

*Editor's Urban Development Journal:
A Decade of Development Needs*

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The private development community has been wracked by the implosion of the mortgage market, the near demise of collateralized mortgage-backed securities, the failure of multiple banks, record high unemployment, rising vacancies in the office, retail, hotel and even residential markets, widespread bankruptcies of large retailers and large-scale layoffs in the construction, architecture, engineering and development enterprises.

The public development community has also been beset by many of the same underlying forces. Planning and building departments have been forced to engage in wholesale layoffs and furloughs. Public development agencies and ports, along with their cities, find capital markets, rating agencies and investors wary of purchasing public debt in the face of reduced tax bases and tax revenue collections and looming deficits in federal, state and local budgets.

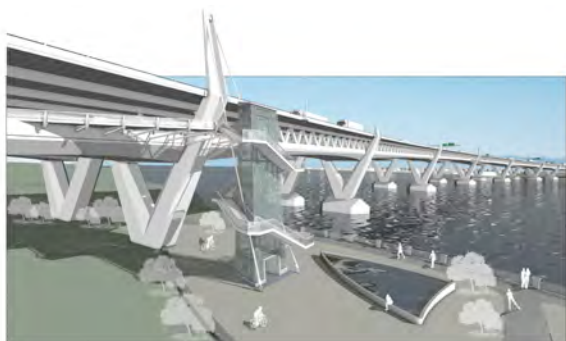
Large scale unemployment in the development community not only imposes great hardships on the professionals who practice within it, and the students who we teach to aspire to it, but also the unemployment and underemployment exacts a great toll on the larger community that will be deprived of the districts and buildings cities need to be well-rounded places in which to live, learn, work, heal, recreate and thrive. We need to find ways for the development community to build the many things that the cities need in a way that profits both the private sector and the common wealth.

In these trying circumstances, can the development community, both private and public, be the leader in urging the public sector to reset its priorities? Can it do it in a way that the development community itself can build a myriad of needed public and private places that its citizens so much require to live lives of meaning, with the resources to thrive in their jobs, their homes, their schools, their offices, shops, factories, hospitals, clinics, theaters, meeting halls, libraries and civic buildings?

What has the development community, both private and public, been building in the prior decade? In large measure, in the private sector it has been only the things that the financial community will fund, building larger houses than ever, [average house size rose from about 1,200 square feet in the 1950s to 2,500 square feet at the height of the bubble] elaborate condominiums, high-end rental residential units, high-priced hotel suites, big-box retail stores, upscale lifestyle centers, expansive suburban office parks, Class A downtown towers and mammoth high-cube warehouses. That has been what could be financed and profitably sold with easy credit.

What has the public development community been building? To too great an extent, we have seen cities focus on soccer and baseball stadiums, major league sports, entertainment centers, convention centers and hotels, high-cost subsidized housing, shopping strategies and generalized vision processes. When 11 percent of our community is unemployed, many more are discouraged job seekers or underemployed, more than 3,000 homeless and sleeping on the streets of Portland every night and many thousands dependent on food banks whose stocks are depleted, is this good enough? When to large segments of the population housing is unaffordable, classrooms are dilapidated, teachers are furloughed and libraries are on restricted hours, is this good enough?

And why have these choices been made? It has been determined in large part by concentration of the financial sector, both private and public, on short-term gain strategies from securitized mortgages for standardized projects sliced and diced into tranches of supposed risk and reward. Until recently, real estate had always been a long-term asset class, built for the long term, to hold for long-term appreciation while collecting reasonable positive cash flow that was largely sheltered by tax-deductible depreciation.



Mortgage loans were long-term fixed instruments held by local institutions and repaid by developers and investors with slightly inflated dollars, favorable to investors. We seem to have abandoned the longer-term perspectives, building for short-term consumption rather than long-term investment.

While the development community itself has focused on private gain from shorter-term projects, in significant measure the public sector has also abdicated its primary responsibilities to build the common wealth of the community, the schools, colleges, classrooms, universities, clinics, hospitals, roads, bridges, transportation systems, transmission grids, sewer and water systems and the like that were the preoccupation of our forebears. Is this because elected officials are focused on the next campaign contribution and the next election? How is it that our forebears were able to decide to build expansive park systems that would last indefinitely, sewer and water systems that would last a century, roads and bridges that would last more than a half-century and schools, universities, courthouses, post offices and hospitals that are still in use after multiple decades of public service?

The development community has lots of skills, many of which are underemployed or unemployed. It has the skills and knowledge to build what the urban community requires. What have we not been building? Middle and moderate-income houses, affordable apartments, economy hotels, local marketplaces, factories, schools, university classrooms, dormitories, community health clinics, day care centers, elder-care centers, hospice-care housing, food banks, mental health clinics and a wide variety of other needed buildings.

Nor have we built the infrastructure to support all of those urban needs. Where are the new bridges to replace a stock built well over a half-century ago? Where are the new water systems that need not be closed for a drop of unknown fecal matter entering open reservoirs? Where are the sewer systems that convert human waste into energy? Where are new power transmission systems to replace overtaxed systems whose controls can be, and have been, breached by foreign hackers?

Should we build the intercity high-speed rail systems that could eliminate the kinds of intercity gridlock the clogs both a half-century old freeway system and a short-haul air system through overcrowded airports, themselves run by an air traffic control system far older than the airplanes it guides? Should we build more tracks for both freight and commuter trains between high-density cores that could shorten transit times more than either freeways or light-rail systems? Should we impose congestion pricing systems on both roads and parking facilities?



Should we develop the mixed-use schools that use public and private funds to build community centers that function more than 180 school days a year, (a plant that lies idle for more than half of an entire year vs. Japan, for example, with 243 days), that have pools and tennis courts and libraries and meeting halls and laboratories and shops that are busy year-round?

A workshop our students undertook last summer under BOMA's sponsorship proposed just such a mixed-use facility for the 11-acre Lincoln High School campus. Can the Portland school district leverage its ownership of the Lincoln High School site into a mixed-use model of a 21st Century year-round magnet school integrated into a living/learning community with workforce housing and services adjacent to the heart of downtown Portland?



Should we build more courtrooms so that that dockets are not so overbooked that cases takes weeks instead of years? How can we fund the classrooms that our colleges need to educate the workforce for the 21st Century? What kinds of vocational schools can we build that can train a workforce to retrofit public and private buildings to save energy? Surely, the development community, both private and public, has the skills to provide these.

How can the public community focus its scarce resources on building schools, clinics, housing the homeless, improving parks, building transit, making roads smarter with smart navigation systems, integrated parking management systems and the like instead of on soccer and baseball stadiums, entertainment centers, convention centers, shopping strategies? How can cities spend more time and money on economic hunting instead of economic gardening, nurturing growing local small entrepreneurs attracted to the Portland and the Northwest by its quality of life rather than on tax sweeteners? How can the public turn from short-term consumption to long-term investment?



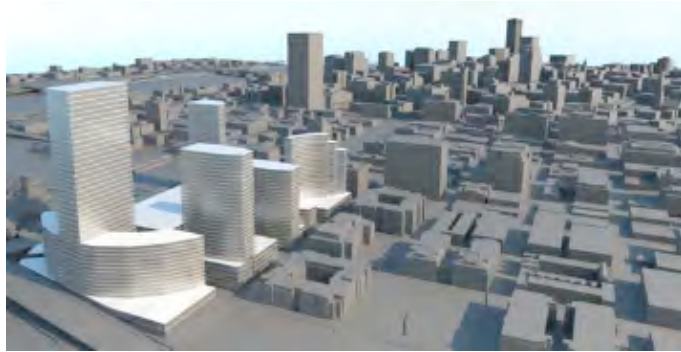
Have we the skills and determination to create an Infrastructure Bank to finance needed public improvements? Can we form public benefit development corporations, like those to develop Roosevelt and Treasure Islands, and public-private partnerships to build and redevelop a 1,400-acre urban island like Hayden Island, (described by one of our graduates in this issue) more than 60 percent of which is already owned by the public, into a model of sustainable urban waterfront development?



Can we leverage majority public ownership of the 40-acre Rose Quarter to develop an intensive mixed-use district integrated with the city? Can we use PDC acquisition of the 13-acre main Post Office site as leverage to ground lease intensive mixed-use development at the terminus of the

Park Blocks and the nexus between Old Town, the Pearl District and the Rose Quarter, as another BOMA development workshop proposed a year and a half ago?

Can PSU leverage its ownership of the 4-acre University Place Hotel site [former Red Lion] into a model sustainable education living/learning center between PSU and OHSU that houses students and visiting professors in a think tank that does leading edge research into techniques and



methods of sustainable technology for cities and health care institutions?

What resources can be brought to the table to the table to make these kinds of projects happen? The public sector is land rich and cash poor. Portland State is the largest landowner downtown owning 49 acres, more than 45 city blocks, 4.5 million square feet of buildings

and over 4,000 parking spaces. Its student body and staff constitute a market of over 30,000 people. Its capital budget includes over \$300 million of capital investment by 2012. It is one of the largest workforce developers in the state. Clearly it has the resources and location to bring to the table to engage in fruitful public-private partnerships to build what the community needs.

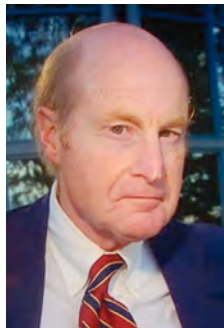


The City of Portland, the Port of Portland, the Portland Public Schools district and the Housing Authority of Portland own thousands of acres and millions of square feet of parks, schools, airports, rail stations, office buildings, industrial parks, housing complexes, recreational facilities and parking structures. The development community, both private and public, surely has the creative skills to formulate public-private partnerships to begin to make that land and those spaces serve multiple uses.

That might entail creative uses of ground leases, air rights, public anchor tenancies, master leasing and a wide variety of other mechanisms.

Can the development community be the leader in urging the public sector to reset its priorities so that the development community itself, both private and public, can build all these needed public and private places that its citizens so much need to live lives of meaning, with the resources to thrive in their jobs, their homes, their schools, their offices, shops, factories, hospitals, clinics, theaters, meeting halls and civic buildings? Can the development community help the public shift from short-term consumption to long-term investment?

The development community not only needs the work, it also has the skills to build, if only it can focus on development needs of the community, rather than on just what the financial sector will finance. The public sector needs to help get the development community back to work building the common wealth. Both the public and private sectors can profit from this course of action.



Respectfully yours,
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I want to especially acknowledge the financial contributions for this journal from the Oregon Association of Realtors and the RMLS.



In addition, we greatly appreciate the assistance of each of the following in the preparation of this journal:

- CB Richard Ellis
- City of Portland
- Colliers Multifamily Investment
- Cushman Wakefield
- Grubb & Ellis
- Mark Barry Associates
- Metro
- Norris Beggs & Simpson
- Realty Trust
- Scanlan Kemper Bard
- Sperry Van Ness Commercial Advisors
- State of Oregon
- TMT Development
- Willamette Valley MLS

