

WEIMER WAREHOUSE REDEVELOPMENT 3934 NE Martin Luther King Jr. Blvd.

Project Overview

Over the course of the last several years, a significant involvement, in both time and financial resources, has occurred along NE Martin Luther King, Jr. Blvd. Building on previous work from PDC and the community as well as bringing new vision and approaches, an experienced and varied group of local professionals has formed a Development Team for a fresh look at buildings and the way we do business in this community. We are pleased to bring you a proposal for the redevelopment of the too long vacant Weimer Building. As a working title, we will call the building the Heritage Building. The Heritage Building will be redesigned and rebuilt for multiple tenants, with a tenant mix of retail, office and production uses. Hankins Hardware will expand with a seasonal nursery built around a landscaped portion of the parking lot. Alex and Japhena Hall, one of the long-term owners plans a bakery/deli for a portion of the building. 3000 square feet is being set aside for a full service restaurant or specialty market. The exterior of the building will be given a fresh look, honoring the historic details and distinctively announcing its new ownership and uses. (See elevation sketch) A new main entrance will be created on the east side, adjacent to the primary parking, to augment the entrance on MLK. The three lots fronting on Grand Avenue plus the existing parking lot for Hankins Hardware will be redeveloped to higher than current code standards. Parking will be shared by all parties with a lease in perpetuity between Hankins and Heritage. As a part of the redevelopment of the site, all stormwater at this site will be treated on site. This will involve a combination of strategies, further detailed in the "Green" portion of this narrative. Additionally, the parking lot will be designed to mitigate any off-site impacts its use might have on neighboring residential properties.

The most dramatic change in the building will be the installation of a new central core, housing the elevator as well as the stairwells to the basement and second floor. This central core approach allows us to achieve several goals at the lowest possible cost. We will get the elevator and two required stairwells to each floor, direct connection to the parking lot and MLK for entrance/exit, seismic upgrades to the structure, more leasable square footage and possibly some reflected daylight into the basement. We will use a "bare bones" approach on the interior, building only the essential common walls and accesses, allowing for maximum flexibility in size and configuration of interior spaces. This will allow each new tenant to express their own style and needs. The building will also have all major systems, electrical, plumbing, mechanical and HVAC, upgraded to support tenant build out and green requirements for LEED certification.

A variety of configuration choices will be available for the lease spaces. Current plans are to create ground floor space to accommodate a full service restaurant, a bakery/deli and up to three additional retail spaces ranging from 1200 square feet to 4000 square feet. The second floor will offer up to seven new office or retail spaces, with the basement offering approximately 3000 square feet of flexible space for office, retail or ancillary storage for other tenants. One possible floor plan is attached at the end of this proposal.

The Development Team for this project plans to continue into joint ownership of the building after completion of construction and lease-up phases. To the best of our knowledge, this will be a first for NE Portland in combining the strengths of several small, minority and emerging businesses as partners in a new development. Each Team member brings with them many years of experience in community building, development and construction. We envision this to be the first of many Team projects within this community.

TIMEFRAMES

Using PDC estimates as a starting point, it is assumed that the final negotiations for this project will take 4-6 months. **(March 2002)** As part of our financial strategy, we will apply for a State of Oregon Enterprise loan/grant for gap financing to cover some of the pre-development costs. If we are successful in obtaining Enterprise money we could be ready to submit for permits very shortly after the final PDC negotiations. At the same time we submit for permits, we will begin construction of the finished storefronts at Martin Luther King. Making this highly visible change would have two primary advantages, it would show progress to the community and it would attract more potential tenants during the time we are waiting for permits and during construction. This is an important goal to reach as it could cut several months off the time required to get to occupancy. Permits will probably take a minimum of 6-8 months if recent experience with OPDR response time is any indication. As well as being a major retrofit, we will be changing occupancy of the building and having to validate several engineering steps. **(November 2002)** Complete construction time would likely run into 6-8 months following obtaining permits. **(July 2003)** Full lease-up following construction has to allow time for tenant improvements which could easily take another 3-6 months which means that it is possible that full tenancy will not occur until **January 2004**. We will look for any and all possible ways to shorten this timeline and would encourage PDC to assist us in doing this.

HERITAGE BUILDING DEVELOPMENT TEAM

The Development Team consists of Eric Wentland, Barry Pappenheim, Jeana Woolley, Howard Loucks, Steven Foust and Dennis Hadley. If our proposal is the winning entry, we will create a new LLC, tentatively called Portland Heritage Development Associates (PHDA). PHDA will be the developer of the project and the legal entity with which PDC would contract. Each Team member brings an area of expertise to the project and will be responsible for carrying development through until occupancy. The nature of designing for sustainability and high-performance requires all team members to work closely for a fully integrated finished product. Areas of primary responsibility will have Eric and Jeana in charge of program, leasing and long range planning. Barry and Howard will be responsible for construction and green elements, with Dennis and Steven taking care of building and landscape design. At completion, a new entity will be formed for long-term ownership with each of the Development Team members having a percentage of long term ownership of the building.

DEVELOPMENT

Eric Wentland. Partner in Barric Investments, a four year old commercial real estate development company with offices on NE Alberta St. Eric has been active in Northeast business and land use issues for 15 years. Recent projects have focused primarily on Alberta Street. Over the last four years he has been the lead in re-building 11 retail storefronts and construction of 6 new units totaling in excess of 14000 square feet. Eric has a 30 year background in real estate, finance, construction and small business. He is currently the President of the Alberta Street Business Association, proud father of one year old Gabriel and a member of the siting committee for the Community Residential Siting Program through Portland's Office of Neighborhood Involvement.

Jeana Woolley. President of JM Woolley & Associates, planning and development services consulting company. Jeana has an extended record of service in a variety of private development and public community economic development efforts in the Portland area. Recent projects include the Fremont Plaza senior housing for General Baptist Convention, Vancouver/Williams Infill Development Strategy, and the NE Martin Luther King, Jr. Blvd. Commercial Development Strategy Report. She currently serves on a number of boards, including the N/NE Economic Development Alliance, Albina Community Bancorp and Bank, Black Leadership Conference, METRO Business Advisory Committee and several others. Jeana is a long time resident of the King Neighborhood.

DESIGN

Dennis Hadley. Licensed Oregon Architect. Dennis has been involved in the construction industry for over 25 years. Over the last few years he has worked primarily for Seabold Construction and Morrison Knudsen Corporation as an architect and project supervisor analyzing bids, making bid selections, writing subcontracts, developing project schedules, applications for payments, and all administrative duties associated with these projects. Dennis brings design direction, technical overview, the strength of commercial code knowledge and compliance, project specification, and commercial remodeling experience. He is currently self-employed from his home in the Eliot Neighborhood.

Steven Foust. Landscape Architect and Urban Designer. Owner of SF Design, Steven is a 17 year resident of the King Neighborhood. Steven has extensive experience with interior and exterior rehab of urban commercial buildings. He was active in the creation of both the Albina Community Plan and the King Neighborhood Plan. He will be responsible for giving us lively interiors, color and design details and

making the parking lot neighbor friendly. He comes with a passion for MLK and ways to make the Heritage Building visible through creative planting.

CONSTRUCTION

Barry Pappenheim. Owner of Pappenheim Custom Cabinets and a partner with Eric Wentland in Barric Investments, Barry is a life long resident of North Portland and has been in construction his whole life. He has extensive experience in both residential and commercial construction, having been the general contractor on several PDC funded projects over the last few years. He has been responsible for the remodel and construction of more than 15000 square feet of commercial buildings on Alberta Street over the last 4 years.

Howard Loucks. Construction Manager. Howard was an Eliot resident for almost 20 years. He was an active member of the Eliot Neighborhood Plan as well as a participant in the Albina Community Plan. Howard has spent the last 25 years in construction, building solar houses in the '70s and '80s, managing construction for one the first non-profit CDC's in Northeast Portland in the early '90s and recently managing large and small remodel construction projects for on-site facilities at Tektronix. Howard comes with a deep commitment to alternative energy sources and an extensive background in "Green" technology. He is the owner of North Hills Group, a consulting firm for Sustainable and High Performance Buildings and will soon be a LEED certified professional.

All the above named Team members will be offered ownership in the development company, Portland Heritage Development Associates, LLC and the ownership entity, Heritage Building, LLC. Approximate percentages Portland Heritage Development Associates are as follows; Eric Wentland, 55%, Jeana Woolley, 12%, Barry Pappenheim, 10%, Dennis Hadley, 9%, Steven Foust, 5%, Howard Loucks, 9%. Percentages for long-term ownership will not be able to be determined until we are further into the project and can identify a more complete list of tenants and owners.

Community Goals and Objectives

Desirable Goods and Services Tenants will be targeted and chosen to reinforce and compliment other small businesses that exist in this commercial segment of MLK Jr. Blvd. Attention will be paid to recruiting tenants that strengthen and reinforce other public investments that have been made in the area. We will seek new tenants that can provide goods and services to the surrounding neighborhoods. Residents and other business owners have expressed a desire to see a variety of new shops, a bakery, a copy and business center, second hand sports equipment, consumer electronics, quality clothing resale, family restaurant. A specific list of prospective tenants will be created with special attention to businesses that already exist in the community and are either being underserved in their existing space or have grown larger and need to move.

This project accomplishes many of the goals set forth in the recent *Guiding Principles* from the Fremont/MLK Vision Study.

1. It utilizes an existing commercial asset.
2. It provides several thousand square feet of office and retail space with both pedestrian and auto access.
3. It protects and strengthens adjacent residential neighborhoods by bringing dozens of "eyes on the street" to MLK and Grand Ave.
4. It will both preserve and enhance the racial and ethnic mix of businesses in the area.
5. Appealing office and retail space is created.
6. Opportunities for small business and non-profit organizations are supported through the creation of several thousand square feet of new, affordable tenant space.

The "Greening" of the Heritage Building

A Showcase for a Sustainable Building - With the experience gathered from a current USGBC registered LEED project by Barric Investments, Development Team members working on the Heritage Building will continue our commitment to sustainable policies and technologies with a goal to achieve at least LEED "silver" for the Heritage building.

The Heritage property will provide an opportunity to showcase a LEED sustainable project as a retrofit for an existing building. This meets a significant USGBC goal of LEED certification, Building Reuse. This project will maintain at least 95% of the existing building, structure and shell (75% is required). Additionally, the care and respect the original designers and builders showed to the natural daylighting that penetrates the building will be preserved and embellished with the addition of a new entry foyer on the East side, elevator and utility core in the center, windows restored to the street (west) side of the 2nd story portion of the building and transom lights restored on the 1st story.

Innovative Technologies - Our preliminary design scope for the building looks to provide a rainwater recycling system that includes a separate piping system for the recycled water for toilet flushing. Rainwater will also be used for landscape watering. The system includes storage tanks, filters, backflow devices etc., with implementation strategies that allow for high/low rainwater conditions. An engineered filtration system as well as a planted bio-swale will treat all parking lot runoff to a safe level for return to the water table.

The building has an existing mechanical room with distribution steam piping. We are researching a possible earth tempered heat recovery loop with heat exchanger that could be tied into the existing distribution piping system for heat. This reuses a portion of the mechanical infrastructure with an appropriate sustainable technology. The heat/air system includes natural ventilation strategies to enhance the air quality in the public and employee/work spaces of the building.

These seemingly low-tech approaches will be maintained, adjusted and monitored with an advanced PC based control system that is tied to additional comfort/air quality sensors such as CO₂ monitors and energy use tracking that will be monitored by the owners. The systems will be seasonally adjusted, as necessary for energy efficiency.

Earth Friendly Materials and Practices - We have already identified materials such as certified lumber, concrete mixes, carpet and flooring, steel framing and other materials that meet the intent of recycled content, local sustainable manufacture and distribution, rapidly renewable materials, and resource reuse. We have also identified low VOC emitting adhesives and coatings as well as minimal use practices for construction chemicals. We have already implemented project policies of Construction Waste Management and No Smoking within 50 ft of the footprint of the building.

Energy Efficiency, Controls and Monitoring - The building envelope will be upgraded with above code thermal insulation in walls and ceilings with particular attention to air infiltration because of the upgrades to an older building. The proper commissioning of the building will insure best use practices. This includes effective training of the building personnel for maintenance of the equipment and systems. This process will be documented by an independent Commissioning Authority / LEED Certified Professional for the project. Upon project completion, the documentation will be submitted to USGBC for final certification.

Our goal is to use the inherent strengths of the site and building to remodel and revitalize the building to provide a comfortable and environmentally friendly space for the community and all who use it. Our energies are directed toward helping assure the Heritage Building is still only in it's "teenage" years, with many good years to come.

Benefits to the Existing Local Community

Jobs The Development Team expects that a majority of the building's retail and office space will be leased to smaller, emerging businesses, so it is not anticipated that there will initially be significant new permanent jobs generated as a result of the building's redevelopment. The kind of jobs the retail businesses are likely to be hiring for will be retail/service positions with salaries in the range of \$7.50-10.50 and some benefits. The new flexible office spaces on the second floor and in the basement may attract 6-8 jobs in the range of \$11.50-14.50 since it is believed that some small high-tech or specialty service start-ups may find these spaces attractive because of access and planned infrastructure improvements to the building. The Development Team will actively market space to businesses who express an interest and commitment to hiring their workforce from the local community. It is estimated that approximately 15-20 new full-time jobs, ranging in salary from \$7.50-15.00 per hour may initially result from the redevelopment and leasing of the building.

Wealth Building Throughout the design and construction process, the Development Team will work to identify opportunities for minority, women and disadvantaged contractors. The Team is also deeply committed to sustainable design and construction. We intend to exceed the minimum requirements of LEED certification and obtain at least a Silver Certification for the Heritage Building. Major sustainable elements of the development are outlined on a separate page of this proposal. LEED (green) design requires an earlier and more intimate involvement of all contractors and consultants in the project. It is our expectation that we will exceed PDC's and the City's recommended 15% minority contracting goal on this project. We believe that by being the primary agents in a true Design/Build scenario, we are in a much better position to identify and involve minority, women and disadvantaged subcontractors in many of the specialty areas. We have already identified a number of these specialty areas that we will seek participation in, engineering, demolition and environmental abatement, HVAC, plumbing, electrical wiring, controls and low-voltage systems, sheet rocking, parking lot excavation and paving, landscaping, painting, post-construction clean up. There will also be an opportunity to contract for on-going services such as maintenance, janitorial, landscape maintenance, accounting, locksmith services, etc.

The Development Team proposal has one other very unique and unprecedented aspect. We are proposing a percentage participation and ownership for all of the key Development Team Members as well as the possibility of ownership for selected tenants. This will allow the partners to build wealth as the area revitalizes and the building appreciates in value while building equity through reducing loan balances. The LLC business model planned for both the development and ownership of this project is designed to place up to 35% of the development fee and 50% of the long-term ownership of the building in the hands of several Team members who would normally be paid only as consultants or sub-contractors. This truly makes the project a wealth building vehicle for several long-term members of this community.

GENERAL OFFER

Portland Heritage Development Associates, LLC proposes to purchase the Weimer Building from PDC for \$180000, to be paid through re-finance after construction. We will be asking PDC to write the land cost down to \$1, to be the lender for construction financing, and to provide a Storefront Improvement Grant for both of the buildings facing Martin Luther King, Jr. Boulevard. Total project cost is estimated at approximately \$1,995,435. Partners paid in equity from all sources is estimated at \$366000. At completion of the project, Portland Heritage Development Associates, LLC will transfer the project to Heritage Building, LLC and obtain a 1st trust deed from an outside lender for approximately \$1000000. Preliminary discussions with lenders at Merchants Bank, Shore Bank and Albina Bank indicated strong interest in being involved. Additionally, we will be asking the State of Oregon to participate through an Enterprise Loan of \$125000 for gap financing and to keep the project moving forward during the time of negotiation with PDC. Our estimates show that we will need PDC to assist in financing approximately \$504435, with approximately \$300000 deferred for five years.

Hard construction costs are estimated at \$1185500 plus \$207000 in construction contingency. Soft costs, City of Portland SDC's (System Development Charges), commercial leasing fees and developers fee adds another \$422112. Portland Heritage Development Associates, LLC will bring \$366000 to the project. This equity will be achieved through the following methods; Hankins Hardware to pay \$140K for lots 13 and 14, \$40k Storefront Improvement Grant (one for each building storefront on MLK), \$35k BES grant for disconnecting stormwater from sewer, \$51k returned from lease commissions, \$20k from Business Energy Tax Credit, \$80k exchange for property at 3300 N. Williams.

Our Proforma numbers hinge on relatively high lease rates. We are making assumptions for top of the market (for MLK) lease rates based on several factors. First, we will have high profile space in the first major renovation since the Standard Dairy was completed two plus years ago. Second, there will be excellent parking in the rear of the building with access from MLK and Grand Ave. Third, in most cases, the lease will include all utilities (our costs for utilities should be greatly reduced due to the high performance standards of the building). Fourth, we will actively recruit a tenant mix that compliments each other and the community. Fifth, local businesses will be offered an option of being part of the ownership of the building and finally, there is no competition on MLK for high quality comparable space.

We recognize that the property exchange on Williams is an unusual and potentially difficult part of the offer and that it may have some pitfalls, however, we also believe that it is worth exploring further. One of our proposed tenants/owners of the Heritage Building is a local Portland couple, Alex and Japhena Hall. They have owned 3300 N. Williams Ave. for more than 10 years. Unfortunately, during the time of their ownership and in the midst of some chaotic times in their life, the zoning changed from CG (general commercial) to R1 (medium density residential), making it impossible to use for their intended use as a bakery. Every piece of property on the block between N. Cook and N. Ivy is under separate ownership with no one owner having the required 10000 square feet necessary to trigger the R1 zone. We believe that this is the ideal condition for PDC to begin the process of assembling large enough parcels to see housing developed in one of Portland's close-in, sought after communities.

We also recognize that the "bottom line" numbers from the pro-forma would preclude this from being built by a conventional developer. As it currently stands, the project is in the red a few thousand dollars a year for the first five years. Our preferred solution to this shortfall would be a \$300000 deferred loan for that five year period. Any assistance available from PDC to lower costs or increase revenue will be greatly appreciated.