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July 21, 2016

Attn: CC2035 Testimony
Planning and Sustainability Commission
1900 SW Fourth Ave., Suite 7100
Portland OR, 97201

Re: CC2035 Testimony Regarding Scenic Resources Protection Plan
Our File No. 22988-001

To Whom It May Concern:

I am writing on behalf of MadAve, LLC ("MadAve"). MadAve owns property located at 1120 SE Madison Street (the "Property"). The Property is currently being renovated to an office facility, and will be undergoing substantial renovation in the near future.

The Property is currently zoned General Industrial 1, or IG1. Under the current zoning regulations, IG1 zones have no maximum height or maximum floor area ratio. (See Portland City Code § 33.140, Table 140-3). However, as part of the June 20, 2016 proposed revisions to the Central City 2035 Plan, building height for the Property would be reduced to just 45 feet.

There appear to be two policies ("Goals") influencing the decision to reduce building height at the Property. First, the Bureau of Planning and Sustainability ("BPS") is proposing to preserve views of Mt. Hood from Salmon Springs in Waterfront Park by restricting building height, as explained in a June 24, 2016 letter from BPS. Second, the proposed building height is intended to provide a step-down in maximum building height to transition into residential neighborhoods to avoid casting shadows. See, e.g., Portland City Code § 33.510.205 ("The maximum building heights are intended to accomplish several purposes of the Central City Plan" including "limiting shadows from new development on residential neighborhoods in and at the edges of the Central City").

The proposed reduction in maximum building height within the proposed view corridor directly conflicts with the purposes and policies of the Central City 2035 Plan. These policies include the following:

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- “Protect the Central Eastside as a centralized hub of industrial business and services that support the regional economy by serving other industrial districts and business located throughout the metropolitan area”;
- “Support growth of new industrial sectors, protect existing sectors, and protect the Central Eastside as place where startups and incubators can transition into mature and established businesses and sectors”; and
- “Enhance the vibrancy of major mixed-use corridors to optimize their potential to attract investment and the development of new retail, commercial office, and residential uses that complement and serve employees and businesses in the Central Eastside.”

CC2035 Proposed Draft at pp. 37-38. In addition, the costs in the form of: (a) loss of density; (b) loss of ability to effect large scale vertical mixed use projects; (c) reduction of livability; and (d) substantial loss of value of “to be developed” projects is completely out of proportion to the potential Goals.

As the Central City 2035 Proposed Draft acknowledges, “Protecting this view does have significant impacts on development in the Central Eastside.” CC2035 Proposed Draft at p. 53 (emphasis added). Indeed, the February 2016 Discussion Draft of the Central City Scenic Resources Protection Plan states:

Although Salmon Springs is the most used viewpoint in the Governor Tom McCall Waterfront Park and offers a view of Mt. Hood today, the economic impacts outweigh protecting the view long term. The recommendation is to maintain the Salmon Springs viewpoint as a view of the Willamette River, Hawthorne Bridge, and the Central Eastside skyline; and not to protect the view of Mt. Hood.

February 2016 Central City Scenic Resources Protection Plan at p. 59. In the June 2016 draft, BPS estimates that “The economic impact of protecting the view of Mt Hood from Salmon Springs is a reduction of approximately \$21.9M in potential development value and approximately 3,000 reduction in jobs capacity.” *Id.* at p. 64.¹ The dramatic reduction in developable industrial, commercial, and residential floor space will undoubtedly increase the cost of that floor space in the Central Eastside. As the Central City 2035 Proposed Draft acknowledges, “Limiting the development capacity of

¹ Elsewhere in the central city plan, BPS estimates that the cost will only be \$15,001,740. See Central City Scenic Resources Protection Plan at p. 40, Table 2.

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these uses may reduce the social benefits ascribed to increased density in the Central City, potentially increasing home-to-work commutes, and reducing recreation and family time.” Central City Scenic Resources Protection Plan at p. 49. In other words, the proposed reduction in density through building height restrictions would make Portland a less commercially viable and livable city. The limitation of “floor space” will affect substantially increased rents for both residential premises and commercial premises in the area, the antithesis of what is needed to confront Portland’s high (and increasing) costs of housing and commercial space. The BPS proposal will exacerbate the high cost of housing in Portland.

With respect to BPS’s estimate of \$21.9 million of reduced development value, we question the estimate. First, BPS is underestimating the total floor space impacted by the proposed regulation by only accounting for “vacant or underutilized sites that are likely to redevelop by 2035.” Central City Scenic Resources Protection Plan at p. 4. Therefore, BPS’s estimate of the “reduction in development value” does not account for the height restrictions impact on all impacted properties. Second, BPS has assigned a \$36 dollar per square foot value to development that will not occur as a result of the proposed regulation. The draft Central City Plan does not explain how this number is calculated. Thirty-six dollars per square foot is an unbelievably low estimate for the value per square foot.

If you take the reduced potential construction costs because of the restrictions on a single block, (for instance the Property owned by MadAve), the costs are substantially in excess of the \$21.9 million, for that block. For example, presently there is no height limitation on the Property, but assume that there was a practical 20 story limitation. At approximately 25,000 square feet per floor, the loss of square footage that could be constructed would be approximately 400,000 square feet (20 floors less 4 floors under the proposal equals 16 lost floors). With build out costs of approximately \$300 per square foot, the lost construction proceeds into the Metropolitan area alone could roughly be \$120,000,000 for one block. That does not take into account the continued salaries for the individuals working/living in such space for many years to come. That also does not address that there are approximately twenty blocks affected by the proposed view restriction. Even assuming that several of the blocks in the impacted area are not suitable for development because they contain elevated highway and ramps, it would appear that just the loss of construction revenue accompanied by their provision is in the billions of dollars. That is not a wise exchange for a partial view of Mount Hood from a specific area of Waterfront Park.

While the desire to preserve a view of Mt. Hood from Salmon Springs in Waterfront Park may be somewhat desirable, the cost of implementing the restrictions currently

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proposed is much too expensive compared to other alternatives. For example, tourists can view Mt. Hood from the nearby Tilikum Crossing. BPS currently estimates that preserving views from Tilikum Crossing will cost approximately half as much in terms of job loss and reduction of development value as the proposed Salmon Springs view corridor.

To the extent BPS believes that a view of Mt. Hood is important for Waterfront Park, BPS would be much better served by installing a raised viewing platform for views of Mt. Hood in Waterfront Park that would provide tourists with great views of Mt. Hood over the Central Eastside skyline, or creating a view area from a World Trade Center Building or a similarly situated building. This may provide an opportunity to improve the view for tourists, as the current view from Salmon Springs is "partially blocked by the Interstate 5 ramps and the timberline is not visible." Central City Scenic Resources Protection Plan at p. 2.

Regarding the step-down height restriction, the restriction is greater than what is necessary to avoid casting a shadow on residential zones. The lots immediately to the east of the Property are zoned Commercial Storefront, not residential. In addition, there are only three houses along Madison Street to the east of the Property before 13th Street. A height restriction of 45 feet is simply unnecessary to avoid limiting shadows on a residential neighborhood, and as explained above will substantially limit creation of housing and work space and dramatically increase such costs.

In sum, restricting the building height in the Salmon Springs view corridor will have significant impacts on density, economic development, housing costs, and private property values. For MadAve, the proposed 45 foot building height limit would result in a tremendous loss of the value of the Property without any compensation. I hope BPS will reconsider its proposal and explore alternatives that would not result in such a substantial loss of value of private property and potential economic activity. Please contact me or my colleague, Chris Burdett, at (503) 227-1111 if you have any questions.

Very truly yours,

SUSSMAN SHANK LLP



Darin D. Honn

cc: client