland, OR 97209. The full video recording of this meeting can be found at: <http://www.youtube.com/watch?v=ZRIWTAdpeuU&feature=c4-overview&list=UU5XKnmpwO4bSn0JNszjhSRw>.

## 1. Call to Order and Roll Call

Acting Chair John Mohlis called the meeting to order at approximately 8:03 a.m. Ms. Gina Wiedrick, Board recording secretary, called the Board roll:

Commissioner Scott Andrews	PRESENT [see note below]
Commissioner Aneshka Dickson	PRESENT
Acting Chair John Mohlis	PRESENT
Commissioner Steven Straus	PRESENT
Commissioner Charles Wilhoite	PRESENT

Commissioner Andrews participated in the meeting by telephone.

## 2. Commissioner Reports

### Commissioner Andrews

- Thanked the commissioners for meeting with him individually over the past few weeks; it was a great opportunity to get updated on a number of items, and would like to get together more often.

## 3. Executive Director Report

- On September 3, the Neighborhood Economic Development Leadership Group nominations closed; PDC received more than 30 nominations. Next, a nominating committee, which includes Commissioner Dickson, will vet the nominees to fill the vacant positions.
- On September 4, GlobeSherpa launched its new mobile ticket app for TriMet riders; it is now available for download at <http://trimet.org/mobiletickets/index.htm>. GlobeSherpa is a Portland Seed Fund (PSF) company and one of the companies that went with PDC and other PSF companies to Silicon Valley in April 2013 to meet with venture capitalists.
- On August 24, *The Oregonian* published an article on the lack of grocery stores in some parts of East Portland. The article made it clear how challenging it can be to have a grocery store locate in an underserved area and also that there is no 'one size fits all' solution for all parts of Portland. PDC will use the redevelopment and business assistance tools to continue to work on this; some of the Neighborhood Prosperity Initiative districts and Lents have potential for more grocery options.
- On August 20, spoke at the sold out Athletic and Outdoor Young Professionals Kickoff event at Urban Studios in NW Portland. The event featured Jeremy Moon, founder and president of Icebreaker.

- On September 7, spoke at the TechFest Northwest event. This is a three-day event that celebrates technology industry in Portland with a series of panels and various events. Introduced Alan Webber who gave an outstanding speech on what is next for Portland. If you were unable to attend, go to [http://www.pdc.us/news-and-events/all-news/all-news-detail/13-09-03/Exec\\_Director\\_Quinton\\_starts\\_off\\_TechFestNW\\_session\\_on\\_civic\\_innovation.aspx](http://www.pdc.us/news-and-events/all-news/all-news-detail/13-09-03/Exec_Director_Quinton_starts_off_TechFestNW_session_on_civic_innovation.aspx) to read Mr. Webber's speech.
- On September 5, there was an article in *The Oregonian* about how the software/technology industry has helped lead the state of Oregon out of the recession.
- On September 12, attended the BEST Fest. PDC is a big supporter of Oregon BEST, a signature research center for the sustainability and clean tech industry. Unveiled the new We Build Green Cities website: <http://webuildgreencities.com/>.
- There is a great new video on PDC's Facebook page produced by Leach Botanical Garden that shows what is happening at Leach as a result of PDC's investment. You can also view the video at: <http://vimeo.com/71075094>.
- September 13, along with Mayor Charlie Hales, Governor John Kitzhaber, and Commissioner Mohlis, attending a special event presented by Daimler Trucks North America.
- On September 17, attending the American Asset Trust official groundbreaking event in the Lloyd District.
- On September 17, attending the Oregon Entrepreneurship Network's annual Tom Holce Entrepreneurship Awards event. Go to <http://www.oen.org/events/entrepreneurship-awards/> for information and registration details.
- On October 1, Greater Portland Inc will hold its Annual Economic Summit; for more information go to <http://greaterportlandinc.com/news/events/current/48>.
- On October 3, along with Mayor Hales, attending the opening event for the Eastside Exchange, formerly known as Convention Plaza, at the Burnside Bridgehead. The building is already 50 percent leased; the anchor tenant is Cascade Energy, and the Technology Association of Oregon (currently housed at PDC's offices) will move there and be a draw for other software companies.

#### **4. Public Comment for Items Not on Agenda**

No public testimony was presented.

#### **REGULAR AGENDA**

#### **5. Action Item: Authorizing the First Amendment to the Disposition and Development Agreement to Convey 0.76 Acres of Real Property in the Central Eastside Urban Renewal Area to Key Development Corporation for \$1,542,000**

PDC staff presenting this item:

*Jina Bjelland, Asset Management Division Manager*

*Eric Jacobson, Sr. Project/Program Coordinator*

With this action the Board will authorize the Executive Director to execute the First Amendment (Amendment) to the Disposition and Development Agreement (DDA) between PDC and Key Development Corporation (Key) dated December 17, 2012, for the conveyance of Burnside Bridgehead Block 67 (Property), a 0.76-acre PDC-owned parcel. This Amendment will reduce the purchase price for the Property from \$1,650,000 to \$1,542,000 (Purchase Price) to account for incremental environmental costs identified during the due diligence period. Key will be responsible for the removal of

approximately 2,000 tons of lightly contaminated soils located on the western portion of the Property and disposal in accordance with Oregon Department of Environmental Quality (DEQ) regulations. Pursuant to the original DDA, Key is purchasing the property as is; any additional environmental costs will be the responsibility of Key.

During the due diligence period subsequent to execution of the DDA, Key conducted a Phase I Environmental Site Assessment. The analysis indicated the likelihood of an underground storage tank (UST) under the Property and lightly contaminated soils on the western half of the Property. At its expense, PDC removed the UST in June 2013. Additional investigation on the lower parking area revealed the presence of approximately 1,333 cubic yards (2,000 tons) of lightly contaminated shallow soils that exceed DEQ's Clean Fill Criteria. The incremental cost of disposing of these soils is estimated to be \$108,000, inclusive of a 20 percent contingency. This Board action will reduce the Purchase Price by this amount.

Commissioner Wilhoite asked the following questions:

- Are the pipes and lines under the parking lot? Mr. Jacobson responded yes.
- When the appraisal was done, he assumed that all of that was taken into consideration. Mr. Jacobson responded that the big pipe easement was considered, but the lightly contaminated soils were not considered because at the time there was no desire to remove it.
- With regards to the reduction in price, if for some reason they encounter costs lower than by what PDC is reducing the price, as Key issues invoices and statements to PDC to support this, is there a procedure in place to address the remaining balance? Mr. Jacobson responded that when staff initially looked at this, they came up with two options: (1) PDC would pay the costs, regardless of how much, or (2) agree upon an estimate that was reasonable and put the responsibility on Key to take on those actions. Staff decided not to use option one, as the variability in cost would not be significant, yet it would take a lot of PDC staff time to monitor and oversee those activities, and PDC would have to pay for any costs above \$108,000. Instead PDC came up with an estimate that has a reasonable contingency, lower the purchase price, and Key takes on the responsibility, including if the costs are higher than \$108,000.
- Feels that this transaction is a little inconsistent with regards to the next item on the agenda, where PDC would have to return the earnest money it does not use to the owner of the property.
- Noted that this agreement was negotiated to include PDC's policy regarding workforce equity.
- If for some reason the project is unable to move forward, yet PDC has conveyed the property to Key, what would occur? Mr. Jacobson responded that when PDC conveys property, there is the obligation that the developer will develop it in accordance to the urban renewal plan; if for some reason the developer does not succeed, PDC does have, in this case, the right to reentry and can reacquire the property.
- Will this reentry purchase be at fair market value? Executive Director Quinton responded that it will be the price that PDC paid. Ms. Bjelland added that it is the original price that PDC paid as indicated in the DDA.

Commissioner Straus asked the following questions:

- Will sustainability requirements also be included? He noted that LEED Silver minimum is the project goal. Mr. Jacobson responded that LEED Silver is the minimum required in the DDA, although the developers hope to reach Gold.
- Will this be a 16-story tower? Mr. Jacobson responded yes.

- Was the property zoned for a 16-story tower, or did staff have to go through a process to change the zoning to accommodate that height? Mr. Jacobson responded that the zoning was already in place for that development as well as the floor-area ratio.

Commissioner Dickson asked how staff came to the \$108,000 estimate. Mr. Jacobson responded that staff estimated the quantity of soils and based the cost on recent experience in disposing of soils and included a contingency because the developer will not be doing these construction activities for another year. Mr. David Obern, Construction & Environmental Services Manager, added that PDC staff delineated the area and provided the actual estimate, not only on the value but also the cost. He further stated that PDC and Key negotiated a prudent sum, and PDC is transferring all risk, and noted that historically actual costs are usually higher than the estimates.

Commissioner Wilhoite asked if the area would be leveled, or if the parking will be in the declining area in the open air. Mr. Jacobson responded that the developer is planning on having different elevations to the building. He added that Key has a presentation at a November Design Commission meeting and some of the design work will be presented at that time.

Acting Chair Mohlis asked Mr. Jeff Pickhardt, President, [Key Development Corporation](#), if he had anything to add. Mr. Pickhardt had no comments but was available to answer any additional questions from the Board.

Acting Chair Mohlis called for a motion to approve Resolution 7023; Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite  
NAYS: None

**6. Action Item: Authorizing an Easement Agreement and Lot Line Adjustment Agreement with StarTerra, LLC, to Acquire and Convey 3,240 Square Feet of Real Property in the Oregon Convention Center Urban Renewal Area**

PDC staff presenting this item:

*Jina Bjelland, Asset Management Division Manager*

*Eric Jacobson, Sr. Project/Program Coordinator*

With this action the Board will authorize the Executive Director to execute an Easement Agreement and Lot Line Adjustment Agreement between PDC and StarTerra, LLC, (StarTerra). The agreements will (1) grant to StarTerra a permanent access easement to provide for the construction and use of a private street, and (2) require StarTerra to adjust the common lot lines between properties owned by PDC and StarTerra in order to transfer in fee the Easement Agreement property to StarTerra, which will in exchange transfer to PDC in fee a comparable strip of property to the west of the PDC property.

Commissioner Andrews stated that there may be a potential conflict of interest, some principals of StarTerra are also principals in a parking company that manages Melvin Mark's 5th and Taylor garage; there are no economic interests but they do some work for Melvin Mark. He added that he can still participate in the discussion and can vote but wanted to make that clear.

Commissioner Straus asked the following questions:

- Where is PDC with the Convention Center Hotel (CCH), if it does not go through how will it affect this project? Mr. Jacobson responded that in August 2013 the Metro Council approved some key terms to the Visitor Development Initiative Intergovernmental Agreement; these also need to be approved by the Portland City Council (City Council) and the Multnomah County Commission scheduled this September. After those approvals, Metro will have to negotiate a development agreement with Mortensen Development. He added that even if the CCH does not move forward, the proposed actions before the Board today are still necessary to accommodate the apartment building being planned. Mr. Lew Bowers, Central City Division Manager, added that this is a separate project, it is driven by the apartments, and it will leave PDC with a better piece of property. With regards to the CCH, there has been media coverage saying that it appears that Multnomah County is favorable; PDC staff have met with several of the City of Portland (City) commissioners and they are aware of PDC's participation (\$4,000,000 loan) and potential interest in some role in the parking garage on Block 49, and there has not been any discussion about additional PDC involvement.
- What will PDC do with this property? Mr. Bowers responded that PDC has done an urban design overview of the nearby properties to see how they could fit more comprehensively, and staff has looked at a couple of options: (1) a building (no tenant at this point), or (2) the CCH to develop a part of it on the western edge and the eastern edge be a public space. If and when the CCH is approved, PDC staff have talked with the developer about making a decision by the end of 2013 or early 2014, at which time staff will come back to the Board with a more comprehensive plan.
- Is StarTerra interested in purchasing the property? Mr. Bowers responded that StarTerra had been interested and would put a building on there, but at this time that interest is no longer current. If StarTerra were able to find a tenant, PDC may want to potentially proceed with that.

Commissioner Wilhoite asked the following questions:

- Does PDC have any concerns regarding losing the frontage along Martin Luther King, Jr. Boulevard? Mr. Bowers responded that it was an initial concern, but the newly shaped parcel is probably more development ready and having access along the new private road will give access on two sides and gives PDC more flexibility in the future.
- Does the piece push all the way to Holladay Street and PDC will have a piece of that building that StarTerra is going to demolish? Mr. Bowers responded that it will be raw land; the building will have been demolished and land remediated prior to transfer.

Acting Chair Mohlis asked Mr. Mick O'Connell, Vice President of Development, StarTerra, if he had anything to add. Mr. O'Connell stated that everything has already been said.

Acting Chair Mohlis called for a motion to approve Resolution 7024; Commissioner Straus moved and Commissioner Wilhoite seconded the motion.

AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite  
NAYS: None

**7. Action Item: Authorizing an Increase to the Executive Director's Authority to Execute a Best Value Guaranteed Maximum Price Contract Not To Exceed \$2,225,000 for Construction of the Dawson Park Improvements in the Interstate Corridor Urban Renewal Area**

PDC staff presenting this item:

*David Obern, Construction & Environmental Services Manager*

*John Jackley, Neighborhood Division Manager*

With this action the Board will authorize an increase in the Executive Director's authority to execute a Best Value Guaranteed Maximum Price (BV-GMP) contract for construction of the Dawson Park Improvements (Project) in the Interstate Corridor Urban Renewal Area from \$1,775,000 to a not-to-exceed amount of \$2,225,000. This amount includes a construction base bid, bid alternates, and contingency.

If this action is approved, a BV-GMP contract for the Project will be awarded to the most responsible and responsive firm selected through a Request for Proposal (RFP) solicitation process. Project construction is slated to begin in October 2013 and be substantially complete by June 2014, prior to the start of the park's popular Summer Concert series.

The PDC received authorization from the Board on May 8, 2013, to enter into a contract for a not-to-exceed cost of \$1,775,000. PDC issued an RFP for the Project and opened proposals on July 10. Three proposals were submitted and all were determined to be responsive; however the preliminary bids ranged from \$1,906,000 to \$2,490,813, exceeding the Board's initial authorization.

The three submitters were asked to submit best and final offers, which included responding to evaluation panel questions and providing updated pricing. The reduced bids ranged from \$1,906,000 to \$2,016,000, still exceeding initial Board authorization even without the inclusion of a construction contingency.

A number of factors may have contributed to higher costs, including an improving construction market, busier primes and subcontractors, and the form of contracting employed on this project. While traditional low-bid contracting allows for a contractor to quote a lower price at the outset, and then raise this through change orders, a BV-GMP contract requires the contractor to set a maximum price at the start of the project.

Commissioner Straus asked the following questions:

- At a past Board meeting it was discussed reaching out to the community for more contributions for naming benches and trees; has any progress been made, will any revenue be generated from that? Mr. Obern responded that the Bureau of Parks & Recreation is still exploring options.
- Are there any risks? Are necessary permits in place? Are drawings fully complete? Is the job scope fully defined? Are there any concerns? Mr. Obern responded that everything is in order, the contract is tight, and he feels confident about the Project.

Commissioner Wilhoite asked the following questions:

- To clarify, from the public's point of view, the Board approved the project some four months ago and now the price has risen by 25 percent, and would question if this is because of BV-GMP, but Mr. Obern talked about rising costs. How is PDC going to establish if this did result in savings of some type? What are the key considerations of using BV-GMP versus what PDC has



done in the past? Mr. Obern responded that when using this type of contract, staff is required to report back to the Board, acting as the Local Contract Review Board, what the successes and failures are when using this process.

- With the BV-GMP, is there still a possibility of change orders? Mr. Obern responded that there is always the possibility, but there is also a small owner-controlled contingency negotiated into the contract, and the expectation is that this will be the only additional money PDC would be able to put into this project. Mr. Jackley added that the law provides for a broad look at what cost is: there is the actual cost spent on the ground; the cost savings of staff not having to negotiate change orders; and the costs for the community, where they will have a fantastic park and it will only be closed during the fall/winter months, which is of great community value.

Commissioner Straus asked about minority- and women-owned participation in the Project; Mr. Jackley responded that it is 88 percent.

Commissioner Dickson asked the following questions:

- Are the change orders related to the trees? Mr. Obern responded yes and that there is a risk allocation matrix in the contract indicating whether PDC or the contractor owns the risk. Mr. Jackley added that the panel reviewing the three proposals spent a lot of time discussing the tree risk and asked the contractors to provide a detailed explanation of how they were going to handle the trees.
- Is the contingency solid? Mr. Obern responded that there is a prudent contingency and an owner's unallocated reserve beyond that.

Commissioner Andrews reminded the Board that this increase in the project is still within the money that was set aside in the budget and therefore it is not taking money away from other projects.

Commissioner Wilhoite asked for clarification on the meaning of *inici* in the project budget; he assumed that it was part of the external project management. Mr. Jackley responded that *inici* Group is the name of the firm.

Ms. Patti Miles, Sr. Project Manager, [inici Group, Inc.](#), expressed her excitement about the project.

Acting Chair Mohlis called for a motion to approve Resolution 7025; Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite

NAYS: None

**8. Action Item: Requesting the City Council to Issue Bonds for the City's Urban Renewal Areas; Pledging Revenues from Those Areas to Those Bonds; and Authorizing Additional Covenants**

PDC staff presenting this item:

*Tony Barnes, Budget Officer*

With this action the Board will request that City Council issue revenue bonds under Oregon Revised Statutes §287A.150 to provide interim financing for the current and proposed costs of carrying out the City's urban renewal plans and to refinance outstanding interim financings. The action also requests that the City Council issue long-term tax increment bonds to refinance the interim financing obligations.

Acting Chair Mohlis called for a motion to approve Resolution 7026; Commissioner Wilhoite moved and Commissioner Straus seconded the motion.

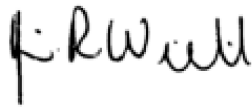
AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite

NAYS: None

**9. Adjourn**

There being no further business, Acting Chair Mohlis adjourned the meeting at approximately 9:27 a.m.

**Approved by Portland Development Commission on October 8, 2013**



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Gina Wiedrick, Recording Secretary