

This document constitute the official meeting record of the April 23, 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 8:07 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. MINUTES

Commissioner Mohlis moved and Commissioner Kadri seconded the motion to approve the meeting minutes of March 26, 2008 and April 9, 2008.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

III. COMMISSIONER REPORTS

Commissioner Wilhoite has been meeting with minority developers. He said there is consensus that there have been significant steps in the process, however, it was acknowledged that is more the Portland Development Commission can continue to do to ensure the success of minority developers.

Commissioner Kadri stated he met with members of the media (KGW) with Chair Rosenbaum to better understand the concerns of the community. In addition, he acknowledged the staff for the good turnout of "Spiffin up MLK Blvd." He stated he also attended the Best Awards recently. He explained the BEST Awards have been presented annually to Portland area companies demonstrating excellence in business practices that promote economic growth and environmental benefits.

Commissioner Ferran stated she also attended the Best Awards. In addition, she has been watching a federal program which is a tax credit through the federal government which earmarks dollars for first time homebuyers. In addition, the program will have dollars available to local jurisdictions to assist those homeowners in risk of foreclosure in keeping their homes. Previously, these dollars could not be used for refinancing. In addition, she stated she attended the Lents Home buying Fair.

Commissioner Mohlis stated he was out of town attending the Building Trades Legislative Conference in Washington DC. However, he stated he did attend the Workforce Diversity Committee which is working on continuing to diversify the construction workforce.

Chair Rosenbaum stated he and Executive Director Bruce Warner met with members of the Portland Observer Newspaper's editorial staff. He said he was also honored to attend the MercyCorps groundbreaking event and say a few words. He reiterated the groundbreaking event was a terrific event for PDC and the surrounding community. He further stated he and Mr. Warner met with members of the Portland Public Schools to discuss how they and PDC could work together.

IV. EXECUTIVE DIRECTOR'S REPORT

Executive Director Bruce Warner presented his Executive Directors Report.

Mr. Warner stated at a recent PDC all-staff meeting, he announced a significant reorganization effort occurring here at PDC. He explained PDC has been around for almost 50 years. In that time, the economy of the State, the region and the city have changed dramatically. The expectation we do our work in an open and transparent manner with public involvement would have been unthinkable in 1958, but it is clear today. Our role in housing has changed and the demographics of Downtown Portland have changed dramatically over the past decade. We are no longer the major jobs center for the region. Now, Portland has new and changed roles – for example, in housing and our cultural prominence. PDC also needs to grow and change to reflect this new paradigm. He explained as PDC celebrates their 50th anniversary, PDC will have a new and more refined role.

Ms. Erin Flynn stated the new organizational structure will allow PDC to operate more successfully both internally and externally. Internally, there will be a more balanced approach to projects, more opportunities for collaboration and will allow us to avoid competing for resources. Staff experts will be empowered to handle day-to-day operations. We will be able to move more decisions further down in the organization and allow new opportunities for our staff to collaborate, gain exposure to functions they wouldn't normally interact with, grow professionally and advance their careers. Externally, we will be able to deliver more integrated products, improve efficiency and provide better customer service and stakeholder interaction.

She said a transition team with representatives from the three operating departments (as well as the other Departments), will be put in place to engage the rest of the agency in helping implement the changes - determining how best to integrate the functions, projects, workflows, and personnel. The new Department will have four major elements: a Downtown Development team, a Neighborhood Development team, a Traded Sector team, and a Finance team.

Mr. Warner announced the resignation of Ms. Lolita Burnette and stated Mr. John Jackley has been promoted to Director of Communications and Business Equity.

Chair Rosenbaum explained he has created a resolution that requests the Executive Director to provide a regular update on the progress of the transition team and their analysis of the potential benefits that could flow from a decision to enter into a partnership with another service provider for the provision of affordable housing and supportive services that are now provided directly by PDC and that a final report and recommendation be presented to the PDC Board by August 1, 2008.

After discussion among the Board, Chair Rosenbaum asked for a motion to adopt Resolution No. 6568, titled, "Potential benefits that could flow from a decision to enter into a partnership with another service provider for the provision of affordable housing and supportive services that are now provided directly by PDC and that a final report and recommendation be presented to the PDC Board by October 1, 2008."

Commissioner Mohlis moved and Commissioner Wilhoite seconded the motion to adopt Resolution No. 6568 amended as follows: (1) Include language similar to "Whereas, PDC's primary focus is to create jobs and wealth through improvement of Urban Renewal Areas"; (2) change October 1, 2008 date to August 1, 2008.

AYES: Rosenbaum, Ferran, Kadri, Mohlis and Wilhoite

V. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

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

VI. CONSENT AGENDA

Commissioner Ferran moved and Commissioner Wilhoite seconded the motion to approve the consent agenda:

Resolution No. 6570, titled, "Authorize IGA with the Bureau of Planning".

Resolution No. 6574, titled, "Approve contract with Tower Software for purchase of ECM Software (TRIM)".

Resolution No. 6557, titled, "Adopt the FY 07-08 Parks IGA for Waterfront Park, Ankeny Plaza, and Street Improvements."

Resolution No. 6575, titled, "FY 07-08 Budget Appropriation Transfer".

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

VII. HATS-OFF AWARDS

Hats-off Awards were presented by the Commissioners to Ms. Julie Cody and Ms. Rustie Daye.

VIII. BRIEFING ON THE DDA FOR THE SALE OF BLOCKS 47 AND 49 IN THE OCC URA

Ms. Sara King, Ms. Joanne Daunt and Mr. Steven Shain presented Report No. 08-54, titled, "Briefing on the DDA for the Sale of Blocks 47 and 49 in the OCC URA."

Ms. King stated Portland Development Commission (PDC) has been negotiating exclusively with StarTerra, LLC (Developer) for the disposition and redevelopment of Blocks 47 and 49 in the Oregon Convention Center Urban Renewal Area (OCC URA) since November 2005. StarTerra, LLC controls a large parcel of property between the PDC parcels and it has proposed a mixed-use redevelopment of the entire site in two phases. Phase I on Block 49 will be a 19-story office tower with ground floor retail. It has been fully designed and received Design Commission approval in November 2007. Phase II, including PDC's Block 47, is in the

Conceptual Design phase. The programming for Phase II continues to be refined, but the conceptual program includes housing, retail, hotel, office, and subterranean structured parking. The Developer anticipates staggering the construction of Phase I and Phase II.

She stated the purpose of the briefing was to prepare the Board for its consideration of a Disposition and Development Agreement (DDA) on May 14, 2008 and to allow the Board an opportunity to provide input on the DDA deal terms prior to considering the DDA.

Ms. King stated the PDC Investment Committee authorized exclusive negotiations with the Developer because the Developer's site is adjacent to PDC property, and the Developer proposed an aggressive redevelopment plan that met several urban renewal objectives. The redevelopment of this site, next to the Oregon Convention Center and across from the proposed Headquarters Hotel site, represents tremendous catalytic potential, which could bring employment, entertainment, and housing to this underutilized and visible parcel of land. In June 2006, PDC and the Developer signed a Memorandum of Understandings (MOU), which served as a guiding document for concept development and performance obligations. While the MOU expired on March 31, 2008, both parties have committed to work toward the completion of a DDA for the properties.

Ms. King stated the Developer plans to build a two-phase, large-scale, mixed-use development. Phase I, Block 49, will be a 350,000 gross square foot office tower with 450 parking stalls and limited ground floor retail. The Phase I design received approval from the Portland Design Commission in December 2007. Phase I is scheduled to close no later than June 2009. The Developer continues to refine the program for Phase II, a portion of which includes Block 47. The conceptual program includes 400 residential units, 250,000 sf of retail with a portion focused on entertainment venues and a structured parking garage. Project complexity and market forces continue to influence the programming for the site, but the DDA will stipulate financial feasibility to be demonstrated prior to closing on Block 47. Currently, Phase II is scheduled to close no later than June 2014. She explained staff has identified the risk that the Developer could complete Phase I without any legal obligation to proceed with Phase II. To address this risk, staff has been working diligently to ensure that both phases of the development concept are achieved. Language in the draft development agreement "ties" the sites together by requiring that the Developer grant PDC a right of first refusal on its properties by execution and delivery of the right of first refusal after acquiring the titles to each property. This right could permit PDC to proceed with the Phase II development, or assign development rights, if Developer decides not to proceed with Phase II.

Ms. King further explained the Developer has requested that PDC finance the land, with deferred payments, to attain project feasibility. Additionally, the Developer requested that PDC consider financial participation by financing the land and forgiving the loan value. Since the program for Phase II is still conceptual, PDC is reluctant to forgive a loan for the value of the land without a concrete program and pro forma. To provide financial assistance as well as to enhance the likelihood that Phase II will be constructed, staff developed and evaluated a series of Performance Measures that require the inclusion of public benefits and achievement of PDC goals as a means for reducing the cost of PDC land. Staff identified Performance Measures as a unique tool to stimulate development using available resources in the URA (land). Performance Measures require a desired outcome on Phase II be achieved before the loan for the PDC land will be forgiven. Since the Phase II program of this project is yet to be finalized, the Developer has the opportunity to incorporate these measures in project design and tenant recruitment. In the event Phase II begins construction, and if the Developer provides a pro forma demonstrating a lack of financial feasibility acceptable to PDC within established return

parameters for Phase II, PDC would use these Performance Measures to determine the value of any loan forgiveness for Phase I (Block 49) land. Additionally, if a sufficient number of Performance Measures are met, forgiveness may be applied to the loan for the Phase II (Block 47) land. Performance Measures may apply to components in Phase I and/or Phase II as specified in Attachment C.

Mr. Barry Schlenger, StarTerra LLC, expressed his thanks to PDC staff for their hard work and further expressed his commitment to the both phases of the project and to the success of the Oregon Convention Center Urban Renewal Area.

IX. BRIEFING ON URA AMENDMENTS FOR DTWF, SPB, AND RIVER DISTRICT

Mr. Robert Alexander and Mr. Robert Durston presented Report No. 08-55, titled, Briefing on URA Amendments for DTWF, SPB, and River District.

Mr. Alexander stated in April, 2007, the Portland Development Commission (Board) directed the study of three downtown urban renewal areas – Downtown Waterfront (DTWF), South Park Blocks (SPB) and River District (RD), to determine if amendments should be made to their urban renewal plans. This study was prompted by several issues: two districts, Downtown Waterfront and South Park Blocks, have the last date to issue bonded indebtedness in April and July of 2008 respectively and River District will reach its Maximum Indebtedness by 2013-14.

He explained an Urban Renewal Advisory Group (Advisory Group) was formed which included members of the Board as well as Portland City Council, Multnomah County Commission, Portland Planning Commission and a citizen at large. Their purpose was to recommend actions to the Board. The URAG met eight times through March, 2008 and recommended the following actions and potential amendments:

- 1) close down DTWF and SPB this year but maximize the amount of debt allowed and contemplated by the current year budget,
- 2) remove 50.8 acres from DTWF and SPB districts and add to River District to allow important areas to be redeveloped and key projects completed,
- 3) increase the maximum indebtedness in River District by \$338 million to \$563 million and extend the last date to issue bonded indebtedness from 2020 to 2021,
- 4) remove 30.7 acres of I-405 right of way from RD,
- 5) consider formation of non-contiguous “island” district to River District if directed by the Portland City Council.

Mr. Alexander stated in addition, the Advisory Group recommended downsizing the SPB and DTWF areas, identify potential new districts in conjunction with the Central Portland Plan effort, develop interim development strategies pending completion of the Portland Plan effort and give Multnomah County a more meaningful voice on decisions regarding expansion, extension or creation of urban renewal districts.

Ms. Patricia Gardner representing the Pearl District Neighborhood Association expressed her support of the URA Amendments for DTWF, SPB, and River District. However she expressed her concerns regarding the legalities of the satellite district and the County contribution. In

addition, she expressed her concern for the removal of the thirty acres under the I-405 Freeway. She also thanked PDC staff and Commissioners for their hard work through the process.

Mr. Patrick Gortmaker, representing the Old Town China Town Urban Renewal Area (OTCT URA) Committee, expressed his support for the URA Amendments for DTWF, SPB, and River District, however, he explained the OTCT URA is still at risk and needs additional support. He acknowledged the significant events that have occurred, the Opening of the White Stag Building for the University of Oregon and the Groundbreaking of MercyCorps headquarters. He encouraged the Board of Commissioners to continue the positive momentum in the area as workforce housing is still needed as well.

X. 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.

The law permits a public body to exclude 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 and members of the news media may not attend the executive session and were asked to leave the room.

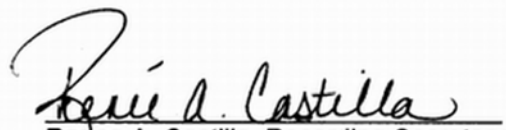
Chair Rosenbaum explained no decision would be made in executive session and at the end of executive session; PDC would return to open session and he would welcome the audience back into the room.

XI. ADJOURNMENT

There being no further business, Chair Rosenbaum adjourned the meeting at 11:47 a.m.

Respectfully submitted,

Approved by the Portland Development Commission on May 28, 2008.



Renee A. Castilla, Recording Secretary