

PORTLAND DEVELOPMENT COMMISSION

Meeting Location
222 NW 5th Avenue
Portland, OR 97209

May 10, 2006

1. CALL TO ORDER

The Members of the Portland Development Commission (PDC) met in regular Commission Meeting at the Portland Development Commission in Portland, Oregon at 3:00 p.m. on the 10th day of May 2006, the place, hour and date duly established for the holding of such meeting.

The Chair called the meeting to order and the secretary called the roll of the Commission and the following were present:

Eric E. Parsons, Chair
Sal Kadri, Commissioner
Mark Rosenbaum, Commissioner

The following were absent:

Douglas C. Blomgren, Secretary
Bertha Ferran, Commissioner

The Chair declared a quorum present.

Approval of Minutes

Motion to approve the minutes for February 22, March 8, March 22, April 3, April 11, April 12 and April 26, 2006, was made by Commissioner Rosenbaum and seconded by Commissioner Kadri; all were unanimously approved.

2. DISCUSSION

Executive Director's Report:

Mr. Bruce Warner provided a brief update on the following:

- The Meier & Frank building is now under construction.
- The Second Annual Lents Community Resource Fair occurred April 29. Sponsored by PDC, this year's event received even greater turnout than last year's.
- Take Your Child To Work Day occurred at PDC April 21, with excellent turnout.
- Although not in his written report, Mr. Warner wanted to point out the legal team representing the PDC successfully litigated a lawsuit against Bureau of Labor and Industries (BOLI) regarding prevailing wage. PDC expects to receive Judge Kantor's formal order within the week.
- Mr. Warner distributed to the Commissioner's attention a Draft Resolution Authorizing a Public Participation Effort to Assist in the Development of an Implementation Plan for Predictable and Adequate Funding of Housing for

Individuals and Families Earning 80 percent Median Family Income or Less”, stating it will come before the Board as a formal agenda item May 24.

3. **PUBLIC COMMENT**

No comments.

CONSENT

4. **Burnside Bridgehead – Authorize to Enter Into Lease for Use of Property Owned by the State of Oregon, located on Block 69 in the Central Eastside Urban Renewal Area (Report 06-43)**

Motion to approve Resolution 6350 and accept Report No. 06-43 was made by Commissioner Rosenbaum and seconded by Commissioner Kadri, and passed by vote as follows:

AYES: Chair Parsons, Mr. Rosenbaum, Mr. Kadri

NAYS: None

Resolution No. 1 was approved and Report 06-43 accepted unanimously.

Note: Due to the absence of Commissioners Ferran and Blomgren, resolution action will become effective thirty days after adoption.

(A certified copy of Resolution No. 6350 is filed in the Official Minutes Book.)

REGULAR AGENDA – PROJECT ACTIVITY

During the meeting, Item #5 was placed on the Regular Agenda.

5. **Authorize the Portland Family of Funds to Deploy up to \$19 Million of the Portland New Markets Fund I, LLC, in Support of the White Stag Block Rehabilitation in the Downtown Waterfront Urban Renewal Area (Report 06-44)**

Presenter: Mr. David Davies, Senior Project and Program Coordinator, PDC Development

Mr. Davies reported that a proposal for a \$2.5 million dollar seismic loan, will be submitted to the Loan Committee. Upon review, the Loan Committee will make a recommendation to the Executive Director.

Chair Parsons requested the process timeline. Mr. Davies said that the action before the Commission today was to act upon the New Market Tax Credits, and if approved today will be the final Board presentation. The Executive Director has the authority to approve the loan based upon the Loan Committee recommendations and therefore, the loan would not need to come back to the Commission.

Discussion:

Commissioner Rosenbaum raised the following issues:

- In the background briefing, the project is complimentary to Portland State University (PSU), which Mr. Rosenbaum favors. Commissioner Rosenbaum's support is conditioned upon such representation - cooperation between PSU and University of Oregon (U of O) programs remain ongoing. It is critical that graduate-level programs do not compete with each other.
- Regarding finances, Commissioner Rosenbaum believes the built-in-returns may be generous (although not yet known). The focus should be on monthly cash flows and monthly investment returns to the developers' investment. It was further noted that over \$10 million in historic and New Market Tax Credit equity used to leverage the developer's investment as well as \$2.5 million in PDC loan which is subordinated financing. PDC's repayment is conditioned upon certain ratio requirements being met by loan recipients as required by the recipients' senior lender. His concern is if interest payments to PDC are out of compliance, the recipient does not make interest payments - and PDC foregoes it or adjusts the interest rate in order to accommodate that circumstance.
- Based on Commissioner Rosenbaum's calculations and PDC's projection on fair market value at end of year 7 and 10 (with understanding there is ability for this property to be sold commencing in year 7), the potential equity return to the developer might be greater than what is considered appropriate for the magnitude of risk is assumed. He addressed this earlier regarding some MLK development, and it was not enough to consider the monthly cash flow, but also appropriate for PDC to consider the amount of equity being earned, or potentially earned, by the investors. (Especially as in this situation, wherein PDC is making substantial investments all throughout this area, which hopefully will mitigate risk to some degree.)
- PDC has the opportunity to participate in extraordinary gains that might result to the developer. He asked Mr. Warner and the investment committee will develop the guidelines and formulas.
- Once a project reaches a certain 'hurdle-rate;' it's not inappropriate for PDC to retroactively increase interest earnings to market rate (either in stages or all together); and, at the end of 10 years or earlier (when the loan is repaid), the community which invested in this should be able to benefit from any extra earnings/returns. Mr. Rosenbaum stated he would have liked to have seen in earlier agreements and hopes he will "see as part of the seismic loan here," depending on what the fellow Commissioners think about the concept.
- Commissioner Rosenbaum made the comment: "Incent the market place, reward risk." If PDC is willing to eliminate its return in the bad times, then in the good times PDC should be able to participate to a limited degree on the up side - that money would then be available for the district to spend in another manner later on in its life.

Commissioner Kadri thanked Mr. Rosenbaum for his thoughtful analyses then addressed Mr. Davies regarding the deadline on the upcoming lease for U of O. He inquired as to the dates for the signing the lease and the non-refundable deposit, both of which had a deadline of April 30, 2006. Mr. Davies assured Commissioner Kadri the lease had been signed but the non-refundable deposit had not been made. The deadline was extended to

May 15, 2006. Commissioner Kadri requested the schedule be shortened. Mr. Davies said that the construction schedule may have to be extended although it is due for completion by end of 2007, with U of O moved in by that time. Mr. Davies anticipated the schedule could be extended to February or March of 2008. Commissioner Kadri urged a move-in date prior November 2007.

Mr. Davies stated there might be legal challenges with the loan structure proposed by Commissioner Rosenbaum due to the New Market Tax Credit allocations being used. Chair Parsons thanked Mr. Davies for his input and asked for public comments. None were presented.

Chair Parsons acknowledged he supported the project and agreed with Commissioner Rosenbaum's assessment and acknowledgement the risk involved by real estate developer (includes expectation of a good and fair return). Chair Parsons' overall concern was for the Board to understand the project structure, range of possible outcomes, and the Board's overarching concern to foster and maintain good public policy practices.

Mr. Bruce Warner acknowledged the Board's expectations of the PDC Loan Committee and they assess the goal of the fair and good rate of return. He is comfortable with the general guidelines as reviewed today, a matter regarding good public policy practices.

Action:

Motion was made by Commissioner Rosenbaum to approve the tax credit allocation and adopt the Resolution No. 2, which was seconded by Commissioner Kadri.

AYES: Chair Parsons, Commissioner Rosenbaum, Commissioner Kadri.

NAYES: None

(A certified copy of Report 06-44, Resolution 6351, is filed in the Official Minutes Book.)

Note: Due to the absence of Commissioners Ferran and Blomgren, Resolution 6351 will become effective thirty days after adoption.

Chair Parsons then recessed the PDC session and convened the Board as the Budget Committee, on what is Item 6 of the agenda.

6. **Budget Committee Action to Approve Fiscal Year 2006-07 Proposed Budget**

Presenters: Tony Barnes, PDC Senior Budget Analyst
Lori Sundstrom, PDC Executive Officer

Chair Parsons asked staff to summarize the recommended technical changes and restate the budget project and program changes.

Mr. Barnes reported the following:

- Attachment A to Report 06-45 will be included in the approved budget (resulting in an additional \$28.1 million to the FY 06-07 proposed budget). With these recommended changes, the total is \$232.7 million.
- Recommended departmental and Amendment 8 changes for the North Macadam Central District development area and other carry forward changes in other funds.
- Reviewed stakeholder comments, specifically regarding South Park Blocks Urban Renewal Area such as the additional preservation of housing for Clay Tower, Martha Washington rehabilitation, funding for new PSU School of Social Work, the Recreation Center, redevelopment of the PCAT building, and additional streetcar funding for the final alignment as part of Montgomery blocks. The process is being reevaluated for potential projects in South Park Blocks URA and expects to return to the Board with a re-prioritized list at a later date.
- Summarized current Development Department project budgets for Montgomery Blocks and the process to evaluate potential projects in South Park Blocks URA. Finance will present the Board with a prioritized list in the near future.
- Summarized the \$7 million Housing allocation for Montgomery Blocks and the movement of \$1.5 million from the FY 2006-07 Proposed Budget to later in the Five-Year Plan.

Commissioner Rosenbaum asked if this funding work for Clay Towers and Mr. Barnes replied, yes.

Mr. Barnes requested the Commission, acting as the Budget Committee, approve the FY 2006-07 Budget, to include the major budget adjustments required for North Macadam Amendment Number 8, and the disbursement schedules of recommended loans and grants. Additional changes are likely recommended for the adopted budget, but the Commission is limited to a 10 percent increase between now and when the budget is approved and adopted at the June 28, 2006 meeting.

The Commission may make appropriation changes between department projects in the adoption of the budget on June 28. Upon approval of the budget it is put forward for approval by the Tax Supervising and Conservation Commission (TSCC) to review for compliance with state budget law.

Lori Sundstrom, PDC Executive Officer spoke on behalf of Mark A. Murray, PDC Chief Administrative Officer, with provision of an update in the board report concerning

rightsizing the organization. She acknowledged the Commissioner's request from the April 24 Board meeting to align agency resources with agency revenues and assured the Board this process had begun. She noted with review prospectively and retrospectively, at five-year increments and for the ten-year planning horizon. Staff is looking at revenue and staff resources, utilization of consultants, and overall business of the PDC: "What we do and who we do it for."

Ms. Sundstrom requested additional time and guidance from the Board on some key strategic issues and suggested a full discussion at the next Strategic Work Session with Board members.

Discussion:

Commissioner Kadri requested a final budget by the June 28 Board meeting.

Ms. Sundstrom stated it would not be possible to thoroughly conduct the requested analysis within the next five weeks, due to the amount of information which must be collected and analyzed, and staff still desires additional Board input regarding direction on several key strategic issues.

Ms. Sundstrom added that she and Mark Murray are currently reviewing with the administrative and executive departments to prepare a Board report. Commissioner Kadri stated he considers, "anything above 15 percent as major", and asked Ms. Sundstrom this be the percentage gauge for generating the report.

On a separate note, Commissioner Kadri provided citizen feedback he received regarding the PDC Storefront Improvement Program, as being: "a program that issued one of the best returns for PDC investment, and asked if we can budget funds outside the Urban Renewal Area – in as much as it has such a large return for our investment in terms of creating jobs and wealth?"

Mr. Warner, PDC Executive Director restated Commissioner Kadri's concerns, which is, the limitation of tax increment financing in terms of where it is spent and the desires and needs for the entire rest of city for the same type of program.

Mr. Warner noted, that we have previously addressed this issue and tax increment financing revenues can not be used outside urban renewal districts in which they are generated. There are limitations to these funds but *are* monies we use for Storefront programs within the URA's. City discussions regarding the general fund and other sources of revenue for the economic development programs are currently being discussed and believe this is a vitally important program. For every dollar we invest we leverage more times other investment into those facilities. So one of the things we need to do as part of rightsizing PDC is to look at other sources of revenue that are more flexible and can be used outside of the URA's. This is one of the subjects charged to Robert Alexander, also we will look to other sources – private, federal, state, or other new sources... We all agree that this is a major issue to be worked on, but the legal limitations of the fund makes it impossible to do what you [Mr. Kadri is] are suggesting."

Commissioner Kadri asked if we have implemented the Storefront Program outside the URAs?

Andrew Wilch, PDC Housing and Economic Development Director responded by saying that traditionally the Bureau of Housing and Community Development (BHCD) has funded Storefront in what are called ‘target areas’ throughout the city, and as the city’s priorities narrowed to a few core housing priorities, the Storefront Program was discontinued with federal funding in general fund. We implemented those programs on behalf of the city, in conjunction with the city, but no longer do so. The Program was implemented outside of the URA’s but not with tax increment financing. We used city, federal funds, and general funds.

Bruce Warner asserted that PDC needs to look at new sources of revenue, pointed out that the New Market Tax Credit Micro Loan Program (NMTC MLP) is something that, “within qualified census areas,” could probably be used for the same kind of improvements referenced in today’s meeting regarding the Storefront Program. It (NMTC MLP) was set up, he noted, with limitations to be used outside of the urban renewal areas.

Mr. Warner acknowledged the strong value of the storefront programs and said he shared the Board’s desire that the program be expanded.

Returning to the discussion of the proposed/expanded budget, Commissioner Rosenbaum asserted his appreciation for how well PDC manages its competing priorities within the PDC URA’s and he is pleased with how well the URA Advisory committees work along with PDC staff to identify priorities at a local level.

Mr. Rosenbaum noted his awareness of requests this budget be changed to create more dollars for schools, or more dollars for aspects of parks. Mr. Rosenbaum feels PDC can stand ready to be as helpful as possible, and, while as an institution, there is no money available to assist the schools. PDC can be as helpful as possible. For example - assisting with development in schools or in other ways to take advantage of staff expertise. He not aware of direct conversations between PDC and Portland Public Schools, in terms of direct requests, or opportunities to be reviewed. He concluded the proposed budget relates to infrastructure (roads, sidewalks, lighting).

Public Comment:

Chair Parsons requested Public Commentary on the proposed FY 2006-07 Budget.

- Margaret Bax, Housing Policy Manager, City of Portland:

Ms. Bax, on behalf of Mayor Potter and City Commissioner Erik Sten, expressed thanks to the Commission for reconsideration of the budget item regarding Montgomery Blocks and the preservation housing line item. She noted, as federal funds disappear, the city is coming to the end of hundreds of federal low-income housing contracts due to expirations city-wide, and specifically in the South Park Blocks. The city looks forward to working with the Board and PDC during the re-prioritization process.

Action:

Chair Parsons then requested a motion to accept the Report 06-45 and approve Resolution No. 3.

Motion to accept the Report 06-45 and approve the Fiscal Year 2006-07 Proposed Budget, Resolution 6352, was made by Commissioner Rosenbaum, seconded by Commissioner Kadri, and passed by vote as follows:

AYES: Chair Parsons, Mr. Rosenbaum, Mr. Kadri

NAYES: None

Chair Parsons asked if there was further discussion, and none was presented.

(A certified copy of Report 06-45, Resolution 6352, is filed in the Official Minutes Book.)

Note: Due to the absence of Commissioners Ferran and Blomgren, resolution action will become effective thirty days after adoption.

Chair Parsons then adjourned the PDC Budget Committee and reconvened the PDC regular Board meeting to complete the remainder of action items on the Agenda.

7. This item, **Approval of Non-Profit Renovation Products (Report 06-46)**, Resolution (number not yet assigned), was pulled from today's meeting agenda, due to last minute notification of changes, as received by PDC from Fannie Mae. This item is deferred to the June 14, 2006 Board Meeting.
8. **Authorize Total Outstanding Debt to Portland Community Reinvestment Initiatives (PCRI) to Exceed the 5 Percent Limit for Any Single Borrower, and Approve a Loan in the Amount of \$1,175,000 to PCRI for the Purchase and Rehabilitation of the Urban League Plaza Building at 10 North Russell Street in the Oregon Convention Center Urban Renewal Area (OCC URA), (Report 06-37, Resolution 6353).**

Presenter: Siobain Beddow, PDC Finance Coordinator

Ms. Beddow first referenced Resolution 4061, approved in March 1991, which: "Requires that any loan which might cause a borrower to exceed a threshold of 5 percent or greater of PDC loan outstandings must be approved by the Commission."

Ms. Beddow noted the loan in question causes Portland Community Reinvestment Initiatives (PCRI) to reach 6.26 percent of total PDC loan outstandings.

The project preserves 24 low-income rental apartments renting to tenants, 40-50 percent of median family income (MFI). Nine units are designated as permanent supportive housing and dedicated to the city's focus on the chronically homeless population, provides community-serving commercial space for an Albina Head Start program, and the headquarters office of The Urban League of Portland.

Discussion:

The Board discussed various aspects of the financing structure, clarifying details of the loan to be assumed, and the new refinancing structure. Additional concerns regarding the safety of children and the desire for an enriching environment in view of transitional housing was also discussed.

Commissioner Rosenbaum asked Ms. Beddow to clarify if this was an assumption of an old loan plus the addition of new dollars. She stated that yes.

Ms. Beddow also clarified the terms of the loan were roughly 3 percent per annum, with amortizing debt, which will convert to equity gap from hard must-pay debt. She confirmed that it is amortizing debt that has been restructured at least once previously.

Commissioner Kadri asked if members of PCRI were present. Although several members of PCRI were expected to attend, none were present (in part, most likely, due to the earlier time at which this report occurred due to today's agenda moving more quickly than originally assumed).¹

Mr. Kadri expressed concern for the overall integrity of the area, and the particular building in terms of protection of the children and ways to build inroads to permanence in the area, by, for example, ownership opportunities. He commented further that this property is a gateway that serves Emanuel Hospital, North Williams Street, and requested some clarification on the future of this project site.

Leah Greenwood, PDC Housing Policy Manager, added that PCRI has a large portfolio in North and Northeast Portland and the manner in which this might assist tenants in the longer term.

Ms. Beddow added that this particular project had a master lease arrangement with Albina Ministerial Alliance. Ten of the units are transitional housing. Permanent supportive housing, the next step, does not contemplate temporary, transitional housing, she emphasized, until the individual is ready to move on.

Ms. Greenwood also emphasized to Mr. Kadri that Head Start takes in children from the entire neighborhood, not just the building, in fact less so from the building. Ms. Beddow asked Mr. Kadri for clarification of his concerns, were they primarily regarding the children's well being?

Mr. Kadri queried as to what happens during the transitional processes? How do the proximities of the building affect the comings and goings of the children?

The building is being rehabilitated, according to Ms. Greenwood. As well, the intersection where the building sits involves several vacant properties currently owned by Emanuel Hospital, for example, which if developed, could provide a stronger variety of influences favorable to children and other vulnerable people in the area.

¹ Members of Portland Community Reinvestment Initiatives (PCRI) did not arrive at the time of Ms. Beddow's presentation.

Commissioner Rosenbaum asked if there was any expectation that this loan will not be repaid, to which Ms. Beddow responded that it will likely take the full term of the regulatory agreement, since, as example, it was left with under a quarter of a million captured after running the cash flow out 30 years loan repayment will depend strongly on the refinancing scenario in year 11, as to how much can be recaptured.

The obligation to repay this loan is dependent entirely on cash flow, with the only default being if they owed a cash flow payment and did not pay it, at which time it becomes 'must pay'.

Mr. Rosenbaum then suggested that the senior lender on this would look at the loan, the PDC contribution, more as a grant.

Ms. Beddow responded that yes, if this were a tax credit project then it would in fact be required to look nearly as a grant would, with very specific structuring requirements. She reiterated that this is not a tax credit deal.

Mr. Rosenbaum remarked that with 24 units being protected here, this roughly amounts to \$25,000 per unit, to include the commercial units as well. Commissioner Kadri noted that the commercial units get \$12 per square foot.

Public Comment:

Chair Parsons asked for Public Commentary. None was presented.

Action:

Chair Parsons asked for motion to approve the Resolution 6353. Motion was made by Commissioner Rosenbaum to approve Resolution 6353, which was seconded by Commissioner Kadri.

AYES:	Chair Parsons, Commissioner Rosenbaum, Commissioner Kadri.
NAYES:	None

(A certified copy of Report 06-47, Resolution 6353, is filed in the Official Minutes Book.)

Note: Due to the absence of Commissioners Ferran and Blomgren, resolution action will become effective thirty days after adoption.

9. **Approval of Executive Director's Recommendation to Select Gerding/Edlen Development Company LLC for Exclusive Negotiations to Redevelop Property at SW 5th Avenue and Montgomery Street and 401 SW Harrison Street in the South Park Blocks Urban Renewal Area, (Report 06-48, Resolution 6354).**

Presenters: Lisa Abuaf, PDC Project Manager, South Park Blocks URA
Karl Dinkelspiel, Staff Project Manager.

Ms. Abuaf requested the record reflect the action being presented was not on budget allocation but on developer selection, and authorization to enter into negotiations with that developer following the issuance and closing of a Request for Proposals (RFP) on property at Montgomery and Harrison (between SW 4th and 5th Streets). The site is also known as Block 153 or the Jasmine Tree site.

Her presentation acknowledged key staff and the Citizens Advisory Committee as key to project success and provided a general project history as follows:

- This is a 7/8 block site on one of four Montgomery blocks in the University District. The site includes two parcels; PSU carpool site and the Jasmine Tree Restaurant building.
- The Montgomery Blocks Development Strategy Update was approved by Commission in June 2005 and recommended issuing an RFP on this site.
- The last period to issue bonds in the South Park Blocks URA occurs in 2008.
- Commission authorized RFP issuance in December 2005 with a primary goal of introducing new mixed and middle income condominiums to the area, targeted at 80 percent to 150 MFI.
- The RFP was issued on February 10, 2006, and closed on March 31, 2006.
- One responsive proposal was received from the Gerding/Edlen Development Company.

The Gerding/Edlen proposal is for a four-block project, to include not only the RFP site but also three adjacent blocks. Phase 1 is proposed as new condominiums on a block northeast of the RFP site. The RFP site is proposed as Phase 2, to commence in 2007 with completion in late spring 2009. Phase 3 is for a new Portland State University student recreation center and School of Social Work. Phase 4 is proposed for rental housing.

The RFP site will include a 300 unit condominium development, a continuous block of retail along Montgomery, and three-and-a-half levels of underground parking. The building will span the streetcar alignment. LEED certification will be pursued. As required by the RFP, the majority of the units proposed are at or below 150 percent MFI – 250 of the 300 units. This affordability range is without the tax abatement program. As a benchmark, Ms. Abuaf noted that 130 percent MFI is \$60K-\$70K and about \$230K to \$270K in unit affordability.

She noted that Gerding/Edlen has requested no direct PDC or city financial assistance at this MFI range. The acquisition was estimated at approximately \$3.5 million, based on appraisals completed as part of acquisition in 2002 and 2003. An updated appraisal has been requested and will be completed within several weeks: this would form the basis for any negotiation of sale.

There are two sources of funds: those reserved in the Development department in amount of \$1.3 million, and \$7 million in Housing funds.

Her presentation clarified Development funding is for site preparation and streetcar construction. Regarding the Housing funds, Ms. Abuaf noted that although Gerding/Edlen has requested no direct assistance from PDC, the budgeted funds may be used to bring the unit affordability to below 130 percent median family income. During negotiations Staff anticipates working with Gerding/Edlen to accomplish PDC's housing goals.

The Citizen Advisory Committee and the Downtown Neighborhood Association Land Use and Transportation Committee have both approved, in April of 2006, the selection of Gerding/Edlen. A public Open House also occurred at Portland State University on April 19, 2006.

With Board approved action today, Staff anticipates entering into negotiations with Gerding/Edlen, to return to the Board in fall 2006 for Board review and approval of a DDA (Disposition and Development Agreement).

Discussion:

Commissioner Kadri asked for specifications on the streetcar alignments. Ms. Abuaf responded, as proposed, one track would go diagonally and the other track would remain similar to the current track alignment.

Mr. Kadri asked if PDC is going to fund that realignment. Ms. Abuaf stated it is understood that PDC and the Portland Office of Transportation (PDOT) will jointly fund this realignment. PDOT has stated they currently have no funds allocated to this effort, however, and conversations will continue on this subject. Currently PDC has \$800K allocated to the alignment.

Commissioner Kadri asked about the risks related to the proposed realignment cost estimates. Ms. Abuaf responded that the cost estimates are from 2004. She added that this is the alignment proposed, but that there are several possible alignments and costs will vary according to the final design selected.

Mr. Warner underscored that the streetcar funding is in the Development budget and the proposal assumes no use of the Housing dollars.

Commissioner Kadri noted the cost is \$500 per square foot.

Commissioner Rosenbaum recalled surveys of the downtown core area which showed this level of workforce housing was underrepresented, noting the higher and lower ends

of affordability are being addressed, but not middle income level. Ms. Abuaf deferred to Mr. Dinkelspiel who concurred, this is correct as per the Downtown Housing Strategy goals and results to date.

With the critical idea of getting young people and young families into town, Mr. Rosenbaum referenced the recent Hibbitts survey on the Pearl District 3-bedroom market response, and asked if the Gerding/Edlen developer would consider looking at this report so to consider testing it out with some 3-bedroom units. Mr. Dinkelspiel stated the developer may or may not agree to this, due to additional costs for some 3-bedroom units versus the units as proposed, but they will bring this to the developer's attention during negotiations.

Commissioner Rosenbaum noted Gerding/Edlen discussed interest in seeing City Council reexamine issues related to property tax abatement. As this relates to the 3-bedroom issue and others-- for example, the argument recently presented by Ed McNamara, Housing Authority of Portland (HAP) -- Mr. Rosenbaum feels there may be a persuasive argument to be made, and hopefully City Council will look at the context for compelling numbers.

Chair Parsons requested Mr. Edlen of Gerding/Edlen to make comment.

Mr. Mark Edlen of Gerding/Edlen addressed the risks, costs, and noted numbers are priced at "today's numbers." Interest rates are a risk and this may impact first time home buyers, for example. The notion of 3-bedrooms is open to them. One innovative strategy under consideration is to make some units collapsible into another, creating one larger unit.

Mr. Edlen expressed sustainability is a large goal for Gerding/Edlen, including as a provision of affordable housing. These goals will not be compromised. He said they are also working with some other financial ideas ("soft seconds"; Fannie Mae) to make the units more affordable and attractive to potential buyers. He additionally stated they are working from the assumption the streetcar is paid for by others and the site is clean.

Mr. Edlen asked if the Board had any questions, and none were presented.

Chair Parsons asked for any other commentary, and none was presented.

Chair Parsons asked for any further questions or commentary from Mr. Warner, and there was none.

Mr. Rosenbaum also echoed Mr. Kadri's concern regarding the PDOT expenses.

Action:

Chair Parsons requested a motion to adopt Resolution No. 5. Commissioner Rosenbaum moved to adopt Resolution No. 5, which was seconded by Commissioner Kadri.

AYES: Chair Parsons, Commissioner Rosenbaum, Commissioner Kadri.

NAYES: None

(A certified copy of Report 06-47, Resolution 6354, is filed in the Official Minutes Book.)

Note: Due to the absence of Commissioners Ferran and Blomgren, resolution action will become effective thirty days after adoption.

10. **Adoption of the Development Vision for the Oregon Convention Center Blocks, (Report 06-49, Resolution 6355).**

Presenters: Michael McElwee, PDC Development Manager
Mark Raggett, City of Portland, Bureau of Planning

Mr. McElwee requested the Board approve the Oregon Convention Center Blocks (OCC) study, a long-range vision plan for a 16-block area surrounding the Convention Center to establish a neighborhood and support the Lloyd district.

The plan shows ground floor use as retail, hotel, and entertainment. What is not seen on this plan is the upper floor housing that is also part of the concept.

Specific important urban design principals, important to the Bureau of Planning are, encouragement of density and mixed-use; a focal point at the intersection of Holliday and Martin Luther King Boulevard; public art; improvement to the pedestrian population including traffic calming and the connectivity to the rest of the city. The use of a coordinated parking plan, too, is important, relative to the density and limited land use in the area.

Mr. McElwee referenced challenges face by creation of high volume attendance venues, sports arenas and convention centers, and co-locating housing with such high episodic uses that include multiple high public demands. He offered such examples as London, California, Boston, and our own Pearl District, as areas with successful developments that include galleries and restaurants in association with density housing.

Discussion:

Mr. McElwee addressed Commissioner Kadri's concern regarding the conceptual schedule for the hotel. The key phases were illustrated, noting the negotiation process as taking through the end of this year: with design to commence near the end of the year; then roll into design, development, and construction drawings; a permitting phase lasting more than a year; with bidding and preconstruction overlapping; leading up to a construction phase of 18 to 20 months.

Commissioner Kadri asked why negotiations and agreements are scheduled in the plan as taking up to 12 months. Mr. McElwee responded the projected schedule relates to the

challenge of financing, negotiations and agreements (to assure that multiple parties are in agreement about the financing structure). Commissioner Kadri speculated to shorten this projected 12 month schedule.

Chair Parsons suggested the real issue is bring enough different public and private sources of financing to the table to close a very large gap between which is available and justified for the developer and cost which is actually required to build the hotel.

Mr. Warner feels we could actually save time on the design and construction phase, requiring creative planning, involving many jurisdictions, and many options for funding, noting that the first 12 month period will tell us shortly whether we have a project or not.

Mr. Warner underscored staff is comfortable with the selected development team and the current plan. Staff agreed, the best team has been selected for this project, but the successful financing of this project (or lack thereof) will determine the realization of the project.

Commissioner Rosenbaum inquired on the section of planning relating to water access, referencing the major river connection, asking what it looks like. Mr. Raggett responded the drawing specifies a marina, with enhancing connection to the river and the northern piece of the Eastbank Esplanade, as well the Steel Bridge and across to Tom McCall Waterfront. He noted the vision is calling for something active, urban, like Riverplace. The big item with the Planning Commission, he stated, was the under crossing of Lloyd Boulevard, under Interstate-5, which is busy for both pedestrians and bicyclists, and also to the back side of the convention center which is facing that way, creating the daunting challenge of getting under I-5.

Commissioner Rosenbaum speculated as to what else could be brought into the area in terms of development, specifically suggesting that educational programs and opportunities be tied into PDC planning efforts, with the example of bringing PCC's culinary school into the entertainment district, as one example of connecting seemingly disparate programs in creative ways to meet the needs of the area. He noted that, "These kinds of informal connections can be powerful."

Chair Parsons asked for any further commentary from the Commissioners, from Mr. Warner, and also from the Public. None were presented.

Action:

Chair Parsons asked for action to approve Resolution 6355.

Commissioner Kadri moved to adopt Resolution 6355, and Commissioner Rosenbaum seconded the motion.

AYES:	Chair Parsons, Commissioner Kadri, Commissioner Rosenbaum
NAYES:	None

(A certified copy of Report 06-47, Resolution 6355, is filed in the Official Minutes Book.)

Note: Due to the absence of Commissioners Ferran and Blomgren, resolution action will become effective thirty days after adoption.

11. **Briefing: Fire Station #1 Development and Disposition Agreement Amendment in the Downtown Waterfront Urban Renewal Area, (Report 06-50)**

Presenters: Amy Miller-Dowell, PCC Senior Project/Program Coordinator

Ms. Miller-Dowell opened by acknowledging the inclusion of two letters into the public record, in support of the relocation of Fire Station #1. The letters were written by Richard J. Shavey, and Anne Naito-Campbell, and distributed to Board members and entered into the minutes by Board Assistant, Juanita Swartwood.

Ms. Miller-Dowell noted the final Development and Disposition Agreement (DDA) was not available for today's meeting, as it was still under review by Portland Fire and Rescue, and was scheduled for presentation at the May 24 Board Meeting.

Therefore, no action on the Resolution was requested.

Ms. Miller-Dowell presented several changes to the budget since the last briefing of April 12:

- Final total budget figure is now \$28,728,360.00, based on:
 - The additional 5.5 budget number is being applied to the project includes an increase in construction costs of \$3 million, primarily due to inflation,
 - Fire eliminated 56 parking spaces from the budget,
 - Office of Management and Finance (previously Bureau of General Services) found about \$1.9 million in savings.
 - Increase of \$500K for professional and design services, their fees for which are based on construction costs.
 - Increase of \$0.3 million in project management, and in the permitting and fees based on those costs.
 - Increased the project contingency by about \$1.7 million to address potential risks, due to inflation and any other potential problems.
 - An additional \$1 million for parking in a half, ground-level condominium in the Globe Hotel.
 - Default possibility of construction cost impasses, based upon the engineering news register index, an annual cost index, as applied to amount that provides multiplied by the inflationary index applied to the GEO bind, the fire bond, amount of \$11 million to make them whole in case they have to return to their current fire station.
 - The separate \$400,000 contingency that was to be held by PDC will be folded into the project, but PDC would receive the first approx \$500,000 in any project savings.
 - Office of OMF will not be added as part of the DDA amendment.
 - Parties will have a third party estimator to check budget at key milestones.

Items additionally noted are:

- PDC will pay for recent feasibility studies resolve design and cost increases, as from November 2005 to current time, in amount of \$47,000 for staff hours and OMF to find a solution.

- PDC also paid \$70,000 for design and engineering consultant fees.
- Mercy Corp, strong interest in Block 8 for relocation of their headquarters, the same new site location for Fire Station #1.
- Staff is therefore working with Mercy Corps to find another suitable location in Old Town Chinatown.

Portland Fire & Rescue Discussion:

Mr. Klum, Portland Fire & Rescue presented budget timelines. He noted PF&R is establishing a confidence level with the contractor on budget numbers. He added the contractor can not reach solid numbers until the schematic design is complete. The start date will likely be late July to early August 2006.

Commissioner Rosenbaum asked Mr. Klum about key elements necessitating relocation. Mr. Klum responded this was due to the lack of gender-specific accommodations and lack of energy efficient infrastructure as two primary reasons. He also noted Fire Station #1 is the Urban Search and Rescue responder for the City of Portland and for the State of Oregon. As such, a brand new, sustainable 50-year plus building (life-lasting years of 50 or greater) is desired and greatly appreciated. He noted that Option 7 (a different version of the plan), “does not have bells and whistles.”

Commissioner Rosenbaum requested staff ensure appropriate measures are taken regarding zoning, related activities pursuant to the building relocation, and for the issue of related services being made available again.

Mr. Rosenbaum asked for assurance from Ms. Miller-Dowell she is in discussion with the Bureau of Planning about these issues. She assured him she and PDC staff were working with appropriate bureaus. She stated: “Planning is co-manager of this entire project.” She additionally clarified the primary manager on this project was the Office of Management and Finance, the representatives for which in turn answer to Portland Fire and Rescue.

Chair Parsons asked for any further questions or commentary from the Commissioners, from Mr. Warner, or from other attendees regarding Ms. Miller-Dowell’s presentation. None were presented.

12. **ADJOURNMENT**

As addendum to today's proceedings, Bruce Warner then introduced a newly received update relative to his earlier comments regarding the Bureau of Labor and Industries (BOLI) and prevailing wage law:

- Oregon Labor Commissioner Dan Gardner today announced plans to appeal the recent court decision concerning the application of the state's prevailing wage and rate (PWR) law, as part of his five-point plan to clarify the application of the PWR law to public-private development projects.

Mr. Warner also reminded the Board members of the Joint Planning Commission meeting, scheduled for June 8, 2006.

There being no further business to come before the Commission, the May 10, 2006, Commission meeting was adjourned at 5:30 pm.

APPROVED by the Portland Development Commission on May 24, 2006


Juanita Swartwood, Recording Secretary