

This document constitutes the official meeting record of the May 28, 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 8:11 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 April 23, 2008.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

III. COMMISSIONER REPORTS

Commissioner Wilhoite stated he had informal discussions with Portland State University regarding what is happening in the South Park Blocks. He stated he would have ongoing discussions with PSU to keep them informed with ongoing developments and decisions at the Portland Development Commission.

Commissioner Kadri attended the Portland State University's Business Breakfast Series on Business Sustainability regarding the economic and social vantage point. While he was there he met Dr. Janet Hammer who works with the College of Urban and Public Affairs. He later met with Dr. Hammer along with Commissioner Ferran Ms. Erin Flynn regarding the double bottom line including economic and social issues. He also attended the SBA Awards.

Commissioner Ferran stated she met with the regional HUD representative for the northwest area regarding upcoming changes with legislation in Congress. She also attended the Hispanic Chamber's trade and employment fair. She attended the Hacienda Home Buying Fair where she said thousands of citizens participated. Further, she said she attended the Chinese Garden Dinner honoring Gloria Lee.

Commissioner Mohlis stated he met with interested parties regarding the Affordable Housing Resolution. He also met with interested parties and staff regarding a few clarifications on the

private/public construction wage policy. He said there were some misunderstandings on how it is applied to different housing projects.

IV. EXECUTIVE DIRECTOR'S REPORT

Executive Director Bruce Warner stated he was not present at the last meeting as he was attending a seminar in Seattle for his Civil Engineering license. He stated the seminar was on sustainability. He said Portland is viewed as a leader in the field of sustainability. There is a lot of other areas in the United States taking bold action in their buildings as well. He says there is a great opportunity for Portland to remain in the lead on Sustainability.

He said the elections were last week, as of June 8 there will be a City Council with five members. From his conversations with the Mayor, the Mayor will give Nick Fish, the former Commissioner Sten's portfolio. In addition, City Council should be reviewing PDC's budget on June 4, 2008.

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

Chair Rosenbaum requested Resolution No. 6589 and Resolution No. 6590 be removed from the consent agenda for discussion.

Chair Rosenbaum called for a motion to adopt Resolution No. 6591, titled, "Authorize Sale of 5136 NE Garfield."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6591.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

Ms. Susan Kuhn and Mr. Byron Estes presented Report No. 08-66, titled, Authorize Intergovernmental Agreement with Portland Office of Transportation for Construction of Russell Street Improvements.

Ms. Kuhn stated the action would authorize an Intergovernmental Agreement (IGA) with Portland Office of Transportation (PDOT) in the amount of \$2,990,836, subject to budget appropriation, to construct streetscape improvements consistent with Phase I of the Russell Street Improvements Planning Project Final Report (the Plan). Phase I of the Plan includes N. Russell Street from Interstate Avenue to Commercial Avenue, plus Albina and Mississippi Street from Interstate Avenue to Russell Street (the Project). The Project will include the installation of trees, sidewalk improvements and curb extensions, storm water management, art, ornamental streetlights, pedestrian crossings, and enhanced transit stops. Design and engineering will be completed and the Project bid in June 2008. Construction is expected to start late summer 2008 and be completed by January 2009.

After discussion among the Commission, it was determined that the Board had significant issues with the cost increases of the project and asked that specific language be added to the resolution.

Chair Rosenbaum asked that two items be added to Resolution No. 6589:

- 1) that staff provide a report to the Board on the anticipated cost of the project promptly after receipt of bids; and
- 2) that staff provide a report to the Board on the utilization of the 40 percent contingency and on the overall cost management of the project, promptly after completion of the project, which is currently anticipated to be January 2009.

Commissioner Ferran moved and Commissioner Mohlis seconded the motion to adopt Resolution No. 6589 as amended.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

Ms. Julie Cody and Ms Faye Brown presented Report No. 08-67, titled, “Authorize short-term interfund operating loans to HCD, HOME, and Lead funds from Enterprise Loans Fund to Cover Monthly Billing and Paying Time Differences.”

Ms. Julie Cody stated this action would authorize ongoing interfund operating loans pursuant to the provisions of ORS 294.460, which states that:

“It shall be lawful to loan money from any fund to any other fund of the municipal corporation whenever the loan is authorized by official resolution or ordinance of the governing body.”

She said due to inevitable time lags between the end of a billing period and reimbursement from BHCD, PDC periodically experiences negative cash balances in the following funds:

- Fund 110 – Housing and Community Development Contract Fund (CDBG)
- Fund 111 – Lead Hazard Abatement Program Fund
- Fund 185 – HOME Grant Program Fund

She also said negative balances in any fund represent de facto interfund borrowings that must be authorized by the Commission. PDC’s independent financial auditor, Moss Adams, stated in their December 20, 2007 letter to management that “...for both state legal and governmental accounting purposes, overdrawn cash balances represent inter-fund borrowings.....and cash balances should be monitored on a monthly basis to identify individual funds that are at risk for overdrawing their share of the pooled cash and investments. The revised monitoring procedures should include informing the Board of Commissioners of the need for an inter-fund borrowing timely enough to approve the loan via resolution in advance”.

Chair Rosenbaum asked that an item be added to the resolution:

BE IT FURTHER RESOLVED that in the event any interfund loan authorized by this resolution remains outstanding for a period of more than sixty (60) days, then Commission staff shall, at the next regularly scheduled meeting of the Commission, report to the Commission on the status of the loan and on its anticipated repayment;

Commissioner Wilhoite moved and Commissioner Ferran seconded the motion to adopt Resolution 6590 as amended.

VII. APPROVE DISPOSITION AND DEVELOPMENT AGREEMENT FOR BLOCKS 47 & 49 IN THE OREGON CONVENTION CENTER URA

Ms. Sara King and Ms. Joanne Daunt presented Report No. 08-71, titled, "Approve Disposition and Development Agreement for Blocks 47 & 49 in the Oregon Convention Center URA."

Ms. King stated the Portland Development Commission (PDC) has been negotiating exclusively with StarTerra, LLC (Developer) for the disposition and redevelopment of PDC-owned property located at 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 two PDC parcels (Attachment B), and it has proposed a mixed-use redevelopment of the entire assemblage. The property is located directly north of the Oregon Convention Center. She said 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 December 2009.

She further stated the Developer continues to refine the program for Phase II, a portion of which includes Block 47. The conceptual program includes 200-400 residential units, 100,000-300,000 square feet (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 Disposition and Development Agreement (DDA) will stipulate a refined and updated Scope of Development and financial feasibility to be demonstrated prior to closing on Block 47. Currently, Phase II is scheduled to close no later than June 2014. See Attachment C for a project schedule. On April 23, 2008, staff briefed the PDC Board of Commissioners (Board) about the DDA deal points and structure. Approval of the DDA is required by the Board. Approval of this DDA will clear the way for the developers to market the development for tenants and financing.

Mr. Schlesinger, StarTerra, LLC, expressed his support of the project, thanked the staff for all of their hard work and further stated he was anxious to get the first phase of the project started.

After discussion among the Board, Chair Rosenbaum asked for a motion to adopt Resolution 6594, titled, "Approve Disposition and Development Agreement for Blocks 47 & 49 in the Oregon Convention Center URA."

Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion to adopt Resolution 6594.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

VIII. AUTHORIZE ADJUSTMENTS TO THE COMMISSION APPROVED CONTRACTS FOR THE WATERFRONT PARK AND MAX RETAIL PROJECTS, APPROVAL OF ALTERNATE BID

Mr. Kevin Brake presented Report Number 08-70, titled, "Authorize Adjustments to the Commission Approved Contracts for the Waterfront Park and Max Retail Projects, Approval of Alternate Bid"

Mr. Brake stated the action would authorize the Executive Director to:

1. Enter into a revised Intergovernmental Agreement (IGA) with Portland Bureau of Parks & Recreation (PP&R) for the design and construction of improvements to Waterfront Park, including Portland Saturday Market's new home, and improvements to enhance public safety under the Burnside Bridge, including a new active retail space at the MAX Station platform, and lighting, painting and public safety improvements to the parking area between the MAX Station and Naito Parkway (Project), and payment to PP&R in an amount not to exceed One million, nine hundred, seventy-eight thousand seven hundred DOLLARS (\$1,978,700) for services performed as described in the IGA; and
2. Enter into necessary contracts for Project hard construction costs in a total amount not to exceed Eight million, Seven hundred forty five, Nine hundred seventy four AND NO/100 Dollars (\$8,745,974), and for Project soft construction costs in a total amount not to exceed Three million, Four hundred twenty one, Four hundred and fourteen AND NO/100 Dollars (\$3,421,414) on the Project, reflecting a total increase in the Project cost of \$3,696,456 (\$2,214,059 for additional base bid costs, \$1,282,397 for prioritized bid alternates, and \$200,000 for Portland Saturday Market Interim Site Transition Costs) over the amount anticipated at the time the Board originally approved the Project.

He also said the project is under an extremely compressed schedule in order to complete improvements to Waterfront Park by March 2009, which allows us to accommodate Portland Saturday Market (PSM) for the start of the 2009 market season. Completion of the project by March 2009 must occur in order to follow through on the commitments made by PDC to adjacent property owners and PSM vendors.

Ms. Harriet Cormack representing Ankeny Burnside Advisory Committee expressed her support of the budget adjustments for the project.

Ms. Zari Santner representing Portland Parks & Recreation expressed her support of the project and the additional features associated.

Ms. Jan Oliver representing University of Oregon expressed her support of the project and thanked the Board for their continued support.

Ms. Margaret Hinshaw representing Mercy Corps expressed her support for the Waterfront Park and Max Retail Projects.

Mr. Paul Verhoeven representing Portland Saturday Market expressed his support for the project and the additional features selected.

Mr. Brake reiterated to the Board there would be sufficient contingency to complete the project including the chosen feature.

After Commission discussion it was concluded that the \$47,000 for safety lights would be included from contingency and the resolution updated accordingly.

Commissioner Ferran moved and Commissioner Wilhoite seconded the motion to adopt Resolution 6593 as amended:

BE IT FURTHER RESOLVED that the Project include \$47,300 funded from the Project contingency for lights under the Burnside Bridge in Waterfront Park, that the Intergovernmental Agreement be revised accordingly, and that the Public Improvement Contracts awarded pursuant to the resolution include this lighting component; and

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

After adoption of Resolution 6593, Interim General Counsel David Elott stated the resolution needed to readopt as the total number in the Resolution title was incorrect. It should read \$9,587,534 NOT \$8,762,631.

Commissioner Ferran moved and Commissioner Wilhoite seconded the motion to readopt Resolution 6593.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

IX. HAP SCATTERED SITES ACQUISITION

Ms. Shelly Haack, presented Report No. 08-69, titled, “HAP Scattered Sites Acquisition”.

Ms. Haack stated the action authorizes the Executive Director to purchase twenty single-family homes currently owned by the Housing Authority of Portland (HAP) for \$3,944,400. These properties are located in the Interstate Corridor (nine homes) and Lents Town Center (eleven homes) Urban Renewal Areas. The purchase amount is based on fair market value determined by appraisals conducted in January 2008, minus a five percent bulk purchase discount. Upon acquisition, the properties will be renovated to a 15-year free maintenance standard and will include sustainable rehab methods. The property will ultimately be sold to a qualifying first-time homebuyer at or below 100% of area median income. PDC’s staff is developing a recommended disposition plan and will return to the Board for consideration and approval.

She stated PDC has budgeted \$6,411,000 for this project (\$3,061,000 in the Interstate Corridor and \$3,350,000 in the Lents Town Center URA.) PDC is paying a discounted price (5% off fair market value) of \$3,944,400 for the acquisition of the 20 properties. Staff estimates and additional \$1,000,000 in renovation (\$50,000 average per property); contingency of \$116,000 (20%); due diligence costs of \$68,000 (\$3,400 per property); and holding/closing/costs of sale \$245,000.

PDC, through licensed appraisers, conducted an “as completed” appraisal based on preliminary scopes of work drafted by PDC staff. Based on these appraisals there will be a deficit between the acquisition costs and the estimated value of the properties. On average the difference is about \$31,000 which is considered sunken cash, left in the project.

Mr. Michael Andrews stated the Housing Authority of Portland (HAP) has evaluated its public housing portfolio and developed a long-term preservation strategy for this critical housing. HAP has three primary preservation objectives:

- Replace “scattered-site” public housing units that are inherently inefficient to operation with more efficient housing stock.
- Address unmet and unfunded capital needs across the portfolio.
- Bring back unused public housing subsidy or “banked” units to increase the current public housing supply.

He said to support these objectives, HAP has decided to liquidate most of its scattered site public housing portfolio and use the proceeds from the sale to address capital maintenance needs and build replacement rental housing. This total portfolio includes 142 units in 133 properties scattered throughout the city, 24 of which are single-family homes located in the Lents and Interstate Urban Renewal Areas.

Mr. Omar Martinez representing Hacienda CDC expressed his hope that there is an opportunity for non-profits to have first access to purchase homes as they have home buyers qualified and ready to purchase.

After discussion, Chair Rosenbaum called for a motion to adopt Resolution No. 6592, titled, "HAP Scattered Sites Acquisition."

Commissioner Mohlis moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6592.

AYES: Rosenbaum, Ferran, Kadri, Mohlis, Wilhoite

X. RESOURCE ACCESS CENTER UPDATE

Mr. John Warner presented Report No. 08-72, titled, "Resource Access Center Update."

Mr. Warner stated HAP has done an excellent job of leading the development initiative in a participatory, collaborative manner. Over the past three months, significant progress has been made towards the development of the RAC including the following items accomplished since the last full report to the Board in April:

- RAC program concepts were explored including research on best practices throughout the nation at similar facilities. HAP and TPI staff visited several facilities in other states.
- A master project schedule was developed with significant detail showing a construction start in June 2009.
- Five conceptual design options were developed by Holst Architects.
- A property survey was done and geotechnical work was ordered.
- A Citizens Advisory Committee was established and has explored development concepts and specific architectural design ideas at two public meetings.
- Walsh Construction was hired as the Construction Manager/General Contractor for the project after a competitive selection process.
- Preliminary pricing for the five architectural design options is complete.
- HAP made decisions on housing subsidy type and project structure.
- Hart Crowser completed preliminary environmental analysis and DEQ approved the remediation plan. Total remediation activities were priced. Engineered drawings for the remediation work are being developed.

He said the DDA is being negotiated and significant progress has been made towards finalizing this agreement. The primary challenge remains the expectation of HAP that this disposition will be different than usual PDC disposition processes given the nature of the RAC development, the assignment of HAP as the developer by the City, the PDC and City Council Resolutions, and the nature of HAP as a public body. This expectation was supported by former City Councilor Eric Sten. Fitting this expectation into a realistic process and timeline is the assigned task of the project team. John Warner is the PDC negotiator in this effort and is working closely with

Michael Andrews of HAP. Both organizations have been diligent in their work towards a DDA. PDC staff intends to (1) implement the Board Resolution through the delivery of an unusually expedited agreement that complies with PDC regulations and procedures, and (2) ensure the development of a successful RAC project on Block U.

In addition to the DDA, an Inter Governmental Agreement (IGA) is another document that will be used in the RAC transaction. Staff views the IGA as a way for the Bureau of Housing and Community Development to deliver a strong commitment to long-term operating support for the RAC. Progress on the IGA is tied to the more detailed work on the DDA.

Mr. Warner said one big hurdle crossed in this negotiation is the agreement that remediation activities will be completed prior to conveyance. This will result in a conveyance after March 2009. Unresolved deal terms include the following:

- How the conveyance date relates to the conditions typically required before a conveyance,
- The appropriate default remedies,
- The appropriate long-term reporting requirements,
- The challenge of long term use control for the RAC,
- PDC role as co-participant in the process versus the usual approval authority for project features such as design,
- The most efficient way to meet PDC performance standards regarding hiring, wages, environmental/green given the mirrored, but not identical, HAP requirements,
- The impact of the estimated cost of \$400,000 for site remediation on the budgeted \$28 million dollars, and
- PDC responsibility for any additional remediation needs discovered after conveyance.

Mr. Warner said over the next three weeks, PDC and HAP will continue to resolve issues and will draft the final DDA and IGA. Staff plans to return to the Commission at the end of June with completed agreements for Board approval.

XI. EXECUTIVE SESSION: PERFORMANCE EVALUATION OF EXECUTIVE DIRECTOR IN ACCORDINANCE WITH ORS 192.660(2)(I)

Chair Rosenbaum stated the Portland Development Commission would now meet in executive session for the purpose of reviewing and evaluating the job performance of the Executive Director. The executive session is held pursuant to ORA 192.660(2)(i), which allows the Commission to meet in executive session to review and evaluate the job performance of its chief executive officer.

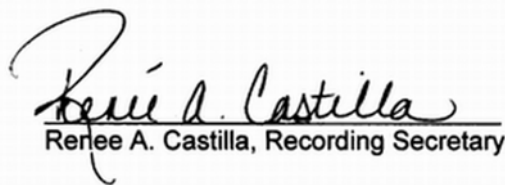
He stated representatives of the media and designated staff shall be allowed to attend the executive session. All other members of the audience are asked to leave the room. Representatives of the news media are specifically directed not to report on any of the deliberations during the executive session, except to state the general subject of the session as previously announced. No decision may be made in executive session. At the end of the executive session, we will return to open session and welcome the audience back into the room.

XII. ADJOURN

There being no further business, Chair Rosenbaum adjourned the meeting at 12:26 a.m.

Respectfully submitted,

Approved by the Portland Development Commission on June 25, 2008.



Renee A. Castilla
Renee A. Castilla, Recording Secretary