

Tom Kelly
Chair

Aneshka Dickson
Commissioner

Mark Edlen
Commissioner

John C. Mohlis
Commissioner

Charles A. Wilhoite
Commissioner

Charlie Hales
Mayor

Patrick Quinton
Executive Director

This document represents the official meeting record of the April 8, 2015, 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 <https://www.youtube.com/watch?v=8DZPObZ7SLM> and <https://www.youtube.com/watch?v=A9WAZtgLzTI>.

1. Call to Order and Roll Call

Chair Tom Kelly called the meeting to order at approximately 2:08 p.m. Ms. Gina Wiedrick, PDC Board recording secretary, called the PDC Board roll:

| | |
|-------------------------------|--------------------------|
| Chair Tom Kelly | PRESENT |
| Commissioner Aneshka Dickson | PRESENT |
| Commissioner Mark Edlen | ABSENT [see note below] |
| Commissioner John Mohlis | PRESENT |
| Commissioner Charles Wilhoite | PRESENT [see note below] |

Commissioner Edlen arrived in time for Item 10 on the agenda.

Commissioner Wilhoite participated by phone through Item 10 on the agenda.

2. Commissioner Reports

Commissioner Mohlis

- On March 17, attended the Portland Workforce Alliance's NW Youth Careers Expo breakfast.

Chair Kelly

- In the last six weeks, attended several briefings with mayor's office.
- On March 10, attended the PDC 2015-2020 Strategic Plan Steering Committee meeting.
- On March 30, along with Executive Director Patrick Quinton, presented to the Portland City Council (City Council) at the PDC Budget Work Session.

3. Executive Director Quinton Report

- On March 30, along with Chair Kelly, presented to City Council at the PDC Budget Work Session.
- On April 1, attended the City Council meeting wherein the six Urban Renewal Area (URA) amendments were approved.
- The March 10 PDC 2015-2020 Strategic Plan Steering Committee meeting, the February 25 and March 4 PDC-hosted open houses, and the online public feedback, concluded the public input process on PDC's 2015-2020 Strategic Plan.
- A request for quotation for the PDC-owned property in the Gateway Regional Center URA at NE 106th Avenue and Halsey Street has been reissued with more clearly defined community goals and redevelopment objectives. There will be a site tour on April 9 at 9:00 a.m. For more information go to http://vmw.pdc.us/login/download_nologin.asp?i=1163.

- On March 9, it was announced that the Lents Town Center URA is getting a semi-pro, wooden bat league, baseball team. PDC will provide \$200,000 of the \$650,000 cost to fund the renovation of Walker Stadium in Lents Park.
- On April 11, the Portland Mercado will hold its official grand opening event.
- On March 6, PDC hosted the North Lombard branding workshop.
- On March 11, PDC played a key role in the Oregon Manufacturing Summit.
- On March 17, PDC held the Early Adopter Program public launch. There is now an online matching service wherein City of Portland (City) bureaus can post challenges they are trying to address, and companies can respond with potential solutions. For more information go to: <https://portland.switchboardhq.com/>.
- On March 17, in collaboration with Greater Portland Inc, launched a revised international strategy, the Greater Portland Global Trade & Investment Plan. For the full report go to: http://www.pdc.us/Libraries/Document_Library/Greater_Portland_Global_pdf.sflb.ashx.
- On March 20, attended the Grand Opening Celebration of the Pacific Northwest Collage of Art's new building, the Arlene and Harold Center for Art and Design.
- On April 15 and 23, PDC will host two free business seminars (one in the Lents Town Center URA, and the second one in the Gateway Regional Center URA). For more information and upcoming seminars go to: <https://www.eventbrite.com/e/digital-marketing-strategies-lents-grown-business-seminar-series-tickets-15557856969> and <https://www.eventbrite.com/e/gateway-business-seminar-series-why-small-businesses-need-lawyers-tickets-15557567102>.
- Introduced two new employees:
 - Charri Schairer, Neighborhood Manager in the Urban Development Department.
 - Tory Campbell, Senior Business Development Coordinator for the Community Economic Development Team in the Urban Development Department.

4. Meeting Minutes

Chair Kelly called for a motion to approve the following PDC Board meeting minutes:

- December 11, 2014
- December 18, 2014 Retreat
- January 21, 2015
- January 28, 2015 Budget Work Session
- February 11, 2015

Commissioner Mohlis moved and Commissioner Dickson seconded the motion.

AYES: Dickson, Kelly, Mohlis, Wilhoite
NAYS: None

5. Public Comment for Items Not on Agenda

No public testimony was presented.

CONSENT AGENDA

6. Action Item: Resolution 7103 – Requesting Portland City Council to Issue Bonds to Refund Bonds Previously Issued for the Airport Way Urban Renewal Area, and Providing for Related Matters

With this action, the PDC Board will request that City Council issue refunding bonds for the Airport Way URA. Additionally, by adoption of the resolution, the PDC Board will authorize the Executive Director and the City, on behalf of PDC, to execute such agreements and take additional actions as may be required to issue, sell, and deliver the bonds on terms favorable to PDC and the City.

It is anticipated City Council will consider an ordinance on this matter at its April 8, 2015, meeting. If requested by the PDC Board and approved by City Council as currently scheduled, the City plans to issue the bonds through a bank in the summer of 2015.

Chair Kelly called for a motion to approve Resolution 7103; Commissioner Mohlis moved and Commissioner Dickson seconded the motion.

AYES: Dickson, Kelly, Mohlis, Wilhoite
NAYS: None

REGULAR AGENDA

7. Action Item: Resolution 7104 – Authorizing the Executive Director to Sell Transportation System Development Charge Credits

PDC staff presenting this item:
Geraldene Moyle, Sr. Project/Program Coordinator

With this action, the PDC Board will authorize the Executive Director to sell citywide Transportation System Development Charge credits (TSDC credits) to Gerding Edlen Development at a 1:1 value for \$520,000, the balance of \$1,000,000 of TSDC Credits that PDC acquired from Oregon Health & Science University on March 23, 2010, as a result of an Agreement of Assignment and Assumption for the disposition of certain PDC-owned property rights on Block 33 in the South Waterfront Central District of the North Macadam URA.

Commissioner Wilhoite asked the following questions:

- How does PDC manage these types of credits and what is the process for making it known to the market that they are available for purchase? Ms. Moyle responded that PDC staff sought out other development projects in the North Macadam URA, and spoke with other development firms. PDC received an offer from one interested party at a 20 percent discount.
- Are these the only TSDC credits PDC owns right now? Ms. Moyle responded yes.

Chair Kelly called for a motion to approve Resolution 7104; Commissioner Mohlis moved and Commissioner Dickson seconded the motion.

AYES: Dickson, Kelly, Mohlis, Wilhoite
NAYS: None

8. Information Item: Update on the Broadway Corridor Framework Plan

PDC staff presenting this item:

Sarah Harpole, Sr. Project/Program Coordinator

The purpose of this item is to brief the PDC Board on upcoming planning activities for the Broadway Corridor area, located in the River District URA. In order to provide clarity on PDC's objectives and investments in the River District URA and inform future master planning, PDC staff is initiating a development planning process for the broader Broadway Corridor area, with particular focus on the United States Postal Service (USPS) site. The Broadway Corridor Framework Plan (Framework Plan) will serve as the first phase of the process, providing a strategic vision and development concepts for the area. A potential second phase, pursuant to PDC's successful acquisition negotiations with the USPS, would include a detailed master plan, building upon the work completed in the Framework Plan and implementing specific actions identified by the Central City 2035's West Quadrant Plan recently approved by City Council.

Chair Kelly asked what PDC's budget is for this project. Ms. Harpole responded that it is estimated between \$150,000 and \$250,000 depending on the composition and location of the team involved.

Commissioner Dickson asked regarding the selection of the consultant, it was stated that it could be local or out-of-state; how will PDC staff determine who gets the contract? Ms. Harpole responded that there will be an evaluation committee comprised of PDC staff, Bureau of Planning staff, and others. Executive Director Quinton added that PDC is looking for the combination of local and national talent, but it could be that a local firm brings in the national talent.

9. Action Item: Resolution 7105 – Authorizing Execution of an Agreement to Pursue Exclusive Negotiations with the United States Postal Service Related to the Possible Acquisition of the 13.4-acre Property Located at 715 NW Hoyt Street, Portland, Oregon, in the River District Urban Renewal Area

PDC staff presenting this item:

Jina Bjelland, Director, Real Estate & Lending

With this action, the PDC Board will authorize the Executive Director to negotiate and execute an Agreement to Pursue Exclusive Negotiations whereby:

- (1) PDC agrees to make a payment to USPS in the amount of \$500,000 as consideration for USPS agreeing to conduct exclusive negotiations with PDC to see if in the next three months the parties can reach a mutually acceptable agreement for PDC to acquire the USPS's Processing and Distribution Center at 715 NW Hoyt Street, Portland, Oregon (the Downtown Property) and for USPS to be provided with, and relocate to, an acceptable replacement facility, with such payment to be applicable to the purchase price of the Downtown Property, in the event a formal Purchase and Sale Agreement (PSA) is agreed upon and a closing occurs, provided that either PDC or USPS may terminate such negotiations at any time for any reason, without liability.
- (2) The \$500,000 payment shall be placed in an escrow account for the benefit of the USPS, with the funds to be used exclusively for mutually-acceptable costs associated with determining the feasibility of (i.) building a replacement facility in the Portland Metro Area and (ii.) PDC's

acquisition of the Downtown Property. Currently, the parties contemplate that the escrowed funds will be used to pay for the costs of 30 percent design documents for an acceptable replacement facility and for other similar due diligence costs.

PDC and USPS have recently recommenced discussions concerning the possible acquisition by PDC of the Downtown Property. The parties realize that any such purchase would require USPS to relocate to a new facility elsewhere in the Portland Metro Area.

The parties mutually believe that more definitive information about the viability of finding and financing a replacement facility is necessary before the parties can contemplate moving forward with all regulatory and statutory requirements for, or enter into a formal PSA with respect to, the sale of the Downtown Property by the USPS to the PDC.

Although this proposed action will provide information about the feasibility of entering into a formal PSA, neither party shall be obligated to proceed further with respect to a sale of the Downtown Property or the acquisition of the replacement facility.

Commissioner Mohlis asked the following questions:

- If PDC chooses to commit another \$500,000, would it come out of the money that is already in escrow? Ms. Bjelland responded yes.
- This does not guarantee that the parties will achieve all their goals, but it is the next step? Ms. Bjelland responded yes.

Commissioner Dickson asked the following questions:

- What was the intent in establishing the original \$2,000,000 in the escrow account? Ms. Bjelland responded that it was originally established so that the parties could negotiate a PSA.
- Why was it kept in escrow all of this time? Ms. Bjelland responded that the actual escrow agreement was extended through March 2013, it has expired, and the negotiations are at an impasse.
- If the USPS finds a suitable and favorable replacement facility, a portion of the \$500,000 will go towards the purchase? Ms. Bjelland responded that in the event that the project moves forward, the \$500,000 will go towards the purchase price; the remainder of the purchase price will be the cost of relocating the USPS to its new site.
- If in the middle of this work the USPS decides not to move forward, will a portion of the \$500,000 be returned to PDC? Ms. Bjelland responded yes.

Commissioner Wilhoite asked the following questions:

- What has changed with the USPS in the past two years that it has renewed interest in negotiating again? Ms. Bjelland responded that in conversations with the USPS over the past year, the USPS has indicated that it has been increasing its business by about 14 percent per year, it has a contract with Amazon, and there was a property under development that made the USPS envision a more productive and feasibly effective operation. Ms. Bjelland added that originally there was no determination about what the USPS property needs might be, but in March 2015 the USPS increased the boundaries for acceptable sights to move forward.
- As far as the study, PDC is essentially allowing for up to \$500,000 of study costs? Ms. Bjelland responded that it is due diligence costs associated with the 30 percent design documents which

would inform the price of the replacement facility. PDC would couple that with whatever site was located, the cost of the land, and relocation costs.

- PDC might use up the entire \$500,000 in the design drawings and due diligence? Ms. Bjelland responded yes.
- Is it not necessary to cap that? Ms. Bjelland responded that the \$500,000 will not be used for anything except the design work and due diligence.
- Expressed concern over giving the USPS more money and asked for reassurance that this project cannot move forward without the PDC Board agreeing to the release of the \$500,000 from escrow. Executive Director Quinton responded that PDC's assessment of the situation is that this is the sole path to move forward with this project; this is the next step that the USPS would have to go through to begin to examine the feasibility of a new site. If PDC is not willing to do this, then the USPS will not look for a new site; the Downtown Property meets their needs, but if PDC wants to expedite their move, this is the next step.
- Would prefer that the USPS take on the project on their own, and PDC would reimburse them, but it does not look like that is an option. Ms. Bjelland responded that no, it is not an option.

Commissioner Dickson asked the following questions:

- With regards to the design team, is the USPS selecting who they will be working with? Ms. Bjelland responded that the USPS has a boiler plate schematic design that they use for regional centers, they would go through a Request for Proposal (RFP) process and select the team that would do that scope of work.
- And not necessarily local firms? Ms. Bjelland responded that they are national firms; they are required to use them as part of the USPS federal regulations.

Chair Kelly called forward guests to testify.

Barry Smith, architect. Mr. Smith gave an overview of the document handed out, which is included in these minutes as Attachment 1.

Patricia Gardner, Chair of Planning & Transportation Committee at [Pearl District Neighborhood Association](#) (PDNA). Ms. Gardner stated that the Downtown Property is bigger than the City, it has a lot of potential, and the State of Oregon needs to step in, too. She added that the Pittsburgh Technology Center is one example of what can be done with a site of this size. Ms. Gardner reminded the PDC Board that the earlier negotiations took place during the recession; she understands the PDC Board's reluctance, but noted that now is the time.

Commissioner Wilhoite asked what the general negotiation strategy is. Executive Director Quinton responded that it is premature at this point, but the parties need to have a conversation to see what can be done, PDC needs to give the USPS an opportunity to do their own process, and updates will be provided as more information becomes available.

Chair Kelly called for a motion to approve Resolution 7105; Commissioner Mohlis moved and Commissioner Dickson seconded the motion.

AYES: Dickson, Kelly, Mohlis, Wilhoite
NAYS: None

10. Action Item: Resolution 7106 – Public Hearing on Budget Amendment No. 2; Adopting Budget Amendment No. 2 for the Fiscal Year Beginning July 1, 2014, and Ending June 30, 2015; and Making Appropriations

PDC staff presenting this item:
Tony Barnes, Budget Officer

With this action, the PDC Board will formally amend the current fiscal year (FY) 2014-15 Revised PDC Budget for the second time in the following ways:

- (1) Adjust project and program expenditures based on updated estimates of year-end activity including updated staff time, property development, or property management expense;
- (2) Reduce project and program budgets for inclusion in the FY 2015-16 Proposed Budget and Five-Year Forecast based on project timing;
- (3) Update forecasts for resources across all funds including year-end estimates for short-term debt (du jour proceeds) and to recognize updated property sale and management activity;
- (4) Adjust administrative materials and services for identified savings and year-end estimated activity; and
- (5) Adjust the Portland Housing Bureau (PHB) Set Aside Budget based on updated estimates of year-end actual expenditures from PHB and to move funds into the FY 2015-16 Proposed Budget.

In summary, FY 2014-15 Budget Amendment No. 2 decreases the total PDC budget from \$301,486,384 in the FY 2014-15 Revised Budget to \$300,647,177 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures decrease from \$210,380,254 to \$105,973,108.

Commissioner Edlen joined the meeting at approximately 3:11 p.m.

Commissioner Edlen expressed frustration on the amount of dollars set aside for affordable housing that are not going out the door; he would like to see PDC work with PHB to have projects built and the homeless placed into housing.

Commissioner Dickson asked if this is the last opportunity to make any adjustments to the budget. Mr. Barnes responded that this is the last scheduled revision, but changes can be made at any PDC Board meeting through June.

Chair Kelly asked the following questions:

- Noted that there are items that shift from one year to the next to the next to the next. Mr. Barnes responded yes, there have been a few items over the last few years that have carried over from one FY to the next, like the USPS and the Convention Center Hotel.
- Would like to see these identified more clearly so that PDC Board can see how long they are being carried forward. Mr. Barnes responded that he will provide this information as a list.

Chair Kelly called for a motion to approve Resolution 7106; Commissioner Edlen moved and Commissioner Mohlis seconded the motion.

AYES: Dickson, Edlen, Kelly, Mohlis, Wilhoite

NAYS: None

At approximately 3:23 p.m. Commissioner Wilhoite disconnected from the PDC Board meeting.

11. Information Item – Budget Development Update on Fiscal Year 2015-16 Budget

PDC staff presenting this item:

Tony Barnes, Budget Officer

The purpose of this item is to provide an update on the FY 2015-16 PDC Proposed Budget (Proposed Budget) the PDC Board. Subsequent to PDC Board input and direction, PDC staff will finalize the Proposed Budget in April and present to City Council, acting as the PDC Budget Committee, on May 13, 2015. City Council is expected to approve the Proposed Budget on May 26, 2015. PDC staff will seek the PDC Board's approval of the City Council Approved Budget at the June 24, 2015, meeting.

12. Information Item: Work Session on Portland Development Commission's Long-Term Financial Sustainability

PDC staff presenting this item:

Tony Barnes, Budget Officer

Peter Englander, Opportunities Cooperative Manager

The purpose of this item is for PDC staff to facilitate an open conversation with the PDC Board on PDC's long-term financial sustainability. The intention of the work session is three-fold:

- (1) Provide an update on near- and long-term financial trends and realities;
- (2) Share best practices in resource generation from other economic development and redevelopment agencies; and
- (3) Seek PDC Board support and direction on creating a business plan (Business Plan) that will guide the agency's resource generation efforts for the next twenty years.

Chair Kelly asked the following questions:

- Is PDC staff making the assumption that PDC will never create new URAs? Mr. Barnes responded no; the assumption that tax increment financing is not the answer is in reference to the long-term financial picture.
- So part of the outcome of the Business Plan could be the establishment of new URAs to provide funding streams 15 to 20 years from now? Mr. Englander responded yes; the value of the map shown shows that even when PDC is done spending money in the URAs, there is a period when PDC must wait for significant acreage and assessed value to apply to new URAs.

Executive Director Quinton explained that the grayed-out parts of the map are the areas where new URAs cannot be opened until after 2025. He noted that those are the areas of higher assessed value; while other parts of Portland could become URAS, they have lower assessed value.

Commissioner Edlen asked the following questions:

- Is there a period of time when a URA cannot be opened over a previous URA? Executive Director Quinton responded, no, the limitations are paying off the debt. Mr. Englander added that there is also a higher frozen base.

- With regards to the set aside for affordable housing, would it have the same implications? Mr. Barnes responded yes.
- The set aside for affordable housing that comes out of this, does PDC staff know what percent of the funding resources it is for affordable housing produced in the city by PHB? Mr. Barnes responded that he will look into and report back on what the actual percentage is, but noted that there are also federal funds and City general funds.
- On the non-PDC cash assets, it shows in North Macadam a book value of \$6,500,000 and on the Proceeds and Business Model it says \$0; assuming that is the parcel where affordable housing will be done. Mr. Barnes responded that PDC is not assuming that sale value in the budget.
- So in this model, PDC is putting money aside towards affordable housing in addition to the planned set aside? Executive Director Quinton responded that this has not been determined yet; PDC staff has made assumptions, and could be conservative, but is a model to show cash-in and cash-out.

Commissioner Edlen posed the following questions and statements to ponder:

- The cities that did go through a similar transition that PDC is going through, how long did it take?
- Portland does not have the same philanthropy base as other cities do.
- Which of these cities has a strong mayor system, and what impact that has on executing this?
- Which of these agencies have housing underneath them?

The questions below were posed for discussion, followed by feedback from the PDC Board:

- (1) How should PDC staff proceed in developing a new Business Plan for the agency?
- (2) What role should new tax increment districts play in PDC's future?
- (3) What immediate changes to current business practices should staff make to begin to address the agency's long-term funding needs?
- (4) What new business lines or funding opportunities offer the most promise for new resources?
- (5) Should PDC pursue revenue opportunities that are not core to the agency's mission?

Chair Kelly stated that the PDC Board and staff need to work diligently on this, look into fees for service, and continue to look for more projects. There is a need to have conversations with City Council now about new URAs, as these take time. Every time PDC staff looks at a project, it should be asking if there is any income to be made. Is there a way to create a URA that its sole focus is affordable housing? With regards to the last question, PDC should not be going in direct competition with local businesses.

Commissioner Dickson stated that this feels like a huge task; changing the culture of what PDC is perceived to do will be the biggest task. Would not like for PDC to lose sight of its mission, to help the public, especially the communities of color.

Commissioner Mohlis stated that doing a greater analysis of what other cities around the country are doing and what has been successful would be very useful.

Commissioner Edlen stated that PDC staff need to look at other cities, sorting through what they are doing and how, and see what would be applicable to PDC. Public/private partnerships are very valuable. A question to be asked is, does the city need a PDC; be responsive and transparent about this. Should PDC play a bigger role in housing? The system development charges that are going to Portland Parks &

Recreation, should they be going to PHB or to PDC? There are limited dollars and a broader discussion needs to take place. Everything should be on the table and up for discussion.

13. Action Item: Resolution 7107 – Authorizing a Purchase and Sale Agreement to Convey 0.80 Acres of Real Property in the River District Urban Renewal Area to Williams/Dame & Associates, Inc., for \$7,400,000

PDC staff presenting this item:

Jina Bjelland, Director, Real Estate & Lending

With this action, the PDC Board will authorize Executive Director to execute a PSA between PDC and Williams/Dame & Associates, Inc. (Developer), for the conveyance of Station Place Lot 5 (Property), a 34,808 square foot (SF) PDC-owned parcel, for the consideration of \$7,400,000. The Developer is purchasing the Property to construct a nine-story office building with ground-floor retail, totaling approximately 204,000 SF. Parking will be accommodated through a combination of 80 stalls constructed on site and 99 leased spaces in the existing PDC-owned Station Place Parking Garage. The Property is located in the River District URA at the northeast corner of NW Northrup Street and NW 9th Avenue.

Dike Dame, President of [Williams and Dame Development](#), was asked to share his thoughts. Mr. Dame stated that it is important to note that this is a good thing for the tax payers, and it is his hope that PDC will put sale proceeds towards affordable housing.

Chair Kelly called for a motion to approve Resolution 7107; Commissioner Mohlis moved and Commissioner Edlen seconded the motion.

AYES: Dickson, Edlen, Kelly, Mohlis

NAYS: None

At approximately 4:40 p.m. Chair Kelly called for a break. At approximately 4:50 p.m. Chair Kelly called the meeting to order.

14. Information Item: Update on the Portland Development Commission 2015-2020 Strategic Plan

PDC staff presenting this item:

Kimberly Branam, Deputy Director

The purpose of this item is to provide the PDC Board an update on the status of the PDC 2015-2020 Strategic Plan (Strategic Plan). PDC staff will return to the PDC Board on May 13, 2015, to seek formal approval of the Strategic Plan, which will guide and prioritize PDC's work, budget, and staffing for the next five years.

Commissioner Edlen asked how many people are captured in the feedback received so far. Ms. Branam responded that between the open houses, various meetings, and the online feedback option, PDC received input from approximately 70 people. This does not include feedback from other partners over the course of drafting the Strategic Plan.

Chair Kelly asked of the people who did not agree with the findings, what were their thoughts? Ms. Branam responded that they did not feel that Portland was equitable and affordable; so no, they did not disagree with the goal, they just expressed their feelings on the state of things. There was also some cynicism on PDC's ability to deliver on this objective.

Chair Kelly stated that he has been on the Steering Committee and the criticism he has heard from City Council is that they believe that the Strategic Plan is too aspirational and too audacious. PDC staff needs to be cognizant of this when it provides a report to City Council on May 6.

Commissioner Dickson suggested that some of the objectives and metrics could be fine-tuned, and stated that she would like to provide recommendations on how to do that. Executive Director Quinton responded that they will follow up with Commissioner Dickson; the PDC Board can continue to provide feedback.

Commissioner Edlen stated that during the break, Mr. Barnes answered his question about how much of PHB's budget comes from the set aside, and the answer is 48 percent.

Commissioner Edlen stated that an issue was raised last week, the notion of getting appraisals on properties that PDC is going to dispose of, the discrepancies, and that these appraisals may be somewhat backward looking. Could staff and the PDC Board look at if there is a better way to set that benchmark? Is there a quicker and briefer method, especially when PDC is looking at a market rate transaction rather than mission-driven? Executive Director Quinton responded PDC staff would be happy to initiate that conversation, and noted that historically, the policy was largely put in place as a way of having a third party evaluate a transaction because anything that veers from some kind of data point will be criticized and PDC's motives will be questioned.

At approximately 5:11 p.m. Chair Kelly adjourned the PDC Board meeting and convened the Local Contract Review Board (LCRB).

15. Action Item: Resolution 7108 – Adopting Findings in Support of and Exempting the Centennial Mills Redevelopment Project from Competitive Bidding

PDC staff presenting this item:

Irene Bowers, Sr. Project/Program Coordinator

With this action, the PDC Board, serving in its capacity as PDC's LCRB, will adopt a resolution in support of an exemption from the general rule of competitive low bid solicitation for the Centennial Mills Redevelopment Project (the Project). If approved, the resolution will exempt the public improvement aspect of the Project from the competitive low-bid solicitation requirements in accordance with Oregon Revised Statutes (ORS) 279C.335(2). The LCRB's resolution will allow PDC staff to issue an RFP to solicit the service of a design-build (D/B) team to design and construct public improvements for the Project.

Concurrent with this effort, PDC staff will continue to negotiate a Development and Disposition Agreement with Harsch Investment (Harsch) and seek additional PDC Board guidance concerning the scope and budget for the entire Project. Private development efforts on the Project by Harsch or others are not a part of this LCRB action.

Commissioner Edlen asked the following questions:

- Will PDC staff come back to the PDC Board with more information once the bids are received and how they line up with the various phases? Ms. Bowers responded yes.
- Would you talk briefly on how PDC staff intends on establishing priorities over the various public components? Ms. Bowers responded that PDC staff is working with the community, who have been very involved in the 2006 Framework Plan, which will be used as a guide; they will continue to work with Harsch on the vertical development and how those spaces work with the design, and will continue to check with the public and the PDC Board; and the advantage of working with a D/B team is a better understanding of the budget throughout the whole process.
- So there will be opportunity for the public to weigh in on the priorities? Ms. Bowers responded yes. Chair Kelly added that the schedule shows that there are four open houses scheduled.
- The report has options of with or without the Mounted Police Unit (MPU). It is his understanding that the MPU had vacated; is there still an option for the MPU to return to the site? Ms. Bowers responded that the MPU will be vacating on May 1 to a temporary location for the duration of the demolition work and PDC staff and partners are still looking at options for the MPU's permanent home.

Chair Kelly called forward Patricia Gardner to testify. Ms. Gardner stated that all of the plans being discussed are based on Harsch plans, yet these are plans that the public has not had a chance to discuss and provide input on. The first open house is on July 1, but it is time to talk about the Harsch plan now before moving forward on these other projects so that the public can give their opinion of the Harsch plan.

Chair Kelly asked if it is fair to say that there will be opportunity for the public to provide input into the Harsch plan. Executive Director responded yes, the philosophy of moving forward is for PDC to proceed with the demolition and the preservation, but it does not necessarily state that PDC is going forward with the current Harsch plan. The July 1 open house is specifically for the demolition; this is something that needs to start happening and will not change regardless of what is decided for the site. PDC has not been asked to look at whether the MPU is staying, but PDC staff does not want to completely assume that the MPU is leaving; they are just allowing for two different scenarios to be scoped out.

Commissioner Edlen asked the following questions:

- It is his understanding that PDC staff is approaching the demolition project as if it is creating a pad that could have multiple things happen on it, with the notion that a lot of work has been done by the Harsch team, and all parties have a long way to go before it can agree on moving forward with the vertical development. Ms. Bowers responded yes.
- If the Harsch plan does not come through, it is his understanding that it still creates options. Ms. Bowers responded that yes, PDC staff does need multiple options and have more flexibility with this site.
- There is a lot of interest on this site, the sustainability and affordability and design, and PDC needs to provide enough time for public input. Ms. Bowers responded that PDC staff has learned from the 2006 Framework Plan that there are many eyes on this site and PDC will reengage them as much as possible. There is a salvage plan for materials, and there is a lot of historical documentation that needs to be done before demolition can begin.

Chair Kelly called for a motion to approve Resolution 7108; Commissioner Edlen moved and Commissioner Mohlis seconded the motion.

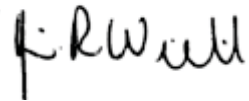
AYES: Dickson, Edlen, Kelly, Mohlis
NAYS: None

Chair Kelly adjourned the LCRB meeting at approximately 5:26 p.m.

12. Adjourn

There being no further business, Chair Kelly adjourned the PDC Board meeting at approximately 5:26 p.m.

Approved by the Portland Development Commission on May 13, 2015



Gina Wiedrick, Recording Secretary

BARRY R. SMITH, PC, ARCHITECT

715 SW Morrison Street
Portland, Oregon 97205
Tel: 503.295.6261 Fax: 503.229.0626
e-mailto: barry@barrysmith.com

**PORTLAND OREGON'S NORTHWEST POST OFFICE SITE
A Proposal for a Creative Industry Production Center
Land Use Review Analysis
April 8, 2015**



The US Postal Service is on record deciding to move its central distribution facility from downtown Portland to a site adjacent to Portland International Airport [PDX]. The General Service Administration [GSA] is currently negotiating with the Portland Development Commission [PDC] to sell the property to the City of Portland.

PREMISE: Production of economical creative content satisfying traditional media like print, motion pictures and television is being overwhelmed by the exponentially expanding demand by cable, streaming and internet providers and the programming groups that are associated with the new media. Portland is an attractive location for technology and creative industries.

OPPORTUNITY: There is a continuous stream of technical, digital and media production in Oregon with Portland at the hub. The current US Post Office facility in Portland's Pearl District is an attractive candidate for production industries that are meeting the demand of Streaming, Tech and Creative companies.

I. GENERAL INFORMATION

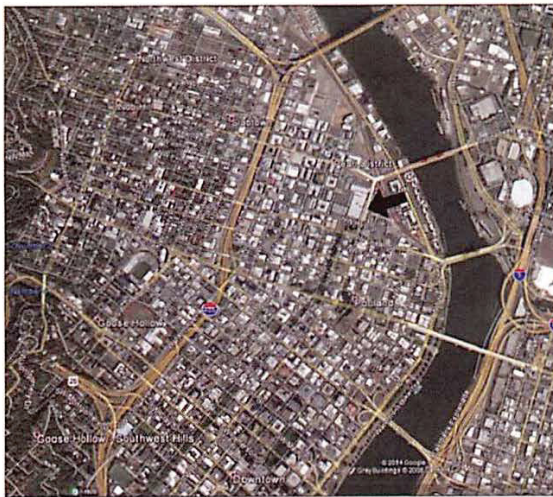
Deed holders US Postal Service
General Manager Real Estate Division
Western Regional Headquarters
San Bruno, California 94099 - 0001

Locations: 715 NW Hoyt Street, Portland, Oregon

Legal Descriptions: 1S1E34BC 100, 200
Approximately 13.37Ac; 582,447 sq. ft.
➤ 557,464 SF existing buildings by assessor
Zoned EXd

Tax Account #(s) R140726; R140728

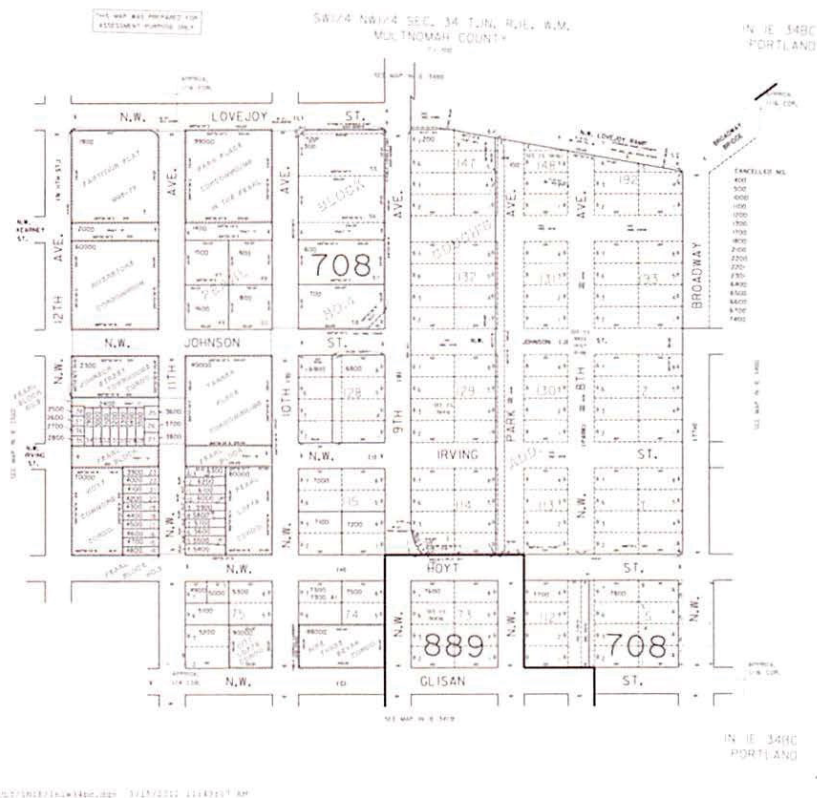
Zoning: EXd – Central City Plan – River District
4:1 FAR with 3:1 FAR Bonus
75FT Height limit with 45FT Height bonus [120FT]



Vicinity Map

Aerial View of Site

II. LAND USE ANALYSIS



| | |
|--|------------------|
| Total Site Area | 582,447 SF |
| Allowable FAR 4:1 | 2,329,788 |
| Bonus FAR 3:1 | <u>1,747,341</u> |
| Maximum Allowable FAR | 4,077,129 SF |
| | |
| Street and Pedestrian ROW Restoration | 206,394 SF |
| Total Site less ROW Restoration | 376,053 [65%] |
| Allowable FAR without Transfer | 1,504,212 |
| Bonus FAR | <u>1,128,159</u> |
| Maximum Allowable FAR without Transfer | 2,632,371 SF |

III. PROPOSAL

This proposal is intended to demonstrate the difference between developing the site to its maximum potential floor area compared to developing employment and mixed use spaces in demand today.

The proposal is to divide the existing US Postal Service facility in Northwest Portland into a mixed-use corridor along NW 10th Avenue and an employment corridor along NW Broadway. The 10th Avenue pattern is a transition from the high rise zone in the Pearl District to the lower heights allowed on the NWPO site and the employment zone.

The site is an existing Federal Distribution Facility built to federal GSA regulations. The existing sorting buildings are easily convertible into open floor plan creative space. There is 392,208 SF in the existing facility with 10,728 SF in an existing transfer building and a 154,528 SF parking garage. The site is designed for moving heavy shipping and vehicular traffic into the Interstate Highway system.

The unique pedestrian quality of the Pearl District neighborhood is attracting out of State companies who need to use the facilities now. The district is testimony to good urban planning. Employment based occupancies work in the district and the demand for space is accelerating.

The plan is to combine a mix of street and pedestrian right of way restoration along NW 10th Avenue with continuous employment along NW Broadway where the right of way is interrupted by the Broadway Bridge approach. A public open space or park is planned over underground parking. The proposed dedication in the plan is:

| | |
|--|------------------|
| Street and Pedestrian ROW Restoration | 109,994 SF |
| Total Site less ROW Restoration | 472,453 [81%] |
| Allowable FAR without Transfer | 1,889,812 |
| Bonus FAR | <u>1,417,359</u> |
| Maximum Allowable FAR without Transfer | 3,307,171 SF |

A Creative Technology Production Center

This Master Plan shows how a Creative Technology production Center works at the current US Post Office and distribution facility in Portland Oregon's Pearl District Neighborhood. The intent of the design is to provide job producing elements that can take advantage of the great public investment in the district.

Creative Space Blocks: The plan features two, five story, 300,000 SF high bay buildings with 60,000 SF large span spaces on each level. Occupying three acres of valuable Central City property, the Creative Space Blocks are designed for maximum flexibility. Building Heights are limited in order to preserve views to the Willamette River and Cascade Range beyond.

Office Space Blocks: With access to the Creative Space Blocks, two 90,000 SF buildings are intended to provide open space, high ceiling sustainable workspace that meets the current demand of Creative Companies for Real Estate in Portland's pearl District.

Mixed Use Apartments: Designed at higher heights than currently allowed on the site, two 225,000 SF mixed use housing blocks are shown. Allowing greater heights on the housing blocks reserves some site area for public open space activities.

Existing Sorting Facility – Post Production and Offices: With existing wide open bays the existing sorting facility is ideal for converting to work space. Small and large studios, and workspace that needs flexibility can occupy the existing facility quickly after the Postal Service vacates. Existing offices can be freshened up for executive use.

Theater and Structured Parking: Over the existing structured parking garage a multi-purpose theater is proposed modeled on Cirque du Soleil's Zumanity Theater in Los Angeles. Financially, the theater will have to be supported by other activities in the Center. But, having

Public Open Space: Space is provided in a partial restoration of NW 9th Avenue, NW Johnson and NW Kearney Streets, a 72,000 SF plaza or park at the NW Irving Street terminus and at the terminus of the North park Blocks on NW Hoyt Street.

5 Year Development Program

Existing Buildings

| | |
|--|---------------------|
| Convert Sorting Facility to Studio, Post Production and Office Space | 392,208 square feet |
| Existing parking structure | 154,528 |
| Add Theater to Parking Facility | 90,000 |

New Construction

| | |
|--|------------|
| Two [2] New Creative Space Blocks | 600,000 SF |
| Two [2] Five Story Office Space blocks | 180,000 |
| Two [2] Apartment Blocks: 225 Units | 550,000 |

Total FAR **1,966,736 SF**

So, using the existing facilities to meet current market demands reserves between 665,000 and 2,110,393 square feet of floor area for future development depending on the right of way preservation transfer.

Parametric Budget: The Multnomah County assessment history of the combined Post Office Facility is available with this report. See attachment.

Costs: In order to begin to understand expenses for developing the program, current comparable market project costs look like the following. [See the attached worksheet] No cost acceleration is included in these budget numbers.

| | |
|-------------------------------------|-------------------------|
| Acquisition | \$ 87,367,050.00 |
| Site Improvement | 47,965,337.50 |
| Existing Facility Renovation | 39,220,800.00 |
| New Construction | 344,450,000.00 |
| Other Costs | 156,812,394.21 |
| 5 Year Program current total | \$675,815,581.71 |

Income: Income is based on comparable, current market rent conditions. [See the attached worksheet]. No acceleration is included.

| | |
|--------------------------|------------------------|
| Residential Income | \$ 19,800,000.00 |
| Creative Block Income | 14,400,000.00 |
| Office Block Income | 3,960,000.00 |
| Parking | 1,131,000.00 |
| Existing Facility Income | 8,628,576.00 |
| Less Expenses | (\$ 13,271,496.28) |
| NOI | \$34,648,079.72 |

IV. CONCLUSION

Using an income approach to conventional private funding to the 5 Year Plan shows a 10% margin on approximately \$200 million in equity. For this Jobs Based approach to the site, the public improvement burden from the Post Office's environmental impact may be too expensive. The acquisition cost should be reevaluated.

NWPO
Development Analysis
04 08 2015

Based on 04 08 2015 Report

Barry R. Smith, PC, Architect
www.barryrsmith.com

DEVELOPMENT COSTS

| <u>Item</u> | <u>Units</u> | <u>Unit Price</u> | <u>Subtotals</u> | <u>Totals</u> | <u>Remarks</u> |
|---------------------------------|--------------|-------------------|------------------|-------------------------|-----------------------------|
| Prep, Mass Excavation, Shoring | 472,453 | \$2.50 | \$1,181,132.50 | | |
| Utilities, Vaults, etc | 472,453 | \$10.00 | \$4,724,530.00 | | |
| Street Improvements | 109,994 | \$250.00 | \$27,498,500.00 | | |
| Landscape and Storm Water | 582,447 | \$25.00 | \$14,561,175.00 | | |
| Existing Facility Renovation | 392,208 | \$100.00 | \$39,220,800.00 | | |
| Theater | 90,000 | \$600.00 | \$54,000,000.00 | | |
| Creative Blocks | 600,000 | \$200.00 | \$120,000,000.00 | | |
| Office Blocks | 180,000 | \$165.00 | \$29,700,000.00 | | |
| Residential Blocks | 550,000 | \$185.00 | \$101,750,000.00 | | |
| Sub grade parking | 600,000 | \$65.00 | \$39,000,000.00 | | |
| | 2,020,000 | | | | New construction |
| Total Construction Costs | | | | \$431,636,137.50 | |
| Other Costs | | | | | |
| A+E | | 5.14% | \$22,164,515.66 | | |
| Permit Fees and Charges | 2,020,000 | \$35.00 | \$70,700,000.00 | | This needs to be verified |
| Inspections and Testing | 4,049,555 | \$1.25 | \$5,061,943.75 | \$97,926,459.41 | |
| Land Cost | 582,447 | \$150.00 | | \$87,367,050.00 | |
| Construction Financing | 6.00% | 1.2% | \$616,929,646.91 | \$18,507,889.41 | 30 month Construction Phase |
| Working Capital | 10.00% | 15% | \$635,437,536.32 | \$9,531,563.04 | |
| Other Development Expenses | 5.00% | | | \$30,846,482.35 | |
| Total Other Costs | | | | \$244,179,444.21 | |
| Total Project Costs | | | | \$675,815,581.71 | |

NWPO

Development Analysis
04 08 2015

Based on 04 08 2015 Report

Barry R. Smith, PC, Architect

www.barryrsmith.com

Income

| | <u>Units</u> | <u>Unit Price</u> | <u>Sub Total</u> | <u>Totals</u> |
|--------------------|--------------|-------------------|------------------|---------------|
| Residential Income | 550,000 | \$3.00 | \$19,800,000.00 | |
| Creative Blocks | 600,000 | \$24.00 | \$14,400,000.00 | |
| Office Blocks | 180,000 | \$22.00 | \$3,960,000.00 | |
| Parking | 754,000 | \$1.50 | \$1,131,000.00 | |
| Existing Facility | 392,208 | \$22.00 | \$8,628,576.00 | |

Unit Price is per square foot per month, net electrical

Theater has no income

Unit Princ is per square foot per year, nnn

Costs

| | | |
|-------------------|-----------------|-----|
| Residential | \$19,800,000.00 | 32% |
| Creative Blocks | \$14,400,000.00 | 24% |
| Office Blocks | \$3,960,000.00 | 24% |
| Parking | \$1,131,000.00 | 10% |
| Existing Facility | \$8,628,576.00 | 28% |

\$47,919,576.00

(\$6,335,999.00)

(\$3,455,999.00)

(\$950,399.00)

(\$113,099.00)

(\$2,416,000.28)

NOI

\$34,648,079.72

Valuation

\$34,648,079.72 5.00%

\$692,961,594.40

Conventional Financing

| | | | |
|--------|-----|------------------|------------------|
| Equity | 30% | \$675,815,581.71 | \$202,744,674.51 |
| Debt | 70% | \$675,815,581.71 | \$473,070,907.20 |

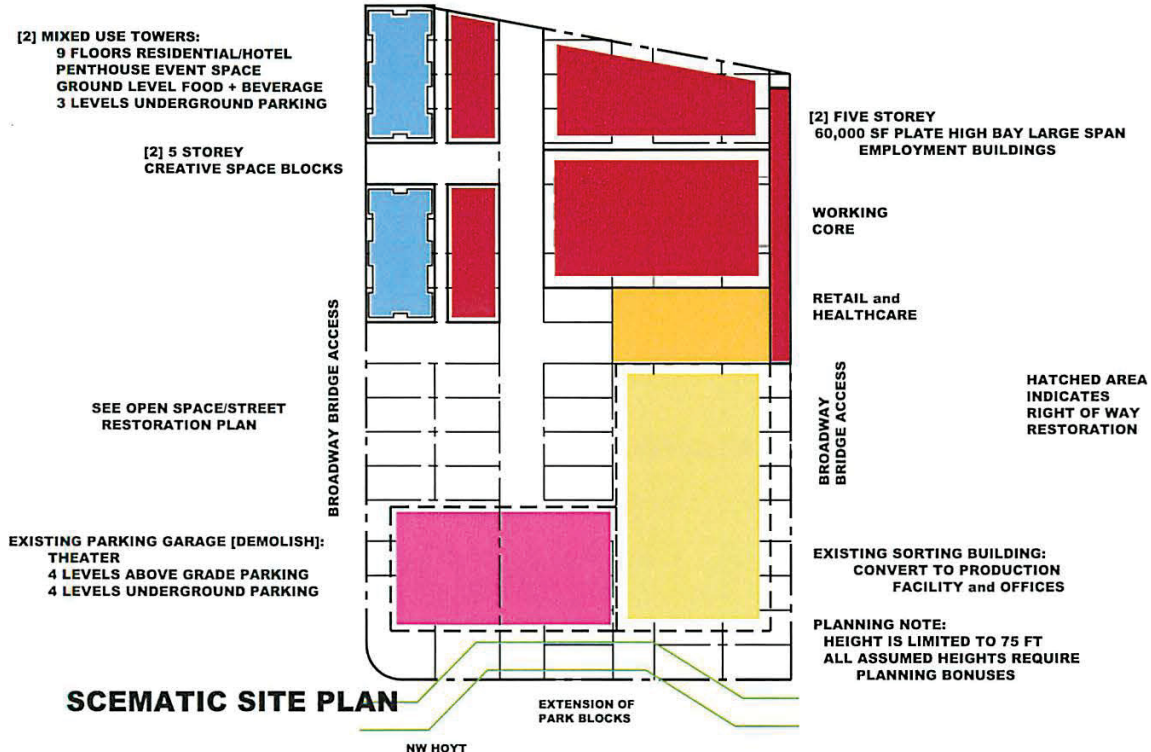
(\$32,549,828.12) 5.5% P&I; 30 years

Debt Service

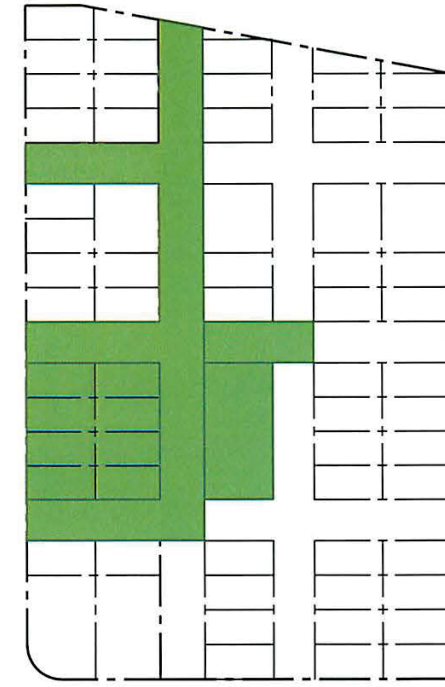
Net Income [ROI]

\$2,098,251.60

0.010349232



SCHEMATIC SITE PLAN



PUBLIC RIGHT OF WAY RESTORATION PLAN

SITE ANALYSIS 04 08 2015



Capturing The Creative Economy

**A NEW INDUSTRY PROJECT
at
PORTLAND OREGON'S PEARL DISTRICT
NW US POST OFFICE FACILITY**



BARRY R SMITH, PC Architect
715 SW MORRISON STREET SUITE 909
PORTLAND OR 97205 503.295.6261
www.barryrsmith.com

