



Rose Quarter Development Project

Stakeholder Advisory Committee (SAC) Meeting #6

Tuesday - December 8, 2009 - 5 to 7 p.m.

Portland Development Commission

222 NW 5th Ave, Portland

DRAFT Meeting Summary

Meeting purpose

- Describe public/private development partnerships
- Follow-up on SAC financial information requests
- Update on MC Concept evaluation and recommendation process

Attendance

- **Sam Adams**, Mayor – City of Portland
- **Samuel Brooks**, Oregon Association of Minority Entrepreneurs (OAME)
- **Andrew Colas**, National Association of Minority Contractors (NAMCO)
- **Rosemary Colliver**, Tonkon Torp
- **Daniel Deutsch**, Leftbank Project
- **Paul Falsetto**, American Institute of Architects
- **Dean Gisvold**, Central City Concern
- **Regina Hauser**, Natural Step Network
- **Philip A. Kalberer**, Kalberer Company
- **Wade Lange**, Ashforth Pacific
- **Will Macht**, Portland State University
- **Drew Mahalic**, Oregon Sports Authority
- **Rick Michaelson**, Urban Development Advocate
- **Brian Owendoff**, Greenlight Greater Portland/Opus NW
- **Greg Phillips**, Portland Center Stage
- **Steve Rawley**, North Portland
- **Joseph Readdy**, American Institute of Architects
- **Jules Renaud**, Student – Winterhaven School
- **Alicia J. Rose**, Mississippi Studios and independent artist
- **Virginia Sewell**, Oregon Ballet Theatre
- **Rudy Soto**, PSU / Oregon National Guard
- **Cameron Vaughan-Tyler**, Portland Public Schools
- **Harley Wedel**, (for Tony Stacy)
- **Rick Williams**, Lloyd Transportation Management Association

Guests

- **Lew Bowers**, Portland Development Commission
- **Dave Logsdon**, City Finance Bureau - Portland Spectator Fund

Core Project Team

- **Amy Ruiz**, City of Portland, Mayor's Office
- **Kia Selley**, Portland Development Commission
- **Kevin Brake**, Portland Development Commission
- **Nikolai Ursin**, Portland Development Commission
- **Vaughn Brown**, JLA Public Involvement
- **Kalin Schmoltdt**, JLA Public Involvement

(RL) Denotes items that will be added to the Response Log.

Opening

Call to order / Meeting purpose and agenda – Chair Sam Adams explained that the meeting is intended to give the SAC an understanding of what is involved in public private partnerships.

Vaughn Brown noted that public comments will now be organized using a sign-in sheet.

Public/Private Partnership Overview

Lew Bowers explained that public/private partnerships involve public agencies entering into business relationships with private groups to share risks and achieve common goals. Public private partnerships may help to:

- Implement public plans and objectives such as density and affordable housing, and to shape hiring and labor practices.
- Take advantage of private financing while using the least investment of public dollars.
- Implement projects faster than the public sector. Public private partnerships can also be more responsive than regulation because they work faster and help achieve specific goals.
- Share risks and answer questions about what returns investors can expect.

While it can be difficult to quantify *public* financial returns, private developers must make a reasonable return so that they remain in business and encourage further development. Lew noted several local examples of public/private partnerships:

- **South Waterfront:** Originally an industrial brownfield lacking in infrastructure and development interests. Provisions of the partnership required that the private partners: construct a specific amount of affordable housing and housing units; dedicate land to parks and open spaces; build a facility that would create jobs; and follow various workforce requirements. In turn, the City built the aerial tram, extended the streetcar line, built the park, and funded the affordable housing units. From the City's 16% investment, the partnership was able to achieve more than the market would have accomplished on its own, including retention of OHSU as an employer, LEED certified buildings, and new buildings on the tax rolls.
- **Museum Place:** A three block section of downtown master-planned by PDC and shared with several partners. PDC helped to coordinate interested parties, assembled the land, and in some cases sold property below market cost or with other financial incentives. The goal was to create a pilot for the area. Other projects have since taken place nearby without public incentives.
- **Meier and Frank:** The goal was to maintain the historic building and the presence of Meier and Frank. The project was financed through private equity, TIF private funding, new markets tax credits, and historic tax credits. The result was reestablished activity on the corner.
- **Mercy Corps HQ:** The project was less typical, with 44% coming from equity. The project also took advantage of historic tax credits and business energy credits.
- **6th & Oak:** The project used only 1% Tax Increment Financing, but helped to alleviate an eyesore building and produce an active ground floor.

- **Streetcar:** While the majority of the investment was public, various LID agreements with businesses along the routes helped to finance the project.

Lew outlined challenges to public/private partnerships. The process can be long and complicated and all sides must be realistic about returns and potential risks.

Phil Kalberer noted that a prior tax abatement on Museum Place is now going away. He asked how such changing conditions from original agreements are managed. Lew said that they would work with the developers and the state to reassess the agreement in question. PDC wants to support certainty and continuity for developers, though changing conditions are a concern.

Paul Falsetto asked for thoughts on the Coliseum process since the public owns the building and will help create a proposal for reuse. Lew said that public ownership may not be a significant factor. The listing on the Historic Register may allow use of the Historic Tax Credit, but will also impose rules and requirements. For example, the Meier and Frank building modified the interior of the building but preserved the exterior. This was agreeable to the State Historic Preservation Office because no reasonable economic use for the interior could be found that did not require modifications.

Will Macht noted that the Coliseum was developed and managed for public use. Lew agreed that the question of whether the building remains public is fundamental, and noted that there are tradeoffs with solely public investment.

Virginia Sewell asked for examples of unsuccessful projects. Lew noted several examples:

- **The PDC building** was originally intended to attract small creative businesses in a beehive of activity that would stimulate growth in the industry. The project failed partly because of the dot-com meltdown, the price point used, and because of over improvements to the building without firm tenant commitments. Timelines are largely driven by the private partner's ability to get financing which can make it hard to be responsive to changing market conditions.
- **A TIF district in St. Johns** failed largely due to a lack of support from the local community for catalytic projects.
- **MLK Blvd** has made progress, but lacks catalytic changes to improve perceptions of the market in the area. In other areas, streetcar has helped serve as a streetscape catalyst.

Steve Rawley asked about available funding in the district. Lew noted that about \$5 million remains in the budget as well as unused maximum indebtedness. Paul Falsetto noted that a facility on the National Register can qualify for Historic Tax Credits of up to 20% of hard and soft costs depending on the extent of renovations.

Financial Overview

Response to SAC inquiries – Dave Logsdon noted his previous overview of the Spectator Fund. Per Will Macht's request, a ten year history on capital investments and expenditures by the City has been provided. There has also been a request for annual operating statements for PAM.

The balance in the Spectator Fund was \$7.3 million as of July. Part of the fund is kept in reserve, leaving \$3 million in the capital account to pay for spectator facilities including The Coliseum, PGE Park, the Rose Quarter and the public plazas. The current financing plan is looking to capitalize future Rose Quarter revenues into PGE park. Other projects are not being explored at this time.

Rick Michaelson asked about new potential revenue from improvements to the Coliseum. Dave confirmed that those new revenues would not be committed to PGE Park. Revenues are only committed at their current level. The majority of the fund comes from Trail Blazers events including parking and the 6% tax on ticket sales. Roughly 10% comes from The Coliseum. **Rick** asked whether the revenue commitments restrict changes to the parking garages. Dave said that while changes would not be precluded, it would be necessary to replace the lost revenue.

Harley Wedel noted that some amount of the Coliseum income should be set aside for maintenance instead of other projects. He asked how the private member of a partnership would be able to make a profit.

Sam noted that City Council dedicated available Spectator funds to help finance PGE Park for soccer with the assumption that Tax Increment Financing and zero coupon bonds would be used for the renovation of the Coliseum. Potentially \$20 million is available for that effort. There are also discussions regarding changing the boundaries of the Interstate Corridor Urban Renewal Area to bring in additional resources.

Dave noted that the Spectator Fund is intended to help insulate city-owned facilities from financial risk. Using a single fund can help buffer one facility that may be losing money if others are profitable. This means that the City is not at risk of paying for bonds or operating costs.

Will Macht noted that profitability is viewed as a significant criterion and that the consultant report indicates that the City has lost money. However, the numbers provided indicate a net positive profitability of \$55,000 year. He suggested that it is not appropriate to offset capital expenses against the operating income. Will also noted that he had requested a list of events with attendance and the NOI for those events. This information has not been made available because it is viewed as proprietary. He asked why this is the case. He suggested that attendance information and gross revenues are necessary in order to compare the profitability of events. Only aggregate information has been made available.

Vaughn noted that Will had requested details from the past ten years. He offered to make those details available to the full committee ^(RL).

Kevin said that non-aggregate information is still being sourced. NOI and individual event attendance information can not be provided because it could reduce PAM's competitive advantage by allowing event promoters to know the details of other event agreements. The City will also be providing a base case analysis for how the building could be upgraded for its existing use by focusing on essential facility improvements.

Kia noted that the Coliseum Baseline Conditions Report has helped lay out the existing condition of the physical building to help potential proposers. A base case analysis will be prepared to help understand whether the Coliseum is losing money and if so, whether it is because of the way funds are allocated. The second part of the Report – in progress – will be a base case analysis. Even though revenues are being allocated to another fund, it will be possible to see whether parking could break even or make money if parking revenues were

included. The makeup of events has been provided in the report. Further discussion may be necessary to determine whether looking NOI for individual events is on the critical path of the project.

Will Macht noted that aggregate information is not sufficient to pass judgment about current operations and future potential. Sam noted that there will be due diligence on proposals, including whether there is a market for the proposed uses. It is possible to maintain the proprietary conditions by allowing outside parties to review how market has used the facility and to determine which events will support proposed uses. Sam said that he would look into whether the attendance figures needed to be proprietary.

Rosemary Colliver also requested attendance numbers by event so that proposals can be evaluated based on how they might affect the profitability of future uses. She also noted that the existing agreement does not allow for use as a spectator facility if the agreement with PAM is not terminated, so it may be necessary to evaluate their performance while considering other proposals.

Harley Wedel noted that the Veterans Focus Group would meet before the next SAC. He asked whether a Veterans group would be expected to make a profit if they come up with a proposal. Sam said that the concept would need to be financially viable and self-sustainable. It would also need to be competitive with other concepts.

Dean Gisvold asked about funding from the Convention Center Urban Renewal Area and timing conditions. Sam said that \$5 million was budgeted for the Rose Quarter with up to \$25 million in un-tapped zero coupon bond controlled financing. Kia said that the bonds would need to be sold before the district expires in 2013 and that the bonds would likely need to be privately placed.

Daniel Deutsch asked how the Spectator Fund helps to insulate the general fund if the fund revenue is capitalized for the next 25 years. He also asked whether incoming groups would also be expected to contribute to the Fund. Dave said that the 6% ticket tax would apply to all facilities. He said that the Spectator Fund is continuing to protect the general fund just as it always has always done.

Rick Williams asked what would happen to increased profits generated by the Coliseum. Sam said that no assumptions have been made about increased profit. Such income has not been pre-spent, though private sector proposals will advocate for getting a portion of that profit.

Dean Gisvold asked whether the dedicated income stream from the Coliseum precludes future non fee generating uses. Dave said compensating for the 10% contribution to the fund from the Coliseum is not insurmountable, but the prior obligations would still need to be met.

Rick Williams asked whether the revenues to the Spectator Fund are net after the care and refurbishing of the building. Dave said that maintenance, repairs and operations are currently the responsibility of the private partner. Earmarking for a capital account could be part of a new deal.

Concept Review Update

Kia provided a brief overview of the Evaluation Process. More details will be available at the Jan. 12 SAC meeting when staff will provide a preliminary sorting of the submitted concepts.

Staff will indicate which teams have development experience and access to capital, and they will sort submissions into full concepts, partial concepts, and ideas. There will also be information about the Jan. 26 public presentations at the Coliseum. The SAC is invited to come and hear about the concepts and ask questions.

On Feb. 2, the SAC will reconvene and deliberate on the concepts. The format of the SAC recommendation will be discussed at the Jan. 12 meeting and may include an aspirational statement about ideas submitted to accompany any recommended concepts. In February, the recommendation will be presented to the City Council which will determine who to invite into the RFP process. Proposals are expected in April. The SAC will deliberate to determine a finalist and take their recommendations to City Council in May.

Virginia Hauser expressed concern that the concepts received to date don't have much financial support. Sam noted that any entity that submits a proposal will go through a financial vetting, but added that good ideas would be separated from fundable ideas in order to give the SAC the option of combining preferred. Kia noted that some proposers are waiting to submit until later in the process for strategic reasons.

Public Comment

Trudy Reusser noted that she had participated in providing responses to RFPs and that proposals are only as good as the RFPs are clear. She suggested that the timeframe for creating a good RFP was optimistic.

Brad Perkins noted the importance of determining market value. The County appraised the facility at \$52 million. He asked whether an appraisal will be performed and whether it would separate the value of the building from the value of the land. It may be necessary to look at proposals that do not include the building if an acceptable reuse proposal can't be found. It would be good to prepare for the possibility of selling or leasing the land. Brad also asked whether the value of the building and land were included in the private party equity numbers. Lew said he believed the equity was based on the improvement value of the assets, not the face value. He noted that appraisals get stale quickly and are more appropriate later on when talking about construction. Brad said he assessed the value of the property at \$25-30 million.

Andrew Montgomery asked whether the Baseline Conditions Report is public information. Kia noted that it was available on the Web site. The Base Case Analysis will be provided to the committee and the public when it is completed, though the raw data is already on the Web. Andrew suggested that it would be helpful to know which facility uses are profitable and which are not. He suggested categorizing uses by profitability and giving a range of income for each.

Gil Frey apologized for keeping the committee so long after the last meeting. Gil asked for clarification on the mandate for the SAC. Nine years ago, Gil recommended charging \$1 per ticket for the benefit of Memorial Coliseum. Today, he has had to pay \$11.75 in extra fees on a \$15 ticket. He also had to pay \$18 to park at a Blazer game. He asked the committee for help in explaining the ticket and parking fees. He suggested increasing the 6% ticket tax to 10% and using the Lloyd Center as a model. Prior to the Rose Garden there was parking. Gil said that he understands that \$23 million is still owed on the parking lots. Gil also raised a question about what it means to leave only the "skin" of the Coliseum. Sam noted that many of the ticket fees were not imposed by the city. He emphasized that the SAC would direct the process moving forward and that the process is about renovation or adaptive reuse for the Coliseum, not tearing the building down.