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Cover Story

## Why the Portland Diamond Project's plan for 8,000 housing units may be too far out in left field

**The Portland Diamond Project's grand vision for Major League Baseball in Portland includes developing 8,000 housing units over a decade around a new stadium. Delivering on that proposal could prove even more difficult than landing a MLB team.**

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Bringing a Major League Baseball team to Portland is no small-time, pickup-game affair. Just ask the multiple groups that have tried over the past 20 years and come up short.

There's landing a team — whether that's relocating an existing one or nabbing an expansion team — finding a site for a stadium, building a stadium and much, much more. The current effort to bring baseball to town, led by the Portland Diamond Project, could cost north of \$2 billion for the stadium and team alone.

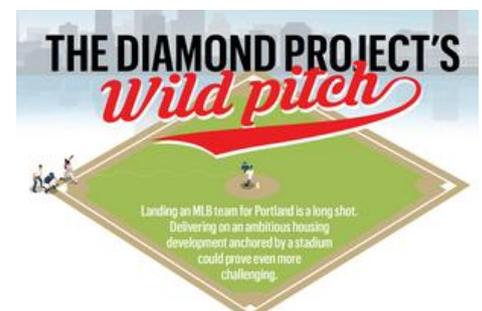
But PDP, which includes former Nike executive [Craig Cheek](#), former Blazers broadcaster [Mike Barrett](#), and former Oregon State Senator [Jason Atkinson](#), with financial backing from the superstar couple of Seattle Seahawks quarterback [Russell Wilson](#) and singer Ciara, has pitched something even bigger than baseball with its proposal. They also see an entirely new district, complete with up to 8,000 new housing units — many of which would be workforce or affordable housing — springing up in the shadow of the stadium over the ensuing 10 years.

"The Major League Baseball Commissioner has been clear about the importance of establishing walkable, livable urban districts surrounding its ballparks," said [Tom Brenneke](#), president of [Guardian Real Estate Services](#), who has been informally working with PDP. "It's a high priority for PDP for many reasons. We have formulated a comprehensive, integrated plan for baseball that meets a variety of objectives and ensures overall success. Housing, particularly workforce housing, is a very important component of our plan."

The team has been sizing up a few prominent sites, including Portland Public Schools' headquarters property in Northeast Portland, the ESCO property in Northwest Portland and the Port of Portland's Terminal 2 site along Northwest Front Avenue. The PPS site, largely believed to be the preferred one, is also the one that could most conceivably accommodate such an expansive development.

The idea of an 8,000-unit urban district around a ballpark is an inspiring idea and an ambitious one. It's also one that might never come to be.

A range of obstacles, from financial and zoning issues to a competing vision for one of the preferred stadium sites, will make the district development course a challenging one for PDP to run. Here's a look at



five of the biggest hurdles that could trip up the vision for one of the largest new neighborhoods in the city in years.

The Portland Diamond Project isn't the only group that's eyeballed the PPS site in Northeast Portland for a huge redevelopment.

The Albina Vision Trust, a nonprofit chaired by Rukaiyah Adams, chief investment officer for Meyer Memorial Trust, has a 50-year vision for the 94-acre area that spans from the Steel Bridge to north of the Broadway Bridge. The area, once home to a largely African American residential community, was bulldozed in the 1960s to make way for Veterans Memorial Coliseum and Interstate 5.

The trust envisions a development of the area that would be "community centered" and include up to 5,000 units of affordable housing — an incredibly ambitious number that would face the same challenges that PDP's vision does. One of the major differences between the two visions: baseball. Whereas PDP sees a stadium anchoring the neighborhood and spurring adjacent development, Adams doesn't see baseball playing a role.

"That site to me is just a no-go," Adams said at Business Journal event in April. "It is not a place for another large inwardly facing sports facility. It's a place for housing. What I would like for them to do is to pursue one of the other locations and I could put my weight behind it."

The PDP team has said that if their pursuit of the PPS site were successful, they would be interested in working with the Albina Vision Trust.

"We would love to blend our concepts together," said Jason Atkinson, managing director for the PDP. "We absolutely believe in the restoration of the neighborhood and the cultural sensitivities, and we think that Major League Baseball and our architectural work would be the catalyst that got it started and financed."

Janet Bebb, a representative from the Albina Vision Trust, said that the group is not comparing its vision with PDP's, but instead keeping its focus on a vision for "a diverse community with housing, jobs, arts, education opportunities, entertainment, walkability (and) access to the river."

"This includes remembering and honoring the history of Albina as a neighborhood . . .," she said.

Aside from the team and the stadium, PDP's grand vision for a site like the PPS one includes a vibrant, mixed-use neighborhood that would reinvigorate the area. A big portion of that would rely on new housing.

Yet as most folks in the Portland real estate game know, new multifamily housing here is also subject to the city's inclusionary zoning policy. At its most basic level, IZ, which went into effect in February 2017, requires that any new development of 20 units or more must reserve 20 percent of its units for those making 80 percent of the median family income. Developers have long said that such a policy makes it much more difficult for multifamily projects to pencil out financially since the lower rent of the affordable units cuts into the overall value of the projects.

They also warned that implementing IZ would stifle new development, a scenario that has started to play out. According to information from the city's Bureau of Development Service, since IZ went into effect the city has issued building permits for 18 new multifamily projects subject to IZ, totaling 1,759 units; for the same period the year prior, before IZ, it issued 83 permits for 6,274 units. (The latter number includes projects of 20 units or more.)

"Housing right now is hard to pencil," Brenneke said. "If it's affordable or workforce, it has to have additional resources from the state and the feds and the city. It's the reason why a lot of affordable housing doesn't happen. If it was easy, everybody would be doing it."

The difficulties posed by IZ would likely make the road rough for development connected to PDP's vision. The team has said they envision a large portion of the housing — as much as 50 percent — being affordable or workforce. But with private developers already shying away from affordable housing and IZ seemingly not going anywhere anytime soon, it's hard to imagine development, particularly with a large affordable component, at that scale.

For context, based on current figures, the maximum monthly rent considered affordable for a two-bedroom unit is \$1,345 for households making 80 percent of median income. The average monthly two-bedroom rent is currently \$1,788, according to Rent Jungle.

Larger economic forces are also tapping the brakes on multifamily development in Portland. Though the region is still short on housing, a spate of new units delivering to the market in the past 12 to 18 months has boosted supply, softened demand and flattened out rents. That, again, can make a project less feasible.

"Rents have been flat for the past year," said Tom DiChiara, founding principal with Cairn Pacific. "Concessions (like a month's free rent) are back, there's lots of inventory and there's still a lot more coming."

Talk to almost any developer these days, and one of the first topics to come up is bound to be how expensive it's gotten to bring a project to fruition.

"Anytime you sneeze, your budget goes up 15 percent," DiChiara said.

Those rising costs are driving up overall project prices to the point that it's becoming harder for developers and investors to make projects pencil.

"It's a tough environment. It's expensive," said Paul Del Vecchio, a principal with Portland's Ethos Development LLC. "Dirt's expensive, construction's expensive and debt's getting more expensive."

According to the Associated General Contractors of America, costs for a range of building materials have soared over the past year. From May 2017 to May 2018, lumber and plywood rose nearly 14 percent, as did copper and brass, while aluminum was up more than 17 percent. And that was before President Trump's steel and aluminum tariffs kicked in at the beginning of June. Those are adding even bigger dollar signs to projects. Katherine Schultz, a director with GBD Architects, said the tariffs jacked up an extra \$600,000 in steel costs for one project in Los Angeles alone.

"That's a little concerning," she said.

If the current trend continues, and all signs suggest that prices will continue to climb, it's not going to get any easier — or more economical — to bring new housing projects to life.

The properties that PDP is sizing up for its baseball and housing endeavor all have potential, but they also have their limitations, particularly when it comes to the prospects of residential development.

For starters, although Mike Barrett, managing director for PDP, said on the "Dwight and Aaron" radio show this week that a location could be announced in about a month, securing a property has so far proven elusive. After the team put in an unsolicited \$80 million offer for the Portland Public Schools site in Northeast Portland earlier this year, the school district decided that it would open a potential sale to any interested bidder, not just the baseball group. And though PDP put in a bid for the ESCO property in Northwest Portland, the site went instead to a group of well-known Portland real estate investors for \$33 million. (Despite the sale, the baseball backers have not ruled out the site as a potential home for its plans.)

Transit — and the lack thereof — and zoning could be an issue for building housing on some of the sites, as well. The PPS site is zoned Central Employment, which would permit residential development. But the ESCO site is a mix of general employment, mixed commercial and general industrial, with only one parking lot that

could be developed with a residential project. PDP also has its eyes on the Port of Portland's Terminal 2 property along Northwest Front Avenue, but that is currently zoned heavy industrial.

A zoning change to allow residential development would be "a heavy lift," Brenneke said, "but where there's a will, there's a way."

PDP is reportedly looking into other unnamed sites in Portland and at least one suburban property. The team also met with representatives from the Zidell family, who own 33 prime acres in the South Waterfront. But the Zidells' own plan to develop their property recently crumbled when the family and the city couldn't come to an agreement on who would cover the estimated \$84 million in infrastructure costs needed to kick off new development in the neighborhood.

Labor constraints are putting the squeeze on new development projects around Portland, as well. Not to the point where they're preventing projects from coming out of the ground, but the relative shortage of workers does impact timelines and adds another layer of complexity.

"You can't get enough manpower on the job site," said DiChiara. "The subs are overtaxed, they get delayed and that pushes things back. It's been an ongoing challenge."

In an interesting twist, however, more Portland-area workers are now employed in the construction field than during the last construction boom in 2007. According to the Oregon Employment Department, 53,112 people in the metro region worked in construction last year, the first year that the field saw a return to pre-recession numbers. Its former high was 52,194 workers in 2017.

The current market still needs more workers, but a wave of retiring Baby Boomers, as well as younger folks who left the field during the recession and never came back, is keeping the pickings slim. That reality is going to continue crimping the industry for years to come.

It could also be one of the many factors that make PDP's grand vision, which includes not just the development but also landing a team and a stadium, that much more difficult to realize. Brenneke, who's been in the development game for more than 30 years, sees a steep road ahead, but not one that's insurmountable in the long run.

"With various current development constraints impacting our housing supply, it will be challenging to achieve significant scale in the near term. Long term, I would expect scale to be achievable," he said. "Baseball is an exciting opportunity for Portland and will give rise to lots of good things for our economy. The housing component will always be challenging, but we will get there."

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