

This document constitute the official meeting record of the March 26, 2008 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 Mark Rosenbaum called the meeting to order at approximately 8:05 a.m.

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

Chair Mark Rosenbaum	PRESENT
Commissioner Bertha Ferran	PRESENT
Commissioner Sal Kadri	PRESENT
Commissioner John Mohlis	PRESENT
Commissioner Charles Wilhoite	PRESENT

II. CONVENE EXECUTIVE SESSION

Chair Rosenbaum stated the Portland Development Commission would meet in executive session for the purpose of consulting with the persons designated by the Commission to carry on labor negotiations.

The executive session was 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.

He stated state law specifically excludes representatives of the news media from attending an executive session held under ORS 192.660(2)(d) relating to labor negotiations. Members of the audience may not attend the executive session and were asked to leave the room.

Chair Rosenbaum stated no decision would be made in executive session and at the end of executive session; he would return to open session and would welcome the audience back into the room.

III. MEETING MINUTES

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to approve the meeting minutes of March 26, 2008.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

IV. COMMISSIONER REPORTS

The Commissioner Reports were held over until the next meeting.

V. EXECUTIVE DIRECTORS REPORT

Mr. Bruce Warner, Executive Director, highlighted the following from Report No. 08-33.

- The requested FY 2008/09 budget is now posted on the PDC main website;
- Pleased to announce Ms. Julie Cody has been appointed to the position of Chief Financial Officer. She will oversee Central Services, Facilities, Risk Management, Reception and Information Technology. Ms. Sandy Reina has been appointed Director of Human Resources;
- Ziba World Headquarters broke ground on Tuesday, March 11, 2008;
- The Housing Development Finance Section, with assistance from PDC's legal and professional services departments, successfully concluded the transfer of three rental housing properties comprised of 44 housing units.

VI. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

As there were no public comment for items not on the agenda, Chair Rosenbaum moved to the next agenda item.

VII. TRANSIT MALL REVITALIZATION BRIEFING

Mr. Eric Jacobson and Mr. Tad Savinar presented Report No. 08-34, titled, "Transit Mall Revitalization Briefing".

Mr. Jacobson stated the I-205/Portland Mall Light Rail Project is under construction. The \$557 million project will connect Clackamas County to downtown Portland with an 8.3 mile extension of high-capacity MAX service. Within downtown, the Transit Mall connects Union Station to Portland State University (PSU) and is located almost entirely within three downtown Urban Renewal Areas (URAs): South Park Blocks, Downtown Waterfront, and River District (Attachment A). Transit Mall construction is expected to be completed in September 2009.

He explained the Transit Mall Revitalization Project is a joint effort between TriMet, Portland Development Commission (PDC), and Portland Mall Management, Inc. (PMMI). The project includes three components: (1) the light rail extension and physical rebuilding of the Transit Mall; (2) an ongoing maintenance, security, cleaning and program management; and (3) an effort to stimulate private redevelopment along the Mall by creating synergy with adjacent retail development. He further explained the redevelopment efforts included major projects such as Macy's/The Nines Hotel, along with smaller scale redevelopment efforts.

Mr. Savinar explained the smaller scale redevelopment efforts are funded by an initiative known as the Block By Block (BBB) Program. The BBB Study, completed in October 2006, identified a number of relatively low-cost façade improvements that could be made to significantly enhance the public environment along the Transit Mall. The PDC Board of Commissioners (Board) received a briefing on the BBB Program in January 2007. PDC subsequently budgeted \$1.7 million for fiscal years 2007-08 and 2008-09 to implement BBB Program projects under the following budget line items: Downtown Waterfront (320-10-10221); River District (330-10-60005); and South Park Blocks (346-10-60003) (Attachment B). The Program is within budget to date.

Mr. Savinar stated between January 2007 and February 2008, he has orchestrated over 120 face-to-face meetings with property and/or business owners of individual parcels within the

project area. He has hired designers to prepare conceptual design studies for 25 buildings along the Transit Mall. He said the BBB Project has facilitated 16 PDC SIP/SLIP applications to date. It is anticipated that approximately 28 additional SIP/SLIP applications will be processed in the next 16 months as the majority of these parcels are already in BBB conceptual design development and property owner cost analysis or management review.

Mr. Jacobson stated staff is currently anticipating PDC expenditures on the BBB Program of approximately \$1.6 million during the 07-08 and 08-09 fiscal years. This is based on the existing \$60,000 contract with PMMI plus approximately 44 SIP/SLIP grants with an average PDC expenditure of about \$35,000 each. This estimated amount is \$100,000 lower than the \$1.7 million amount estimated in early 2007 as we have a clearer understanding of which projects are likely to proceed and the costs for those projects. This funding would be required in the three downtown URAs as follows: \$700,000 for Downtown Waterfront URA; \$300,000 for River District URA; and \$600,000 South Park Blocks URA. He explained the PDC adopted budget for FY 2007/08 has sufficient funds budgeted and projected in two of the three downtown URAs for FYs 07/08 and 08/09 to fully implement the BBB Program.

Mr. Jacobson stated while the adopted budget generally has sufficient resources to fully implement the BBB Program, budget reductions proposed by the Urban Renewal Advisory Group (URAG) through the Future of Urban Renewal process would result in insufficient funds to complete the list of identified BBB projects that Mr. Savinar and PDC staff have been working on since January 2007. This shortfall would be significant in the Downtown Waterfront and South Park Block URAs. The proposed draft budget would reduce the budgeted and projected Transit Mall line item in the Downtown Waterfront URA from \$500,000 to \$300,000, and the budgeted and projected Transit Mall line item in the South Park Blocks URA from \$1,000,000 to \$400,000. These proposed budgeted amounts would be insufficient to complete the list of identified projects in the Downtown Waterfront and South Park Blocks URAs.

Chair Rosenbaum requested Executive Director Warner work with PDC staff to determine funding availability for the BBB Program.

VIII. LENTS TOWN CENTER PLAN AMENDMENT STUDY – FINAL REPORT AND RECOMMENDATION

Mr. Kevin Cronin presented Report No. 08-36, titled, “Lents Town Center Plan Amendment Study – Final Report and Recommendation.”

Mr. Cronin stated in April 2007 the Portland Development Commission (PDC) Board of Commissioners (Board) directed staff to conduct a study of the Lents Town Center Urban Renewal Area (URA). In July 2007, the Lents Town Center Urban Renewal Advisory Committee (URAC) appointed a subcommittee that was charged with developing policy recommendations for URAC consideration and PDC Board review and approval.

Ms. Cora Potter, Lents Town Center URAC Chair stated the three alternatives – No Expansion, Foster Road Expansion, Foster Road/Powell/122nd Expansion - all assumed extension of the district to 2020. The subcommittee carefully reviewed each policy alternative and forwarded these recommendations to the URAC on January 8, 2008.

The following URAC recommendations, as formed by the URAC subcommittee, are organized according to the three fundamental questions:

1. *Should the current expiration date (2015) be extended?*

The subcommittee voted to extend the district until FY 2019/20 based on the financial analysis showing the extension would allow a larger increase in maximum indebtedness. **The subcommittee voted unanimously to approve the extension.**

2. Should the LTC URA boundary be adjusted, and where?

The URAC has proposed boundary adjustments to the existing URA. At the subcommittee meeting on December 12, 2007 staff provided an overview of the expansion areas, including additions and subtractions along Powell Boulevard and 122nd Avenue since the process began in April 2007. The URAC approved the boundary adjustment subject to only one change. The subcommittee recommended removal of an opportunity site at 122nd & Holgate, whereas the URAC approved the site believing the site was an important location for the community. The subcommittee deliberated on each expansion area separately. Below is a list of the URAC recommendations for each area:

Foster Road:

Add Foster Road as originally proposed by staff in April 2007 that follows the existing commercial zoning pattern. **The subcommittee voted unanimously to add the Foster Road expansion area.**

Powell Boulevard/122nd Avenue:

- Add commercially zoned nodes at intersections for mixed use revitalization opportunities, including the 122nd and Holgate area;
- Delete scattered site *residentially zoned* parcels along Powell Blvd. and 122nd Avenue, except the opportunity site west of Alice Ott Middle School;
- Connect Leach Botanical Garden to the existing URA by 122nd Avenue (right-of-way).
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The subcommittee voted 4-3 to add the Powell Blvd/122nd Ave expansion area and removed the 122nd & Holgate site.

3. Should the maximum indebtedness be increased and by how much?

The subcommittee voted unanimously to adopt the \$170M maximum indebtedness level.

Mr. Jess Laventall, Lents Town Center URAC Member stated based on the above analysis, the public participation results, and the subcommittee's deliberations on December 12, *the URAC voted unanimously on January 8, 2008 to forward these recommendations to the PDC Board for their consideration and deliberation, and further those recommendations to the Planning Commission, and then to the City Council for final action, with the following conditions that clarify the above policy choices:*

- Continue to support and budget accordingly to achieve one of the primary, original goals of the 1998 URA Plan – revitalization and redevelopment of the Lents Town Center;
- The community and the subcommittee overwhelmingly support this goal to spur additional development in the Town Center and to honor the existing commitment PDC made in 1998 when the district was established. To accomplish this goal will take significant TIF resources;

- Balance expenditures to include projects that generate tax increment revenue, such as redevelopment and economic development loans and grants, with quality of life projects such as infrastructure improvement, a variety of housing options, and school facilities projects;
- Assist with the redevelopment of Freeway Land for job generation, habitat restoration, and flood mitigation of the Foster Road area;
- Continue investing and leveraging federal funds for flood mitigation around Johnson Creek;
- As part of the “30% Set Aside” for affordable housing, continue to focus those resources on homeownership development, financing, and first-time homebuyer programs. Encourage and allow the housing subcommittee to develop a strategy that implements the goals and objectives of the URA Plan;
- Focus expenditures in the Foster Road expansion area on redevelopment (Development Opportunity Services (DOS) and commercial loans) and economic development programs (storefront improvement, business assistance loans, etc.) so TIF resources can be leveraged, spent wisely, and pay for themselves over the remaining life of the URA. Future infrastructure investments, such as the Foster Road streetscape, should be carefully evaluated for leverage with other private and public funding sources, have the support from the businesses and residents, and focus on improving safety; and
- The Foster-Powell Neighborhood Association, representing the Foster Road expansion area, is supportive of including affordable rental housing in commercial, mixed-use projects and to revitalize existing multifamily housing. This allows the allocation of set aside housing resources to those areas if and when opportunities become available.

Ms. Cammy Pierson addressed the Commission and requested an additional parcel of property by included in the Lents amended plan. She stated the additional parcel would complete the property needed for Curtis Trailers to move forward with a large expansion of their existing business resulting in additional jobs.

Mr. John McDonald representing the Powerllhurst – Gilbert Neighborhood Association, addressed the Commission and expressed concern that his neighborhood association had not received a presentation from the Portland Development Commission staff. He further identified additional parcels he felt should be included in the Lents amended plan.

IX. INTERFUND LOAN AUTHORIZATION

Commissioner Wilhoite Moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6567, titled, “Authorize Interfund Loan of \$1,825,000 from Program Reserve Fund to Housing and Community Development Fund.”

X. APPROVE TERMS OF THE LETTER OF INTENT WITH THE UNITED STATES POSTAL SERVICE (USPS) AND AUTHORIZE EXECUTIVE DIRECTOR TO ENTER INTO NEGOTIATIONS DEFINITIVE AND BINDING PURCHASE AND SALE AGREEMENT WITH USPS

Mr. Steven Shain, presented Report No. 08-38, titled, “Approve Terms of the Letter of Intent with the United States Postal Service (USPS) and Authorize Executive Director to enter into Negotiations Definitive and Binding Purchase and Sale Agreement with USPS”.

Mr. Shain stated the proposed action would approve the terms of the Letter of Intent (LOI) between the United States Postal Service (USPS) and Portland Development Commission

(PDC) and the terms of the Escrow Agreement between the USPS, PDC and Chicago Title Insurance Company, and would authorize the Executive Director to execute those documents on behalf of PDC. The action would also authorize the Executive Director to enter into negotiations for a binding and definitive Purchase and Sale Agreement (PSA) with USPS for the 13.4 acre main Processing and Distribution Center (P&DC) at 715 NW Hoyt Street, Portland, Oregon. He said PDC staff has been working with USPS and their broker, Jones Lang LaSalle (JLL), diligently since October 2007 on negotiating a LOI that quantifies how the purchase price would be calculated and other terms and considerations that will be considered in a PSA. PDC Board of Commissioners (Board) approval of the LOI and Escrow Agreement is required because those documents require PDC to place \$2,000,000 in escrow as earnest money and this amount exceeds the Executive Director's authority.

Mr. Shain stated authorizing the LOI and Escrow Agreement with USPS would increase the likelihood that PDC would be able to acquire the largest parcel available for redevelopment in Portland's Central Business District (CBD). The action would benefit the public in the following ways:

- Provides the opportunity to establish a City vision for this signature 13.4 acre site in North Downtown;
- Provides an opportunity to focus on a mixed use development with substantial economic development uses that will create jobs for Portland's future;
- Provides the ability to integrate the site into the fabric of the city;
- Furthers the relocation of the USPS P&DC from the CBD to a site that will support co-location of mail business;
- Eliminates conflicts of USPS large truck traffic in CBD;
- Eliminates security challenges based on USPS current location;
- Turns the contaminated Brownfield on the USPS P&DC site into higher productive uses;
- Provides the opportunity to generate millions of dollars of property tax upon redevelopment; and
- Creates opportunities to strengthen the regional economy.

Mr. Shain further stated the USPS P&DC would not vacate the site for approximately five years and it is possible that USPS will choose not to complete this transaction. There is potentially substantial financial risk based on how the LOI and Escrow Agreement are structured. PDC would be placing \$2 million in escrow and all those dollars could potentially be at risk. The site is 13.4 acres and represents a risk of approximately \$149,000 per acre. This cost is typical of a market rate transaction. Based on specific events, money would be transferred to USPS from escrow and if PDC is ultimately not able to reach agreement with USPS on the purchase of the property, the money transferred to USPS is non-refundable to PDC. If agreement is reached, the escrow funds will be credited to the purchase price at closing of the transaction.

The transfers to USPS from escrow are as follows:

- \$500,000 Upon Board approval and subsequent execution of the Escrow Agreement
- \$500,000 Upon receipt of the appraisals and joint agreement to Purchase Price

- \$1,000,000 Upon execution by Seller and Purchaser of a definitive Agreement for the purchase and sale of the USPS Property

The USPS has insisted on the nonrefundability of the funds transferred to it from escrow because the relocation of the USPS P&DC site is a costly endeavor not currently on USPS's priority list for facility redevelopment/upgrading. Entering into the LOI and Escrow Agreement would secure exclusive negotiations between PDC and USPS through December 31, 2008, subject to earlier termination if the parties fail to reach agreement on a purchase price within 60 days after receipt of appraisals. It would also assure USPS that PDC is sincerely committed to the acquisition and redevelopment of this site. Furthermore, the escrow funds, once transferred, would enable USPS to engage in appropriate due diligence and other expenses associated with upgrading and relocating the P&DC facilities.

After each transfer of funds to USPS, there is a chance that the negotiations may end without an agreement on the purchase and sale of the USPS Property or without the closing of the purchase and sale, in which case all moneys transferred to USPS from the escrow agreement will be non-refundable to PDC. Not until such time as PDC closes on the PSA, when the earnest money is a credit against the purchase price, will the risk of the non-refundable disbursements be eliminated.

Ms. ? representing Congressman Earl Blumenaur expressed the Congressman's support of development opportunities at the Post Office Site and committed his ongoing support to assuring a successful purchase of the property.

Ms. Patricia Gardner representing the Pearl District Neighborhood Association addressed the commission and expressed her support of the Letter of Intent for the United States Post Office. She further stated her excitement of the potential development opportunities available on the site.

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6565, titled, "Approve Terms of the Letter of Intent and Escrow Agreement with the United States Postal Service and Authorize Executive Director to Enter Into Negotiations for A Definitive and Binding Purchase and Sale Agreement with USPS for the Property Located at 715 NW Hoyt Street, Portland, Oregon, in the River District Urban Renewal Area.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

XI. APPROVAL OF EXECUTIVE DIRECTOR'S RECOMMENDATION TO SELECT LAB HOLDING FOR EXCLUSIVE NEGOTIATIONS TO REDEVELOP CENTENNIAL MILLS

Mr. Steven Shain presented Report No. 08-39, titled, "Approval of Executive Director's Recommendation to Select Lab Holding for Exclusive Negotiations to Redevelop Centennial Mills".

Mr. Shain stated the proposed action would approve the Executive Director's recommendation to select LAB Holding, LLC for the disposition and redevelopment of the Portland Development Commission (PDC)-owned Centennial Mills property at 1362 NW Front Avenue (Property) in the River District Urban Renewal Area (URA). The proposed action would also authorize the Executive Director to enter into exclusive negotiations with LAB Holding, LLC regarding redevelopment of the Property. Staff anticipates returning to the PDC Board of Commissioners (Board) in mid 2009 for a briefing on the general terms of a Disposition and Development Agreement.

He stated a Request for Proposals (RFP) for the 4.7 acre site was issued on September 7, 2007, to three teams selected from a preceding Request for Qualifications (RFQ). The Board was last briefed in June 2007 during the RFQ selection process. The teams submitting to the RFP, which closed on January 18, 2008, were The Cordish Co. of Baltimore, MD; LAB Holding of Costa Mesa, CA; and Nitze-Stagen of Seattle, WA.

In late January 2008, an Evaluation Committee was convened to review and evaluate proposals against the RFP criteria. As part of PDC's outreach, public input was collected in many ways: via the Centennial Mills website, board display and comment cards posted at the Pacific Northwest College of Art throughout the month of February, and a public open house held on February 20, 2008. PDC received over 100 public comments regarding the proposals. The open house featured presentations by all three firms and was attended by over 200 people. Based on extensive review of the proposals and public input, in late February 2008, the Evaluation Committee made a consensus recommendation to the Executive Director to select the LAB Holding, LLC Proposal.

Mr. Shain stated the LAB Holding, LLC Proposal offers the strongest response to the RFP's program and design criteria and the five key redevelopment principles of the Centennial Mills Framework Plan as endorsed by the Portland City Council and the Board in 2006. LAB Holding, LLC also demonstrates strong team capabilities for the unique challenges of this site. LAB Holding, LLC has extensive experience with long term operations and hands-on management of their projects, which will be significant to maintaining Centennial Mills as an active focal point. Their partnered architectural firm of Meyer, Scherer, Rockcastle of Minneapolis, MN provides extensive experience in redevelopment of historic and industrial sites, including the Mill City Museum, one of the case studies included in the Centennial Mills Framework Plan.

Mr. Shaheen Sadeghi, founder of Lab Holdings, expressed his excitement of being the selected developer and pledged to work diligently on behalf of the City of Portland.

Ms. Patricia Gardner representing the Pearl District Neighborhood Association expressed her support of the Centennial Mills project and her support of the selected developer.

Mr. Ron Paul addressed the Commission and expressed his support of the selected developer for the Centennial Mills site.

Mr. Kent Craford representing the Oregon Maritime Museum addressed the Commission and pledged his support of the Director's recommendation to select Lab Holdings.

Commissioner Mohlis moved and Commissioner Wilhoite seconded the motion to adopt Resolution No. 6566, titled, "Approving the Executive Director's selection of Lab Holding, LLC for the Disposition and Redevelopment of Real Property located at 1362 NW Naito Parkway (Centennial Mills) in the River District Urban Renewal Area; authorizing the Executive Director to enter into exclusive negotiations with selected developer".

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Rosenbaum

XII. PORTLAND MILWAUKIE LIGHT RAIL – RIVER CROSSING

Ms. Geraldene Moyle and Ms. Denyse McGriff presented Report No. 08-35, titled, "Portland Milwaukie Light Rail – River Crossing".

Ms. Moyle and Ms. McGriff stated the purpose of the report was to update the Portland Development Commission (PDC) Board of Commissioners (Board) regarding the South Corridor Phase II: Portland to Milwaukie Light Rail Project. Previously, the Board received a briefing on this project in May 2007. Following the March 26, 2008 meeting, staff expects to return with an updated briefing in May 2008, followed by a June 2008 Board final recommendation to City Council on a preferred light rail river crossing alignment. In addition, in April, Metro and TriMet will brief the Board specifically on construction cost related items.

Ms. Moyle stated Metro is in the environmental study phase of the formal planning of this alignment, known as South Corridor Phase II-Portland to Milwaukie Light Rail Corridor. This six and one-half mile alignment between Portland and Milwaukie would provide additional transportation capacity for fast-growing communities with high traffic congestion in Clackamas County and southeast Portland. The line would connect an estimated 24,000 – 25,000 daily riders to the existing MAX system, creating access to the Central Eastside, South Waterfront, downtown Portland, Hillsboro, Gresham, and the Portland airport. Nine to ten stations and a new bridge across the Willamette River connecting the North Macadam and Central Eastside URAs would be part of the line.

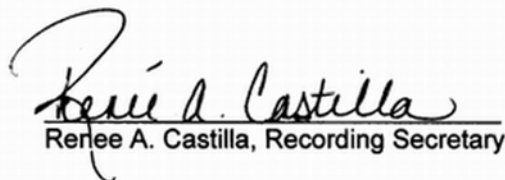
Ms. McGriff stated the environmental study phase culminates in the completion of an update to the Draft Environmental Impact Statement (DEIS) completed in 1998 for the LPA. This Supplemental Draft Environmental Impact Statement (SDEIS) evaluates the LPA and the alternatives over many factors including design, costs, land use and travel time. The SDEIS is expected to be published in April 2008 with a 45-day public comment period with a public hearing followed by recommendations from the Project Citizen Advisory Committee, Project Management Group, Steering Committee and may conclude with recommendations for changes to the LPA. Changes to the LPA would be adopted by the South Corridor Project Steering Committee in May 2008. Commissioner Sam Adams is the City of Portland's representative, and Metro Councilors Carlotta Collette and Robert Liberty co-chair the Steering Committee. Based on the finding of the environmental study phase, the City of Portland will recommend an alignment in June 2008 and the Metro Council will adopt the Locally Preferred Alternative in late June.

XIII. ADJOURNMENT

There being no further business, Chair Rosenbaum adjourned meeting at 1:17 p.m.

Respectfully submitted,

Approved by the Portland Development Commission on April 23, 2008.



Renee A. Castilla, Recording Secretary