



This document constitutes the official meeting record of the March 25, 2009, Portland Development Commission Board of Commissioner's meeting held at 222 NW Fifth Ave., Portland, OR 97209.

I. CALL TO ORDER AND ROLL CALL

Chair Wilhoite called the meeting to order at approximately 8:08 a.m.

Ms. Emily Swenson, acting as recording secretary for the Board, called the Commission roll:

Chair Charles Wilhoite	PRESENT
Commissioner Scott Andrews	PRESENT
Commissioner Bertha Ferran	PRESENT
Commissioner John Mohlis	PRESENT

II. MEETING MINUTES

Chair Wilhoite called for a motion to approve the meeting minutes of March 11, 2009 as submitted.

Commissioner Ferran moved and Commissioner Mohlis seconded the motion to approve the minutes as submitted.

III. EXECUTIVE DIRECTOR'S REPORT

Executive Director Bruce Warner presented his Executive Director's Report. He highlighted the following:

- Mr. Warner stated he attended a major celebration at the Rose Garden held by a local diversity Institute and family owned local business, CH2A and Associates. He accepted an award on behalf of the PDC "Show Me the Money", which recognized PDC's commitment to diversity and increase of allocation of money through direct contracting to minority, women and emerging small business owners. Mr. Warner mentioned he expressed his thanks to PDC's private sector partners for their work as well;
- The first meeting with the City Council on the PDC budget was held which outlined the review of the Office of Management and Finance. It was clear work is still needed on the budget. In particular, work is needed on how best to integrate PDC's Housing functions into the new Housing Bureau and describe the budget implications of the move;
- Mr. Warner also stated a report was provided to City Council regarding the creation of a new housing bureau. He said although the report was very high level, it was clear there is still a lot of work to do before such a transition can occur. He noted Mr. Ken Allen, representing AFSCME, as well as a couple of PDC employees appeared before the City Council express their concerns and ask the City Council for a complete process in order to make sure the transition is done correctly. Mr. Warner further noted there was an editorial on the housing transition written by Mark Rosenbaum in the Oregonian.

Charles A. Wilhoite  
Commission Chair

Bertha Ferrán  
Commissioner

John C. Mohlis  
Commissioner

J. Scott Andrews  
Commissioner

Position 5 (vacant)  
Commissioner

Tom Potter  
Mayor

Bruce A. Warner  
Executive Director



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IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

As there were no public comment for items not on the agenda, Chair Wilhoite moved to the consent agenda.

V. CONSENT AGENDA

Commissioner Wilhoite called for a motion to adopt the Consent Agenda:

Resolution No. 6685, titled, "Create Two New Regular at-Large Member Positions for the Central Eastside Urban Renewal Advisory Committee and Appoint Eric Shoemaker to the Citywide Interest Position and Darinelle Troen to the Creative Industry Position."

Resolution No. 6690, titled, "Authorizing First Amendment To Disposition And Development Agreement With The Housing Authority Of Portland For The Resource Access Center Increasing The \$500,000 Expenditure Authority On Environmental Remediation To \$750,000."

Resolution No. 6691, titled, "Authorize Contract And Expenditure Authority To Increase Existing Environmental Remediation Contract Resulting In A Contract In An Amount Not To Exceed \$650,000 With Westech Environmental."

Resolution No. 6688, titled, "Portland E-Zone E-Commerce Designation Application Approval."

Commissioner Ferran moved and Commissioner Andrews seconded the motion to adopt the consent agenda.

AYES: Wilhoite, Andrews, Ferran, Mohlis  
NAYS: None

VI. CHANGE IN REPAYMENT STRUCTURE FOR THE MEIER FRANK HISTORIC BUILDING REHAB LOANS

Mr. Ross Plambeck, Mr. Alfred Bookman presented Report No. 09-37, titled, "Change in Repayment Structure for The Meier Frank Historic Building Rehab Loans."

Mr. Bookman stated the action before the Board was to:

1. Authorize a change in the repayment structure of 3 of 4 PDC loans, made to Urban Heritage Hotel and related entities, to cash flow dependent status until March 31, 2015 (the expiration of the New Market Tax Credit compliance period). The proposed PDC cash flow and interest accrual provisions will provide relief during a difficult economic climate but will require debt service payments as soon as the property is able to make those payments;
2. Authorize the movement of the \$3.0 million from an unsecured loan to Buildco to a new loan for the same amount plus accrued interest to Ownco to satisfy the New Markets Tax Credit structure;
3. Authorize the Executive Director to enter into a Second Amendment to the Third Amended and Restated Development Agreement with Portland Hotel Developer, LLC.

He said the action is necessitated by the reduction of hotel income caused by the recent, unprecedented, economic downturn. The resulting Net Operating Income (NOI) of the hotel has been reduced to a level that will only allow payments to the senior debt. The proposed action will result in \$570,769 less in loan payments coming from the property, to PDC's River District URA, in the next 12 months. This will enable the conversion of mezzanine debt to permanent loan status and will enable the property to keep the senior loans current and avoid default actions.

Mr. Plambeck stated the current five-year forecast anticipated receiving \$336,000 annually for loans 38439-06 and 38440-06. With the net-reduction in dollars collected over the five-year forecast for these loans, the River District revenue forecast will be decreased a total of \$1,680,000 through June 30, 2014, requiring a corresponding decrease of \$1,680,000 in planned projects or programs. FY 2009-10 projects are not necessarily impacted since adequate tax increment funds exist to fund all projects and programs in the draft FY 2009-10 budget, however this will require making a cut of \$1,680,000 to projects and programs later in the five-year forecast.

Mr. Kenneth Geist, Executive Vice President of Development for Sage Hospitality stated they are requesting the change in the repayment structure of three of the four loans to Urban Heritage Hotel and related entities to cash flow dependent status until March 31, 2015; the expiration of the New Market Tax Credit compliance period. This necessitated by the reduction of hotel income caused by the recent, unprecedented economic downturn.

Commissioner Wilhoite called for a motion to adopt Resolution No. 6689, titled, "Authorizing the Executive Director to Execute a Second Amendment to the Third Amended and Restated Development Agreement and to Modify Loan Documents that Provide for the Change in Payment Structure for Three Loans Made to Sage Hospitality, LLC Related Entities in Connection with the Rehab of the Meier Frank Historic Building."

Commissioner Mohlis moved and Commissioner Andrews seconded the motion to adopt Resolution No. 6689.

AYES: Wilhoite, Andrews, Ferran, Mohlis  
NAYS: None

VII. SECOND AMENDMENT TO THE LETTER OF INTENT AND ESCROW AGREEMENT WITH THE UNITED STATES POSTAL SERVICE FOR PROPERTY LOCATED AT 715 NW HOYT

Ms. Erin Flynn and Mr. Steven Shain presented Report No. 09-35, titled, "Second Amendment to the Letter of Intent and Escrow Agreement with The United States Postal Service for Property Located at 715 NW Hoyt."

Ms. Erin Flynn stated the proposed action would approve the Second Amendment to the Letter of Intent (LOI) between the United States Postal Service (USPS) and Portland Development Commission (PDC) and the terms of the Escrow Agreement between the USPS, PDC and Chicago Title Insurance Company, extending the Exclusive Negotiation Period by 365 days to March 31, 2010. It will authorize the Executive Director to execute those documents on behalf of PDC. The action will also change the date anticipated for execution of a Purchase and Sale

Agreement (PSA) with USPS for the 13.4 acre main Processing and Distribution Center (P&DC) at 715 NW Hoyt Street, Portland, Oregon to March 31, 2010.

Mr. Steven Shain stated PDC staff has been working diligently with USPS and their broker, Jones Lang LaSalle (JLL), since October 2007 to negotiate a LOI that quantifies how the purchase price would be calculated and other terms and considerations that will be considered in a PSA. The PDC Board of Commissioners (Board) approval of the LOI and Escrow Agreement (Resolution 6565, March 28, 2008) directed PDC to place up to \$2,000,000 in escrow as earnest money, to be disbursed to USPS at specific points in the process. Extending the timeline for the LOI and PSA to March 31, 2010, provides additional time to complete due diligence, which requires property appraisals, environmental studies and demolition reports, and to set a purchase price for the USPS property.

Ms. Erin Flynn said extending the timeline for the LOI and Escrow Agreement with USPS would increase the likelihood that PDC will be able to acquire the largest parcel available for redevelopment in Portland's Central Business District (CBD). She said it would benefit the public in the following ways:

- Provide the opportunity to establish a City vision for this signature 13.4 acre site in North Downtown;
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- Provide an opportunity to focus on a mixed use development with substantial economic development uses that will create jobs for Portland's future;
- Provide the ability to integrate the site into the fabric of the city;
- Further the relocation of the USPS P&DC from the CBD to a site that will support co-location of mail business;
- Eliminate conflicts of USPS large truck traffic in CBD;
- Eliminate security challenges based on USPS current location;
- Turn the contaminated Brownfield on the USPS P&DC site into higher productive uses;
- Provide the opportunity to generate millions of dollars of property tax upon redevelopment; and
- Create opportunities to strengthen the regional economy.

Chair Wilhoite called for a motion to adopt Resolution No. 6687, titled, "Approving the Second Amendment to the Letter of Intent with The United States Postal Service and Second Amendment to Escrow Agreement with The United States Postal Service and Chicago Title Insurance Company Extending the Exclusive Negotiation Period By 365 Days to March 31, 2010, and Changing the Date Anticipated for Execution of a Purchase and Sale Agreement to March 31, 2010, for the Property Located at 715 NW Hoyt Street, Portland, Oregon, in the River District Urban Renewal Area."

Commissioner Ferran moved and Commissioner Andrews seconded the motion to adopt Resolution No. 6687.

AYES: Wilhoite, Andrews, Ferran, Mohlis  
NAYS: None

Please note Commissioner Mohlis left the Board meeting at approximately 8:58 a.m.

## VIII. MARTIN LUTHER KING, JR. BLVD. ACTION PLAN PROGRESS REPORT

Ms. Estee Segal, Mr. Byron Estes and Mr. Stephen King presented Report No. 09-39, titled, "Martin Luther King, Jr. Blvd. Action Plan Progress Report."

Mr. Byron Estes stated on June 11, 2008, the Portland Development Commission (PDC) Board of Commissioners (Board) approved Resolution No. 6595 and the *Martin Luther King Jr. Boulevard Updated Action Plan* (Updated Action Plan). The Updated Action Plan included minor revisions to the original document, which focuses limited public resources on implementing long standing goals and furthering revitalization on NE Martin Luther King Jr. Boulevard (MLK Blvd.) through 2013, the last year to issue debt in the Oregon Convention Center (OCC) Urban Renewal Area (URA). The Updated Action Plan is an opportunity for PDC to work on behalf of neighborhood residents, businesses and property owners to provide a means of communication for furthering revitalization along NE Martin Luther King Jr. Boulevard. This information item is an update on work and progress made on action items since June 2008.

Ms. Sara King stated staff prioritized five action items within the Updated Action Plan to focus on for fiscal year 2008-09. While work will continue on all action items in the MLK Action Plan, staff believes more intensive focus on a few priorities will lead to more progress. The five priority action items and progress on each one is detailed below:

- 1. Actively promote PDC programs and resources – specifically Storefront, Development Opportunity Services (DOS) and the Commercial Redevelopment Loan Fund (CRLF) - that are available to property owners and small businesses along MLK Blvd.** In September, staff sent a marketing letter to all property owners and businesses in the OCC URA, north of Broadway, promoting the Storefront, DOS and CRLF programs. This mailing has prompted a number of inquiries and applications for these resources. Currently, ten Storefront and five DOS projects are underway along MLK Blvd. In October, staff developed and sent out a press release on a Notice of Funds Available (NOFA) specific to the CRLF. The Portland Business Journal and the Daily Journal of Commerce both published an article about the funds and program. Four interested applicants came to an open house held in late October to discuss the resources and staff received two applications, which are currently under review;
- 2. Reenergize the MLK Business Ambassador Network and organize a Commercial Broker Tour where brokers and ambassadors meet to discuss opportunities and challenges along MLK Blvd.** On December 10, 2008, 18 commercial brokers and two MLK Business Ambassadors participated in a lunch discussion and tour that started at Old Town Pizza at Vanport Square. The opening remarks were made by Commissioner Andrews. The goal of the event was to educate commercial brokers about PDC resources and opportunities along MLK Blvd. It was also to introduce them to successful business owners that are part of the MLK Business Ambassador Network. The event was successful based on high attendance and positive feedback from participants from an evaluation survey sent after the event. Staff plans to further strengthen communication opportunities with commercial brokers, as well as add one or two additional ambassadors to the network over the next few months;
- 3. Explore new models for commercial development and ways to better assist Minority, Women and Emerging Small Businesses in the MLK Corridor.** Staff is

researching the potential benefits of creating a Portland Main Street Program, similar to the National Historic Trust Main Street Program in cities such as Boston, Baltimore and Washington D.C. In September, staff from the National Historic Trust came to Portland to further detail the benefits of this approach. This program could have significant impact on the City of Portland in the future, as it could provide technical assistance to significantly strengthen many commercial corridors. Staff is developing a work plan to define PDC's new "community economic development" approach and its applicability in N/NE Portland. One discussion that has already occurred with the MLK Advisory Committee is the feasibility of PDC establishing a "Resource Center" on the boulevard that would house a community conference room and provide a small business ombudsman. An ombudsman could help stakeholders navigate the vast landscape of technical assistance providers, capital sources and answer general questions about how PDC and other bureaus can help residents and businesses on the boulevard survive the current economic downturn. The idea was well received and the members concluded that if the right partners were included this could be a great way for businesses to get access to resources and information;

- 4. Initiate the next phase of the MLK Blvd. Gateway and Heritage Markers Project.** With origins dating back to 1990 in the "Albina Community Plan," this project has been on the radar of stakeholders for almost two decades. In September, a consultant team finalized the Concept Plan for the Gateway and Heritage Markers Project after a year of working with staff and the community. The next phase of this project will be to further define and specify the elements to be built – both at the Gateway site, as well as the series of heritage markers along MLK Blvd. Staff plans on hiring consultants this spring to develop construction documents for both elements, and will work on a long-term maintenance plan, as well as a method for nearby businesses/foundations to be involved in ongoing sponsorship of the project; and
- 5. Implement findings of high-density residential zoning study (RH Study) to assist property owners with development along MLK Blvd.** Many of the still vacant properties along MLK Blvd. are zoned RH, which requires a high-level of residential development and allows only minimal ground-floor commercial. Staff believes that the lack of development on many sites along MLK Blvd. is due to the stringent requirements of this zoning and the weak market for the construction of new housing in this area. The RH Study, completed by an architect consultant, looked at ways and methods for encouraging development in the RH zone. Staff intends to reach out to individual property owners with RH zoned land, to share results of the study, and try to assist them in finding ways to make development feasible.

Mr. Stephen Green stated in addition to progress on the action items detailed above, there are a few other projects and items that have been significant in the last six months. In early October 2008, PDC sold the land at MLK Blvd. and Beech St. to Beech Street Partners, LLC (BSP), after many months of planning and negotiation. BSP is developing the site with a 30,000 square foot headquarter facility for Planned Parenthood of the Columbia/Willamette and 5,000 square feet of retail. Planned Parenthood will employ over 150 people, bringing many new customers to nearby restaurants and businesses.

He said in November, staff gave Representative Chip Shields a tour of a portion of Martin Luther King, Jr. Blvd., highlighting projects underway in both the Interstate Corridor and the OCC URAs. Representative Shields was impressed with PDC's assistance to individual property

owners in the area that he represents. Also in November, PDC hosted a workshop on project construction, which was the last in a series of Development Forums offered to property owners in the Interstate Corridor and OCC URAs. The series of five workshops was attended by over eighty people and brought in development practitioners to discuss all aspects of the real estate development process.

In July 2008, PDC and various other public/private agencies were approached by the National Association of Minority Contractors (NAMCO) to help in the rehabilitation of one of the oldest African-American owned community facilities in Portland. The Billy Web's Elks Lodge has been a fixture in the Northeast community for more than 80 years and continues to serve the area, even in its current dilapidated state. Many local area contractors and professionals have donated their time and service to take on the project. PDC was asked to provide a grant for the project which would cover \$50,000 in invoices for work and services performed on the building. In January of this year a grant for \$50,000 to the project was approved.

In addition PDC worked with a consultant to develop an "interactive map" to allow public stakeholders to keep up-to-date with progress on PDC assisted projects in the OCC URA. This map can be accessed through the PDC website and is an easy way for the public to get status updates of catalyst projects.

He said staff is also very involved in the North/Northeast Economic Development Initiative currently underway to look at future options for urban renewal in the area. This work aligns closely with an action item in the MLK Action Plan that calls for establishing criteria for expanding the OCC URA boundary to include key sites along MLK Blvd. and Alberta St. This study will help further determine priority projects and next steps to encourage further development along MLK Blvd.

Mr. Green stated while much progress has been made along NE Martin Luther King, Jr. Blvd. over the last nine months, the area has not been immune to the national economic downturn. Challenges to development remain in the area – for both public and private projects. Lease-up of office space at the Heritage Building has been slower than expected and the Fremont Residential project has been stalled due to issues with the project's general contractor. Vanport Phase III is on hold as 24-Hour Fitness has delayed its expansion plans due to the economy. On the other hand, new businesses continue to come on line and request financial assistance from PDC. The MLK Action Plan will serve as a guiding document to move forward with inclusive development that benefits the immediate community.

#### IX. THE PORTLAND DEVELOPMENT COMMISSION'S FIRST SUSTAINABILITY REPORT (COVERING FISCAL YEAR 07-08) AND STATUS UPDATE OF THE CITY AND PDC'S GREEN BUILDING POLICY

Ms. Erin Flynn stated the goal of sustainability is to simultaneously improve environmental, economic, and community health today and future generations. This is PDC's first Sustainability Report and it highlights the variety of ways in which PDC is contributing to Portland's standing as one of the greenest cities in America. These include investing in green commercial development and affordable housing, mass transit, community parks, green streets and green jobs. She said the briefing would review highlights from PDC's Sustainability Report, which covers the 2007-2008 Fiscal Year and reports on the accomplishments in terms of PDC's 2007 Sustainability Plan commitments. The Report also discusses the impact of PDC's programs on individuals, communities and businesses in Portland metropolitan region.

She also said the status of PDC Green Building Policy update will be highlighted, with sections on commercial development and tenant improvement. The City of Portland's draft High Performance Green Building Policy, released for public comment in November 2008, will also be summarized by staff from the Bureau of Planning and Sustainability.

In addition, Ms. Flynn stated, PDC, at the Mayor's request, is drafting the City of Portland's Economic Development Strategy. That strategy embraces sustainability as its central theme and, as such, incorporates many PDC sustainability actions. Our goal is to align and possibly merge that strategy with our existing Sustainability Plan to develop shared objectives and ensure maximum coordination. We expect to present a coordinated strategy to the Board in June.

Ms. Cindy Bethell stated the production of PDC's Sustainability Report is the culmination of steps set in motion by the Portland City Council in December 2006 when it passed Resolution No. 36468, which required all bureau directors to appoint a Sustainability Liaison who would facilitate the development of an annual Sustainability Plan, the first of which would cover the 2007-2008 FY. The following year the liaisons would develop annual Sustainability Reports, the first of which was due following the 2007-2008 FY. PDC's Sustainability Report: *Sustainability in Urban, Community, and Economic Development*, was developed in part, as a response to these directives.

Ms. Bethell also stated in 2001, the City Council passed Portland's first Green Building Policy. PDC then developed guidelines for that policy as it applied to PDC. Later that year, those guidelines were approved by the PDC Board of Commissioners (Board) on September 12, 2001 (Resolution No. 5754). On April 27, 2005, City Council approved Resolution No. 36310, both the City and the Board approved an updated version, *Green Building Policy Guidelines* (Resolution No. 6262). In September 2007, PDC convened a Green and Healthy Affordable Housing Coalition that consisted of one for-profit and nine nonprofit developers, and the appropriate city staff to develop recommendations for a new green affordable housing policy. This action was prompted by the Portland City Council Resolution No. 36310 (April 27, 2005) that read in part,

THEREFORE, BE IT RESOLVED that the Portland City Council . . . directs all City Bureaus and the Portland Development Commission to . . . Update the City of Portland's Affordable Housing green building threshold and voluntary guidelines."

She said in November 2008, the new affordable housing policy was in a final draft form. In December 2008, after Mayor Sam Adam's announcement regarding the creation of a new Bureau of Housing, Kate Allen, the senior housing policy advisor for Commissioner Nick Fish, who is managing the creation of the new Bureau of Housing, requested that PDC continue to lead this policy effort until the Bureau of Housing is established.

Ms. Bethell also stated PDC is also developing policy updates for the tenant improvement and commercial/retail development sections of the *Green Building Policy Guidelines*. Since 2007, the City of Portland has also been developing its next generation green building policy. PDC has worked closely with the Bureau of Planning and Sustainability to achieve a large degree of alignment between the two policies.



X. ADJOURN

There being no further business, Chair Wilhoite adjourned the meeting at 10:04 a.m.

Respectfully submitted,

**Approved by the Portland Development Commission on May 14, 2009.**

A handwritten signature in cursive script, appearing to read "Emily Spelman", is centered within a rectangular box.