

BURNSIDE BRIDGEHEAD CITIZENS ADVISORY COMMITTEE

Committee Meeting

October 9, 2007

Session Notes

~~~~~  
**BBHCAC Members in Attendance:** Jim Andrews, Norman Chusid, Joni Hartman, Tim Holmes, Robert Wentworth, Michael Whitmore, Chuck Willis, Brian Wilson.

**Ex Officio CAC Members in Attendance:** Brian Bennett, Bruce Wood (Opus Northwest); Kia Selley (PDC Project Manager).

**PDC Staff in Attendance:** Trang Lam, Bruce Allen.

**Others in Attendance:** Lois Cohen, Tyler Graph, Lee Perlman.

**Facilitator:** Sue Dicile.  
~~~~~

Note:

"Q" = CAC member question

"A" = an answer contributed by the previously noted presenter, unless otherwise noted.

"C" = CAC member comment unless otherwise noted. (Public comments are noted in separate sections)

The meeting convened at 3:00 pm.

PUBLIC COMMENT

There was no public comment.

ADMINISTRATION

Review of June 4, 2007 Meeting Notes

- The notes were adopted without revision.

OPENING REMARKS FROM THE BBH CAC CHAIR

BBH CAC Chair Tim Holmes opened the meeting by thanking CAC members for patiently and persistently staying involved. He noted that the project is now at a crossroads, and that although this project has had a contentious history, that history needs to be left in the past, and focus be placed on the best interests of the city and the project. He further noted that one key accomplishment is that the project site is now shovel-ready.

PDC STAFF REPORT

Kia Selley gave the staff report. She noted that at the July Commission meeting the Board asked for a project status report in the fall, as there still is not a legally binding contract with Opus, and the Board wants to look at options to proceed. A resolution and staff report outlining options and a staff recommendation regarding the Memorandum of Understanding (MOU) with Opus Northwest LLC, which will be presented to the Portland Development Commission Board on October 11th, was distributed for review by the CAC. Selley further noted that this is a good time for the report as the project is now entering a new phase. Options included in the staff report are:

Option #1: Extend the current model until the end of calendar year to enable PDC staff and Opus to complete seven key action items to redirect the redevelopment effort given changed market and site conditions. (Please see the staff report, distributed at the meeting, for the list of key action items).

Option #2: Allow the MOU to expire and put the project on hold until the Central Eastside real estate market strengthens.

Option #3: Allow the MOU to expire, update the market feasibility study, and begin a new process to solicit developer interest.

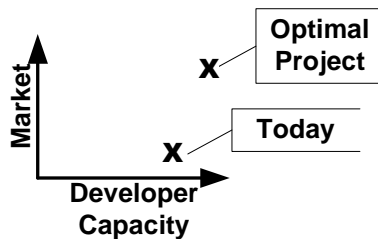
The facilitator asked Selley if she and PDC staff were supporting one of the options. Selley responded that the PDC staff recommends Option #1. As background to this option, she noted that the market for condos has changed. The weakening condo market is hindering project financing and driving the need to modify the development program. Pre-development projects that have been accomplished (*See page 3 of Board Report handout distributed at the meeting*) were also noted, including:

- Establishment of Eastside Burnside-Couch couplet engineering design and funding strategy.
- Changed zoning for the site via a zoning map amendment.
- Negotiation and removal of several binding easements.
- Skate Board Park land subdivision and dedication.
- Establishment of a Skateboard Park Good Neighbor Agreement.
- Environmental mitigation planning.
- Street vacation.
- Convention Plaza tenant lease renegotiation and relocation planning.

Brian Bennett of Opus NW reiterated the significance of the “crash” of the condo market. He noted that Opus NW has been working toward finding new ways to make the project work financially, precipitating the contact with Columbia Sportswear. Brian read Columbia Sportswear’s letter acknowledging and thanking Opus and PDC for their “extraordinary effort” to bring Columbia Sportswear to the Burnside Bridgehead project. Additional points in his remarks included:

- The project is moving into the Marketing Phase, as Opus and PDC seek to determine the most viable financial mix.
- A Developer Roundtable will be held later in the fall to bring more ideas to the mix.
- Finding an anchor tenant is the biggest hurdle.
- The toughest financial issue is the structured parking. Without the originally-conceived percentage of condo units there is not a good source to finance the parking, which costs a minimum of \$20,000 per stall.
- Opus is working with the brokerage community to bring in potential tenants, and will use retail specialists for outreach to the retail community.
- All avenues to make the project work are being explored, including the use of New Market Tax Credits.

Bruce Wood added comments relative to the financing of the project. He noted that the project requires \$200 million in financing. A public subsidy of \$6.4 million, and developer equity of \$40 million is already secured. The balance of \$154 million additional investment is required, which would be financed through a financial institution. He illustrated the challenge of obtaining that investment for condos in the current condo market via the following diagram:



He further noted that there is not a market for pay parking in the Central Eastside, and so a tenant mix that keeps parking filled is crucial.

BBH CAC MEMBERS REVIEW OF THE OPTIONS

The following questions were posed by CAC members:

Q: Is couplet construction a constraint?

A: *(Selley)* No. The City is proceeding with construction.

Q. What about Block 76? Are the impacts there constraints?

A: *(Selley)* No. A signal will be strategically placed on the S-curve through the Bridgehead for project connectivity and safe traffic speed control.

Q: Is the commercial and retail market better able to support the project?

A: *(Bennett)* We can serve a unique tenant, so this project is not as affected by the new office towers that are going up. We are well suited for a corporate headquarters.

Q. What would happen with the structured parking issue in a “unique tenant” scenario?

A. *(Bennett)* It would depend on retail mix.

Q. As time goes on and the market shifts, and the project concept evolves accordingly, are you concerned about losing touch with what the community wants?

A: *(Selley)* We are looking to add jobs to this district. We will stay in touch with the community and this CAC as the concept evolves to ensure that the community is supportive of our approach.

A: *(Wood)* No big box such as a Lowe’s or Home Depot is being contemplated, but there are acceptable retailers who could contribute to the eclectic Central Eastside and could also finance the project.

Q: How much flexibility is possible in the housing concept? Can apartments be made to work? Can the affordable housing mix be altered?

A: *(Selley)* We are looking at the mix of market and affordable housing.

The facilitator requested that the discussion go round-robin, and that each CAC member indicate the option they feel is best going forward.

CAC MEMBER	OPTION SUPPORTED	COMMENTS
Wentworth	Option #1	<ul style="list-style-type: none"> Time and effort already put in would be lost under the other options. Parking is clearly a difficulty for the project, but note that free parking in the area is currently at capacity.
Willis	Option #1	<ul style="list-style-type: none"> (No additional comment).
Andrews	Option #1	<ul style="list-style-type: none"> When looking for tenants, there may be a better market for non-corporate entities on this site.
Wilson	Option #1	<ul style="list-style-type: none"> The additional timeframe will provide an opportunity to explore a new vision and new options for the site.
Hartman	Option #1	<ul style="list-style-type: none"> Agree that there might be different ways of looking at the tenant mix, for instance a retail commercial mix.
Chusid	Option #1	<ul style="list-style-type: none"> Option 2 is just an escape if it comes to that. Option 3 is a poor choice because of the existing investment in time and money. Think about an “anchor concept”, not just an “anchor tenant”.
Whitmore	Option #1	<ul style="list-style-type: none"> (No additional comment.)
Holmes	Option #1	<ul style="list-style-type: none"> (No additional comment. See Chair’s opening remarks.)

NEXT MEETINGS SCHEDULE

Kia Selley asked the CAC how they would like to be kept informed and convened -- through regularly scheduled meetings, as needed meetings, or email briefings?

CAC members agreed that a schedule of meetings for the CAC should be crafted to coincide with implementation of the Key Action Items, with meetings to be cancelled if there is no significant action or issues to discuss.

PRIMARY OUTCOMES OF THIS MEETING:

- **CAC members in attendance unanimously endorsed extension of the MOU between PDC and Opus Northwest until December 31st 2007.**
- **CAC members requested scheduling of CAC meetings to coincide with implementation of the Key Action Items, with meetings cancelled if there was nothing substantive to review or discuss.**

The meeting adjourned at 5:00 pm.

Handouts distributed at this meeting:

- October 10, 2007 Board Report No. 07-120 – Burnside Bridgehead Project – Extend Memorandum of Understanding with Opus Northwest LLC and Establish Key Action Items as a Condition of Proceeding.*
- October 10, 2007 Board Resolution No. 6515 – Approving Key Action Items to Redirect the Burnside Bridgehead Redevelopment Project Given Changes in the Real Estate Market and Site Conditions.*

Respectfully submitted by facilitator Sue Dicile

If you have comments about the notes from this meeting please direct them to the facilitator at 503-287-9345 or: sdicile@aol.com