



This document constitutes the official meeting record of the May 14, 2009, Portland Development Commission Board of Commissioner's meeting held at 222 NW Fifth Ave., Portland, OR 97209.

I. CALL TO ORDER AND ROLL CALL

Charles A. Wilhoite
Commission Chair

Chair Wilhoite called the meeting to order at approximately 3:03 p.m.

J. Scott Andrews
Commissioner

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

Bertha Ferrán
Commissioner

Chair Charles Wilhoite	PRESENT
Commissioner Scott Andrews	PRESENT
Commissioner Bertha Ferran	PRESENT
Commissioner John Mohlis	PRESENT
Commissioner Steven Straus	PRESENT

John C. Mohlis
Commissioner

II. MEETING MINUTES

Steven Straus
Commissioner

Chair Wilhoite called for a motion to approve the meeting minutes of March 25, 2009 as submitted.

Sam Adams
Mayor

Commissioner Ferran moved and Commissioner Mohlis seconded the motion to approve the minutes as submitted.

Bruce A. Warner
Executive Director

Chair Wilhoite stated the approval of the April 23, 2009 minutes would occur at the May 27, 2009 meeting.

Mr. Warner presented the 50th Anniversary poster to Chair Wilhoite and the Board members and expressed his thanks to the artist, Ms. Yolanda Valdes-Rementeria.

Commissioner Mohlis stated the Women in Trades Fair is occurring Thursday – Saturday, May 14 – 16, 2009. He said it will be held at IBEW in Airport Way Urban Renewal Area.



III. EXECUTIVE DIRECTOR'S REPORT

Executive Director Bruce Warner presented Report No. 09-50. He highlighted the following:

- The new Housing Bureau (PHB) is expected to be officially "created" July 1, 2009 – the date Mayor Adams and Commissioner Fish identified in December 2008. However, the Information Technology (IT) and other financial support systems would likely require the PHB to contract back to PDC for such IT and other accounting and loan processing systems for a period of time after July 1. In addition, our housing staff will not become city employees July 1, 2009 as expected, there is now recognition of the need to solve the IT and systems issues before our housing staff become city employees. The plan currently is to have our Housing Department staff move to the new office space with the transferred BHCD staff once systems are available, with a target date as close to July 1, as possible. However, the PDC staff will remain PDC employees until the necessary financial, accounting, IT and loan servicing issues are resolved. The intent is to solve these issues quickly (i.e., during next fiscal year). The

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change does mean adjustments will need to be made to our budget in order to reflect this new direction. This activity is currently underway. There will be more information as the new plan moves forward between now and July 1.

- Mr. Warner stated the proposed budget would be posted on the city web site, Monday, May 18, 2009; Wednesday, May 20, 9:30 a.m.: Mayor's budget is presented to City Council, City Hall, 1221 S.W. Fourth Ave. Thursday, May 21, 2 p.m.: City Council hearing on Portland Development Commission budget, City Hall, 1221 S.W. Fourth Ave. Wednesday, May 27, 2:15 p.m.: City Council, sitting as PDC Budget Committee, approves budget; City Hall, 1221 S.W. Fourth Ave.
- Mr. Warner stated Commissioners Mohlis, Andrews and Straus along with himself and Peter will be presenting a noon "brown bag" discussion about the trip on June 24th here at PDC. Everyone is welcome to attend and we will be sharing our perspectives about China at that time. He took a moment to thank John Cardenas and Anne Mangan on staff who worked hard to prepare the "Why Portland?" DVDs which were shown many times to a variety of audiences and were a big hit.
- On Saturday and Sunday May 2 and 3 the Portland Saturday Market held a "soft" move to their new site at Waterfront Park. The market now stretches from Ankeny Plaza across Naito Parkway and into Waterfront Park. The \$10 million Waterfront Park improvement project will provide new space for the market including an 8,000 sq. ft. pavilion, a cantilevered deck overlooking the river, and a circular plaza with a new "legacy" fountain honoring Bill Naito. The new pavilion is fully wired for electrical use and nearby outlets provide gas to power to food booths. Saturday Market will utilize the pavilion ten months out of the year on Saturdays and Sundays, but the space will be available for other uses as well. The investment in this area of downtown Portland is significant; from the fire station to Mercy Corps, White Stag Building/U of O, and Saturday Market – there are seven contiguous blocks of redevelopment representing \$100 million in public and private investment. Work is continuing on the site as the legacy fountain is completed as well as portions of the walkway and seating area. Saturday Market will hold a press conference with Mayor Adams on May 16 and will celebrate its grand re-opening on July 16 when the weather improves.
- The North Russell Street Improvement Project in the Interstate Corridor Urban Renewal Area is underway; the Portland Bureau of Transportation estimates a target completion date of July 3. The \$1.3 million project includes \$900,000 for construction work which will replace old sidewalks, add three new crosswalks, 41 decorative street lamps, 40 trees and other landscaping. The Russell Street project is among the prioritized list of development and infrastructure projects that are a major emphasis of our recession response, funded in our budget *now* and potentially shovel ready in the next 18 months. We are partnering with city bureaus to implement public works projects like these which create substantial design, engineering and construction jobs, and signal to citizens that work is moving forward.
- Ararat Bakery celebrated the grand opening of its grocery store on Friday, April 10 with free coffee, pastries and a ribbon-cutting ceremony at its new location, 5716 SE 92nd Avenue, in the Lents Town Center Urban Renewal Area. The relocation from a smaller space in NE Portland allowed Ararat to quadruple its space for bakery and restaurant operations, open a grocery store as a new part of the business, and increase its employment to 17 jobs. The store/deli, one of two kosher groceries in the Portland area, features international grocery products, fresh meats and cheeses sliced to order, dairy, produce, traditional frozen and canned products and signature baked goods. The

bakery side of the business is primarily wholesale, selling custom-baked goods, cakes, and pastries to clients throughout the Northwest. "We're so appreciative of the ongoing help from PDC, especially from Sharon Palmer [in PDC's real estate division] and [PDC loan officer] Alan Stubbs," said owner Nellie Grigorian. PDC staff began working with Ararat in 2006 to identify a new location, and provided financial assistance for the relocation and property improvements through the Direct-TIF loan program, which is designed to help new and existing businesses that are located in an urban renewal area, with a focus on small businesses with 20 or fewer employees.

- On April 6th and 7th, PDC, in partnership with the Bureau of Planning and Sustainability, conducted a design charette at Mayor Adams' request to assess the feasibility of locating AAA baseball within the Rose Quarter, under the city assumption that demolition of the Memorial Coliseum was achievable and that one option could include removal of the Coliseum to realize efficiencies and reduce costs to the AAA stadium. Concurrent actions by Peter Meijer (architect) to get the Coliseum listed as a national landmark presented significant hurdles that would have precluded the stadium from being completed within the desired timeframe of summer 2011. More than 250 people attended a public open house on April 14, hosted by the mayor's office at the Leftbank project, where Mayor Adams presented the proposal and urban design staff from the Bureau of Planning and Sustainability outlined the options - including the removal of Memorial Coliseum. The proposal to demolish the Coliseum was met with vociferous resistance from the public - particularly the design, planning and architecture community. The AIA Historic Resources Committee and Urban Design Panel submitted a letter to City Council, strongly urging the council to reconsider the demolition proposal due to the Coliseum's architectural significance. Subsequent negotiations with Paulson and the city have established that the Rose Quarter is not a suitable site for AAA if the Coliseum cannot be removed. Two other options, Lents Park and moving the team to Vancouver, Washington present their own complications. The Lents site is meeting resistance from Portland Parks and Recreation due to Lents Park's status as one of the only parks of its size in East Portland.

Commissioner Mohlis stated he attended the Lents Urban Renewal Area Committee meeting. He said both Commissioner Leonard and Merritt Paulson were present. He thought the tone of the conversation went well with many important questions asked.

- Mr. Warner stated PDC staff would be working the City of Portland and the Rose Quarter to take a fresh look at development and partnerships between the Blazers, the Cordish Company, PDC and the City of Portland.
- Workforce diversity among apprentice workers continues to lead the diversity efforts. The total female apprentice hours represent 17.11% of the total apprentice hours 6.11 percentage points ahead of the combined journey/apprentice goal of 11% for the fiscal year. Of the apprentice hours that have been worked in this fiscal year, 25.65% have been worked by people of color. These results continue to demonstrate a positive trend toward a more diverse workforce through apprentice training; The summary table below represents the total workforce diversity (apprentice and journey level workers) for the three projects referenced above:

Goal	Women	People of Color	Apprentice	Difference
11.0%	6.60%			[4.40%]
17.0%		23.07%		+6.07%
20.0%			25.49%	+5.49%

IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

As there were no public comment for items not on the agenda, Chair Wilhoite moved to the consent agenda.

V. CONSENT AGENDA

Commissioner Wilhoite called for a motion to adopt the Consent Agenda:

Resolution No. 6699, titled, "Creating a New Position on The Interstate Corridor Urban Renewal Advisory Committee to Represent the Interstate Corridor Business Alliance and Appoint Molly Paris as it's Representative; and Appoint Tom Kilbane as Representative of The Overlook Neighborhood Association."

Resolution No. 6700, titled, "Appointing Steve Russell as an Alternate Member of The Central Eastside Urban Renewal Advisory Committee."

Commissioner Andrews moved and Commissioner Mohlis seconded the motion to adopt the consent agenda.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite

NAYS: None

VI. HATS-OFF AWARDS

Ms. Sandy Reina and the Board presented Hats-Off Awards to Bill Blauvelt, Ann Mangan and Jenny Kalez.

In addition, the Housing Finance Team was presented with a Persistent Quality Performance award.

VII. TRANSFER AGREEMENT FOR SOUTH WATERFRONT NEIGHBORHOOD PARK (3508 SW MOODY AVE) WITH PORTLAND BUREAU OF PARKS AND RECREATION

Mr. James Mast presented Report No. 09-51, titled, "Transfer Agreement for South Waterfront Neighborhood Park (3508 SW Moody Ave) with Portland Bureau of Parks and Recreation."

Mr. Mast stated the action would authorize the Executive Director to enter into an agreement to transfer ownership of the South Waterfront Neighborhood Park site from the Portland Development Commission (PDC) to Portland Parks and Recreation (Parks). The 2.1-acre property, located at 3508 SW Moody Avenue in the North Macadam Urban Renewal Area, is planned for development as a public park facility by Parks, with development funded by a maximum of \$4 million in PDC Tax Increment Financing, as called for in the Central District Development Agreement (CDDA). She said the action governs the transfer of the property and the requirement to build a public park on the property. The immediate action does not address funding the construction or relationship between the parties, which are governed by the CDDA and its amendments, as well as an Intergovernmental Agreement (IGA) between PDC and Parks. In addition, the park project is a part of the Mayor's Economic Stimulus Package as well as PDC's recession response. Construction on South Waterfront Neighborhood Park commenced on March 23 under a temporary permit of entry with Parks. Substantial completion of the park improvements are scheduled by August 2009. Full opening of all areas of the park is planned for fall 2009.

Mr. Mast further stated the South Waterfront Neighborhood Park project was identified as one of three of Parks' capital projects in the Mayor's Economic Stimulus package and identified to

directly create 39 jobs based on an economic multiplier on the \$2.1 Million construction budget. As stated earlier, the Park was identified as part of PDC's recession response. He said development of the property as a public park would provide a much needed open space resource in the South Waterfront neighborhood. As currently planned, this neighborhood will be one of the most densely developed areas in the State of Oregon. In anticipation of the dense development, the CDDA provided for public investment in open space in the vicinity of this site as well as along the riverfront. The park property will be designated for use as a park by restrictive covenant, ensuring the long term existence of this public resource.

In addition to serving the larger Portland community, the park will serve its immediate neighbors that were constructed within the past three years including:

- OHSU Center for Health and Healing;
- Meriwether Condos- 246 units;
- John Ross Condos- 303 units;
- Atwater Condos- 214 units;
- Ardea Apartments- 323 units; and
- Alexan Apartments/Riva on The Park- 314 units.

There are two additional projects that should be completed within the next year:

- Mirabella Continuing Care Retirement Community- 220 units; and
- Matisse Apartments- 272 units.

Commissioner Straus stated it was a good project and was glad to see the number of jobs created. In addition, he asked if the art was to be made of sustainable products.

Mr. Mast replied the art was made of certified and sustainable wood pieces.

Chair Wilhoite called for a motion to adopt Resolution No. 6698, titled, "Authorizing the Executive Director to Execute a Transfer Agreement with Portland Parks and Recreation for the Final Improvements of the South Waterfront Neighborhood Park at 3508 SW Moody Avenue in The North Macadam Urban Renewal Area."

Commissioner Andrews moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6698.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite
 NAYS: None

VIII. PORTLAND ECONOMIC OPPORTUNITY INITIATIVE

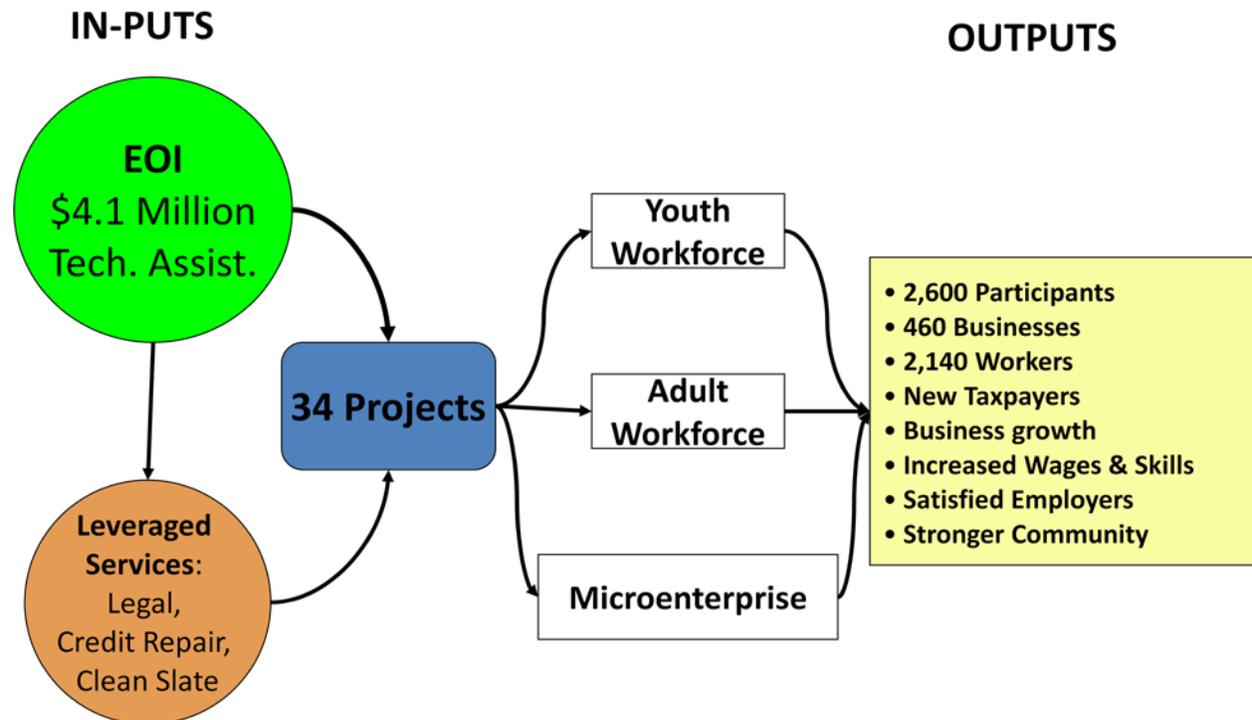
Ms. Erin Flynn presented Report No. 09-54, titled, "Portland Economic Opportunity Initiative."

Ms. Flynn stated the Economic Opportunity Initiative is anticipated to be reassigned from BHDC to PDC on July 1, 2009. This reassignment is a part of Mayor Adams' effort to establish a new Portland Housing Bureau. The Initiative will become a part of the program offerings of the Urban Development Department's Neighborhood Division and will be managed under the Community Economic Development Section. The people-based program offered by the Initiative is an opportunity for PDC to provide additional economic development tools to assist low income residents and business owners, and to strengthen connections with key community-based partners. The transition planning for the staff and programs from BHCD to join PDC on July 1, 2009, is well underway and on track. Staff anticipates bringing an IGA to formalize this transition before the Board in June 2009.

Ms. Lynn Knox representing the Bureau of Housing and Community Development highlighted the Economic Opportunity Initiative Program. She said the 2004 Strategic Plan moved BHCD from place-based community revitalization to people-based economic opportunity for 50% MFI & below. The public indicated they wanted to see a program go deep with support and long-term service delivery. She said local & national best practice study guided Initiative development, mirrored public input & Ford Foundation study. In addition, the program would focus on service gaps for very low income and multi-barriered people using a “bottoms-up” approach tied to the local economy.

Ms. Knox highlighted the following from the program:

- Best Practice Models
 - Serve relatively small numbers who share a common bond with individualize training & services;
 - Provide structured peer support;
 - Offer comprehensive support services to remove barriers;
 - Develop long-term mentoring/coaching relationship;
 - Involve employers early on in design of training; and
 - Provide hands on business technical assistance and training relevant to the circumstances of each business and owner.



- All 34 Initiative Projects include:
 - Enroll participants for three years & take an intensive, holistic approach;
 - Work early on with local employers;
 - Redirect those owners unlikely to succeed in business;
 - Define success as a minimum 25% increase in each participant’s income/revenue at the end of three years; and
 - Define success by the number of people that succeed (meet or exceed goal), rather than the number of people served.

- Enrollment and Outcome:

- Current Microenterprises: 460;
- Current Workforce participants: 2140;
- TOTAL: 2588;
- 52% Minorities, 85% started below federal poverty line;
- 1st graduating class 202 successful graduates '08;
- Expect about 350 successful '09 graduates; and
- Approx. \$8,700/successful graduate, total 3-year City investment.

- Micro Enterprise Graduate

AVERAGE GROSS SALES AFTER 3 YEARS - 1st GRADUATING CLASS



*Charts represent 1 cohort (2004-2005) as of July 2008.

After one year in business, 30 *startup* micro enterprises averaged \$71,000 in gross sales, which then grew by 26%.

On average, 47 *existing* micro enterprises more than tripled their gross sales (251%).

- Unique/Leveraged:
 - Strong Employer Partnerships;
 - System Leverage that Benefits Participants;
 - 3 to 1 Matched Savings Accounts;
 - Small Business Legal Clinic;
 - IT Benefits;
 - Expedited Clean Slate;
 - Access to Credit & In-depth Credit Repair;
 - Joint Resource Development; and
 - Joint Staff Training, Support and Problem-solving.
- Complementary to other workforce efforts and to small business efforts:
 - WorkSource Oregon (OED + WSI);
 - Community Colleges;
 - Private Training Organizations;
 - Portland Development Commission;
 - Oregon Economic Development Department; and
 - OMEN (Oregon MicroEnterprise Network).
- So Effective It's Being Copied

- National Council on Foundations;
 - U.S Mayor's Innovation Council;
 - U.S. Center For Law & Public Policy;
 - Grantmaker's for Children, Youth & Families;
 - Federal Reserve Innovation Showcase;
 - Ford Foundation/White House Committee on Faith-based & Neighborhood Partnerships;
 - **Replication:**
 - Duluth;
 - Minneapolis / St. Paul; and
 - Vancouver, WA.
- Potential Other Contributions to PDC:
 - Target Area Experience can support URA work;
 - Community Benefits Agreements (the *Nines*);
 - Strong Employer Partnerships & Customized Training;
 - Innovative Credit Access Models (EOI & Minority Contracting); and
 - Private Resource Development Success.

IX. AMENDMENT OF DISPOSITION AND DEVELOPMENT WITH E&F PROPERTIES

Mr. John Warner said before he began his presentation, he wanted to highlight a memorandum that was previously sent to the Board highlighting the extensions coming before them on May 14, 2009. He said Portland is experiencing a severe economic downturn. Not surprisingly, the new economic reality is affecting PDC-supported projects. As such, staff is beginning to receive requests from developers to extend contractual deadlines for satisfying certain loan or DDA conditions. In nearly every case, the requests for extensions are based on assertions that the current economic downturn and disruption in the credit markets make satisfying certain contractual deadlines impossible to accomplish, notwithstanding the good faith efforts of the developers.

He said on the current board agenda, there are four different requests to extend certain contractual deadlines. Each has been reviewed by either the Investment Committee or the Loan Committee, and all four are being submitted to you with a recommendation for approval. While each specific request necessarily is unique and must stand on its own, the Board would be reasonable in expecting that PDC has certain guiding principles it uses in reviewing extension requests. In addition, he said staff expects a number of similar requests will come before the board over the course of the coming year. Accordingly, the memo was written to inform the Board of the following general guiding principles that project managers, the Investment Committee and the Loan Committee use in reviewing extension requests:

1. How much has the Developer invested into the project? The more "skin" the developer has in the game, the more motivation he/she has to complete the project as soon as feasible. It is axiomatic that time is money, and if a developer has already invested a substantial sum into the project, the project will be more profitable the sooner it is completed. Conversely, a developer with less "skin" in the game has less motivation to complete the project expeditiously.
2. How far along is the project? If the project is nearly shovel-ready, the time and costs of seeking a different developer and starting over may make granting the extension the better choice. This is particularly true in a down economy, when there are not any practical alternative developers in the wings.

3. Has the developer made significant progress towards meeting benchmark targets and deadlines? This is a strong indication that the developer is moving ahead in good faith and not idling.
4. Is the length of the extension reasonably related to the relative disruption in the credit markets? This analysis is somewhat subjective. Even after consulting with commercial and housing lenders, it requires an educated guess as to when the financial markets in various industries will return to normal. However, if the developer has already invested a significant amount in the project, he/she is highly motivated to recommence the project before the new, extended deadline if the credit market improves sooner than expected.
5. Is there opportunity cost to PDC? Are there other competent developers willing and able to complete the project on a shorter timeline or pay a higher price?

Mr. Warner further stated a chart that compares the four extension requests was attached to the memorandum. He said the extension request should stand on its own merits. However, staff thinks that the chart shows that the application of the above general principles is largely responsible for the differences between the lengths of the various extensions. Finally, please note that PDC has not required that any of the developers pay any compensation in exchange for PDC granting an extension. Again, each case needs to be analyzed on its own merits. However, in general, staff believes that charging a fee for an extension is appropriate in the following circumstances:

- The real estate market is expanding, with prices rising, resulting in greater value to the developer (and conversely less value to PDC) if an extension is granted;
- The added fee will provide needed economic incentive to complete the project as rapidly as possible;
- PDC is likely to incur significant additional costs due to granting the extension.
- It is basically a market-rate transaction, with little to no public investment.
- Paying a fee for an extension was contemplated in the original agreement.

He said, conversely, staff believes that requiring a material extension fee is not customary in the market, and would create disincentive for developers to work with PDC in the future, in circumstances where:

- The real estate values are falling and the market is slow;
- The developer has invested significant amounts into the project and has acted in good faith;
- The extension request is due to circumstances beyond the developer's control; and
- There are no other qualified developers willing and able to take over the project according to its original schedule.

Commissioner Straus stated the memo sent to them was very explanatory. With that said, he indicated he would like negotiations to begin now with the developers to determine what would be done at the end of their extensions, i.e. charging a fee for additional exceptions, ending the deal, etc.

Mr. John Warner presented Report No. 09-55, titled, "First Amendment of Agreement for Disposition and Development of PDC-Owned Property Located at 1101-1139 SW Jefferson Street (Jefferson West Apartments) with E&F Properties, LLC."

Mr. Warner stated on February 28, 2007, the PDC Board of Commissioners adopted Resolution No. 6440 authorizing a Disposition and Development Agreement (DDA) with E&F Properties, LLC (E&F) for the purchase and redevelopment of the Portland Development Commission (PDC) owned Jefferson West Apartments (Jefferson West) as a high-rise, market-rate, residential mixed-use development, with ground floor commercial space and underground parking (the Project). The property is in the South Parks Urban Renewal Area. Recent conversations between E&F and potential lenders and partners have resulted in E&F's request for minor modifications to the DDA to facilitate the development including the following most significant changes:

1. Limits PDC's discretion in approving loan(s) that the developer may enter into to finance the Project by providing pre-approval for any mortgage with terms similar to typical mortgages for similar projects in Portland, Oregon issued at the same time;
2. Clarifies requirements for substantial completion for the Project, which are conditions precedent for PDC furnishing the developer with a Certificate of Completion for the Project;
3. Clarifies the Scope of Development for the Project to expressly allow market-rate housing; and
4. Modifies the Schedule of Performance to extend the due dates for several design development tasks required pre-conveyance; however, the critical closing, construction and completion dates are not altered by this amendment.

Commissioner Andrews declared a conflict of interest as he is personally known to the developer.

Chair Wilhoite asked for a motion to adopt Resolution No. 6701, titled, "Authorizing Amendment of Agreement for Disposition and Development of Property with E&F Properties, LLC, for PDC-Owned Property Located at 1101-1139 SW Jefferson Street."

Commissioner Mohlis moved and Commissioner Straus seconded the motion to adopt Resolution No. 6701.

AYES: Ferran, Mohlis, Straus, Wilhoite
 NAYS: None
 ABSTAIN: Andrews

X. KILLINGSWORTH STATION DISPOSITION & DEVELOPMENT AGREEMENT (DDA) AMENDMENTS

Commissioner Andrews declared a conflict of interest as he is personally known to the developer.

Commissioner Straus declared a potential conflict of interest as he is personally known to the developer and although he has done work with him in the past, he is not involved in the Killingsworth Station Project.

Mr. John Warner presented Report No. 09-56, titled, "Killingsworth Station Disposition and Development Agreement (DDA) Amendments."

Mr. Warner stated the action would authorize the Executive Director to execute the First Amendment to Agreement for Disposition and Development of Property in the Interstate Corridor Urban Renewal Area (the "First Amendment") with Killingsworth Station, LLC to, among other things, revise the unit mix and construction schedule of the previously approved project.

He said as a result of the First Amendment, the resultant development will be a high-quality, four-story, residential mixed-use, transit-oriented building with approximately 57 unit residential condominiums, approximately 9,000 square feet of ground floor commercial space and significant sustainable building features (collectively, the "Project" or "Killingsworth Station").

AMENDMENTS TO THE DDA

Summary of Changes:

	Original	Amendment	Change
Program	48 one-bedroom units 6 two-bedroom units 54 total units	54 one-bedroom units 3 two-bedroom units 57 total units	+ 6 units - 3 units + 3 units
Affordable Program	33 affordable units (80% MFI)	34 affordable units (80% MFI)	+ 1 unit
PDC Funding	Up to \$5,120,000	Up to \$5,120,000	No change
Commencement of Construction	March 1, 2009	March 1, 2010	1 year

Mr. Warner said current challenges in the residential condominium market, including the oversupply of unsold market-rate units and the difficulty in obtaining construction financing for new residential condominium projects, have caused a delay in the Killingsworth Station project schedule, necessitating a First Amendment to the DDA with Killingsworth Station, LLC.

In summary, the First Amendment allows for:

- A one year extension for commencement of construction, to March 1, 2010;
- A reduction in the number of two-bedroom units, to be replaced by one-bedroom units, which, pursuant to the existing DDA, will be sold at a price point within reach of most first-time homebuyers.

Mr. Warner stated both changes would more favorably position the project for construction financing as the market improves. The changes also lower PDC's repayment risk on its construction financing, as smaller, one-bedroom units priced below \$200,000 are more likely to sell in the current market. He said PDC's overall financial participation in the transaction remains unchanged. The developer's commitment to meeting, and exceeding where possible, PDC's workforce training, construction, and MWESB contracting policies also remain unchanged. Further, the developer and his design team have continued to actively work on the project. The contract architect submitted plans for building permit approval in December, 2008,

with approvals anticipated by late spring 2009. The developer's approach is to ready the project for development in anticipation of improving market conditions. The extended timeline does not preclude, upon mutual agreement by PDC and the developer, an acceleration of the project schedule to take advantage of more favorable financing and market conditions that may arise earlier than the construction commencement date afforded under the amended schedule of performance. The developer continues to work with local banks to position the project to secure construction financing.

Commissioner Ferran suggested trying to do a pre-sale of the units would assist with obtaining financing.

Chair Wilhoite stated as the project begins, he is expecting to see the same amount of M/W/ESB participants as stated currently.

Chair Wilhoite called for a motion to adopt Resolution No. 6702, titled, "Authorizing the Executive Director to Execute the First Amendment to Agreement for Disposition and Development of Property in the Interstate Corridor Urban Renewal Area with Killingsworth, LLC, for Development of Certain PDC-Owned Property at the Northeast Corner of North Interstate Avenue and North Killingsworth Street."

Commissioner Straus moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6702.

AYES: Ferran, Mohlis, Straus, Wilhoite
 NAYS: None
 ABSTAIN: Andrews

XI. APPROVE SCHEDULE OF PERFORMANCE EXTENSION FOR BLOCK 45/COSMOPOLITAN TOWER DISPOSITION & DEVELOPMENT AGREEMENT

Mr. Karl Dinkelspiel presented Report No. 09-57, titled, "Authorize First Amendment to Block 45 Disposition and Development Agreement to extend the Schedule of Performance."

Mr. Dinkelspiel stated the action would authorize the Executive Director to amend the previously executed disposition and development agreement (DDA) with Weston Investment Co., LLC (WIC/Weston) for the purchase and redevelopment of the Commission-owned Block 45 located at 1010-1034 NE Grand Ave. in the Oregon Convention Center Urban Renewal Area (OCCURA). The original DDA was authorized by the Commission on April 25, 2007 through Resolution No. 6476. The First Amendment would extend the approved Schedule of Performance for twenty four (24) months. The amendment also provides for an additional twelve (12) month extension that would be automatically granted under the following conditions:

1. PDC receives a written request for the extension from Weston between 90 and 60 days prior to April 4, 2011;
2. The written request in 1 above is accompanied by a written report from Weston summarizing the need for the additional 12 month extension. The report must include the following factors: (i) the condition of Portland's central city condominium market, particularly condominium absorption, (ii) the condition of the financial markets, especially lending for projects of the type and scale contemplated, (iii) the status of the Grand Avenue streetcar line, (iv) the status of the Convention Center hotel project, and (v) the status of the project proposed for PDC Blocks 47 and 49 in the Oregon Convention Center Urban Renewal Area; and

3. Weston executes and delivers to PDC, no later than April 4, 2011, an appropriate amendment to the DDA, prepared by PDC and implementing the 12 month extension to the Schedule of Performance.

Mr. Joe Weston representing Weston Investment Co. LLC stated he had originally asked for a five-year extension as he honestly believes the economy will not turn around before then. He stated there are three issues regarding financing. The first issue is Construction Financing and the banks requiring 70% lease-out before a project can be built. The second is buyers cannot receive financing for condo units. Finally, the third issue is the over abundance of units currently available in Portland as well as apartment units that will turn to condo units once the economy does start to improve. Mr. Weston also took the opportunity to explain a better use of the memorial coliseum related to the Headquarters hotel. However, did state he did not believe a Headquarters Hotel was needed.

All of the Commissioners stated they were comfortable with the extension before them because of the reputation of Mr. Weston and his obvious intent to build the project as soon as it is feasible.

Chair Wilhoite called for a motion to adopt Resolution No. 6703, titled, "Authorize the Executive Director to Execute the First Amendment to Disposition and Development Agreement with Weston Investment Company for PDC-Owned Property Located at 1010-1034 NE Grand Ave. (Block 45, Lots 1-4) in The Oregon Convention Center Urban Renewal Area."

Commissioner Ferran moved and Commissioner Andrews seconded the motion to adopt Resolution 6703.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite
NAYS: None

XII. AMEND DISPOSITION AND DEVELOPMENT AGREEMENT WITH STARTERRA LLC FOR BLOCKS 47 AND 49 FOR ADDITIONAL TIME FOR PHASE 1

Mr. Eric Jacobson presented Report No. 09-58, titled, "First Amendment to Disposition and Development Agreement with StarTerra LLC for Blocks 47 and 49."

Mr. Jacobson stated the action authorizes the Executive Director to execute a First Amendment to the Disposition and Development Agreement (DDA) with StarTerra LLC (Developer). The First Amendment will: (1) extend the Schedule of Performance due dates for the Phase I tasks by 18 months, including extending the due date for the closing/conveyance of the Block 49 parcel from PDC to Developer, from December 31, 2009, to June 30, 2011; and (2) include a new requirement for the Developer to provide written quarterly progress reports to PDC.

Mr. Jacobson explained on May 28, 2008, the PDC Board of Commissioners (Board) adopted Resolution No. 6594, authorizing the Executive Director to enter into a DDA for redevelopment of PDC property located at Blocks 47 and 49 of Holladays Addition in the Oregon Convention Center (OCC) Urban Renewal Area (URA) with StarTerra LLC. The DDA was subsequently executed on August 1, 2008. Approval of this action will amend that DDA. The DDA states that, subject to certain conditions precedent, including requirements for the Developer to provide 50 percent and final Construction Plans and Specifications, secure land use approvals and building permits, and provide documentation of required financing, the conveyance of the Block 49 parcel from PDC to the Developer for Phase I shall take place no later than December 31, 2009.

Mr. Jacobson said on March 26, 2009, the Developer submitted a written request (Attachment C) to PDC to amend the Schedule of Performance for the Phase I component of the project on

Block 49 due to adverse economic conditions that have hindered the ability of the Developer to meet the obligations in accordance with the Schedule of Performance. The Developer requested the Phase I Task 17 due date be extended from December 31, 2009, to October 31, 2012, and that up to 12 additional months be added to the timeline at the Executive Director's discretion if both parties agree that substantial progress is being made. Staff and the Developer have agreed to extend the timeline by 18 months, as proposed in the resolution.

Mr. Jacobson stated the primary benefit of the action is to increase the potential for this important redevelopment to succeed. Extending the timeline to allow an additional 18 months for the completion of Phase I will increase the opportunity for the Developer to comply with the Schedule of Performance by allowing the Developer additional time to identify the needed tenants and obtain financing for the project. The economic recession and financial crisis that has occurred over the past 12 months was unforeseen when the DDA was executed and has, through no fault of the Developer, resulted in an uncertain time for companies to be planning for future employment levels and related relocations and future space needs. In addition, credit markets have also tightened during this time period, which has resulted in increased pre-leasing requirements and increased difficulty in obtaining financing. Extending the timeframe of the Phase I schedule will provide additional time to allow the credit markets to normalize while providing increased confidence to potential investors and tenants that the project can succeed.

Otherwise, the terms of the DDA remain the same and will provide the following benefits:

- Development of long-vacant and underutilized parcels adjacent to the Oregon Convention Center;
- Additional pedestrian and commercial activity in the area, and with the completion of Phase II, additional visitor, tourist amenities and entertainment venues;
- Increased transit ridership on the adjacent MAX and bus lines;
- Opportunities for increased Central City employment, which is emerging as an important component of the City's economic development strategy. Phase I includes approximately 300,000 square feet (SF) of Class A commercial space; and Phase II includes 100,000 – 300,000 SF of retail space;
- Opportunities for housing in Phase II: at least 200 units of housing;
- Substantially increased tax revenue; roughly estimated at \$28 million over the first ten years; and
- Compliance with PDC's Green Building and Business Equity policies.

Chair Wilhoite called for a motion to adopt Resolution No. 6704, titled, "Authorizing the Executive Director to Execute the First Amendment to the Disposition and Development Agreement with Starterra LLC for Real Property located on Blocks 47 and 49 of Holladays Addition in The Oregon Convention Center Urban Renewal Area."

Commissioner Mohlis moved and Commissioner Andrews seconded the motion to adopt Resolution 6704.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite
 NAYS: None

XIII. BUDGET UPDATE

Ms. Julie Cody and Mr. Tony Barnes presented Report No. 09-59, titled, "FY 2009-10 Budget Process Update."

Ms. Cody stated since the February Budget Requested Budget Work Sessions with the Commission and Mayor in February, PDC staff has taken the Requested FY 2009-10 Budget and Forecast to Council for review and comment. The first review occurred on March 17, which provided a high-level look at the PDC budget and forecast and prompted several questions about key projects such as the Resource Access Center and policy issues such as the use of URA program income across urban renewal areas. PDC staff followed up with Council with an overview of key programs and initiatives included in the Proposed Budget on May 5.

She said staff recently completed the creation of the Proposed Budget, which will be released on May 15 and presented to Council, acting as PDC's Budget Committee on May 21. A public hearing will be held the evening of May 21 followed by Budget Committee action to approve the budget on May 27.

Mr. Barnes stated the projects and programs included in the Proposed Budget are materially the same as the Requested Budget that was reviewed during the February budget work sessions with the Commission and Mayor. However the following key changes are represented based on the recent decision to move forward with the FY 2009-10 budget with PDC Housing operations and capital to be continued as part of the PDC budget until information technology and accounting transitional issues are completed in order to implement the full implementation of the Housing Transition into the newly created Portland Housing Bureau. The impact to the budget will be to continue all housing activity in the budget as loans or grants and to reincorporate the positions previously slated to be incorporated into the new Portland Housing Bureau budget. Specific changes are:

- Federal Contract (CDBG, HOME, Lead) funds for Housing will be added to PDC's budget for new and ongoing loan and grant disbursements for Rental Housing Projects;
- Inclusion of First Mortgage homebuyer budget authority using the Fannie Mae and Oregon Residential Lending programs; and
- Operations to account for the Housing staff for FY 2009-10.

In addition to the Housing changes the Proposed Budget includes the following funding from transition of the Economic Opportunity Initiative moving to PDC and the Mayor's Proposed Budget for General Fund Economic Development:

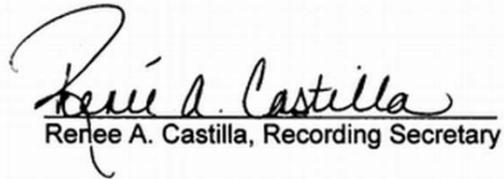
- A total of \$4.5 million in Economic Opportunity Initiative funding (\$2.7 million CDBG/\$1.8 million General Fund); and
- A total of \$3.4 million in General Fund resources for Target Industry and Community Economic Development programs (such as storefront and small business start-ups).

XIV. ADJOURN

There being no further business, Chair Wilhoite adjourned the meeting at 5:41 p.m.

Respectfully submitted,

Approved by the Portland Development Commission on May 27, 2009.



Rereee A. Castilla, Recording Secretary