

*Investing in
Portland's Future*



This document constitutes the official meeting record of the May 12, 2010, 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 Scott Andrews called the meeting to order at approximately 3:05 p.m.

J. Scott Andrews
Commission Chair

Ms. Renee Castilla, acting as recording secretary for the Board, called the Commission roll:

Bertha Ferrán
Commissioner

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

John C. Mohlis
Commissioner

II. MEETING MINUTES

Steven Straus
Commissioner

Chair Andrews called for a motion to adopt the meeting minutes of April 14, 2010 and April 28, 2010.

Charles A. Wilhoite
Commissioner

Commissioner Mohlis moved and Commissioner Ferran seconded the motion to adopt the meeting minutes.

Sam Adams
Mayor

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

Bruce A. Warner
Executive Director

Chair Andrews congratulated Commissioner Ferran for her successful fundraising efforts as Chair of the Hispanic Metropolitan Chamber Scholarship Award. He said this year, scholarships were offered to 40 students totaling \$109,000. Since 1986, more than \$1 million has been awarded.

III. EXECUTIVE DIRECTOR REPORT



Executive Director Bruce Warner presented Report No. 10-30, titled, "Executive Director Report". He highlighted the following:

- Portland continues to rack up "green city" credentials with the recent awarding of LEED Gold certification to Ziba Design's headquarters building at NW 9th and Lovejoy. Ziba's headquarters was built with financial assistance from PDC. In addition, on April 6 at the 2010 Brownfields Conference, PDC received the Oregon Brownfields Award for its work on the Station Place redevelopment – which includes Ziba, Station Place Garage and Station Place Tower senior housing. Ziba's headquarters is built on a former brownfield site near the Union Station rail yards and features reclaimed wood, concrete floors, large windows for natural light and a rooftop vegetable garden;
- Met with John Jackley and Erin Flynn regarding Cincinnati delegation visit on May 3;

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- Splash (London) is an international design and production agency that works with leading brand owners and agencies, helping clients create, produce and manage global advertising campaigns across multiple channels. The company is an independent provider of marketing management systems; enabling clients to drive efficiency and brand consistency across the communications supply chain. After considering a number of cities around the United States, Splash has decided to expand into the Pacific Northwest by opening a production facility in Portland. Splash (Northwest) services will differ slightly from those offered by the parent company: while the London office focuses on artwork adaptation and preparing files for press advertising (which requires outsourcing much of the production), the Portland office will focus on commercial photography services, creative retouching and digital advertising production, and intends to do any/all production work in-house. With tenant improvement assistance from the PDC, Splash is leasing a 2,902 square feet office and production space in the Eastbank Commerce Center in the Central Eastside URA, and anticipates hiring up to 10 full-time employees;
- On April 15, the Housing Authority of Portland (HAP) transferred title of the Grove Hotel to PDC per the Purchase and Sale Agreement executed August 28, 2008. In the agreement, PDC loaned HAP \$3.4 million to purchase and rehabilitate the building as interim housing for Central City Concern's Housing Rapid Response Program until their space in the Golden West becomes available. In exchange for the title, PDC has forgiven HAP's debt. The acquisition was part of a larger plan that included the construction of the Resource Access Center (RAC), the new Blanchet House, and the county's new Bridgeview housing facility. The RAC facility is the replacement housing for the Grove Hotel. Central City Concern (CCC) has a master lease for the residential portion and PDC now has the leases on the two occupied commercial spaces. When CCC moves its clients to the Golden West Hotel property in July 2010, PDC will relocate eight residential tenants that occupied the building when HAP took title. The two commercial tenants will remain for the near future. When the residential portion of the building is vacant, PDC will close the building, but continue to provide security and maintain fire alarm and sprinkler systems. PDC is currently in discussion with the abutting property owner about his interest in acquiring the building and rehabilitating it with a new adaptive reuse;
- PDC recently approved a grant of up to \$45,777 to property owner Joanne Hong to reconstruct and reinstall the iconic Hung Far Low sign at the Hung Far Low building in Old Town/Chinatown (102-112 NW 4th Avenue in the River District URA). The sign, which heralded the restaurant of the same name since the restaurant's opening in 1929, was removed in 2008 for safety reasons. Fundraising efforts to re-erect the sign have been under way since early 2009, but a gap remained between the money raised and the property owner's ability to finance the balance of the sign project. PDC is pleased to be able to help return this highly visible and popular symbol to the neighborhood;
- PDC Housing/Portland Housing Bureau is providing \$3.4 million of Lents URA tax increment funding to assist Rose CDC acquire and rehab the 40 unit Glen at Mt Scott Apartments located at 7901 SE 92nd Avenue. The project is located close to the Green Line Max stop and Kelly Elementary School. The project will undergo a major rehabilitation and the project will meet TIF set-aside goals and provide an estimated 55 new prevailing wage jobs. In addition, the project will include many sustainable features and exceed business equity goals. Financing was closed on April 16, 2010;

- On April 7, a \$585,905 predevelopment loan was closed for Ivy City Homes. Ivy City Homes is a proposed 30-unit affordable for-sale housing project to be located in the Oregon Convention Center URA at 3368 NE MLK Jr. Blvd. on the site of the former Grant Warehouse. The current plan is for 10 of the units to be live/work or flex space, and the remaining 20 units will be residential townhomes. Estimated total development costs are \$8.4 million;
- The 209-unit Block 49 affordable rental housing project planned for the PDC- owned property at 650 SW Lowell Street in the South Waterfront Central District of the North Macadam urban renewal area is expected to begin construction in late 2010. Staff from PDC, Portland Housing Bureau (PHB) and Office of Management and Finance is currently finalizing the TIF housing set-aside budget recommendations for the project. PHB staff will work with the developer, Williams and Dame Development, in May and June to identify a non-profit affordable housing and services organization to be the long-term owner and operator of the project. The project's construction bidding and financing will be finalized and reviewed by PDC and PHB investment committees in July. PDC Board and City Council action on the project are expected in September with construction expected to begin in November; and
- The disparity study draft and final dates have changed due to the addition of Professional Services by the City. A portion of preliminary data will be available in July. BBC will then be forwarding the various sections as the information is ready. All draft information should be available in September and after both PDC and the City have completed the review, BBC will coordinate a community to gather more input prior to the official release.

IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

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

V. CONSENT AGENDA

Chair Andrews asked for a motion to adopt the consent agenda:

Resolution No. 6775, titled, "Authorizing the Third Extension to the Second Amended Predevelopment Loan Agreement with Williams and Dame Development, Not to exceed \$1,959,928 for Block 49 Affordable Rental Housing Project with Funding from the North Macadam Urban Renewal Area."

Resolution No. 6795, titled, "Authorizing the Retroactive 30-Year Land Lease Extension to Upshur Renewal LLC on PDC Owned Property Located at 2650 NW Upshur to Facilitate the Preservation of an Affordable Housing Project."

Commissioner Ferran moved and Commissioner Wilhoite seconded the motion to adopt Resolution Nos. 6775 and 6795.

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

VI. APPROVAL OF AMENDED & RESTATED IGA WITH OMF FOR UNION STATION CRITICAL REPAIRS

Ms. Sara Harpole presented Report No. 10-46, titled, "Approval of Amended and Restated IGA with OMF for Union Station Critical Repairs."

Ms. Harpole stated Union Station is located within Portland's central city, it is one of two designated multimodal hubs, providing convenient connections between passenger rail, light rail, intra- and inter-city buses, future streetcar lines, taxis, and various shuttle services. The station is also home to approximately twenty small office tenants and a restaurant, and adjacent to significant future redevelopment opportunities totaling nearly twenty acres. Listed on the National Register of Historic Places, Union Station opened for service in 1896. It is the oldest major passenger terminal on the west coast and is the oldest of the grand "Union" stations west of St. Louis, Missouri.

Ms. Harpole said in order to continue, and expand, this important role in providing convenient transportation alternatives, the historic Union Station facility requires critical repairs to maintain safety and operability. These improvements include: roof repairs, seismic/structural upgrades, ADA improvements, new mechanical systems, electrical service, and fire detection and protection systems. The approval of the Amended and Restated Agreement will provide for the implementation of the first phase of these repairs – largely securing the building envelope from further water penetration and deterioration. The project is complementary to improvement plans and federal funding requests by the Washington Department of Transportation, ODOT, and Amtrak to make incremental rail and rolling stock improvements to enhance the speed, frequency, reliability, and passenger experience of Amtrak services in the rail corridor between Eugene, Oregon and Vancouver, British Columbia. The project is anticipated to create approximately 102 temporary design, engineering, and construction jobs (as estimated by the Council of Economic Advisors multiplier of one job per \$92,000 expended).

Ms. Harpole explained the action would authorize the Executive Director to execute the *Amended and Restated Intergovernmental Agreement between Portland Development Commission and Office of Management and Finance for the Union Station Critical Repairs Project* (Amended and Restated Agreement). The Portland Development Commission (PDC) and the City of Portland Office of Management and Finance (OMF) entered into the original Intergovernmental Agreement on June 1, 2009 (Agreement), establishing the terms and conditions by which PDC engages OMF to implement specific improvements to Union Station. PDC and OMF now desire to amend and restate the Agreement to expand the scope of work, schedule, and budget for the improvements to be implemented by OMF. The expanded scope of work increases the total project budget from \$1,515,000 to \$9,460,929.

Further, Ms. Harpole stated the Amended and Restated Agreement would provide for the implementation of critical repairs to Union Station, including replacement of portions of the red metal roof tiles, remediation of significant dry rot in the wood frame substructure, seismic structural upgrades, repair of failing eaves (gutters, fascia, and soffits), and other improvements intended to prevent increasing exposure to building deterioration and address safety concerns (Critical Repairs). See Attachment A for a further summary of the Critical Repairs.

Funding for the project is to be provided by multiple sources:

- \$400,000 – Union Station Major Maintenance Fund managed by OMF;

- \$2,636,000 – Oregon Department of Transportation's (ODOT) Transportation Enhancement (TE) Grant (increased from \$1,200,000);
- \$6,424,929 – PDC River District Urban Renewal Area (URA) (increased from \$315,000); and
- \$5,900,000 – Federal Railroad Administration (FRA) High Speed Intercity Passenger Rail Program (HSIPR) Grant. This funding is anticipated to be provided to OMF through ODOT in a future funding agreement, and applied to reduce PDC's financial commitment noted above.

Mr. Jeff Barren, City of Portland Director of Internal Business Services, provided introductions;

- Ms. Jill Miller, Small Business Programs Manager representing the Oregon Department of Transportation's (ODOT) Civil Rights;
- Ms. Marina Cresswell, Project Manager representing City of Portland Office of Management and Finance Facility Services;
- Mr. Jim Coker, Supervising Project Manager representing City of Portland Office of Management and Finance Facility Services; and
- Ms. Christine Moody, Chief Procurement Officer representing City of Portland.

Ms. Moody stated the process for selection was a low-bid process. She explained due to the complicated funding the city and PDC's M/W/ESB requirements did not apply to the project. She said it is typical when they receive ODOT funding to apply ODOT's Disadvantaged Small Business Guidelines (DBE).

Commissioner Wilhoite asked for the explanation of the ODOT requirements used and whether it is required to follow them.

Ms. Moody replied that most times with the ODOT funded projects, ODOT's DBE program applies and it is related to the funding.

Commissioner Ferran asked for explanation of the difference between ODOT's program and PDC's Minority/Women/Emerging Small Business program.

Ms. Moody replied the City of Portland's program takes into account Oregon certified M/W/ESB and aspirational goal of 35% on all projects and a good faith effort program which must be followed. She said they ask contractors to subcontract at least 35% of their work to M/W/ESB firms.

Ms. Jill Miller stated the federal requirement requires that any time there is federal funding involved in a project, specifically transportation related funds, that the DBE program as well as the Civil Rights programs must be the guidelines used for the project. She stated in this particular case, the funding with the project determines the DBE program is controlling. She explained the DBE program is a certification and utilization program for socially and economically disadvantaged who own businesses. She said the process to become certified is very rigorous and closely controlled.

Chair Andrews asked for explanation of the differences between participation requirements; or is there a mandatory level in the federal program.

Ms. Miller replied there is an aspirational goal at the federal level in percent; however each state must calculate the availability of DBE firms in the marketplace and determine their annual goal. At this time, ODOT's annual goal for fiscal year 2010 is 11.5% of which 1% is race conscious. She clarified 1% is the only amount they are allowed to use. She further stated each project is evaluated based upon the types of funding involved in the project and the availability of certified DBEs available to do the work.

Commissioner Wilhoite stated there is a city requirement of 35%.

Ms. Miller replied for the Union Station Project demonstrated that 3% was the race conscious goal.

Commissioner Wilhoite asked for clarification whether the aspirational goal was 10%.

Ms. Miller replied 10% was the federal nationwide aspirational goal.

Commissioner Wilhoite expressed concern regarding the goal percentage and the federal government's comfort with a 10% aspirational goal. He asked if there was a disparity study completed to support ODOT's numbers. He further stated he was anxious to here from the contractor on whether they will try to improve upon the aspirational numbers.

Ms. Miller replied the 10% includes both race conscience and race neutral methods of achieving or involving DBEs. ODOT's disparity study which was completed October 1, 2007 showed the total race conscience portion of a federally funded project should be 1%. Therefore the 3% goal on the Union Station project is higher than the results of ODOT's disparity study.

Commissioner Wilhoite cautioned 3% in the eyes of the community is not much higher than 0%.

Ms. Miller commented the 1% goal is limited to African American and Asian American DBE.

Mr. Steve Malany President of PNC Construction Services stated they are headquartered in Gresham and have been in business since 1961 and has gone through three transfers of ownership. He said they have done a large amount of historical work in the downtown Portland area. It is a great opportunity to continue the work that we have done. He stated he would share the numbers and processes his company went through for DBE, M/W/ESB and apprenticeship. He said they started the process with 3% as their goal for DBE with emphasis on African American and Asian companies. He said they faxed and emailed information to those companies that could perform the work. He said they called the 39 different companies within the metropolitan area that fit into the demographic. He said they received confirmations of bid from 9 of those companies. However, he said on bid day they received no bids. They turned their documentation regarding their good faith efforts and the lack of results and were directed to go forth with their bidding. He said in terms of M/W/ESB, they received bids and have subcontracted out \$216,000 of the contract which is just over 5%. He said since the results of the bid, they have met with Faye Burch and representatives from NAMCO to determine what is wrong with the process and how could they have achieved better results. He said he has learned it's important to build relationships with the contractors so they want to bid on the projects.

Commissioner Wilhoite stated the process needs to be reviewed and obviously improved in order to get the participation needed. He asked when the bid responses were due back to Mr. Malany.

Mr. Malany stated the responses were due six weeks ago. He said the process needs to be improved from both ends. The contractors need to do a better job at building relationships and increase their subcontractor database. However, the subcontractors also need to be willing to respond to bids.

Chair Andrews asked for clarification on the 5% number quoted.

Mr. Malany replied they were able to reach 5% on the M/W/ESB subcontractors. They were at zero for the certified DBEs. He said ODOT's requirements were for DBE only.

Commissioner Ferran stated with the number of people out of work she is surprised there was not more interest.

Ms. Miller stated for many years there were five groups determined to be socially and economically disadvantaged and included in DBEs. In May of 2005, the 9th US Circuit Court of Appeals handed down a decision in Washington State that said that unless each recipient had evidence that each group had suffered significant disparities in contracting they could not be included in the goals. She said this resulted in a 180 turn from what the federal regulations required. She said the federal regulations had always said you could not subdivide the overall goal. It applied to all groups. Based upon the decision, the Federal Highway Administration, Federal Transit Administration and Federal Aviation Administration directed ODOT to discontinue all race conscience measures. On April 19, 2006 they went to an entire race and gender neutral program. As a result, ODOT could not set any race or gender contract goals until ODOT could conduct an availability and disparity study that gave sufficient evidence to support goals. She said the study was concluded October 31, 2007. In the study, only two groups, Asian American and African American DBEs suffered a significant disparity in contracting on ODOT contracts. Therefore the requirements set forth for Union Station only had goals for Asian American and African American DBEs.

Mr. Melvin Oden Orr representing NAMCO, expressed his concern the good faith efforts were not conclusive of the requirements set forth in State Statutes. He said the state Statutes require the contractors to engage with minority contractor organizations. He said this engagement was not done. He urged the commission to vote no on the amended and restated IGA.

Mr. Mark Mathews with Pacific Mark Construction stated they did receive an email for this particular job. However, due the number of emails and the limited amount of staff on hand, it is difficult to bid solely from an email. He suggested personal contact from the Contractors in addition to making the drawings available for use. He said several smaller contractors cannot afford to purchase the plans in order to bid on the project. He said the process needs to change in order to get the level of participation everyone is looking for. Mr. Mark also stated many subcontractors rely on NAMCO for information on projects coming forward.

Commissioner Wilhoite asked how long Mr. Mark had to respond to the bid once the email was sent.

Mr. Mathews replied the deadline was approximately one week from the date of the email. However as a small contractor with limited resources they did not have time to run and get the

plans. He recommended a larger outreach effort inclusive of available plan to done in the future.

Commissioner Wilhoite expressed his concern that more DBEs did not respond to the bid given the economic times. However, he said he hears constantly the outreach efforts are not good enough and there are relationship issues. However, with that said, the DBEs have an obligation to take advantage of opportunities. He said the situation is not acceptable and does not work.

Chair Andrews asked if the decision could be delayed without putting the project at risk.

Mr. Coker said the project cannot be delayed as because they have a contract in place. He said they went to bid and followed the process as defined, received approval to proceed, and any delay would cost more money and would cause the entire project to collapse. He said if the project is delayed, the City of Portland and Portland Development Commission could potentially lose millions of dollars in federal grants.

Commissioner Wilhoite asked if what type of delay Mr. Coker was referring to when explaining his worst case scenario, i.e. one day, one week, and one month.

Mr. Coker replied stated there is a contract in place and they have already spent a number of years getting to this point. He said there is a very limited work window to start work during the dry season. He said if they miss the dry season the project would need to be pushed back to next year. The delays could jeopardize the project and the funding in place.

Commissioner Straus asked for confirmation if the process was a low bid process.

Mr. Coker replied there are other processes, design build process, etc. However, the city chose to move with a low-bid process.

Commissioner Straus asked why the city did not choose another process.

Mr. Coker stated a CMCG process is for limited types of projects. He said Union Station was a constant evolving project. Due to the changing needs a CMCG would have cost more money. Further, he said the debate of what type of process has past. They have a contractor in place.

Commissioner Straus asked for explanation of what was needed from the PDC Board. He said it sounded like the Board is not needed for the project to move forward.

Ms. Cresswell stated the contract has not been executed yet as they are waiting on PDC Board approval for the additional financial contribution.

Commissioner Straus clarified the PDC Board's approval was needed to move forward with the project. Further, Commissioner Straus stated he would not vote to approve the project unless he understands why the City of Portland decided to go with a low-bid process. He said a low-bid process creates a huge amount of financial risk and potential for litigation when renovating a historic building. He said therefore he would like to understand why a better and safer process was not considered earlier in the process. Further, a CMCG process has a proven ability to bring M/W/ESB and DBEs to the table. He said they were fortunate PNC was the low bid contractor because they have done great work on historic projects.

Commissioner Mohlis asked how many bids were received for the project.

Ms. Cresswell replied they had a pre-qualification process for the project and had six companies respond. Of those six companies, five submitted bids for the project.

Commissioner Mohlis asked if any of the other submitters have different DBE numbers.

Ms. Cresswell replied none of the companies achieved the desired DBE results on their bids.

Commissioner Mohlis expressed concern so many DBEs did not respond. He said they want to see the project move forward.

Chair Andrews asked what type of program would Mr. Oden Orr suggest to gain a higher level of participation.

Mr. Oden Orr suggested the good faith efforts and documentation need to be complete, i.e. types of contacts, no follow-up, plans not sent, etc.

Chair Andrews stated Commissioner Straus had suggested PDC hire a construction consultant to oversee the work to limit the number of change orders and limit the financial risk to PDC. He asked if it was possible to monitor the MWESB utilization as well.

Mr. Warner responded both things could be done for the project and regular updates to the Board could occur.

Chair Andrews called for a motion to adopt Resolution No. 6792, titled, "Authorizing an Amended and Restated Intergovernmental Agreement between Portland Development Commission and Office of Management and Finance for the Union Station Critical Repairs Project for an Amount of \$6,424,929.

Commissioner John Mohlis moved to adopt Resolution No. 6792 with an amendment titled, "Be it further resolved that the Executive Director Shall Utilize a Construction Advisor to Monitor the Construction Activities under the Amended and Restated IGA on PDC's Behalf and Shall Direct PDC Staff to Monitor the MWESB Utilization."

Commissioner Ferran seconded the amended Resolution.

AYES: Andrews, Ferran, Mohlis

NAYS: Straus, Wilhoite

VII. ADOPTION OF GREEN FEATURES GRANT PROGRAM

Mr. Stephen Green presented Report No. 10-48, titled, "Adoption of Green Features Grant Program."

Mr. Green stated the action would approve the creation of a new financial product, Green Features Grant Program (Program). The Program is intended to create an incentive for local businesses to implement sustainable improvements. Grant funds would go towards covering the incremental costs associated with sustainable building enhancements and for costs incurred with adopting more sustainable practices. Recently adopted plans such as Portland Development Commission's (PDC's) Strategic Plan 2010 and the City of Portland's Economic

Development Strategy highlight “sustainability” as a key component to Portland’s future success. This Program differs from other sustainability incentives that businesses can take advantage of and offers the following benefits:

1. Gives cash reimbursement to the grantee immediately following the completion of eligible work;
2. Creates an incentive for relatively small projects to happen without complicated paperwork and delays in the project; and
3. Gets local businesses involved in sustainable practices so they can see how these investments will positively impact their bottom line.

Mr. Green said PDC offered these grants as a pilot to the Program in the Interstate Corridor Urban Renewal Area (ICURA) last year. Two urban renewal areas (URAs) currently have funding budgeted for this program, ICURA with \$200,000 each year over the next five years and Lents Town Center with \$100,000 budgeted for Fiscal Year 2010-11.

Chair Andrews called for a motion to adopt Resolution No. 6794, titled, “Establish PDC Green Features Grant Program and Adopt Program Guidelines.”

Commissioner Straus moved and Commissioner Wilhoite seconded the motion to adopt Resolution No. 6794.

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

VIII. AUTHORIZE ASSIGNMENT OF RIGHTS AND OBLIGATIONS TO ACQUIRE PROPERTY TO PH NARA, LLC (THE MOLASKY GROUP); AUTHORIZE EXECUTION OF AN AMENDMENT LEASEHOLD PURCHASE AND SALE AGREEMENT

Chair Andrews stated he had an actual conflict of interest and recused himself from the conversation and subsequent vote. Commissioner Straus indicated a potential conflict of interest.

Mr. Bruce Allen presented Report No. 10-47, titled, “Authorize Assignment of Rights and Obligations to Acquire Property to PH NARA, LLC (The Molasky Group); Authorize Execution of an Amendment Leasehold Purchase and Sale Agreement.”

Mr. Allen stated the action would authorize the Executive Director to approve the assignment of all development rights and obligations for the Portland Federal Bureau of Investigation (FBI) Project from the existing Developer, the Barry Real Estate Companies (Barry), to PH NARA, LLC, an entity controlled by the Molasky Group (Molasky) of Las Vegas, NV, and to execute an Amended Leasehold Purchase and Sale Agreement (PSA) for the sale of Portland Development Commission’s (PDC) leasehold interest in the property. The property consists of approximately eight (8) acres of land at Cascade Station in the Airport Way Urban Renewal District. The leasehold estate to be sold will accommodate the new regional headquarters of the FBI (the Project). It will result is an investment by the developer of approximately \$65 million, the construction of a new 135,000 office building and 220-space parking garage, and the retention of approximately 210 jobs in the city of Portland. The proposal, as preliminarily negotiated by staff, would allow for the proposed assignment to Molasky and PDC would sell its leasehold interest in the parcel for \$3,242,000. After receiving a \$750,000 payment at closing, PDC would

finance a portion of the land sales price at favorable terms and defer payment on another portion to help bridge the financial gap created by the depressed value of real estate and increased cost of private financing due to the recession. Without assigning the project to Molasky and without restructuring the financing as described herein, the project will not happen.

Mr. Steve Monquest representing the U.S. General Services Administration spoke in support of the project and stated they are pleased to be remaining in Portland.

Mr. Bradley Shur representing the Molasky Group commented they are looking forward to building in the City of Portland and building a relationship with the Portland Development Commission.

Mr. Bruce Allen addressed the concerns regarding the landscaping and the view of the back of the building.

Chair Mohlis called for a motion to adopt Resolution No. 6793, titled, "Authorize Assignment of Barry Real Estate Companies, Inc's Interest in the Leasehold Purchase and Sale Agreement for Approximately Eight (8) Acres of PDC-Controlled Property at Cascade Station to PH NARA, LLC; Authorize Execution of an Amended Leasehold Purchase and Sale Agreement."

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6793.

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

IV. PORTLAND MILWAUKIE LIGHT RAIL FUNDING INTERGOVERNMENTAL AGREEMENT WITH THE PORTLAND BUREAU OF TRANSPORTATION

Ms. Lisa Abuaf presented Report No. 10-45, titled, "Portland Milwaukie Light Rail Funding Intergovernmental Agreement with the Portland Bureau of Transportation."

Ms. Abuaf stated the action authorizes the Portland Development Commission's (PDC's) Executive Director to enter into an Intergovernmental Agreement (IGA) with the Portland Bureau of Transportation (PBOT) to provide \$10,000,000 in tax increment financing (TIF) from the North Macadam (N. Mac) Urban Renewal Area (URA) as part of the City's local match and financial contribution to help fund TriMet's final design and construction of the South Corridor Phase II: Portland-Milwaukie Light Rail (PMLR) project. PDC's funding leverages \$850.6 million in Federal New Starts funds; and \$557 million in other local match contributions from the State of Oregon through bonds backed by the state lottery, Metro through bonds backed by Metropolitan Transportation Improvement Program, the cities of Portland and Milwaukie, Clackamas County, TriMet, and in-kind contributions from land donations.

Mr. John Charles representing the Cascade Policy Institute read a letter into the record.

Chair Andrews called for a motion to adopt Resolution No. 6791, titled, "Authorizing an Intergovernmental Agreement with the Portland Bureau of Transportation for \$10,000,000 as Part of City of Portland Financial Contribution to the South Corridor Phase II: Portland-Milwaukie Light Rail Project, to Include Improvements in the North Macadam Urban Renewal Area."

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6791.

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

X. EXECUTIVE SESSION

Commissioner Moholis declared an actual conflict of interested and stated he would not be participating in the discussion or subsequent vote. Chair Andrews and Commissioner Straus each expressed a potential conflict of interest with the next subject matter.

Chair Andrews stated the PDC would meet in executive session for the purpose of deliberating with persons designated by the Commission to negotiate real property transactions regarding PDC's office space lease. The executive session is held pursuant to ORS 192.660(2)(e), which allows the Commission to meet in executive session to deliberate with persons designated by the Commission to negotiate real property transactions.

Chair Andrews said representatives of the news media and designated staff would be allowed to attend the executive session. All other members of the audience were asked to leave the room. Representatives of the news media were specifically directed not to report on any of the deliberations during the executive session, except to state the general subject of the session as previously announced. No decision was made in executive session. At the end of the executive session, Chair Andrews returned to open session and welcomed the audience back into the room.

XI. AUTHORIZE NEGOTIATION OF OFFICE LEASE FOR PDC HEADQUARTERS

Ms. Julie Cody presented comparative rent rate and expenses; net present value comparison of both locations to the Board.

Mr. Bob Whalen representing ECONorthwest presented the results of the study. He highlighted the following:

1. PDC employees spend approximately \$319,266 annually in OTCT;
2. PDC Visitors spend approximately \$106,422.
3. Total spending and impact to the area would be approximately \$425,688.

He said while the spending would be similar to the Park Avenue West location the impact of the loss of income would be greater to OTCT.

In addition, he said the employees were split on the question to move offices:

1. 39% of the staff were opposed to moving;
2. 29% of the staff were indifferent; and
3. 32% of the staff were in favor of moving.

Mr. Steve Janich stated his legal team was asked to review both proposals and negotiate leases for both locations. He said his team has successfully negotiated two leases and either lease is ready for signature.

Mr. Warner stated he had performed a very thorough review and comparison of all the information. He recommended to the Board they recommend signing a new ten-year lease with the Kalberer Company to remain here at the Mason-Ehrman Building.

Mr. Warner highlighted the following:

1. The cost savings to PDC and the public are the greatest with the Kalberer proposal because:
 - Due to the competition and current market, we will be able to save about \$6.1 Million over the life of the lease from our current lease rates;
 - The Kalberer proposal has considerable and immediate savings that will allow PDC to save about \$ 1.5 Million over the next couple years;
 - These immediate and long-term savings result in more PDC resources for critical programs and projects in all of the urban renewal areas; and
 - These savings are critical as we continue to deal with reducing TIF resources and reduced general fund support from the city.
2. The Mason-Ehrman Building is real. It does not have to be financed and constructed - and we do not have to worry about unanticipated costs and who should pay for them;
3. Flexibility for our Space Needs -- The Kalberer Company has provided us great flexibility now and in future years; and
4. Continuing presence in Old Town/China Town -- Our presence in Old Town/Chinatown will help continue our support of the still fragile -- yet growing -- OT/CT businesses.

Chair Andrews read letters from Mr. Jordan D. Schnitzer representing Harsch Investment Properties and Mr. E. Walter Van Valkenburg from Stoel Rives into the record.

Mr. Derek Cudimat expressed support of the Park Avenue West location.

Mr. Gene Schmitz expressed support of the Park Avenue West location and the impact of the trades if the building did not move forward to construction.

Mr. Richard Sells expressed support of the Park Avenue West location.

Mr. Bob Shiprack expressed support of the Park Avenue West location.

Mr. Rob Fredericksen expressed support of the Park Avenue West location.

Mr. Sage Gripekoven expressed support of the Park Avenue West location.

Mr. Alexander Mace expressed support of PDC's current headquarter location in Old Town China Town.

Mr. Scott Madsen expressed support of the Park Avenue West location.

Ms. Jodie Westing expressed support of the Park Avenue West location.

Mr. Tom Moran expressed support of the Park Avenue West location.

Mr. Jeff Falconer expressed support of the Park Avenue West location.

Mr. Irwin Mandel expressed support of the Park Avenue West location.

Ms. Lili Mandel expressed support of the Park Avenue West location.

Mr. Nick Fritel offered corrections to PDC Cost Analysis and expressed support of the Park Avenue West location.

Mr. Robert Butler expressed support of the Park Avenue West location.

Mr. Christopher Handford expressed support of PDC's current location in Old Town China Town.

Mr. Casey Davidson expressed support of the Park Avenue West location.

Mr. Lloyd Minten expressed support of the Park Avenue West location.

Mr. Vanessa Sturgeon expressed support of the Park Avenue West location and recommended the board vote in favor of signing both leases. She said this would allow the Park Avenue West location to move forward and PDC time to locate a new tenant for their current location.

Chair Andrews called for a motion to adopt Resolution 6789, titled, "Authorize the Executive Director to Finalize Negotiations and Execute a Commercial Lease for the Portland Development Commission Headquarters."

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6789.

AYES: Andrews, Ferran, Wilhoite

NAYS: Straus

ABSTAIN: Mohlis

XII. ADJOURN

There being no further business, Chair Andrews adjourned the meeting at 7:54 p.m.