



# Central City 2035 Symposium Minutes

## Economic Vitality #2 - March 29, 2011

PDC Commission Rm, 222 NW 5<sup>th</sup> Ave.

**Facilitator:** Joe Zehnder

**Panelists in attendance:** Wade Lange, David Lorati, Arundee Pradham, E. Walter Valkenburg, Andy Cotugno, Jeff Miller, Ryan Buchanan, Bernie Bottomly, Scott Andrews, Gale Castillo, Andrew Frazier, Jeff Borlaug, Craig Sweitzer, Lawrence Remmers, Greg Baldwin, Brad Malsin, Jennifer Nolfi

**Panelists not in attendance:** Jonathan Fink, Tad Savinar, Michelle Rudd, Andre Baugh, C.J. Sylvester, James Curleigh, Lindsay Descrochers, Gillian Floren, Clayton Hering, John Jay, Greg Kantor, Scott Langley, Dave Leland, J. Greg Ness, Doug Oblatz, Bill Palmer, Stuart Smith

**Staff in attendance:** Joe Zehnder, Steve Kountz, Troy Doss, Elisa Hamblin, Lew Bowers, Peter Englander, John Cole, Karl Lisle

**Public in attendance:** Paul Cathcart, Abe Farkas, Charles Kelley, Nolan Lienhart, Carly Riter, Alan Lehto, Linda Nettekoven, Amy Lewin, Wendy Rahm, Jerry Powell, Carl Talton, Kathryn Krieger, Natalie Perrin, Jerry Powell, Kirsten Cowden, Peter Fry

### 1. Welcome and Participant Introductions

- Joe Zehnder welcomed the group, overviewed the agenda, and asked for introductions by the panelists

### 2. ZGF/ECONW Analysis of Central City Cost Competitiveness for Office Dev.

- Abe Farkas from EconW and Charles Kelly from ZGF gave a presentation about Central City Cost Competitiveness for Office Development. Main points from the presentation include:
  - Central City competitive areas: the crescent and edge zones
  - Competitive characteristics of Central City: amenities, accessibility, image, Class A office space
  - Characteristics of competitive areas in the Central City: crescent Class A and crescent Class B and C, edges Class B and C
  - Building prototypes: new, renovations, low to mid-rise buildings, excludes Class A office high-rise
  - Cost sharing/shifting: private payers of development costs
  - Developer/prototype costs: construction, land, tenant allowance, parking, cost and availability of money, fees
  - Employee costs: parking, car ownership, time, transit

- Developer and tenant cost variables: efficiency, heights, parking and transportation, site impairments, block/parcel size
- Tenant costs: tenant improvements, development charge fees, rent
- Public strategies: infrastructure partnerships, gap financing, SDC and fee revisions, alternative modes, standards and zoning, framework planning
- Value proposition: areas are competitive, Class A is competitive but changing, nurturing is needed to stimulate each area to its highest value
- Joe Zehnder asked the group for questions
- Craig Sweitzer asked why residential was not discussed, to which Abe Farkas responded it was not part of their scope, and Charles described it as part of an amenity package. Craig continued with an example of the Pearl District where residential development has also attracted job growth. Joe Zehnder responded further.
- Andy Cotugno asked how much gap financing is a factor at this point in time.
- Scott Andrews stated that the gap pointed out is not a new thing and has nothing to do with the current economic climate. All Class A buildings here are built ahead of the marketplace.
- Lawrence Remmers commented that a lot of the presentation focused on public sector influences. Rent for Class A space is the same as 20 years ago. The gap will continue and financing won't increase until rents can be improved. Class A buildings cannot be built one right after another due to lack of financial viability. Viability is based on something uncontrollable which is rents.
- Joe Zehnder stated that the purpose of the work is to frame the connection between economic policy and job production.
- Lew Bowers stated that urban renewal will likely be less available as a tool in the future.
- Scott Andrews commented that, especially with the status of the general fund, financing will need to be creative for the Downtown.

### **3. Discussion – Development Opportunities and Constraints**

- Lawrence Remmers stated that one of the great opportunities is in the Central Eastside. Joe Westin has acquired a number of buildings which could change an area. Opportunities to create something truly new in the Downtown are limited.
- Bernie Bottomly stated that PSU's growth plans include a strategy for associated development .
- Brad Malsin stated that there is a lot of good information here, and what he sees is a crossroads for development and financial opportunities. Portland needs to engage the creative community which has been expanding in the Central Eastside. There is energy that can drive development forward. The opportunity for mixed-use space and live-work facilities is significant.

- Lew Bowers commented that costs are costs but recent strategies have focused on the benefits conversation. Rather than lowering costs, efforts have focused benefits that can enhance value for target cluster tenants.
- Greg Baldwin stated that he has watched the public sector struggle for solutions here over the years. Is competitiveness the right objective, akin to running a race rather than building a civilization? There is some value in trying to capture catalysts, providing the right corndog and then charging admission. Replicate historic behavior to see what made things happen in River District for example.
- Lawrence Remmers commented when the Pearl District took off, there were questions about who was going to buy space in new development there. We financed the Hoyt Street buildings, and in 1995 we knew there was a lack of supply, but we knew little about demand. Put a concentration of effort and focus and money in the Central Eastside as the next best place. It took 20+ years to see the expected results in the Pearl District .
- David Lorati said real estate development is a business. If it's going to lead the economic and job growth of the Central City than this conversation makes sense. If it's about real estate development than there is a need for residential and subsidies. But if businesses are going to grow the future, then the focus should be placed in other areas and new directions. The City is too development centric and focused. What we need is for private investment to drive real estate investment, especially in the Central Eastside.
- E. Walter Valkenburg voiced support for the cluster work that PDC has been doing. You can't look to real estate development to drive the economy. You have to grow tenants and companies. The State has identified sectors with likely growth potential. The challenge for the City is to make it attractive, with the newer spaces and not necessarily high-rise. A job in the suburbs is as good as a job in the Central City.
- Arundee Pradham agreed that efforts should focus on sector growth before real estate development. Bioscience research and innovation are growing incredibly but we aren't focusing on it. Infrastructure also needs to be better maintained.
- Joe Zehnder pointed out that we focused the discussion on business expansion and sector growth opportunities at the first symposium last month.
- Jennifer Nolfi added explanation about cluster needs and opportunities. Many small businesses are looking for creative space with amenities and Central City location. The smaller business economy needs working capital but resources are limited. Sustainability and energy efficient amenities are important to companies as well as flexibility of space.
- Brad Malsin commented that he participates in the Central Eastside Industrial Council partly to protect it from becoming another Pearl. Real estate development is a key component of economic development. There isn't one size that fits all in terms of what we need and don't need. Jobs are very fluid and we need to be responsive. At this point, we have an interesting opportunity in the Central Eastside.

#### **4. Discussion – Subdistrict and Land Use Changes**

- Joe Zehnder introduced the next topic and highlighted the crescent on the land use map as well as the Central Eastside as industrial and Goose Hollow as a mix. For plan development we also have to look at districts and their role. What is the role of mixed-use districts and where are there opportunities?
- Ryan Buchanan stated the Old Town neighborhood also has a core of creative companies, but there is a little bit of an island mentality with commercial. Walkability and the desire for residential are important factors.
- Joe Zehnder asked for thoughts about Goose Hollow and other edge areas. There is no rolling back the land values in the core, but edge areas can provide opportunities for low- and mid-rise development.
- Greg Baldwin agreed and disagreed. When the River District was beginning, the City offered residential zoning, and developers preferred to keep the employment zoning. Individual real estate deals, instead, were the driver. However, zoning does have the effect of freezing land values to take advantage of an opportunity, which is clearly appropriate. Stabilizing industrial areas, however, requires more than zoning.
- Scott Andrews added that zoning doesn't incite development; rather, it accommodates the right kind of development.
- David Lorati stated support for protecting industry in the Central Eastside, but some flexibility is also important. I hear the terms cool and edgy applied often, but they only describe part of the Central Eastside. My perspective is more old fashioned, to generally protect and grow the businesses that are there. Downtown is clean and friendly. Central Eastside is cooperative. We need to understand that cooperation.
- Gale Castillo stated there is a diversity and variety of businesses. Many times there is recruiting in urban renewal areas. Attracting small businesses is a positive for Portland. The balance of housing is important, including SRO's that result in panhandling.
- Bernie Bottomly commented that the balance of housing is important to keep working toward and we need to find the formula for more workforce housing downtown. As TIF becomes less available, how do we implement the policies that we want to pursue?
- Joe Zehnder asked if retail and cultural tourism can be a driving force in the economic sector.
- Jeff Miller stated that the beauty of what we have in Portland that attracts people is accessible neighborhoods that are interesting and close. The Rose Quarter needs more of these assets. As we grow, building neighborhoods that having a mix of development is important near tourist destinations.
- Scott Andrews commented that as part of the Downtown Retail Strategy we need to talk about keeping the ground-floor active. In the South Waterfront area, we have a lot of less active retail and services, but it still makes the area more walkable and appealing. There are opportunities in the Central City and neighborhoods to set codes that provide for these types of development.
- Craig Sweitzer agreed that active groundfloor businesses are one of the most important factors that get overlooked. Place matters to people.

- Lawrence Remmers stated that retail is a driver of employment and a driver of the real estate market. If there is retail it can impact more employment. But viewed in terms of multiplier effects, it falls short. A couple of manufacturers can foster more business and have a bigger, long-term impact. As we develop new places, we need to also generate product.

## **5. Public Comment**

- Natalite Perrin, SHPO: I appreciate the conversation and support for adaptive reuse, and reusing the waste of construction should also be considered. The historic character of Old Town/Chinatown should not be compromised by inappropriate height and FAR. As a city there should be a more inclusive package that meets city and state sustainability goals.
- Kathryn Krieger: The area around Powell station has difficulties due to zoning and ownership. We are at crossroads at this place in the city. We want mixed-use development but zoning is holding it back.
- Jerry Powell: In Goose Hollow there are some incentives for mixed use. Very little of it has happened due to height restrictions and FAR. Incentives might have restricted the opportunities for growth in this area.

## **6. Next Steps**

- Joe Zehnder thanked the group for their participation and outlined the process for developing policy from this and the first symposium. The draft concept plan will be developed over the next few months and distributed for comment.

## **7. Adjourn**

- The meeting was adjourned at 9:25 a.m.