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G A R V E Y S C H U B E R T B A R E R

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July 26, 2016

Via E-Mail: Rachael.Hoy@portlandoregon.gov

Portland Planning and Sustainability Commission
c/o Rachael Hoy, City Planner
1900 SW 4th Ave, Suite 7100
Portland, OR 97201

Re: Comments on Height Restrictions Proposed in 2035 Central City Plan
AltSource Headquarters – 1120 SE Madison Ave.

Dear Chair Schultz and Commissioners:

This firm represents MadAve, LLC, the owner of property located at 1120 SE Madison Ave., and soon to be the home of AltSource, a rapidly growing high-tech business. This letter is submitted in opposition to the proposed severe height restrictions that would reduce the existing unlimited building height to 45 feet. Slashing the allowed building height would significantly compromise the potential for long-term retention of AltSource on this site, a next generation, growth sector company that should be encouraged to remain at this prime Central Eastside location.

The Story of AltSource

AltSource is a locally owned and operated custom software development company that provides development, production and testing of computer software to other businesses. Most high-tech growth in the past decade has been in the software industry. High tech is an integral part of Oregon's economy, accounting for 5% of statewide employment but a much higher share of overall wages. (Oregon Office of Economic Analysis 4/21/16). Consistent with this trend, AltSource provides stable, high-paying jobs to over eighty full-time employees in Portland's Central Eastside. AltSource's operations produce little to none of the external impacts traditionally associated with industrial uses. As the work product is digital, it receives little in the way of truck delivery of materials, has no freight movement, and does not require visits from its customers or clients.

AltSource has continued to double its staff size every year for the past three years and is on track to double again this year. To maintain this growth trajectory and to provide increased employment opportunities, AltSource will require further property improvements including potentially adding warehouse, storage and parking areas within the next 5-10 years in order to



remain in the same location. This property was purchased by MadAve LLC with the sole purpose of consolidating AltSource employees from three separate office spaces into a single building and to provide room for future company growth in one permanent headquarters location. Achieving this goal required that AltSource invest the time and money necessary to obtain a conditional use and building permit approvals that is scheduled before the hearings officer for August 3. Although this pending site redevelopment proposal will meet the AltSource growth demand for the next 3 - 5 years, it will likely need additional expansion space in the future that will not be possible with the proposed 45 foot height limitation. MadAve, LLC purchased this property with the intent of providing AltSource a headquarters for the long-term and the proposed height restrictions not only interfere with these long-term plans, they may motivate AltSource to search for another location, possibly outside the City of Portland, rather than expend additional money on improvements that will serve only its short term goals. Further, it is estimated that the loss of development potential to MadAve LLC will exceed \$21.9 million and this amount does not take into account the loss of high-tech jobs and construction revenue that would inure to the City.

The Proposed Height Reduction Is Overly Restrictive if Necessary to Protect the View Corridor

The Measure 56 notice provided to MadAve, LLC incorrectly states that the proposal to reduce building height is necessary “to preserve a view of Mt. Hood from the Salmon Springs fountain area in Governor Tom McCall Waterfront Park.” Although the MadAve, LLC property may be located within this corridor, a 45 foot height limit is not necessary to protect the view. The height restriction proposed for the property directly to the west is 80 feet and if preservation of the view corridor were the issue, the MadAve LLC property heights would be capped at 80 feet, if not higher as the corridor expands to the east. If the view corridor is the issue, the maximum height should be increased to whatever is necessary to protect the view, presumably 90 to 100 feet. Further, if such view corridor height restrictions are imposed, a system for transferring the lost development rights must be established to off-set the loss.

Goals and Policies Do Not Require any Reduction in Building Height

Rather than protecting view corridors, it appears that the need for a neighborhood transition was the basis for recommending a 45-foot height limitation. Central City 2035 Policy 5.7 provides:

Establish transitions between the Central City’s denser, taller and more commercial and industrial land uses and adjacent neighborhoods, while highlighting key gateway locations.

As illustrated on the enclosed map, the MadAve LLC property is “adjacent” to land zone Storefront Commercial (CS) and is not “adjacent” to any residential neighborhoods. This standard does not impose transition between industrial and commercial zoned lands, as is the



case for the MadAve, LLC property. The height limit for the CS zoned property is already set at 45 feet and as a result, provide an adequate transition for the neighborhood.

A Number of Policies Support Allowing Unlimited Height to Encourage Retention of AltSource

Not only do the Central City Plan policies not require reducing building height in this area, such an action would violate numerous plan policies that require encouraging more intense development of the MadAve, LLC property. The more relevant of these policies state:

Policy 1.6 Traded sector growth. Enhance business development efforts and assistance for targeted industry clusters and high growth sector companies.

Policy 1.7 Entrepreneurship and business innovation. Strengthen the Central City as a location for job creation by addressing development issues that affect businesses and supporting economic development strategies and programs that facilitate economic growth in the Central City.

Central Eastside Policy 1.CE-1b. Industrial diversification. Support growth of new industrial sectors, protect existing sectors, and protect the Central Eastside as a place where startups and incubators can transition to mature and established businesses and sectors.

As pointed out above, AltSource is exactly the type of targeted, startup, next generation industry that the City has identified for location within the Central Eastside district; its external impacts, in terms of noise, pollution and traffic, are non-existent when compared with more traditional industrial users. The ability to expand operations at the AltSource headquarters is vital to the continued growth of this company, as the inner SE location is a key factor in the recruitment and retention of a highly talented and highly compensated workforce.

Building Height Reductions Disproportionately Affects AltSource

SE 12th Ave. serves as the eastern boundary of both the Central City Plan District as well as the edge of the Central Eastside sub-area district. As the attached existing zoning map illustrates, a strip of land zoned Central Employment (EX) that is one-half to one full block deep runs very nearly the full length of this eastern boundary. In effect, it is this EX zoned land that serves as a buffer between the industrial area and the neighborhood. Although the base height for EX zoned properties is 65 feet, building heights for this strip of EX zoned properties is currently capped at 45 or 50 feet, presumably because the neighborhood transition area, with an FAR of 3:1.

There are four blocks or “fingers” extending between SE 11th and 12th that do not fit this pattern; they are zoned IG-1. The MadAve LLC property is one of these fingers of IG-1 zoned land that extends to SE 12th Ave. The maximum building height and FAR for these four IG-1 zoned properties is unlimited but use restrictions prohibit committing more than 80,000 square feet of



building area to high-tech related office uses. As a result, the proposed height restriction imposes a double-burden on these four properties. They currently cannot designate as much building area to non-industrial uses as their EX zoned neighbors and if the proposed height restrictions pass, the degree of development necessary to make up for that loss through the unlimited development of lower-market rate industrial uses will also be lost.

If a reduction in height is necessary to provide a buffer to the nearby residential neighborhoods, it must come in conjunction with a zone change to EX allowing for a diversification of uses that similarly situated properties currently enjoy. Plan Policy 1.10 encourages the diversification of uses in employment sanctuaries when necessary to encourage living-wage jobs. This is exactly the type of diversification that is needed in this area. Should rezoning this property not be possible as part of adopting this plan, equity dictates maximizing the amount of high-tech uses on this property of at least 120,000 square feet subject to an 3:1 FAR to make up for the loss.

Conclusion

In sum, imposing a building height reduction on a property owner that has already made substantial investments with the expectation that the site will serve as a long-term home for a fast growing high-tech company, AltSource, is not only unfair, it is inconsistent with a number of specific Central Eastside plan policies that require its protection. If such a height reduction is necessary, it must be coupled with a zone change to EX or an expansion of high-tech use limitation to off-set the loss.

Please place this letter in the record and provide me with written notice of your decision.

Sincerely,

GARVEY SCHUBERT BARER

By

Carrie A. Richter

cc: Dave Moore

Enclosure

Central Eastside - Existing Zoning Map

