

This document constitutes the official meeting record of the November 10, 2010, Portland Development Commission Board of Commissioner's meeting held at 222 NW Fifth Ave., Portland, OR 97209.

J. Scott Andrews
Commission Chair

I. CALL TO ORDER AND ROLL CALL

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

Aneshka Dickson
Commissioner

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

John C. Mohlis
Commissioner

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

Steven Straus
Commissioner

Chair Andrews stated he was excited to see the newspaper articles regarding Vestas North American and the Portland State University Wet Lab ground breaking.

Charles A. Wilhoite
Commissioner

II. MEETING MINUTES

Sam Adams
Mayor

Chair Andrews called for a motion to adopt the meeting minutes of October 13 and October 27, 2010.

Bruce A. Warner
Executive Director

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion.

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

III. EXECUTIVE DIRECTORS REPORT

Executive Director Bruce Warner presented Report No. 10-100 and highlighted the following:

- Thank you to Commissioner Aneshka Colas-Dickson who took time out of her busy schedule to attend a brown bag lunch with staff on October 19. Approximately 40 staff members showed up to meet Aneshka and her father, Hermann Colas. Aneshka talked with the staff about her background, her interest in serving on the PDC Board, the struggles of small minority-owned family businesses, and what she hopes to accomplish while on the board. Hermann Colas shared his fascinating family background, explained how he got into construction, and told of the foundation he established to help people in his homeland of Haiti. The staff gave the brown bag high marks and very much appreciated getting to know our newest commissioner a bit better;
- The National Trust for Historic Preservation announced recipients of the 2010 National Preservation Awards and the White Stag Block was awarded a National Trust Board of Advisors Award. Each year the National Trust celebrates the best of preservation by bestowing the awards upon individuals, nonprofit organizations, public agencies and corporations whose contributions

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represent singular success in preserving, rehabilitating or interpreting America's architectural and cultural heritage. This year's awards were held October 27-30 in Austin, Texas. In honoring the White Stag Block the National Trust said, "In one of America's greenest cities, three long-vacant historic commercial buildings have been brought back to life in textbook example of sustainable development." Developer Art DeMuro attended the awards along with PDC's Denyse McGriff who attended as part of her duties as a National Trust Advisor from Oregon. It is always gratifying when projects that PDC is involved in are recognized for the positive impact they have on the city, and in this case, the environment;

- On Monday, October 18, PDC and the Outdoor Industry Association (OIA) hosted a workshop on the outdoor industry Eco Index, held at the White Stag/UC Center. Mayor Sam Adams kicked off the proceedings, which featured OIA representatives and panelists from local companies involved in the project, including Nau, Columbia Sportswear, and OIA Global-Creative Packaging discussing the Index and its projected use for the industry. Developed collaboratively by a group of approximately 200 outdoor industry companies worldwide, the Eco Index is a ground-breaking environmental assessment tool designed to advance sustainability practices throughout the supply chain. It provides a way to benchmark and measure the environmental footprint of apparel, footwear, and gear, leading to more informed sourcing and product life cycle decisions. PDC has been a sponsor of the project since its inception, and connected the OIA with Portland-based Zero Waste Alliance as the project manager. More information is posted at <http://www.ecoindexbeta.org>;
- On October 6, after 2 1/2 years of working with the General Services Administration and its developer, PDC closed on the sale of eight acres of PDC-owned land at Cascade Station for development of the \$60 million new regional headquarters of the Federal Bureau of Investigation. This project will generate 200-300 construction jobs and 250 permanent jobs when finished in June 2012. The sale proceeds will be used to fund additional loans to businesses in Airport Way to expand their operations and create new jobs in the urban renewal area;
- Construction for the Kenton business district streetscape makeover was completed on October 13, ahead of schedule. The final phase of the project involved grinding the existing asphalt surface of Denver Avenue and repaving with concrete. The intersections and parking lanes are delineated with dark gray concrete, and the travel lanes are a natural concrete color. The concrete was saw-cut into a grid pattern within hours of it being poured to control cracking and give the road a distinctive look. Kenton organizers celebrated the project's completion by enjoying their best-ever turnout for the area's Third Thursday on October 21. The celebration will continue at a ribbon-cutting ceremony on November 18, when a carved granite sculpture created by Mauricio Saldana will be unveiled just in time for Kenton's Third Thursday art walk; and
- With help from PDC's Development Opportunity Services (DOS) program and a PDC business finance loan, family-owned business A&K Designs has opened its new sports uniform manufacturing facility in the Lents Town Center Urban Renewal Area. The company received a \$12,000 PDC DOS grant in 2007, funding a preliminary site and building concept for redeveloping the proposed location, including a site feasibility analysis, schematic designs and construction plans. When the plan was ready in 2009,

PDC Business Finance assisted with \$280,000 in construction financing. Company representatives credit the PDC staff with helping them through the planning and construction process, which included environmental issues related to the site's proximity to Johnson Creek. A&K expanded from 20,000 to 39,000 square feet, and employs 45 people.

IV. CONSENT AGENDA

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

Resolution No. 6834 "Create a New Position on the North Macadam Urban Renewal Advisory Committee to represent the South Waterfront Transportation Management Association and Appoint Mr. Peter Collins to Fill This New Position."

Resolution No. 6835 "Fiscal Year 2010-11 Intergovernmental Service Level Agreement General Fund Special Appropriations."

Commissioner Wilhoite moved and Commissioner Straus seconded the motion to adopt the consent agenda.

AYES: Andrews, Dickson, Mohlis, Mohlis, Wilhoite

NAYS: None

V. REVISE STOREFRONT IMPROVEMENT PROGRAM TO INCLUDE SIGNAGE AND LIGHTING IMPROVEMENTS GRANT PRODUCT (SLIP) INCENTIVE

Ms. Dana Deklyen stated the action would adopt revised guidelines for the Storefront Improvement Program to streamline and provide increased ease of use and understandability for clients. The primary changes in the proposed guidelines are as follows:

1. Consolidate the Signage and Lighting Improvements Grant Product (SLIP) into the Storefront Improvement Program;
2. Provide a consistent percentage of matching grants for the costs of all work completed on any single project; and
3. Provide assistance for eligible newly located ground floor business tenants for adequate signage to increase visibility.

Ms. DeKlyen said the revisions would help provide clarity and simplicity to these popular revitalization programs. The adoption of these guidelines will replace the existing guidelines for the Storefront Improvement Program adopted through Resolution No. 6784 by the Portland Development Commission (PDC) Board of Commissioners (Board) on April 14, 2010; as well as rescind the existing guidelines for SLIP adopted through Resolution No. 6663 by the Board on January 14, 2009.

Chair Andrews called for a motion to adopt Resolution No. 6836, titled, "Adopting Revised Financial Assistance Guidelines for the Storefront Improvement Program."

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion to adopt the consent agenda.

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

VI. GLOBE HOTEL / ORIENTAL COLLEGE OF MEDICINE DISPOSITION & DEVELOPMENT AGREEMENT

Mr. Kevin Brake stated the action would authorize the Portland Development Commission (PDC) Executive Director to enter into a Disposition and Development Agreement (DDA) with Globe Hotel LLC, a development team of the Oregon College of Oriental Medicine (OCOM), Beam Development (Beam), and Globe Building. The DDA defines the terms and conditions for the sale of PDC-owned property located at 88 NW Couch (the Property) and historic rehabilitation of the Globe Hotel located on the Property for OCOM's new campus headquarters (the Project). The authorization of this DDA will further the implementation of the Ankeny Burnside Development Framework through the redevelopment of a contributing building in the Skidmore Old Town National Landmark Historic District and by moving a vibrant educational institution into Old Town Chinatown (OTCT).

Additionally, Mr. Brake said the action would authorize PDC's financial participation in the Project in a total aggregate amount not to exceed \$6,224,000, including a Commercial Property Redevelopment Loan (CPRL): Construction Loan in the amount of \$745,000, a CPRL: Real Estate Loan in the amount of \$2,234,000, a CPRL: Bridge Loan in the amount of \$2,500,000 until OCOM's present campus is sold, and a CPRL: Predevelopment Loan in the amount of \$745,000. PDC has already approved and disbursed \$200,000 in predevelopment loan funds. This action will authorize an additional \$545,000 to complete construction documentation and permitting. The predevelopment loan will be repaid from the first construction draw for the project. Total Project cost is \$16,167,518, with PDC financing comprising 34 percent. The twelve-month construction period will commence once financing for the project has closed. Construction will commence in early 2011 due to difficulty in securing sufficient allocation of New Market Tax Credits (NMTC) for the project's financing structure.

Mr. Brake said the rehabilitated Globe Hotel will result in approximately 39,580 square feet (sf) of leasable space, including the addition of a fifth floor, with OCOM occupying 38,360 sf, or 97 percent of the building. The remaining 1,220 sf is reserved for an active ground floor retail tenant. OCOM will also be providing a space on the ground floor that will be available for community use and will allow neighborhood and community groups to use the space.

Mr. Michael Gaeta representing the Oregon College of Oriental Medicine expressed his thanks to the PDC Board and staff. He said the process for the project has been one with many twists and turns. He said he was encouraged the project has reached this particular milestone and said he was excited to moving forward. He said next steps would include working with the community and continue the relationship with Beam Development.

Mr. Pete Egspuehler representing Beam Development expressed his thanks to the PDC Board and staff. He explained executing the DDA would be one more step towards completing the project. He said he was encouraged the process was still moving forward and said he is ready to work with the community and with OCOM to see the project completed and opened.

After much discussion, the Board expressed their support for the project and expressed their thanks to PDC staff, Beam Development and the Oregon College of Oriental Medicine.

Chair Andrews called for a motion to adopt Resolution No. 6837, titled, "Authorizing the Executive Director to Execute a Disposition and Development Agreement with Globe Hotel, LLC and Globe Building, LLC for the Development of Certain Real Property Located at 88 SW Davis Street Between First Avenue and SW Naito Parkway in the Downtown Waterfront Urban Renewal Area; and Authorizing Financial Assistance in a Total Aggregate Amount Not to Exceed \$6,224,000."

Commissioner Wilhoite moved and Commissioner Dickson seconded the motion to adopt the consent agenda.

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

VII. CENTENNIAL MILLS DEVELOPMENT DISPOSITION AGREEMENT STATUS UPDATE

Ms. Sarah Harpole provided a brief background on the Centennial Mills project. She said in 2000, PDC acquired the 4.74-acre parcel for the purpose of creating open space, as recommended in the 1995 River District Plan. However, the recommendation to demolish the complex was met with opposition from historic preservation, neighborhood, and city stakeholders. As a result, in 2005 City Council adopted Resolution No. 36320 directing PDC to halt demolition and work with the Bureau of Planning and community stakeholders to develop a more comprehensive plan for Centennial Mills. The resulting Centennial Mills Framework Plan (Plan) recommended redevelopment of the site in accordance with five key redevelopment principles: include a signature riverfront open space; represent the historic significance, character, or function of the site; create a dynamic, lasting, and unique waterfront destination; connect to the River District, surrounding city, and region; and develop in an ecologically, economically, and culturally sustainable manner. The plan was approved by City Council in October 2006 and by the PDC Board in December 2006.

Ms. Harpole said pursuant to the Plan, in early 2007 PDC initiated a two-phased Request for Qualifications (RFQ) / Request for Proposals (RFP) seeking a qualified development team and proposal that best meets the Plan's objectives. PDC received nine RFQ proposals, three of which were selected to submit to the subsequent RFP. Following extensive public outreach and a recommendation by a stakeholder Evaluation Committee, the Board approved the Executive Director's recommendation to select LAB as the preferred developer in March 2008.

LAB's development concept, SEED, is proposed to be a regional recreation and social amenity that combines culinary and healthy sustainable living elements. Construction cost estimates and negotiation of any PDC investment are still in the early stages. Preliminary estimates indicate total project costs of \$45.8 million (not including undetermined site acquisition costs). The above estimates assume, but do not include, the relocation of the Mounted Patrol Unit facility (\$3 million estimated), and construction of the pedestrian bridge linking the project to the Fields Park across Naito Parkway (\$5 million estimated). The adopted FY 2010-11 RDURA Budget and Four Year Forecast currently includes \$12,973,000 for Centennial Mills and the Pedestrian Bridge.

Ms. Harpole stated staff is in the process of negotiating a DDA with LAB, and anticipates presenting it to the Board for approval in early 2011. LAB will commence design development work, obtainment of design review approvals, and preparation of construction documents and bidding, upon approval of the DDA. The binding commitment of a DDA will also better enable LAB to seek commitments from lenders and tenants. PDC staff and the LAB team are

addressing a number of hurdles to be overcome in order to proceed with the redevelopment of Centennial Mills, including the following:

- Financial Market;
- Mounted Patrol Unit (MPU) Relocation;
- Greenway Land Use Approvals;
- Army Corps of Engineers (COE) and Division of State Lands (DSL) Permits;
- Public Investment; and
- Pedestrian Bridge and Fields Park.

Ms. Harpole stated questions have been raised regarding the current feasibility and desirability of the project. As described above, efforts are underway to address the feasibility of the project. Extensive public outreach has also been conducted throughout the project, often resulting in over-capacity crowds. Public interest, and support for LAB's development vision, has been significant since the initial selection process. However, the following summarizes potential alternative actions the Board could consider:

- Demolish Centennial Mills; or
- Postpone development negotiations and/or seek another development partner.

Mr. Shaheen Sadeghi representing LAB Holdings stated they remain very excited about the project and commend the PDC for wanting to save the structures at Centennial Mills. He expressed his thanks to the PDC Board and staff for their assistance and working relationships. He said the economy has slowed down the process of redevelopment, but they remain committed to the project and are excited to continue to move forward.

Mr. Craig Schweitzer representing Urban Works Real Estate expressed his support of the project. He stated they feel very confident of the concept and positive about their ability to see the project fully leased.

Ms. Patricia Gardner, co-chair, River District URAC expressed her support of the project.

VIII. ATHLETIC & OUTDOOR INDUSTRY CLUSTER UPDATE

Mr. Patrick Quinton stated the Portland Economic Development Strategy is predicated on the implementation of a cluster approach to create jobs. As such, PDC has been working with industry leaders and key partners to identify opportunities to further Portland's competitive location by enhancing the competitive environment for firms in the activewear industry while providing ongoing business retention, expansion, and recruitment support for the industry. Portland's activewear cluster is a group of innovative, world-class firms that design, market, and distribute footwear, apparel, and related gear for sports, recreation, and active lifestyles. Anchored by Nike, the global leader in this field, Adidas' North American headquarters, and Columbia Sportswear, the cluster also includes hundreds of smaller firms, which develop and market their own products and provide a wide range of specialized services to other firms in the cluster. The competitiveness of the cluster is based on the skills, interests, and values of its workers, and the strong interconnections with the local tendencies for active living, sustainability, and innovation. Portland is the epicenter for designing and marketing these products and managing the global enterprise.

Ms. Jennifer Nolfi said the activewear industry is one of the four clusters identified in the City's five-year economic development strategy. Driven by a desire to support jobs and economic growth and the recognition of the activewear industry as a source of both, the Portland Development Commission (PDC), in partnership with Business Oregon, the Oregon Business Council, Portland State University, the University of Bern, and Joe Cortright, engaged Portland and Oregon activewear industry leaders in a series of discussions that began in October 2009. Research, a survey, interviews, and roundtable discussion with industry leaders sought to:

- define the industry – its challenges, opportunities and key competitive markets;
- engage the industry in a dialogue that could lead to actions, policies, and initiatives to further industry growth; and
- identify opportunities for public-private collaboration that will further Portland's and Oregon's competitive advantage as a global activewear hub.

Ms. Nolfi explained the key deliverables from this project are:

- an online directory of over 300 firms available at www.pdxactivewear.com (the directory was first launched in April 2010 and is constantly being updated);
- the first comprehensive study of Portland's and Oregon's activewear industry;
- a report and industry call to action;
- a genealogy map showing the evolution of the industry; and
- an action plan to further Portland's competitiveness as a global activewear hub with an emphasis on industry and higher education connections, the continued development of a materials resource library, and the establishment of an activewear entrepreneurship program including access to funding.

Ms. Nolfi said currently statistics show statewide the "core" activewear industry:

- Does not include the economic impact generated by activewear firms purchasing from other sectors such as professional services (legal, accounting, hr, etc.);
- Feedback received states that the \$80,000 average wage is too high for the industry. We believe that some of the larger brands skew that number and that it is more likely around \$68,000 based on anecdotal information;
- employs more than 14,000 workers;
- contributes to a total statewide payroll of nearly \$1.2 billion, in 2008, and includes more than 700 firms with payroll;
- pays average wages of more than \$80,000 annually;
- employs as many as 3,200 self-employed people; and
- generates sales of more than \$100 million annually.

Experts define the cluster as an "alpha" cluster. The characteristics of alpha clusters are continuous innovation, high wages, strong geographic concentration, and strong connections to the culture and quality of life in the community. In Portland's case, the activewear cluster has important business and cultural connections to design, media, and communication, as well as to a distinctive lifestyle and other clusters in music, art, and food.

Ms. Nolfi stated based on discussions with industry leaders, the future will focus on exploring the following opportunities to support Oregon firms and further Portland and Oregon's competitiveness as an activewear hub. These opportunities will be defined in a separate action plan. Industry leadership will be critical to the successful implementation of the action plan:

- Acknowledge and promote the region's leadership position as the world's premier activewear industry hub;
- Promote networking of firms and professionals in the activewear cluster; Execute the materials resource library business plan, through the newly established non-profit organization the Portland Center for Design & Innovation;
- Nurture activewear entrepreneurship and start-up activity by improving access/availability of working capital programs, resources, mentorship, and networking;
- Expand industry specific education to prepare more Oregonians to compete for jobs in this globally competitive industry;
- Look for opportunities to on-shore" manufacturing;
- Address key state and local policies on taxes and education funding;
- Develop cross cluster connections to the regions other alpha clusters;and
- Continue to identify opportunities such as the OIA-Eco-Index to further industry understanding of sustainability and innovation and Portland's position as a sustainable leader.

IX. Software Cluster Update

Ms. Erin Flynn stated the software industry is one of the four clusters identified in the City of Portland's five-year economic development strategy. To support job growth in the software industry, the Portland Development Commission (PDC) initiated an extensive conversation with the industry through one-on-one company meetings, face-to-face community conversations, and three iterative online surveys. The feedback from these conversations resulted in a clearer understanding of the issues facing the software community and recommendations for action steps to support the industry. That action plan, which is summarized in this report, emphasizes the building of a formal network for connecting mentors and mentees, establishing more direct channels to access financing, and technology development through the support of user groups.

Mr. Gerald Baugh explained the software cluster in the Portland metropolitan area consists of over 1,400 software companies, with the City of Portland home to approximately half of those firms. Software developed by Portland companies ranges from cutting edge open source and mobile web applications to large internal software applications. Other applications produced by local companies include software as a service, embedded software, enterprise software, and custom built software applications. Portland is known for having an active start-up culture, and software exemplifies that trend. In Portland, 62 percent of software establishments have fewer than three employees, and 76 percent have fewer than five employees. PDC identified software as an emerging and growing cluster of business in Portland. This identification was based on three factors:

1. A higher than average location of software companies as compared to the national average;
2. A higher annual wage of \$84,857 for software as compared to \$44,244 for all other Portland industry sectors; and
3. A fit with the available workforce and the start-up culture of Portland.

Mr. Baugh stated the strengths which drive growth in the software cluster are: talent, Open Source, capital, community, and cost.

1. Talent - The impact of Tektronix and Intel on the technology sector in the region is well documented. The deep pool of engineering and scientific talent created by these companies as well as other global players with a regional presence, including IBM and HP, has served as a strength of the regional cluster, and is present in most successful technology start-ups in the region. As the business lines of these large companies have evolved into software development, including Open Source and Web 2.0 applications, the talent pool for the region has deepened and created a pipeline of experienced developers for the region's burgeoning software industry. The talent pool has also benefited from an in-migration of educated professionals, many with technology backgrounds, who are drawn to Portland's lifestyle and the openness of Portland's software community;
2. Open Source - The Portland region has become the unofficial home for the Open Source software movement. Linus Torvalds, the inventor of the Linux Operating System and the kernel for Open Source Software, and Ward Cunningham, the inventor of the wiki, reside in the region. Some of Portland's most promising software start-ups are selling solutions built on Open Source platforms, including JanRain, Puppet Labs, and Jive. In addition, software engineers at Intel and IBM are making major contributions to code development for open source; in 2009, the second largest contributor to Open Source Software development by lines of code written was Intel. Portland's role as the de facto home of the Open Source movement is recognized nationally. The major Open Source conventions and trade shows, including the Open Source Convention, Innotech, the Open Source Bridge Convention, and the Government Open Source Conference are either based in Portland or frequently hosted by Portland;
3. Capital - Despite claims that Portland lacks sufficient sources of venture capital to adequately fund local start-ups, seven Portland area software firms have raised over \$50,000,000 in new venture capital funding in 2010. Although much of this funding is coming from sources outside of the Portland area, all of the companies who received funding will retain their presence in Portland. The momentum in venture funding suggests that Portland is establishing a reputation as viable location for scaling software firms, particularly firms in the mobile application and Open Source sectors;
4. Community - Relationships, through mentoring and user groups, weave the software community together and have been instrumental in the development of the industry's culture. Feedback from discussions with industry representatives suggests that employees in Portland are more loyal to the region and to their employers than people in larger cities like Boston, New York, Los Angeles, and San Francisco, and that this has led to higher rates of retention of employees locally; and
5. Cost - A strong selling point to software firms and investors is the lower cost of doing business in Portland compared to San Francisco and Seattle. The lower cost is attributable to lower rents and salaries. Venture capitalists have noted that their money goes further when a company scales in Portland than in other West Coast cities.

X. AJDOURN

There being no further business, Chair Andrews adjourned the meeting at 10:37 a.m.