



# Rose Quarter Development Project

## Stakeholder Advisory Committee (SAC) Meeting #12

Tuesday – May 11, 2010 - 5 to 7:00 p.m.

Portland Development Commission

222 NW 5th Ave, Portland

## DRAFT Meeting Summary

### Meeting purpose

- Update on MC Future proposal process
- Discuss status quo analysis

### Attendance

- **Sam Adams**, Mayor – City of Portland
- **Carolyn Briggs**, Lloyd District Association
- **Samuel Brooks**, Oregon Association of Minority Entrepreneurs (OAME)
- **Andrew Colas**, National Association of Minority Contractors (NAMCO)
- **Daniel Deutsch**, Leftbank Project
- **Paul Falsetto**, American Institute of Architects
- **Dean Gisvold**, Central City Concern
- **Philip A. Kalberer**, Kalberer Company
- **Lillian Karabaic**, Bicycle Transportation Alliance
- **Wade Lange**, Ashforth Pacific
- **Clint Lundmark**, Eliot Neighborhood Association
- **Will Macht**, Portland State University
- **Drew Mahalic**, Oregon Sports Authority
- **Sandra McDonough**, Portland Business Alliance
- **Rick Michaelson**, Urban Development Advocate
- **Jeff Miller**, Travel Portland
- **Greg Phillips**, Portland Center Stage
- **Jules Renaud**, Student – Winterhaven School
- **Alicia J. Rose**, Mississippi Studios and independent artist
- **Virginia Sewell**, Oregon Ballet Theatre
- **Tony Stacy**, One Wolf Soccer, Management and Development
- **Rick Williams**, Lloyd Transportation Management Association

### Core Project Team/Guests

- **Amy Ruiz**, City of Portland, Mayor's Office
- **Karl Lisle**, Bureau of Planning and Sustainability
- **Dave Logsdon**, City Finance Bureau
- **Calvert Helms**, Boora Architects
- **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 / Project update** – Chair Sam Adams welcomed the group and led introductions. On April 14, City Council considered the SAC majority and minority reports and adopted the majority report. Since then, the three selected finalists have met amongst themselves, with the mayor and with PDC to explore the possibility of forming a joint proposal.

City Council was impressed with the process to date and the time given by the SAC. Council is grateful for the assistance in winnowing the candidates. Council is concerned about funding and wants to see value for any investment. The next SAC meeting will include further discussion of development for the greater district. The district wide process will not include a request for proposals, but will involve the city working with the SAC and the larger community to provide direction and input on the plan proposed by PAM during the remainder of the period that they retain development rights.

This meeting will include discussion of the audit of the current operating agreement as well as the Status Quo analysis, formerly known as the Base Case.

## Memorial Coliseum Proposal Process

The City will address the possibility of accepting a joint proposal that combines the best of what each of the three finalists have to offer. This would require changes to each concept and the City and PDC will need to address what is realistic in terms of funding. If the joint proposal doesn't work out, the three teams will move forward as competitors. A decision on the joint proposal should be resolved in a matter of weeks. A revised work plan will be made available to the SAC.

**Wade Lange** asked about a scenario where only two of the teams combine proposals. Sam said that the process would begin with all three. He noted specific concerns and opportunities presented by each of the concepts:

- **VMAAC** makes significant changes to the exterior of the building that may be too radical and problematic for the historic preservation community and decision makers. However the VMAAC concept does thoroughly explore opportunities for transforming much of the building into marketable event space.
- The **MARC** concept requires significant changes to the building interior and would require voter approval of funding. Failure of voter approved funding could stall the project. The MARC does explore opportunities for national amateur athletic investments and attempts to address market demand for facilities that are otherwise lacking.
- The **Trailblazers/Winterhawks** is perceived as having an unfair advantage. There are concerns that the process is being held hostage by the Blazers as current Coliseum operators. The reality is that the Coliseum and Rose Garden have seen increased activity in recent years and the current agreement does benefit the city through coverage of operating losses. Some critics of the Blazer/Winterhawks' plan charge that the building is changing too much, others say that it isn't changing enough.

Sam asked for feedback on the possibility of a joint proposal. There was no strong opposition.

**Daniel Deutsch** said that while he did not object, he did not see how the very different concepts could be easily reconciled. Sam said that he wanted the *process* to answer the question of how the concepts would be combined. There will be further discussion of the process and hopefully there will be resolution

within weeks but no later than this fall. The SAC will receive updates and have opportunities to provide advice along the way.

## **Operating Agreement Audit**

Dave Logsdon noted that questions were raised at City Council regarding the revenues from the Coliseum to the City. As a result, Council called for a financial review of the facility. An independent auditor will review the year-end statement of operations for fiscal year 2008-09 and a sampling of revenue documentation in order to draw conclusions about the completeness and accuracy of those documents and any reported operating losses. The city should be receiving 60% of any annual profits and the audit is intended to confirm that there was no net operating profit last year.

There will be a statistically significant sampling of events to confirm PAM accounting and reporting practices are complete and accurate. The audit will look at the 6% user fee and review documentation to make sure that the city received what it was entitled to. The city is only to be charged 8% of shared operational costs (such as marketing, finance, and admin). The audit will confirm that this is still the case.

**Will Macht** asked whether the Blazers have provided the same level of specificity as the Spokane arena report (presented along with the minority report to City Council) that includes event by event analysis of sales and other income. Sam said that a financial analyst and entertainment venue expert would provide their analysis of what information is important to have. Dave said that the current operating agreement does not require the Blazers to provide event by event profit-loss statements. Sam said that item may be a requested change to the Operating Agreement.

**Will Macht** asked why the audit doesn't extend back farther. He added that he was not concerned that the numbers were inaccurate but rather that the review of historical usage trends isn't adequate. Sam said that he would like to completely review the period since PAM took over management as well as the years when TIAA-CREF was the operator. Dave said that the audit could be extended to three years but that it would several more weeks to complete the audit if the reviewed time-frame is extended.

**Will Macht** asked about the projected cost of the audit, as it is in the public interest to know what is being spent. He reiterated concerns about the feasibility of financing any of the current proposals. Dave said that the cost is unknown, but would be higher if the audited time-frame is extended. Sam noted that investments would be necessary even with the most minimal improvements to the building and it would be necessary to invest a modest amount of money to determine the feasibility of any of the options.

**Dean Gisvold** asked about the accounting review standard under the operating agreement. Dave said that he has been advised to not consider this a certified audit but only as a financial review that essentially achieves the same purpose. Generally Accepted Accounting Practices are likely called for in the operating agreement. Sam said that he did not want to limit the review and that he also wanted the opinion of an expert on the operation of similar venues. Dean said that an initial review of some of the costs indicated that they wouldn't pass muster under GAAP, but that is for an accountant to determine.

**Andrew Colas** asked whether the audit is intended to help establish the baseline condition requested in the minority report. Sam said that this is part of the majority report request for an additional Status Quo concept to compare with each of the three finalist proposed concepts.

**Daniel Deutsch** asked whether the Status Quo option includes other development in the Rose Quarter. Sam said it would not. He emphasized that none of the options under consideration are the absolute way to go and that use of the status quo should not be taken as indicative of a failed process. For a long time

there has been uncertainty about the future of the Coliseum and the status quo option should be considered as a viable option along with the other three proposals.

Sam noted that this interim process is also about trying to seek agreement with the Blazers regarding the operating agreement. Although their development rights end in 2014, they would be able to lock up the building until 2023 if they choose.

**Dean Gisvold** suggested that it may be appropriate to start the audit with a one year review and expand it to three or four years if problems are found.

## **Status Quo Analysis**

Kevin Brake noted the previous discussion of the staff-developed base case scenario which has now been renamed as the "Status Quo analysis." The analysis is part of an attempt to determine what is needed in order to preserve the functionality of the facility and bring it up to current standards. A group of interested SAC members, Friends of Memorial Coliseum, and city staff met and discussed ways to use the 2000 BML Memorial Coliseum Improvement Summary report on the facility and to identify deferred maintenance items. Since the 2000 report, some facilities have reached a critical point.

The Status Quo report is broken down into "deferred maintenance," which includes items necessary for continued operation, and "reasonable functionality," which includes items such as the deficient ice rink and kitchen that preclude the facility from operating as a standalone facility. The Status Quo will be used as a basis for reviewing the other proposals and comparing any additional benefits that they may offer.

The group also looked at the essential base case brought forth by Friends of Memorial Coliseum that proposed some upgrades that could increase the marketability of the building. These upgrades would be subject to further marketability analysis to determine if they would be viable.

The figures used for the Status Quo are different from the Snap Shot report which only considered the absolute minimum improvements for the building. The Status Quo is intended to take a more holistic look towards facility wide upgrades for the building as a stand-alone facility over the next 20 years.

**Category 1 Improvements:** Calvert Helms noted that many of the building systems are at twice their expected lifespan and may not continue to function for another ten years. Examples include the ice rink, roof, electrical and plumbing upgrades, and the freight elevator. Code issues were also reviewed. If the building continues to function with the current occupancy load, it is not required to be brought up to current codes. However, a good stewardship approach would include improvements to a number of code required items. Estimated costs are around \$15 million (in 2009 dollars) for all of the deferred maintenance items, including soft costs and contingency. Hoffman Construction estimates these costs to escalate by about 5% per year moving forward.

**Category 2 Improvements** look beyond the 10 year horizon and include items that could help the building function as a stand-alone facility. These would include features such as a functional kitchen, non-major structural improvements, upgrades to exhibit halls, air handling, fire suppression systems, and finishes that could help make the building more successful.

**Category 3 Improvements** include additional incomplete items identified in the BML report. These include upgrading seating in bowl to meet ADA standards by adding handrails and ramps. Some items may not be achievable such as improvements to the loading dock to accommodate current industry standards.

**Lillian Karabaic** questioned the motivation for reducing seating capacity and whether it was intended to reduce competition for events with the Rose Garden or improve seating comfort. Kevin noted that the capacity reduction was a recommendation from CH Johnson and is intended to increase market share. It is a consultant opinion and only a potential improvement that would be subject to a marketability assessment. Seating capacity would automatically be reduced if the seat sizes were brought up to current standards.

**Andrew Colas** asked about Winterhawks input on the seating capacity as the anchor tenant. Kevin said that the Winterhawks have indicated that reducing capacity would improve the fan experience.

**Daniel Deutsch** suggested that it would be important to identify how many events use the facility to capacity. **Will Macht** said that the real question is whether the seating should be permanently reduced or be made flexible in order to accommodate different event needs.

**Wade Lange** asked whether any deferred maintenance items were identified within the veterans memorial space itself. Kevin said there were none aside from plumbing issues related to the fountains. Sam said that he would like to gather veterans onsite and see if they can identify other deferred needs.

**Dean Gisvold** said that he felt the name "Status Quo" was misleading. He asked why life safety items such as the sprinkler system included in Category 2 were not included in Category 1. Calvert said that the categories are somewhat subjective but noted that there is nothing particularly deficient about the existing sprinkler system. The sprinkler improvement would make the building safer, but it is not an immediate need. Dean said that the listing makes it seem less important. Calvert said that the list also tries to group items that would be appropriate to do together in order to avoid the need for repeated work.

**Paul Falsetto** noted that the plan for reducing seats in the Blazers' proposal would not improve proximity to the floor. He questioned how the numbers could be reduced and the ambience could be improved. Front to back seating space is also an issue to consider. Calvert said that the seating has only been considered from a technical standpoint and it would be difficult to say the best way to improve ambience. It would be challenging to improve front to back seating space, though some types of seats may be adjustable in that way. Design has not been explored yet. Paul expressed concern that a 7,000 seat venue may not achieve the goals of proximity and ambience if the fan base is separated by distance and elements like party decks.

**Will Macht** asked why the construction costs appeared to be so high. Calvert said that the costs are a conservative estimate for 2000 costs adjusted for 10 years of escalation. The contingency attempts to compensate for the use of the older report. Will said that the costs were very conservative.

**Phil Kalberer** asked whether PAM and the Blazers had noted their priorities for the building. Calvert said that their concerns were included in the previous report and in this report where possible. Some of the noted problems may not be solvable and do not have assigned costs yet. Feedback from the Winterhawks was incorporated at the same time. Sam suggested that it may be helpful to speak with other frequent users of the building about their improvement priorities.

**Dean Gisvold** asked whether Hoffman had provided a timeframe for implementing capital improvements and whether there would be no events during construction. He also asked when the projected 5% annual cost escalation was anticipated to begin. Calvert said that a timeline for work is unknown though the Status Quo spreadsheet does note the severity of operational impacts for the improvements. The 5% escalation is only a rough estimate. Dean said that it would be important to know if the revenue stream will deteriorate during construction and a ballpark range for construction durations.

**Will Macht** reiterated his request for information on which types of events are profitable in order to determine where profits are coming from. He suggested that the list of improvements be screened based on profitability as established by an analysis of historic uses.

**Carolyn Briggs** noted that 5% of the construction budget for ADA facilities is reflected in Category 1, but not in Category 2. Calvert noted that most of the ADA improvements are included in Category 1 with some seating improvements in Category 3.

**Andrew Colas** asked who would pay for the base case. Sam said that it depends. The City has some legal obligations as owner of the facility. PAM also has some legal responsibilities. There is also a potential option to sell the building to the private sector. Andrew confirmed that the overall goal is to leverage the amount of public equity going into the public-private partnership in order to improve the building. He noted that none of the baseline upgrades would make the space friendlier or drive increased attendance. Sam pointed out that even with the Status Quo option it would be necessary to weigh the potential return on the investment.

Sam said that the Status Quo report would be emailed to the committee and would be an agenda topic for the next meeting. He asked for additional feedback on potential improvements.

**Will Macht** noted several ideas included in the minority report including a collapsible band shell with more flexible seating and using the exhibit hall during the week to generate income.

Dave Logsdon said that the building also needs electronics upgrades to the video replay and scoring system. These could provide revenue generating advertising platforms.

Sam asked the SAC to review the document from the perspective of their specific areas of expertise.

## **Public Comment**

**Harley Wedel**, Veterans' Representative, thanked the mayor and Kevin for addressing veterans' concerns. He suggested that there has not been enough discussion of the building as a memorial and he offered to continue discussing the issue with the mayor offline.

**Gil Frey** compared the seats at the Rose Garden and the Coliseum and said that his experience is that the Coliseum seats provide more space per seat in both directions than at the Rose Garden. He described the Coliseum as more user-friendly and the Rose Garden as more class oriented because of the preferred seating. Cheaper seats in the Rose Garden are farther away from the court. Gil calculated the inflation rate as a factor of 60 since 1960. Repairs and improvements could amount to four to six times the original purchase price of the building and it is understandable that significant improvements would be necessary for the facility as improvements have been postponed over the past ten years. When the veterans and Milwaukie High moved from the Coliseum to the Rose Garden they nearly went bankrupt. The Coliseum is the only city owned facility of its kind.

**Matt Miller**, VMAAC Group, asked for copies of the Status Quo report. He noted that the asbestos abatement estimates appeared low. He requested that sustainability upgrades such as solar, green roofing and rainwater harvesting be added to Category 3 since the City has called for Gold Leed certification. He requested cost estimates for the Category 3 items.

## **Close**

Sam said that the next meeting on May 25 will briefly address the Status Quo report and begin the discussion of the district as a whole.