

This document constitutes the official meeting record of the August 27, 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 8:02 a.m.

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

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

## II. MEETING MINUTES

Chair Andrews asked for a motion to adopt the meeting minutes of June 23, 2010 and July 26, 2010.

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt the meeting minutes as presented.

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

## III. EXECUTIVE DIRECTORS REPORT

Executive Director Bruce Warner presented Report No. 10-74. He highlighted the following:

- PDC provided the Community Warehouse with a \$100,000 loan to assist in acquiring a 10,000 square foot building at 3969 NE MLK Jr. Blvd. which the organization has leased since March 2009. The building acquisition will provide the Warehouse with a permanent home for both program operations and their estate and garage stores. The Community Warehouse gathers donated household items and furniture from people and businesses in the community and gives the items to those in need – formerly homeless, elderly, mentally ill, refugees from other countries, victims of domestic violence and the working poor;
- Red Robe, a start-up Chinese teahouse, received assistance for tenant improvements to 1,000 square feet space at 308 NW Davis Street, one of the designated festival streets in Old Town/Chinatown. The business intends to use visible outdoor signage in both English and Chinese and plans to open in September 2010;
- The U.S. Postal Service received a Record of Decision (ROD) from DEQ. This is a significant milestone for USPS, and should result in accelerated negotiations and relocation planning, due to the certainty the ROD provides USPS related to



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environmental concerns. Staff continues to work with USPS and is making progress on the negotiation of the Purchase and Sale Agreement;

- There is a delay with the lead time of the metal for the roof tiles for Union Station. P&C Construction is looking at the impacts to the project phasing and schedule. In the meantime, research, planning and approvals are underway, including window repair mock-ups, review and approval of submittals, etc. The ODOT/City Agreement for the High Speed Rail Grant has been finalized and is being routed for signature;
- The River District Quiet Zone became effective on August 16, 2010, the culmination of a 30-month partnership between PDC, Portland Bureau of Transportation, and Hoyt Street Properties (HSP). Locomotive operators will no longer sound their horns on the approaches to the NW 9<sup>th</sup> Avenue, NW 15<sup>th</sup> Avenue, and NW 17<sup>th</sup> Avenue crossings just north of Union Station, thereby making the neighborhood more livable for people who live, work, and play in the area;
- The summary table below represents the total workforce diversity (apprentice and journey level workers) for three projects: Mirabella, Matisse and SW Park Improvement Project:

Goal	Women	People of Color	Apprentice	Difference
12%	5.10%			[-6.90%]
18%		20.52%		+2.52%
20%			26.67%	+6.67%

#### IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

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

#### V. CONSENT AGENDA

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

Resolution No. 6815, titled, "Appoint Mr. Dennis McNannay and Mr. Brian Newman to The North Macadam Urban Renewal Advisory Committee."

Resolution No. 6816, Titled, "Appoint Mr. Shawn Klinkner to The Gateway Regional Center Urban Renewal Advisory Committee."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution Nos. 6815 and 6816 as presented.

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

#### VI. CONVENE EXECUTIVE SESSION

Chair Andrews stated the PDC would meet in executive session to consult with the Commission's labor negotiators. The executive session is held pursuant to ORS 192.660(2)(d), which allows the Commission to meet in executive session to conduct deliberations with persons designated by the Commission to carry on labor negotiations.

Chair Andrews said representatives of the news media would not be allowed to attend the executive session. All members of the audience were asked to leave the room. 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.

## VII. AMEND DEVELOPMENT DISPOSITION AGREEMENT FOR KILLINGSWORTH STATION

Chair Andrews and Commissioner Straus both declared potential conflicts of interest but said they would participate in the discussion and subsequent decision.

Ms. Sara King and Mr. John Warner presented Report No. 10-79, titled, "Amend Development Disposition Agreement for Killingsworth Station."

Ms. Sara King stated the Action would authorize the Portland Development Commission (PDC) Executive Director to execute the Third Amendment to Agreement for Disposition and Development of Property in the Interstate Corridor Urban Renewal Area (ICURA) with Killingsworth Station, LLC (the Third Amendment). She said this catalytic, mixed-use development on PDC-owned property is a four-story, 62,500 sq. ft. residential and commercial condominium development with 57 ownership housing units, 34 of which will be sold at prices affordable to households earning 80 percent of median family income (MFI), and approximately 9,000 square feet of neighborhood-serving retail / commercial space (the Project).

Ms. King further stated the PDC Board of Commissioners (Board) approved the original Disposition and Development Agreement (DDA) with Killingsworth Station, LLC in July 2008. Winkler Development Corporation (WDC) is Killingsworth Station, LLC's sole member and the developer of the Project. The PDC Board approved the First Amendment to the DDA in May 2009. The PDC Executive Director approved the Second Amendment to the DDA in July 2010. The Third Amendment to the DDA:

- Extends the schedule of performance by approximately seven months to align with the planned October 2010 construction start for the Project;
- Amends the Project budget (changes are shown in Attachment D);
- Reallocates \$418,006 of the PDC permanent subsidy for the Project;
- Increases the amount of the PDC construction loan for the Project by \$2.565 million, from \$3.261 million to \$5.826 million; and
- Increases PDC's participation in excess net profit to reduce the PDC Construction subsidy for the Project.
- The PDC permanent subsidy for the Project remains unchanged from the \$5.111 million that was approved in the DDA. This subsidy includes the value of the property.

Commissioner Ferran expressed her thanks to the PDC Board and staff and Jim Winkler. She said she is excited the project is moving forward and expressed her full support of the DDA amendment.

Mr. Jim Winkler expressed his support of the project and thanks to PDC staff and board. He acknowledged the additional participation from PDC and their diligence in making the project a reality.

Mr. Mike Kramer representing R&H Construction expressed his support of the project. He also stated his company would work hard to hit all required M/W/ESB goals for the project as well.

Mr. Dan Cook representing R&H Construction also expressed his support of the project and stated they were excited to see it moving forward. He also assured the board they would work hard to meet all requirements for the project.

Chair Andrews expressed his support of the project and said he was excited to see bank financing come through for a condominium project.

Commissioner Wilhoite expressed his support of the project moving forward. He said PDC's responsibility is to stimulate economic development for the growth of the city. He said sometimes in order to accomplish, the agency needs to take on additional risk. However, in this case the developer is taking on additional risk as well. He asked staff to explain.

Mr. John Warner explained the developer has agreed to provide a personal guaranty for repayment up to \$3.58 million of the PDC construction loan for the project.

Chair Andrews asked for a motion to adopt Resolution No. 6819, titled, "Authorizing the Executive Director to Execute the Third Amendment to Agreement for Disposition and Development of Property in The Interstate Corridor Urban Renewal Area with Killingsworth Station, LLC, for Development of Certain PDC-Owned Property at the Northeast Corner of North Interstate Avenue and North Killingsworth Street."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6819.

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

#### VIII. BRIEFING ON THE RESOURCE ACCESS CENTER

Mr. John Jackley, Ms. Margaret Van Vliet (PHB) and Mr. Mike Andrews (HAP) presented Report No. 10-80, titled, "Briefing on the Resource Access Center."

Mr. Jackley stated the development of the Resource Access Center (RAC) to consolidate delivery of services to the homeless is a critical part of the City's ten year plan to end homelessness. The RAC is intended to improve access for the homeless to a variety of services with an ultimate goal of moving people more efficiently from homelessness to stable housing.

Mr. Jackley stated in November 2009, after more than a year of predevelopment planning and work on site selection, the Portland Development Commission (PDC) conveyed the western portion of Block U located at NW Irving St., NW Broadway and NW Hoyt St. to the Housing Authority of Portland (HAP) for the development of the RAC. PDC conveyed the land at no cost and provided \$29.5 million dollars in Tax Increment Financing from the River District Urban

Renewal Area budget to HAP through two loans, a predevelopment grant, and remediation of environmental contamination on the site. The RAC is structured as two condominiums to facilitate the project's financial structure which uses Low Income Housing Tax Credit derived investor equity. The condominiums include (i) a men's shelter and (ii) the RAC and affordable rental housing. The Shelter is a facility of approximately 18,600 square feet and will be used to relocate the 90-bed men's Shelter on Glisan Street run by Transition Properties Inc. (TPI). The housing component includes 130 studio units on five residential levels, and approximately 23,400 square feet for the delivery of services to the homeless including lockers, laundry, showers, a day space, and program services such as case management, addiction and mental health support, housing assistance, and a computer center for job/housing search.

Mr. Mike Andrews stated HAP entered into a Construction Manager/General Contractor contract with Walsh Construction Company (WCC) in October 2009 to construct the eight-story, concrete building designed by Holst Architecture. Construction began in November 2009. As of June 2010, the construction is 31% complete. Site work, foundation and ground level structural work is complete, and the concrete podium at the sixth level (North) of the building has been formed.

Mr. Andrews said HAP's budgeted contingency, including contingency within the WCC construction contract, and current use of that contingency is shown in the following table. The "contingency used" includes executed and non-executed change orders that have been accepted. An additional approximately \$400,000 in change order requests have been made and are under consideration. One major unapproved change order relates to the addition of a "hot room" for treating bedbugs. One of the major approved change orders was for soil remediation (\$300,000). Although use of contingency is slightly higher than might be desired, most of the "contingency intensive" structural and ground level work is complete. The project is on schedule to achieve substantial completion in April 2011 and occupancy in summer 2011 as planned.

Mr. Andrews stated the project's total development cost is approximately \$49 million dollars with \$41 million dollars budgeted for use during the construction period. Of the \$41 million budgeted for use during the construction period \$12 million has been spent. This expenditure of 29% of the funds budgeted for soft and hard costs during the construction period is in line with the estimated state of completion of construction (31%).

Ms. Margaret Van Vliet stated the RAC Project will provide a replacement shelter for the 90-bed Glisan Shelter for men, and a new service center for delivery of basic services for Portland's homeless. The implementation plan for these spaces includes a long-term lease between HAP and the City of Portland. The City will lease the space and then license or sub-lease the use of the space to Transitions Projects Inc. (TPI). TPI will manage the shelter and the RAC by providing services and by providing space for other service providers. The TPI administrative offices will also be located in the RAC facility. The City's current budget forecast includes a general fund allocation of \$2.3 million for services at the RAC and RAC housing. HAP, TPI and the Ending Homelessness team at PHB are negotiating the terms of the service agreements. HAP is working with city staff, TPI and other service providers to design the services necessary to make the 130 housing units available as permanent, supportive housing targeted for homeless men and women.

Mr. Mike Andrews stated the agreements between HAP and PDC provide for the use of HAP's policies in lieu of PDC's policies related to Business Equity and Workforce Development and delegate monitoring and reporting responsibilities related to BOLI and Davis-Bacon regulations to HAP. HAP's Construction and Economic Participation reports that current contracts are at

24% DMWESB participation broken down as Minority = 5.64%, Women = 9.82%, Emerging Small Business = 9.01%. That summary provides more detail on related contracts.

Commissioner Straus excused himself and left the commission meeting.

#### IX. PRELIMINARY APPROVAL OF RECOVERY ZONE FACILITIES BOND ISSUANCE

Ms. Erin Flynn stated the Project provides a unique opportunity to stimulate the redevelopment of the historic four-story Meier & Frank Warehouse building located at 1417 NW Everett St. into a refurbished five-story office building containing four floors of office space (approximately 133,000 net leasable square feet) and one floor of parking using hydraulic parking stackers totaling 183 parking spaces. The design has been approved in accordance with State of Oregon and Federal historic guidelines. 14<sup>th</sup> & Everett has submitted an application that addresses the following evaluation criteria. Staff recommends approval of the application after reviewing 14<sup>th</sup> & Everett's application and considering of the following standards contained in the Portland City Code (PCC), Chapter 5.72.040(B):

- Economic Feasibility;
- General Benefits to the City;
- Density of use and potential impact in the area affected by the proposed project;
- Land use, transit, and transportation facilities in the vicinity of the proposed project;
- City's ability to supply or support needed services for the project;
- Effect of proposed project on balanced economic development of the City;
- Employment and property tax income from the Project;
- Employment Opportunities;
- Suitability of proposed area in the City for the particular type of proposed development project; and
- Conformance with Internal Revenue Service Regulations and Oregon Revised Statutes.

Mr. Colin Sears stated the action would recommend preliminary approval to the Portland City Council of Recovery Zone Facility Bonds (RZFBs) for the proposed Meier & Frank Warehouse Project (the Project) in an amount not to exceed \$31,000,000. The Portland Development Commission (PDC) has received an application for RZFBs for the Project. The applicant is 14<sup>th</sup> & Everett Investors, LLC (14<sup>th</sup> & Everett) an affiliate of Gerding Edlen Development Co. PDC's role is to review the application for conformance with the bond eligibility standards; to work with the applicant to structure the Project's financing, including the bond financing; and to ensure the transaction meets City policies and goals. PDC Board recommendations are presented to City Council for approval.

Mr. Sears said the bond approval process includes a preliminary approval and a final approval. This report addresses the preliminary approval stage. At this stage, general project information is known, but specifics of the Project's overall financial structure, construction budget, and bond structure have yet to be confirmed. Therefore, PDC's review consists of, among other things, economic feasibility and general benefits to the City of the Project, conformance with City plans and policies, and the qualifications of the development team. If the PDC Board recommends approval and the City Council approves the preliminary application, then a Letter of Intent and Indemnification and Compensation Agreement will be executed between 14<sup>th</sup> & Everett, PDC, and the City. This report describes the general character and structure of the potential economic development revenue bonds for the Project and outlines the general responsibilities of the parties involved.

Chair Andrews expressed his support of the project and stated it is exciting news. Chair Andrews called for a motion to adopt Resolution No. 6817, titled, "Recommending Preliminary Approval to the City Council of Recovery Zone Facility Bonds for an Amount Not to Exceed \$31,000,000 for the Meier & Frank Warehouse Project for the Development and Construction of New Office Space and Parking; and Authorizing Executive Director to Execute a Letter of Intent and Indemnification and Compensation Agreement."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6817 as presented.

AYES: Andrews, Mohlis, Wilhoite

NAYS: None

X. OREGON SUSTAINABILITY CENTER BRIEFING - PREPARATION FOR SCHEMATIC DESIGN

Ms. Erin Flynn, Ms. Lisa Abuaf and Ms. Susan Anderson (BPS) presented Report No. 10-78, titled, "Oregon Sustainability Center Briefing – Preparation for Schematic Design".

Ms. Flynn stated the Oregon Sustainability Center aims to provide immediate support for over 1,000 jobs within the city and state's sustainable and green building sectors, in architecture, engineering, development, and higher education. She further highlighted the following:

- Promote longer term job creation through ongoing research and commercialization; the monitoring, management, and maintenance of the Center; and the export of green building knowledge sourced from the project;
- Integrate new green technologies into the Center as a "living laboratory" that align with concurrent research underway at OUS universities, and, through Oregon Built Environment & Sustainable Technologies Center (Oregon BEST), spur the development of new businesses in Oregon based on these new green building construction techniques and innovations;
- Support Oregon companies through sourcing materials locally, as required by the Living Building Challenge; this will involve extensive collaboration between the Center's design team, tenants, and Oregon-based manufacturing and project-related businesses; and
- Develop the city and state's green workforce using the Center's innovative energy and technical systems for hands-on training for OUS students, including at Portland State University.

Ms. Anderson expressed her support for the project. She also said development of the Center is a key action item in the 2009 *City of Portland Economic Development Strategy: A Five-Year Plan for Promoting Job Growth and Economic Growth* as approved by the Board and City Council, as well as the 2010 *PDC Strategic Plan* as approved by the Board.

Ms. Abuaf stated the action would authorize the Portland Development Commission (PDC) Executive Director to negotiate and enter into an Intergovernmental Agreement (IGA) with the Oregon University System (OUS) for an amount not to exceed \$500,000 for the payment of the

schematic design of the Oregon Sustainability Center. PDC Board of Commissioners (Board) approval of this expenditure is necessary because the total aggregate expenditure by PDC on contracts with the development and design team on this project, led by Gerding Edlen Development, is greater than the \$500,000 expenditure authority of the Executive Director. This expenditure will be matched by OUS who will hold the schematic design phase contract. After schematic design, staff will return to the Board to present the refined design, program, and cost, and seek a separate Board decision on whether to proceed with further design and construction.

Ms. Abuaf stated the action commits PDC to negotiate an agreement with OUS to contribute one half of total schematic design cost. The total schematic design contract is anticipated to be approximately \$900,000. These resources are available in the SPB URA Approved FY 2010-2011 and Forecast Years Budget as shown in Attachment A. In total, PDC has reserved approximately \$6.7 million for the project, including an assumption of \$1.8 million in resources via land sale. Work completed as part of the schematic design phase will help refine the project design and program and provide a firmer estimate of total project costs. Through June 2010, PDC funds spent to date on the project are approximately \$775,000, including the feasibility study contract, other professional services contracts, and project staff time.

Ms. Abuaf provided extensive background on the project. She highlighted the following:

- PDC is working with cluster industry firms to identify opportunities that result from both certain materials requirements of the Living Building Challenge and from the rethinking of traditional building design and operations necessary for the energy and water performance requirements of the Challenge. For example, these opportunities include:
  - Sourcing of materials within specific distances from the building site and identifying local and regional firms that can provide materials that typically are procured from distant sources;
  - Identifying local and regional firms that can provide the necessary products in the Center which do not incorporate materials prohibited by pursuing the Living Building Challenge; and
  - Integrating technologies from local and regional firms needed to manage, monitor, and inform resource use and occupant activities in order to achieve net zero energy and water performance.

Chair Andrews read a letter of support from Intel and SolarWorld, into the record.

Mr. Alan Hipolito and Mr. Rey Espana read a letter into the record. The letter expressed their concern that equity considerations were not presented in Resolution No. 6818.

Mr. Maurice Rahming expressed his concern regarding social equity in the project.

Chair Andrews stated he understood their concerns however noted the project must follow all of PDC policies which include social equity.

Commissioner Wilhoite reiterated Chair Andrew's comments and stated all PDC projects include a social equity component.



Mr. Warner presented additional language to include in Resolution No. 6818. "Whereas, PDC, the City of Portland, and OUS desire that the Center advance social equity by providing environmental and economic opportunities for low-income people and people of color."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to incorporate the additional language as presented.

AYES: Andrews, Mohlis, Wilhoite  
NAYS: None

Chair Andrews asked for a motion to adopt the revised Resolution No. 6818, titled, "Authorizing the Executive Director to Negotiate and Enter into an Intergovernmental Agreement with the Oregon University System in an Amount not to exceed \$500,000 for the Payment of the Schematic Design of the Oregon Sustainability Center in the South Park Blocks Urban Renewal Area.

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6818.

AYES: Andrews, Mohlis, Wilhoite  
NAYS: None

XI. ADJOURN

There being no further business, Chair Andrews adjourned the meeting at 11:09 a.m.