

BURNSIDE BRIDGEHEAD CITIZENS ADVISORY COMMITTEE

Committee Meeting

December 11, 2007

Session Notes

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**BBHCAC Members in Attendance:** Jim Andrews, Dike Dame, Tim Holmes, Bruce Murray, David Nemarnik, Michael Whitmore.

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

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

**Others in Attendance:** Lois Cohen, Lee Perlman, Mike Delman.

**Facilitator:** Sue Dicile.  
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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.

CENTRAL EASTSIDE RENEWAL AREA UPDATE

Eastside Couplet Engineering

Kia Selley provided the update. Highlights of the update included:

- The Eastside Couplet engineering is in process. The engineering drawings for construction are 30% complete as of December 12, 2007.
- This is a PDOT-led project. PDOT is working with a group of stakeholders, called the Design Advisory Committee, who will meet in January with Chris Arms, project manager from the Portland Office of Transportation (PDOT). For more information, contact Chris Armes at PDOT (503-823-7151).
- A funding strategy is in place. Additional federal funding has been requested to reduce the amount of tax increment in the project. The decision on this request will be made in the fall of 2008. The maximum system development charges (SDCs) have been requested from the city (totaling \$5.6M).
- For additional information there is a fact sheet on the Central Eastside page of PDC's website, via a quick link at the opening page, or Trang can answer questions by phone.

FY2008 – 09 Budget Planning

Kia Selley provided the update. Highlights of the update included:

- The budget update is now in process for fiscal year beginning July of 2008, as well as for the four-year forecast, even though the adopted budget is for one year only.
- The Central Eastside Urban Renewal Advisory Committee (CES URAC) has reviewed a budget draft and has provided feedback to PDC.
- The budget will then be reviewed internally with directors, the PDC board, and a workgroup comprised of City Council members, PDC board members and a community member.
- Questions about the budget can be directed to Kia, or visit PDC's website using the following link to access information about the budget process: <http://www.pdc.us/budget/default.asp>.

Q: We have read that the Pearl District is generating a great deal of TIF money. How does that fit in with PDC's budget?

A: (Allen) Each urban renewal area (URA) stands on its own. Funds raised in one cannot be spent in others. The River District is one of the most successful in the country. It has a maximum indebtedness, but the City is looking at amending that debt ceiling in order to do more things. This might require amending URA boundaries, or funding school districts, etc.

A: The Central Eastside Urban Renewal Area (CES URA) is not flush with cash. Most of the funds are already committed due to expenditures, such as the streetcar, over the next five years. Tax increment growth is somewhat moderate in the CES URA because the district is dominated by commercial and industrial development.

BRIDGEHEAD KEY ACTION ITEMS UPDATE

Kia Selley reminded the CAC that continuation of the MOU, for up to twelve months, is contingent on completion of a suite of key actions outlined for the PDC board in October 2007. This is an update on the progress of those key actions. (Key actions are noted below.)

Broker Hiring

Brian Bennett of Opus Northwest provided the overview. Highlights of the overview included:

- Four national companies were interviewed. There were "great discussions" with all of them regarding the overall project and what they thought it needed.
- CBRE (Coldwell Banker Richard Ellis) was selected to be both the office and retail brokers. They are in the process of creating marketing materials and branding, and putting the project in front of various tenants.
- This process is in the initial stages. There have been no in-depth meetings to start on marketing and branding packages.

Q: What does the broker do?

A: They put together the marketing package and determine strategy, and market to particular users, including targeting large users for the project. They will start calling on prospects they know are in the market within our timeline, and even those not in the market today but who might be interested in our project. They will also assist in marketing presentations, and make sure a project is seen in its best light.

Q: Is Opus still "driving the bus" in the selection on tenants?

A: Yes. It is ultimately a question of who wants to go there.

Independent Market Analysis

An abbreviated draft report was distributed. The whole report will be posted to the Bridgehead webpage on PDC's website after December 26, 2007. It was noted that the conclusions drawn in the report are relevant throughout the city, and not only to the BBH.

Kia Selley noted the following summary conclusions from the report:

- The economy is slowing.
- Condominiums are not an option now.
- The site is challenging.
 - Lack of amenities.
 - Grand and MLK are psychological barriers to creating a vibrant retail area because of the amount of traffic on these streets and the overall width.
- Poor regional highway access from the site.
- The river still functions as a psychological divide for Westside Portlanders.
- The location currently functions as an island because of the limited amenities nearby.
- The rental market is strong but a lot of units are already coming on line in Portland.
- Rents in the project area will be lower than downtown or the Pearl, even though construction costs will be the same as other high-density development.
- The target market for residential development for this project is the young professional.
- If rentals will be included in the project mix, they will need to be medium size 1 and 2 bedroom units.
- Because the space will be high density and class A, there will be risk and uncertainty since this is an unproven market in the CES URA. For this reason pre-committed (prior to development) anchors are key to obtaining project financing and making the project a success.

- The site works well for a corporate campus because of its visibility, airport access and access to a young, creative workforce.
- A large retailer will attract and help support smaller retailers by drawing shoppers to the area. This calls into question the Big Box Prohibition.
- For retail this site is at the western edge of the eastside trade area and the river again serves as a barrier for drawing shoppers from the Westside. So a destination retailer may be needed to help anchor the development.
- Success factors for the project include:
 - Complementary relationship among uses.
 - Since the site is an “island”, it needs a mix of uses that provide the amenities needed to create a stand-alone development. The mix of uses will also need to change the perception of this particular area. The “island” effect is less easily solved for residential development than commercial development.
 - Parking management between uses, and adequate access to the site and parking, are central success factors.

Kia asked Dike Dame to weigh in on his perception of the report. He stated that he believes it is a good and thoughtful report, and that he has no quarrel with its conclusions.

Q: Why is Grand the separator or barrier?

A: It is a perception issue. Grand and MLK traffic and width create a psychological barrier that people must cross to access the site. There is a lot of regional traffic on these streets. On the other side, there is the psychological barrier of the river.

A: (Bennett) I-84 also creates a barrier to the north of the project site.

A: Plus the industrial area and the Burnside Bridge create a psychological barrier to the south of the site.

C: As a user, I don't see Grand as a divide.

C: Don't make too much of the “island” thing. Outsiders who created this report may not realize the ease of getting around in Portland.

C: Think of MLK and Burnside as opportunities to bring traffic right to the project's front door.

C: The “island” concept doesn't relate to all development, only to residential but not retail.

Development Specialists Roundtable Overview

Please note: Individual CAC member comments are generally not identified by name in these notes. At this meeting, a CAC member was an attendee at the Roundtable participant, and represents the perspective of Roundtable attendees in the following discussion. Therefore, in the interest of clarity, comments are attributed to specific CAC members in this segment of the meeting notes.

A summary of the Development Specialists Roundtable will be prepared and distributed to the CAC in January 2008 and will be posted on the Bridgehead webpage on PDC's website.

Brian Bennett provided the overview. Highlights of the overview included:

- The Roundtable was attended by 25 people, including real estate developers and brokers, PDC commissioners and others, who met for over 3 hours.
- Key messages from the Roundtable included:
 - Retail needs to draw people in. Retail needs to be one of the first elements in the project in order to create the desired vibrant environment.
 - An anchor tenant is critical. This could be a major retailer or a corporate tenant, although the corporate tenant would not contribute to the desired vibrancy if developed without some retail. A major retailer would help support smaller retailers by drawing visitors to the site.

Q: Did names for retail surface?

A: Not names specifically, but it was noted that a large format retailer should be considered, that is consistent with the character of the community. The big box prohibition is a barrier, but Roundtable feedback indicated that there could be a large format retailer that would be acceptable to the community. What do CAC members think?

C: (Whitmore) This could be true if we are talking about more urban-type home stores, and not suburban-style big boxes which would attack the large number of established businesses in the area.

C: (Andrews) There is concern this will be like any other retail magnet. We believe this is a different market.

- Parking is key to making retail work. Public investment may be needed because parking must be built all at one time, due to project and site configuration, while the rest of the project comes on in stages. As has been previously discussed at CAC meetings, parking is very expensive and doesn't usually pay for itself.
- Phasing may be required in order to implement the project. For instance, we could do Block 76 at MLK and Burnside at a later date, and other blocks earlier.
- The site has great opportunities for corporate visibility, with great views.
- There are opportunities to do larger floor plates, which would make it more attractive for offices and corporate uses. This characteristic differentiates this site from other available sites downtown. The flexibility of the site's 4 acres also offers opportunities for a corporate headquarters or major retailer.
- Residential development is less attractive at this site due to the lack of nearby amenities, and particularly because of the current slowdown in the condominium market.
- If we want to move the project forward in the near term, we may need to accept a major retailer as the anchor tenant and provide more in public subsidy.
- Three potential options for the development emerged from the Roundtable discussions:
 1. Proceed with the project based on current market realities, i.e. develop the site with a retail anchor and provide public subsidy for parking, if near term development is desired.
 2. Place the project "On-Hold", i.e. clear the site, build the Couplet and Streetcar connection and put the project on-hold until the real estate market strengthens in order to implement the original project vision.
 3. Scale back the project and accept a market-driven, less aggressive development program. This option doesn't seem as viable because of the high density / high impact gateway vision for the project.
- Other concepts that were discussed included:
 - A farmers market to activate the site.
 - A public market. The big problem here is that they usually need subsidy.
 - Educational opportunities. For example PCC or U of O.
 - Medical office tenants.
 - Corporate campus.
 - Hotel use.

C: (Dame) If the community and City want a project on that site in the near future, they have to consider how to make it work. If big retail is what it takes for the project, you should work hard to get it there.

C: (Holmes) PDC and Opus did a good job driving home several points. Opus understands the area and the site. But I am disappointed with the outcome of the Roundtable. We had hoped that the finest minds on these issues in Portland and Seattle would come up with some great ideas. But they focused on large retail, with little small retail and residential. It is frustrating to have to look only at the situation today, instead of keeping to the vision that it would be a phenomenal place to live. The view is phenomenal, and will always be unobstructed, and it is a brief and pleasant walk to downtown. So it is frustrating that the focus at the Roundtable seems to have been on problems and limitations. We hoped to see more catalytic ideas. One concept was a base, or "podium", where you build the parking and retail first, and can put the housing on top, so you aren't selling a vision but creating it, which might be a viable approach since it looks like doing the project in phases is a forgone conclusion now.

C: (Dame) The site is not really a great location for selling a vision. The Pearl could sell a vision because it had bones. The South Waterfront had bones too, with OHSU and the Tram.

Q: (Whitmore) Would a big national retailer help us?

A: (Dame) The big national retailers typically want a lot of parking and won't take risks.

Q: What about a Convention Center hotel? Was it discussed? The site is halfway between OMSI and the Convention Center. Would Metro consider the site as an alternative to the current site under consideration?

A: (Bennett) The idea has merit but might not be any easier to sell. We recently met with the head of the Convention Center. He thought it is too far away. The connections over I-84 are inhospitable.

C: (Dame) Vic Rhodes showed me a brochure by Tri-Met with maps and pictures of all new buildings built along the spine of the streetcar. If you look at that, you realize that maybe the streetcar needs to get there first in order to create the vision.

- C: (Murray) Ten years from now it will be a great site.
- C: (Whitmore) The 360° view from the site is of great value. You are close to downtown, and Lloyd Center. This has value for people who don't want to be dependent on a car.
- C: (Andrews) I agree that many people don't want to have to get in a car. Parking is not what this site needs. There doesn't need to be more traffic there. Second, what about flex space? It could fit the project into the context of the neighborhood and the creative class. I feel there are opportunities there. There is also the potential to expand into the Pacific Fruit buildings which are modern. We are trying to force suburban-type development onto an urban site.
- C: (Nemarnik) For the record, the Pacific Fruit site will be vacated in 1 ½ years. I agree that having the Streetcar line and Couplet in place would make a significant difference. Maybe those improvements are the 1st order of business. I agree that the development needs to be urban-oriented but it still needs some parking.

Marketing and Media Strategy

Kia Selley provided the overview. She noted that in October PDC kicked off a minor marketing and media strategy, and put together a video that got some hits and interest on YouTube. PDC is looking to foster relationships with the DJC, Business Journal, Oregonian and the Star, to help communicate that the project is shovel-ready and has momentum for redevelopment.

- C: (Whitmore) Part of the strategy should be highlighting the site's potential.

Analysis of Affordable Housing Type and Mix

Kia Selley provided the overview. She noted that the type of housing proposed is being reviewed. However if market rate residential development doesn't happen at the Bridgehead site, PDC probably won't do affordable housing at this location either. A memorandum is under development by PDC Housing staff on this topic and will be included in the report to the PDC Board.

Community outreach

Brian Bennett provided the overview. He noted that Opus has recently been to the Hosforth-Abernathy Neighborhood Association and the Central Eastside Industrial Council (CEIC) Land Use Committee, and will be at Buckman at 7:00 PM this Thursday.

Q: Will you be going to the Lloyd neighborhood, or the Portland Business Alliance?

A: We did those early on but will call and find out if they want us to come back with an update.

Convention Plaza Relocation

Kia Selley provided the update. She noted that the relocation will be complete by the end of December 2007, with a few tenants remaining until the end of February 2008. A demolition and site cleanup schedule has been distributed. It is critical to eliminate any unattractive nuisance, and be ready to begin Couplet construction, which will start in early 2009 and Streetcar construction in 2009.

Q: Is demolition the best idea, given the timeline? Could Convention Plaza be re-leased? How do we make sure it doesn't become blighted?

A: The site will be seeded to make it attractive. Some of the buildings there now are not attractive. Re-leasing would need to be for 5 years, so that would not be practical if we want to begin redevelopment as soon as the opportunity is presented.

A: (Allen) I think we have passed the point where re-leasing is a consideration. Class-C run-down office space turnaround is a 10-year enterprise.

Q: So how does it not become blighted?

A: There will be security and will be seeded for grass.

Q: With cyclone fence and razor wire?

A: No. We anticipate that it could be used for the couplet and streetcar staging area.

C: It's all about maintenance. It needs to be kept looking good, and not become a site for camping.

C: (Andrews) My concern about this briefing is how you address the big box prohibition reconsideration. Will it need a separate meeting because it was adopted by resolution? Keep in mind that we have been briefed on all of the issues at play, but the rest of the community has not.

C: (Selley) If the Big Box Prohibition is reconsidered, it would need to be discussed with the PDC Board and the community as a separate agenda item in a public meeting, given its importance.

- C: (Dame) The prohibition may need to be reconsidered if you want a project now. There are other options if development of the site is considered over time.
- C: (Whitmore) Part of the concern is the CES URA is so built out with construction-related small business. The concern was more than “big box”. It was “home improvement big box”.
- C: (Holmes) It seems like we are at “ground zero” with regard to the original program design. It might be better to return to the communities with the current situation and get ideas.
- C: (Dame) The original vision is good but not executable in this market.
- C: (Bennett) The Roundtable was a conversation about possibilities, to determine what exactly needs to happen there. The Roundtable discussion was about what could work based on the current real estate market.

NEXT MEETING

It was agreed that since the January Commission meeting would consist of a briefing similar to the one given at this CAC meeting, the next meeting would be scheduled for the second Tuesday in February.

NOTE: Subsequent to this meeting, a meeting is being considered for January since the Bridgehead Project briefing to the PDC Board has been rescheduled for January 23, 2008.

PUBLIC COMMENT

There was no public comment.

PRIMARY OUTCOMES OF THIS MEETING:

- **This meeting was a briefing only. Key points included:**
 - **PDC and Opus are working toward meeting (and in some cases have met) the Key Action Items required for extension of the MOU.**
 - **The outcome of the Independent Market Analysis and the Development Specialists Roundtable indicate that the current real estate market is not conducive to the original project development program. To move the project forward now may necessitate another “vision” for the project, which may include reconsideration of the development program and, potentially, of the “Big Box” prohibition. The original development program for the project may be viable again in the future as market conditions change.**
- **CAC members expressed concern that concepts for advancing the project now are too generic and are not appropriate to the potential of the site.**

The meeting adjourned at 5:00 pm.

Handouts distributed at this meeting:

- Summary Independent Market Analysis
- Draft of the Central Eastside URA Fiscal Year 2008-09 budget
- Draft of the Burnside Bridgehead Cleanup & Site Preparation Schedule

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