

SUBSTITUTE

ORDINANCE No. 178675

Create a local improvement district to construct aerial tram improvements in the Portland Aerial Tram Local Improvement District. (Hearing; Ordinance; C-10009)

The City of Portland ordains:

Section 1. The City Council finds:

1. The Portland Development Commission (PDC) approved the South Waterfront Central District Project Development Agreement on August 13, 2003.
2. The City Council approved Resolution #36163 accepting the South Waterfront Central District Project Development Agreement on August 14, 2003.
3. The South Waterfront Central District Project Development Agreement calls for the design and construction of an aerial tram connecting South Waterfront to the Marquam Hill Campus of Oregon Health and Science University (OHSU).
4. The South Waterfront Central District Project Development Agreement contains a funding and financing strategy for the Portland Aerial Tram, which includes the provision of funds from PDC, OHSU and local improvement districts (LIDs).
5. On June 10, 2004, the City Council adopted Resolution #36225 accepting petitions from owners of property in the Portland Aerial Tram Local Improvement District, declared its intent to initiate local improvement formation proceedings, and established the name of the local improvement district as the Portland Aerial Tram Local Improvement District.
6. On July 6, 2004, the City Auditor mailed notice of the July 29, 2004; local improvement district formation hearing to the owner of each specially benefited property within the proposed district. The specially benefited properties are legally described based on Multnomah County property tax records as of the filing date of this ordinance. Each property owner was notified of the time and location of the hearing conducted by City Council, the total estimated project costs for construction, the right and manner to object to the formation of the local improvement district, the deadline and procedure for filing remonstrances to the formation of the local improvement district, and the amount of the estimated assessment on specially benefited property as set forth in Exhibit A.
7. On July 9, 2004, six (6) notices of the local improvement district formation hearing were posted within the Portland Aerial Tram Local Improvement District.
8. On July 13 and July 14, 2004, the Local Improvement District Administrator published notice of the local improvement district formation hearing in the Daily Journal of Commerce.
9. The aerial tram improvements will be constructed with its eastern terminus on SW Gibbs Street between SW Bond Avenue and SW Moody Avenue, and with its western terminus at Oregon Health Sciences University's patient care facility on Marquam Hill.

10. The boundaries of the local improvement district shall include the properties as shown in Exhibit B.
11. The Local Improvement District Administrator's estimated cost of designing, constructing and financing the improvements is \$28,500,000.00 not including LID costs for Auditor's charges including financing estimated at \$431,125.12 as shown in Exhibit C. The Local Improvement District Administrator's estimate is based on the Engineer's Estimate as contained in Exhibit D. The estimated amount of the local improvement district assessment is \$19,431,125.12. The Portland Office of Transportation is absorbing overhead costs.
12. The Local Improvement District Administrator recommends that Council apportion local improvement district costs on a square footage basis, with assignment of benefit in the South Waterfront area divided into three (3) zones according to distance from the eastern tram landing, with Zone A being assessed \$3,500,000.00 plus an allocated portion of LID costs for Auditor's charges including financing, currently estimated at \$79,417.79; with Zone B North being assessed \$1,067,779.00 plus an allocated portion of LID costs for Auditor's charges including financing, currently estimated at \$24,228.75; with Zone B South being assessed \$1,371,982.00 plus an allocated portion of LID costs for Auditor's charges including financing, currently estimated at \$31,131.36; with Zone C being assessed \$1,060,239.00 plus an allocated portion of LID costs for Auditor's charges, including financing, currently estimated at \$24,057.67; and with assignment of benefit in the Marquam Hill area comprised in a single zone, with Zone D being assessed \$12,000,000.00 plus an allocated portion of LID costs for Auditor's charges including financing, currently estimated at \$272,289.55. Each parcel of land within the local improvement district receives special benefit from the project in the amounts set forth in Exhibit E.
13. The Local Improvement District Administrator has analyzed the financial feasibility of the district. The real market valuation of the assessed properties in the district is at least \$727,841,640 for a minimum assessment and outstanding liens to valuation ratio of 37.5 : 1.
14. The City Council has considered the remonstrances made by owners of specially benefited property.
15. Local improvement district assessments are an incurred charge and are not subject to the property tax limitation established by Article XI, Section 11b of the Oregon Constitution.

NOW, THEREFORE, the City Council directs:

- a. The Portland Aerial Tram Local Improvement District is hereby created as shown in Exhibit B and the district includes the specially benefited properties as identified in Exhibit A.
- b. The owners' estimated share of costs is as shown in Exhibit E, with overhead costs funded by the Office of Transportation. Any costs of necessary utility relocation as determined by the City Engineer shall be allocated to other bureaus and entities in accordance with City Code and the City's policy for allocation of utility relocation costs.
- c. Properties shall be assessed on a square footage basis within the four zones in the LID as indicated in Exhibit E.

- d. The City Engineer shall arrange for plans and specifications to be prepared for the improvement.
- e. The City Engineer shall arrange for construction of the local improvement.
- f. The improvements may be constructed in whole or in part by the City, or the City may seek bids for any portion of the local improvement. The manner in which the improvement is constructed shall be at the sole discretion of the City Engineer.
- g. The City Auditor to obtain interim financing required for the LID portion of the local aerial tram improvements.
- h. The City Council adopts the Summary of Remonstrances and its findings as set forth in Exhibit F.
- i. All remonstrances are overruled.

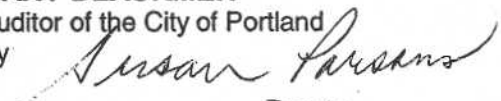
Passed by the Council, AUG 18 2004

Commissioner Jim Francesconi
Andrew Aebi:slg
August 10, 2004
Portland Aerial Tram Formation Ordinance rev1.doc

GARY BLACKMER

Auditor of the City of Portland

By


Deputy



VOLUME: 207
 CITY OF PORTLAND
 OFFICE OF THE CITY AUDITOR
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 ASSESSMENT NOTICE REGISTER

PAGE: 474
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TIME & MANNER: ORDINANCE #: 36225 DATE: 06/10/2004
 ASSESSING: ORDINANCE #: 0 DATE: 00/00/0000

AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT
 ACQUIRE AND INSTALL AERIAL TRAM EQUIPMENT AND TO DESIGN AND
 CONSTRUCT A BICABLE AERIAL TRAM SYSTEM

DATE OF NOTICE: 07/06/2004
 OBJECTION DATE: 07/22/2004
 HEARING DATE: 07/29/2004

ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R140910080 CNTY CODE: M ACCT #: 00135006 PROPERTY ID: R128973 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; TL 100 LOT 1-4 BLOCK 101	NWC/SW GROVER & SW M PORTLAND OR 97239 Z R Z REALTY CO 3121 SW MOODY AVE PORTLAND OR 97239-4500 PHONE NUMBER:	\$ 72,487.99 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R140911250 CNTY CODE: M ACCT #: 00135007 PROPERTY ID: R129046 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; LOT 1&2 BLOCK 119	3208 S C SW MOODY & SW G PORTLAND OR 97239 Z R Z REALTY CO 3121 SW MOODY AVE PORTLAND OR 97239-4500 PHONE NUMBER:	\$ 51,983.16 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R140911270 CNTY CODE: M ACCT #: 00135008 PROPERTY ID: R129047 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; LOT 3&4 BLOCK 119	3208 N C SW MOODY & SW G PORTLAND OR 97239 Z R Z REALTY CO 3121 SW MOODY AVE PORTLAND OR 97239-4500 PHONE NUMBER:	\$ 39,078.96 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R140911480 PROPERTY ID: R129052 LEGAL DESC: CARUTHERS ADD; LOT 1-4 BLOCK 122	CNTY CODE: M ACCT #: 00135009 - BOOK: PAGE: YEAR ACQ: 3325 SW MOODY AVE PORTLAND OR 97239 J E L C INC % COZZETTO, JAMES 6312 SW CAPITOL HWY PMB 411 PORTLAND OR 97239 PHONE NUMBER:	\$ 98,354.54 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
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TAX NMBR: R140911500 PROPERTY ID: R129053 LEGAL DESC: CARUTHERS ADD; TL 600 BLOCK 122	CNTY CODE: M ACCT #: 00135010 - BOOK: PAGE: YEAR ACQ: 3420 SW MACADAM AVE PORTLAND OR 97239 OREGON STATE OF (LEASED) JHI ENGINEERING #27501 355 CAPITOL ST NE #411 SALEM OR 97301-3871 PHONE NUMBER:	\$ 17,445.97 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
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TAX NMBR: R140911510 PROPERTY ID: R129054 LEGAL DESC: CARUTHERS ADD; EXC PT VAC ST-W 75' OF LOT 5 BLOCK 122; W 75' OF LOT 6 BLOCK 122; W 75' OF S 20' OF LOT 7 BLOCK 122	CNTY CODE: M ACCT #: 00135011 - BOOK: PAGE: YEAR ACQ: 3420 SW MACADAM AVE PORTLAND OR 97239 OREGON STATE OF (LEASED) JHI ENGINEERING #27501 355 CAPITOL ST NE #411 SALEM OR 97301-3871 PHONE NUMBER:	\$ 56,129.49 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
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TAX NMBR: R140913060 CNTY CODE: M ACCT #: 00135012 PROPERTY ID: R129165 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; INC PT VAC ST-W 75' OF BLOCK 138	3420 SW MACADAM AVE PORTLAND OR 97239	\$ 98,133.56
	THE JEH FAMILY LIMITED PARTNERSHIP 17007 CRESTVIEW DR LAKE OSWEGO OR 97034	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R140913120 CNTY CODE: M ACCT #: 00135013 PROPERTY ID: R129166 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; INC PT VAC ST-E 125' OF BLOCK 138	3419 SW MOODY AVE PORTLAND OR 97239	\$ 142,870.83
	MOODY STREET PARTNERS L L C 1530 SW TAYLOR ST PORTLAND OR 97205	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R140913370 CNTY CODE: M ACCT #: 00135014 PROPERTY ID: R129170 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; LOT 1-3 BLOCK 141; INC PT VAC ST LOT 4&5 BLOCK 141; LOT 6-8 BLOCK 141	3516 SW MACADAM AVE PORTLAND OR 97239	\$ 86,227.09
	GRUNBAUM,HANS H TR & GRUNBAUM,MARILYN K TR 21390 SW EDY RD SHERWOOD OR 97140	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R140914680 PROPERTY ID: R129238 LEGAL DESC: CARUTHERS ADD; INC PT VAC ST LOT 1&8 BLOCK 156; LOT 2-7 BLOCK 156	CNTY CODE: M ACCT #: 00135015 - BOOK: PAGE: YEAR ACQ:	3604 SW MACADAM AVE PORTLAND OR 97239	\$ 86,273.75
ADDL LEGAL DESC:		GRUNBAUM, HANS H TR & GRUNBAUM, MARILYN K TR 21390 SW EDY RD SHERWOOD OR 97140 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R140914720 PROPERTY ID: R129239 LEGAL DESC: CARUTHERS ADD; INC VAC ST BLOCK 140&157	CNTY CODE: M ACCT #: 00135016 - BOOK: PAGE: YEAR ACQ:	3508 SW MOODY AVE PORTLAND OR 97239	\$ 149,845.62
ADDL LEGAL DESC:		PS PARTNERS VII LTD % DEPT PT OR 23723 P O BOX 25025 GLENDALE CA 91201-5025 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R140914790 PROPERTY ID: R129240 LEGAL DESC: CARUTHERS ADD; TL 800 BLOCK 158&173	CNTY CODE: M ACCT #: 00135017 - BOOK: PAGE: YEAR ACQ:	3732 SW MOODY AVE PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		ALLDECK INC 3732 SW MOODY AVE PORTLAND OR 97239 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R140914860 CNTY CODE: M ACCT #: 00135018 PROPERTY ID: R129241 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; TL 900 BLOCK 158	3732 SW MOODY AVE PORTLAND OR 97239 ALLDECK INC 3732 SW MOODY AVE PORTLAND OR 97239 PHONE NUMBER:	\$ 73,518.16 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R140914960 CNTY CODE: M ACCT #: 00135019 PROPERTY ID: R129243 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; INC PT VAC ST BLOCK 159; LAND & IMPS ALS O SEE -4961	3714 SW MACADAM AVE PORTLAND OR 97239 LA GRAND INDUSTRIAL SUPPLY CO> 2620 SW 1ST AVE PORTLAND OR 97201-4743 PHONE NUMBER:	\$ 86,145.44 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R140916080 CNTY CODE: M ACCT #: 00135020 PROPERTY ID: R129289 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: CARUTHERS ADD; INC PT VAC SW LANE ST N OF & ACCR BLOCK 172	3839 SW MOODY AVE PORTLAND OR 97239 LA GRAND INDUSTRIAL SUPPLY CO> 2620 SW 1ST AVE PORTLAND OR 97201-4743 PHONE NUMBER:	\$ 88,109.03 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R140916160 PROPERTY ID: R129291 LEGAL DESC: CARUTHERS ADD; TL 700 BLOCK 173	CNTY CODE: M ACCT #: 00135021 - BOOK: PAGE: YEAR ACQ:	0601 SW ABERNETHY ST PORTLAND OR 97239 Z V COMPANY INC PO BOX 64686 TACOMA WA 98466 PHONE NUMBER:	\$ 75,022.94 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
ADDL LEGAL DESC:			

TAX NMBR: R140916260 PROPERTY ID: R129293 LEGAL DESC: CARUTHERS ADD; LOT 1-3 BLOCK 174; INC PT VAC ST LOT 4&5 BLOCK 174; LOT 6-8 BLOCK 174	CNTY CODE: M ACCT #: 00135022 - BOOK: PAGE: YEAR ACQ:	BET MOODY & BOND PORTLAND OR 97239 O S F INTERNATIONAL INC 0715 SW BANCROFT PORTLAND OR 97239 PHONE NUMBER:	\$ 32,686.68 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
ADDL LEGAL DESC:			

TAX NMBR: R140916340 PROPERTY ID: R129295 LEGAL DESC: CARUTHERS ADD; BLOCK 175	CNTY CODE: M ACCT #: 00135023 - BOOK: PAGE: YEAR ACQ:	3930 SW MACADAM AVE PORTLAND OR 97239 OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098 PHONE NUMBER:	\$ 28,912.15 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
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TAX NMBR: R140917310 PROPERTY ID: R129339 LEGAL DESC: CARUTHERS ADD; TL 600 BLOCK 188; LAND & IMPS ALSO SEE - 7311	CNTY CODE: M ACCT #: 00135024 - BOOK: PAGE: YEAR ACQ:	4000 SW MACADAM AVE PORTLAND OR 97239	\$ 17,795.59
ADDL LEGAL DESC:		PASCUZZI, ARTHUR & PASCUZZI, ERNEST & PASCUZZI, PASQUALE 10250 SW NORTH DAKOTA ST TIGARD OR 97223-4237	\$ 0.00 INV #: 0.00 SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R140917370 PROPERTY ID: R129341 LEGAL DESC: CARUTHERS ADD; EXC E 50' LOT 6 BLOCK 188; EXC E 50'-S 1 5' OF LOT 7 BLOCK 188	CNTY CODE: M ACCT #: 00135025 - BOOK: PAGE: YEAR ACQ:	4026 SW MACADAM AVE PORTLAND OR 97239	\$ 1,889.10
ADDL LEGAL DESC:		PORTLAND CITY OF % BES FACILITIES/ADMIN SVCS 1120 SW 5TH AVE #1000 PORTLAND OR 97204-1912	\$ 0.00 INV #: 0.00 SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R140917400 PROPERTY ID: R129344 LEGAL DESC: CARUTHERS ADD; INC PT VAC ST LOT 1&8 BLOCK 189; LOT 2&7 BLOCK 189; EXC PT IN ST LOT 3&6 BLOCK 189	CNTY CODE: M ACCT #: 00135026 - BOOK: PAGE: YEAR ACQ:	PORTLAND OR 97239	\$ 20,280.87
ADDL LEGAL DESC:		O S F INTERNATIONAL INC 0715 SW BANCROFT PORTLAND OR 97239	\$ 0.00 INV #: 0.00 SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R882450010 PROPERTY ID: R543801 LEGAL DESC: WATERFRONT SOUTH, LOT A	CNTY CODE: M ACCT #: 00135027 - BOOK: PAGE: YEAR ACQ:	OR	\$ 0.00
ADDL LEGAL DESC:	RIVER CAMPUS INVESTORS LLC % WILLAMS & DAME DEVELOPMENT 1325 NW FLANDERS ST PORTLAND OR 97209		\$ 0.00
	PHONE NUMBER:		INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R882450020 PROPERTY ID: R543802 LEGAL DESC: WATERFRONT SOUTH, LOT B	CNTY CODE: M ACCT #: 00135028 - BOOK: PAGE: YEAR ACQ:	OR	\$ 0.00
ADDL LEGAL DESC:	CITY OF PORTLAND C/O PORTLAND OFFICE OF TRANSPORTATION ATTN MATT BROWN 1120 SW 5TH AVE #800 PORTLAND OR 97204		\$ 0.00
	PHONE NUMBER:		INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R882450030 PROPERTY ID: R543803 LEGAL DESC: WATERFRONT SOUTH, LOT C	CNTY CODE: M ACCT #: 00135029 - BOOK: PAGE: YEAR ACQ:	OR	\$ 361.61
ADDL LEGAL DESC:	CITY OF PORTLAND C/O PORTLAND OFFICE OF TRANSPORTATION ATTN MATT BROWN 1120 SW 5TH AVE #800 PORTLAND OR 97204		\$ 0.00
	PHONE NUMBER:		INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R882450050 CNTY CODE: M ACCT #: 00135030 PROPERTY ID: R543804 - BOOK: PAGE: LEGAL DESC: YEAR ACQ:	OR	\$ 569,802.67
WATERFRONT SOUTH, LOT 1	RIVER CAMPUS INVESTORS LLC % WILLAMS & DAME DEVELOPMENT 1325 NW FLANDERS ST PORTLAND OR 97209	\$ 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R882450100 CNTY CODE: M ACCT #: 00135031 PROPERTY ID: R543805 - BOOK: PAGE: LEGAL DESC: YEAR ACQ:	3400 SW BOND AVE PORTLAND OR 97201	\$ 255,879.97
WATERFRONT SOUTH, LOT 2, LAND & IMPS, SEE R545582 FOR MA CH & EQUIP	OREGON HEALTH & SCIENCE UNIVERSITY ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R882450150 CNTY CODE: M ACCT #: 00135032 PROPERTY ID: R543806 - BOOK: PAGE: LEGAL DESC: YEAR ACQ:	OR	\$ 255,874.16
WATERFRONT SOUTH, LOT 3	OREGON HEALTH & SCIENCE UNIVERSITY ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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ACQUIRE AND INSTALL AERIAL TRAM EQUIPMENT AND TO DESIGN AND
CONSTRUCT A BICABLE AERIAL TRAM SYSTEM

DATE OF NOTICE: 07/06/2004
OBJECTION DATE: 07/22/2004
HEARING DATE: 07/29/2004

ACCOUNT NUMBER	PROPERTY ADDRESS	ASMT AMT
LEGAL DESCRIPTION	MAILING NAME	ASSESSED VAL
	MAILING ADDRESS	

TAX NMBR: R882450200 PROPERTY ID: R543807 LEGAL DESC: WATERFRONT SOUTH, LOT 4	CNTY CODE: M ACCT #: 00135033 - BOOK: PAGE: YEAR ACQ:	OR	\$ 202,542.78
ADDL LEGAL DESC:		NORTH MACADAM INVESTORS LLC 1325 NW FLANDERS ST PORTLAND OR 97209 PHONE NUMBER:	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R882450250 PROPERTY ID: R543808 LEGAL DESC: WATERFRONT SOUTH, LOT 5	CNTY CODE: M ACCT #: 00135034 - BOOK: PAGE: YEAR ACQ:	OR	\$ 188,664.54
ADDL LEGAL DESC:		BLOCK 30 INVESTORS LLC % NORTH MACADAM INVESTORS LLC 1325 NW FLANDERS ST PORTLAND OR 97209-2619 PHONE NUMBER:	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R882450300 PROPERTY ID: R543809 LEGAL DESC: WATERFRONT SOUTH, LOT 6	CNTY CODE: M ACCT #: 00135035 - BOOK: PAGE: YEAR ACQ:	OR	\$ 98,498.59
ADDL LEGAL DESC:		NORTH MACADAM INVESTORS LLC 1325 NW FLANDERS ST PORTLAND OR 97209 PHONE NUMBER:	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT
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ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
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TAX NMBR: R991090350 PROPERTY ID: R327724 LEGAL DESC: SECTION 09 1S 1E; TL 1200 32.98 ACRES	CNTY CODE: M ACCT #: 00135039 - BOOK: PAGE: YEAR ACQ:	PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991090390 PROPERTY ID: R327728 LEGAL DESC: SECTION 09 1 S 1 E; TL 4500 1.99 ACRES	CNTY CODE: M ACCT #: 00135040 - BOOK: PAGE: YEAR ACQ:	PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF STATE HIGHWAY SALEM OR 97310-0001	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991090410 PROPERTY ID: R327730 LEGAL DESC: SECTION 09 1 S 1 E; TL 3800 0.09 ACRES	CNTY CODE: M ACCT #: 00135041 - BOOK: PAGE: YEAR ACQ:	700 SW CAMPUS DR PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R991090420 CNTY CODE: M ACCT #: 00135042 PROPERTY ID: R327731 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1 S 1 E; TL 3700 0.07 ACRES	3251 SW SAM JACKSON PARK RD PORTLAND OR 97239	\$ 0.00
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM	\$ 0.00
	MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991090430 CNTY CODE: M ACCT #: 00135043 PROPERTY ID: R327732 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1 S 1 E; TL 3500 0.12 ACRES	3251 SW SAM JACKSON PARK RD PORTLAND OR 97239	\$ 0.00
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM	\$ 0.00
	MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991090460 CNTY CODE: M ACCT #: 00135044 PROPERTY ID: R327734 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1S 1E; TL 600 14.20 ACRES	3181 SW SAM JACKSON RD PORTLAND OR 97239	\$3,008,085.04
	OREGON STATE OF(MEDICAL DEPT) - % OHSU ATTN STEVE STADUM	\$ 0.00
	MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R991090480 PROPERTY ID: R327736 LEGAL DESC: SECTION 09 1 S 1 E; TL 500 7.41 ACRES	CNTY CODE: M ACCT #: 00135045 - BOOK: PAGE: YEAR ACQ:	745 SW GAINES ST PORTLAND OR 97239	\$1,607,480.87 \$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991090550 PROPERTY ID: R327744 LEGAL DESC: SECTION 09 1 S 1 E; TL 200 18.20 ACRES LAND & IMPS ALSO SEE -0552 & -0555	CNTY CODE: M ACCT #: 00135046 - BOOK: PAGE: YEAR ACQ:	3251 SW SAM JACKSON PARK RD PORTLAND OR 97239	\$5,543,293.93 \$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991090620 PROPERTY ID: R327752 LEGAL DESC: SECTION 09 1 S 1 E; TL 3200 1.64 ACRES	CNTY CODE: M ACCT #: 00135047 - BOOK: PAGE: YEAR ACQ:	840 SW GAINES ST PORTLAND OR 97239	\$ 0.00 \$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF (U OF O MEDICAL SCHOOL ATT STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R991090720 CNTY CODE: M ACCT #: 00135048 PROPERTY ID: R327758 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1 S 1 E; TL 100 0.36 ACRES	3251 SW SAM JACKSON PARK RD PORTLAND OR 97239	\$ 0.00
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM	\$ 0.00
	MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991090830 CNTY CODE: M ACCT #: 00135049 PROPERTY ID: R327765 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1 S 1 E; TL 8000 0.18 ACRES	3181 SW SAM JACKSON PARK RD PORTLAND OR 97239	\$ 0.00
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM	\$ 0.00
	MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991090860 CNTY CODE: M ACCT #: 00135050 PROPERTY ID: R327768 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1 S 1 E; TL 8100 0.32 ACRES	3181 SW SAM JACKSON PARK RD PORTLAND OR 97239	\$ 0.00
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM	\$ 0.00
	MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R991091030 PROPERTY ID: R327784 LEGAL DESC: SECTION 09 1S 1E; TL 500 1.94 ACRES LAND & IMPS ALSO SE E -1031	CNTY CODE: M ACCT #: 00135051 - BOOK: PAGE: YEAR ACQ:	3310 SW US VETERANS HOSPITAL RD PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991091430 PROPERTY ID: R327818 LEGAL DESC: SECTION 09 1 S 1 E; TL 1100 8.63 ACRES	CNTY CODE: M ACCT #: 00135052 - BOOK: PAGE: YEAR ACQ:	PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991091570 PROPERTY ID: R327831 LEGAL DESC: SECTION 09 1S 1E; TL 300 0.01 ACRES	CNTY CODE: M ACCT #: 00135053 - BOOK: PAGE: YEAR ACQ:	SW SAM JACKSON PARK RD PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		PORTLAND CITY OF % CITY AUDITOR 1220 SW 5TH AVE STE 202 PORTLAND OR 97204-1906	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R991091580 CNTY CODE: M ACCT #: 00135054 PROPERTY ID: R327832 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1S 1E; TL 400 0.02 ACRES LAND & AIR SPACE	3710 SW US VETERANS HOSPITAL RD PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:	UNITED STATES OF AMERICA DEPT OF VETS AFFAIRS PROJECT & PROPERTY MGMT 810 VERMONT AV NW WASHINGTON DC 20420	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991091600 CNTY CODE: M ACCT #: 00135055 PROPERTY ID: R327834 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1S 1E; TL 100 0.65 ACRES; LAND & PARKING ST RUCTURE; ALSO SEE R327835	3147 SW SAM JACKSON PARK RD PORTLAND OR 97239	\$ 124,414.44
ADDL LEGAL DESC:	OREGON STATE OF(LSD BRIM/OHSU> ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991091670 CNTY CODE: M ACCT #: 00135056 PROPERTY ID: R327842 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1S 1E; TL 100 0.48 ACRES	840 SW GAINES ST PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:	OREGON STATE OF (U OF O MEDICAL SCHOOL ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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TAX NMBR: R991091680 CNTY CODE: M ACCT #: 00135057	3147 SW SAM JACKSON PARK RD	\$ 6,414.86
PROPERTY ID: R327843 - BOOK: PAGE:	PORTLAND OR 97239	
LEGAL DESC: YEAR ACQ:	OREGON STATE OF (MEDICAL DEPT> - % OHSU	\$ 0.00
SECTION 09 1S 1E; TL 200 0.03 ACRES	ATTN STEVE STADUM	
	MAIL STOP: L101	INV #:
	3181 SW SAM JACKSON PARK RD	SQ FT: 0.00
	PORTLAND OR 97239-3098	# BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001
		OPTION: 01

TAX NMBR: R991091700 CNTY CODE: M ACCT #: 00135058	3147 SW SAM JACKSON PARK RD	\$ 31,640.19
PROPERTY ID: R327845 - BOOK: PAGE:	PORTLAND OR 97239	
LEGAL DESC: YEAR ACQ:	OREGON STATE OF (BRD HIGHER ED) - % OHSU	\$ 0.00
SECTION 09 1S 1E; TL 300 0.23 ACRES	ATTN STEVE STADUM	
	MAIL STOP: L101	INV #:
	3181 SW SAM JACKSON PARK RD	SQ FT: 0.00
	PORTLAND OR 97239-3098	# BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001
		OPTION: 01

TAX NMBR: R991091710 CNTY CODE: M ACCT #: 00135059	3310 SW US VETERANS HOSPITAL RD	\$ 335,545.19
PROPERTY ID: R327846 - BOOK: PAGE:	PORTLAND OR 97239	
LEGAL DESC: YEAR ACQ:	OREGON STATE OF (BRD HIGHER ED) - % OHSU	\$ 0.00
SECTION 09 1S 1E; TL 400 2.09 ACRES	ATTN STEVE STADUM	
	MAIL STOP: L101	INV #:
	3181 SW SAM JACKSON PARK RD	SQ FT: 0.00
	PORTLAND OR 97239-3098	# BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001
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TAX NMBR: R991091720 CNTY CODE: M ACCT #: 00135060 PROPERTY ID: R327847 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1S 1E; TL 1300 7.96 ACRES	3310 SW US VETERANS HOSPITAL RD PORTLAND OR 97239	\$ 0.00
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991091730 CNTY CODE: M ACCT #: 00135061 PROPERTY ID: R327848 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1S 1E; TL 173 8.23 ACRES	3310 SW US VETERANS HOSPITAL RD PORTLAND OR 97239	\$1,615,415.03
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991091740 CNTY CODE: M ACCT #: 00135062 PROPERTY ID: R327849 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 09 1S 1E; TL 1500 3.59 ACRES	3310 SW US VETERANS HOSPITAL RD PORTLAND OR 97239	\$ 0.00
	OREGON STATE OF(BRD HIGHER ED) - % OHSU ATTN STEVE STADUM MAIL STOP: L101 3181 SW SAM JACKSON PARK RD PORTLAND OR 97239-3098	\$ 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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	MAILING ADDRESS	

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TAX NMBR: R991100010	CNTY CODE: M ACCT #: 00135063	3121 SW MOODY AVE	\$ 588,040.53
PROPERTY ID: R327850	- BOOK: PAGE:	PORTLAND OR 97239	
LEGAL DESC:	YEAR ACQ:	Z R Z REALTY CO	\$ 0.00
SECTION 10 1 S 1 E; TL 300 15.69 ACRES			

ADDL LEGAL DESC:	3121 SW MOODY AVE	INV #:	
	PORTLAND OR 97239-4500	SQ FT:	0.00
	PHONE NUMBER:	# BRANCH:	0.00
		FINANCE PLAN: 0001	
		OPTION:	01

TAX NMBR: R991100020	CNTY CODE: M ACCT #: 00135064	HOOKER & SW MOODY AV	\$ 162,028.26
PROPERTY ID: R327852	- BOOK: PAGE:	PORTLAND OR 97201	
LEGAL DESC:	YEAR ACQ:	PORTLAND CITY OF	\$ 0.00
SECTION 10 1 S 1 E; TL 200 2.35 ACRES		% TRANSPORTATION ENGINEERING	

ADDL LEGAL DESC:	ATTN TROLLEY PROGRAM	INV #:	
	1120 SW 5TH AV #802	SQ FT:	0.00
	PORTLAND OR 97204-1971	# BRANCH:	0.00
	PHONE NUMBER:	FINANCE PLAN: 0001	
		OPTION:	01

TAX NMBR: R991100050	CNTY CODE: M ACCT #: 00135065	4110 SW MACADAM AVE	\$ 12,947.66
PROPERTY ID: R327855	- BOOK: PAGE:	PORTLAND OR 97239	
LEGAL DESC:	YEAR ACQ:	PASCUZZI INVESTMENT LLC	\$ 0.00
SECTION 10 1 S 1 E; TL 200 0.45 ACRES			

ADDL LEGAL DESC:	10250 SW NORTH DAKOTA ST	INV #:	
	TIGARD OR 97223-4237	SQ FT:	0.00
	PHONE NUMBER:	# BRANCH:	0.00
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 OBJECTION DATE: 07/22/2004
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ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R991100060 PROPERTY ID: R327856 LEGAL DESC: SECTION 10 1 S 1 E; TL 300 0.40 ACRES LAND & IMPS ALSO SEE -0061	4118 SW MACADAM AVE PORTLAND OR 97239 PASCUZZI INVESTMENT LLC	\$ 10,786.90 \$ 0.00
ADDL LEGAL DESC:	10250 SW NORTH DAKOTA ST TIGARD OR 97223 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100420 PROPERTY ID: R327878 LEGAL DESC: SECTION 10 1S 1E; TL 200 13.98 ACRES, LAND & IMPS	3121 SW MOODY AVE PORTLAND OR 97239 Z R Z REALTY CO	\$1,421,788.53 \$ 0.00
ADDL LEGAL DESC:	3121 SW MOODY AVE PORTLAND OR 97239-4500 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100590 PROPERTY ID: R327889 LEGAL DESC: SECTION 10 1 S 1 E; TL 200 9.99 ACRES	3510 SW BOND AVE PORTLAND OR 97239 NORTH MACADAM INVESTORS LLC	\$ 406,304.34 \$ 0.00
ADDL LEGAL DESC:	1325 NW FLANDERS ST PORTLAND OR 97209 PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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TIME & MANNER: ORDINANCE #: 36225 DATE: 06/10/2004
 ASSESSING: ORDINANCE #: 0 DATE: 00/00/0000

AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT
 ACQUIRE AND INSTALL AERIAL TRAM EQUIPMENT AND TO DESIGN AND
 CONSTRUCT A BICABLE AERIAL TRAM SYSTEM

DATE OF NOTICE: 07/06/2004
 OBJECTION DATE: 07/22/2004
 HEARING DATE: 07/29/2004

ACCOUNT NUMBER	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
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TAX NMBR: R991100600 PROPERTY ID: R327891 LEGAL DESC: SECTION 10 1 S 1 E; TL 300 7.68 ACRES	CNTY CODE: M ACCT #: 00135069 - BOOK: PAGE: YEAR ACQ:	3510 SW BOND AVE PORTLAND OR 97239	\$ 132,143.91
ADDL LEGAL DESC:		THE LANDING AT MACADAM LLC	\$ 0.00
		350 BRIDGE PARKWAY REDWOOD CITY CA 94065	INV #: SQ FT: 0.00 # BRANCH: 0.00
		PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991100610 PROPERTY ID: R327894 LEGAL DESC: SECTION 10 1 S 1 E; TL 400 2.15 ACRES	CNTY CODE: M ACCT #: 00135070 - BOOK: PAGE: YEAR ACQ:	SW BOND AVE PORTLAND OR 97239	\$ 32,686.68
ADDL LEGAL DESC:		THE LANDING AT MACADAM LLC	\$ 0.00
		350 BRIDGE PARKWAY REDWOOD CITY CA 94065	INV #: SQ FT: 0.00 # BRANCH: 0.00
		PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991100630 PROPERTY ID: R327897 LEGAL DESC: SECTION 10 1 S 1 E; TL 200 13.51 ACRES	CNTY CODE: M ACCT #: 00135071 - BOOK: PAGE: YEAR ACQ:	SW MOODY AVE PORTLAND OR 97201	\$ 380,960.83
ADDL LEGAL DESC:		SCHNITZER INVESTMENT CORP	\$ 0.00
		3200 NW YEON AVE PORTLAND OR 97210-0047	INV #: SQ FT: 0.00 # BRANCH: 0.00
		PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

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AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT
ACQUIRE AND INSTALL AERIAL TRAM EQUIPMENT AND TO DESIGN AND
CONSTRUCT A BICABLE AERIAL TRAM SYSTEM

DATE OF NOTICE: 07/06/2004
OBJECTION DATE: 07/22/2004
HEARING DATE: 07/29/2004

ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R991100640 CNTY CODE: M ACCT #: 00135072 PROPERTY ID: R327900 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1 S 1 E; 2.77 ACRES	3030 SW MOODY AVE PORTLAND OR 97201 SWINERTON REAL ESTATE INC 6890 W 52ND AVE #220 ARVADA CO 80002 PHONE NUMBER:	\$ 237,607.24 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100660 CNTY CODE: M ACCT #: 00135073 PROPERTY ID: R327903 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1 S 1 E; TL 200 0.03 ACRES	PORTLAND OR 97239 CITY OF PORTLAND C/O PORTLAND OFFICE OF TRANSPORTATION ATTN MATT BROWN 1120 SW 5TH AVE #800 PORTLAND OR 97204 PHONE NUMBER:	\$ 1,077.07 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100690 CNTY CODE: M ACCT #: 00135074 PROPERTY ID: R327905 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1 S 1 E; TL 100 0.09 ACRES	SW MOODY AVE PORTLAND OR 97201 OREGON STATE OF (DEPT OF TRANS> 123 NW FLANDERS ST PORTLAND OR 97209 PHONE NUMBER:	\$ 612.32 \$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT
 ACQUIRE AND INSTALL AERIAL TRAM EQUIPMENT AND TO DESIGN AND
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DATE OF NOTICE: 07/06/2004
 OBJECTION DATE: 07/22/2004
 HEARING DATE: 07/29/2004

ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R991100730 CNTY CODE: M ACCT #: 00135075 PROPERTY ID: R327910 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1 S 1 E; TL 400 1.84 ACRES	0720 SW BANCROFT ST PORTLAND OR 97239	\$ 55,860.31
	T & E INVESTMENTS	\$ 0.00
ADDL LEGAL DESC:	690 SW BANCROFT ST PORTLAND OR 97201-4244	INV #: SQ FT: 0.00 # BRANCH: 0.00
	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100740 CNTY CODE: M ACCT #: 00135076 PROPERTY ID: R327911 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1 S 1 E; TL 300 1.97 ACRES	0680 SW BANCROFT ST PORTLAND OR 97239	\$ 56,893.33
	L & P PROPERTY MANAGEMENT CO % LEGGETT & PLATT INC	\$ 0.00
ADDL LEGAL DESC:	TAX DEPT PO BOX 757 CARTHAGE MO 64836	INV #: SQ FT: 0.00 # BRANCH: 0.00
	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100790 CNTY CODE: M ACCT #: 00135077 PROPERTY ID: R327917 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1 S 1 E; TL 500 1.95 ACRES	0710 SW BANCROFT ST PORTLAND OR 97239	\$ 19,404.23
	T & E INVESTMENTS	\$ 0.00
ADDL LEGAL DESC:	690 SW BANCROFT ST PORTLAND OR 97201-4244	INV #: SQ FT: 0.00 # BRANCH: 0.00
	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

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TIME & MANNER: ORDINANCE #: 36225 DATE: 06/10/2004
 ASSESSING: ORDINANCE #: 0 DATE: 00/00/0000

AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT
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DATE OF NOTICE: 07/06/2004
 OBJECTION DATE: 07/22/2004
 HEARING DATE: 07/29/2004

ACCOUNT NUMBER LEGAL DESCRIPTION	PROPERTY ADDRESS MAILING NAME MAILING ADDRESS	ASMT AMT ASSESSED VAL
TAX NMBR: R991100800 CNTY CODE: M ACCT #: 00135078 PROPERTY ID: R327918 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1 S 1 E; TL 500 1.24 ACRES	4310 SW MACADAM AVE PORTLAND OR 97239	\$ 36,495.72
	LINDQUIST,STUART H & JANICE J P O BOX 42135 PORTLAND OR 97242-0135	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100850 CNTY CODE: M ACCT #: 00135079 PROPERTY ID: R327921 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1S 1E; TL 300 1.51 ACRES	2510 SW MOODY AVE PORTLAND OR 97201	\$ 51,734.09
	OREGON STATE OF (DEPT OF TRANS> 123 NW FLANDERS ST PORTLAND OR 97209-4012	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01
TAX NMBR: R991100870 CNTY CODE: M ACCT #: 00135080 PROPERTY ID: R327923 - BOOK: PAGE: LEGAL DESC: YEAR ACQ: SECTION 10 1S 1E; TL 100 4.20 ACRES	0715 SW BANCROFT ST PORTLAND OR 97239	\$ 73,780.71
	O S F INTERNATIONAL INC TO PROPERTY TAX DEPT 0715 SW BANCROFT PORTLAND OR 97239	\$ 0.00 INV #: SQ FT: 0.00 # BRANCH: 0.00
ADDL LEGAL DESC:	PHONE NUMBER:	FINANCE PLAN: 0001 OPTION: 01

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TIME & MANNER: ORDINANCE #: 36225 DATE: 06/10/2004
 ASSESSING: ORDINANCE #: 0 DATE: 00/00/0000

AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT DATE OF NOTICE: 07/06/2004
 ACQUIRE AND INSTALL AERIAL TRAM EQUIPMENT AND TO DESIGN AND OBJECTION DATE: 07/22/2004
 CONSTRUCT A BICABLE AERIAL TRAM SYSTEM HEARING DATE: 07/29/2004

ACCOUNT NUMBER	PROPERTY ADDRESS	ASMT AMT
LEGAL DESCRIPTION	MAILING NAME	ASSESSED VAL
	MAILING ADDRESS	

TAX NMBR: R991100900 PROPERTY ID: R327925 LEGAL DESC: SECTION 10 1S 1E; TL 400 0.24 ACRES	CNTY CODE: M ACCT #: 00135081 - BOOK: PAGE: YEAR ACQ:	PORTLAND OR 97239	\$ 7,596.06
ADDL LEGAL DESC:		PORTLAND CITY OF % TRANSPORTATION ENGINEERING ATTN TROLLEY PROGRAM 1120 SW 5TH AV #802 PORTLAND OR 97204-1971	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991100910 PROPERTY ID: R327927 LEGAL DESC: SECTION 10 1S 1E; TL 600 0.64 ACRES	CNTY CODE: M ACCT #: 00135082 - BOOK: PAGE: YEAR ACQ:	PORTLAND OR 97239	\$ 0.00
ADDL LEGAL DESC:		PORTLAND CITY OF % TRANSPORTATION ENGINEERING ATTN TROLLEY PROGRAM 1120 SW 5TH AV #802 PORTLAND OR 97204-1971	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

TAX NMBR: R991100930 PROPERTY ID: R327930 LEGAL DESC: SECTION 10 1S 1E; TL 101 0.89 ACRES	CNTY CODE: M ACCT #: 00135083 - BOOK: PAGE: YEAR ACQ:	0715 SW BANCROFT ST PORTLAND OR 97239	\$ 26,564.17
ADDL LEGAL DESC:		O S F INTERNATIONAL INC 0715 SW BANCROFT PORTLAND OR 97239	\$ 0.00
		PHONE NUMBER:	INV #: SQ FT: 0.00 # BRANCH: 0.00 FINANCE PLAN: 0001 OPTION: 01

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ASSESSING: ORDINANCE #: 0 DATE: 00/00/0000

AUDITOR'S FILE NO. C10009 PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT
ACQUIRE AND INSTALL AERIAL TRAM EQUIPMENT AND TO DESIGN AND
CONSTRUCT A BICABLE AERIAL TRAM SYSTEM

DATE OF NOTICE: 07/06/2004
OBJECTION DATE: 07/22/2004
HEARING DATE: 07/29/2004

ACCOUNT NUMBER	PROPERTY ADDRESS	ASMT AMT
LEGAL DESCRIPTION	MAILING NAME	ASSESSED VAL
	MAILING ADDRESS	

TOTAL NUMBER OF ACCOUNTS: 78
TOTAL PROPERTY ASSESSMENT: \$ 19,431,125.12

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AAAAAAAAAAAA	UU	UU	DD	DD	11	66666666666666	11 00 00
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CITY OF PORTLAND, OREGON
 BUREAU OF TRANSPORTATION ENGINEERING AND DEVELOPMENT

LOCAL IMPROVEMENT DISTRICT ADMINISTRATOR'S PRELIMINARY ESTIMATE
 of the various kinds of work performed in the aerial tram improvement of:

Portland Aerial Tram Local Improvement District

Construction

Construction Estimate		
Upper Station	\$ 8,042,000.00	
PCF Shoring Allowance	\$ 250,000.00	
Tower	\$ 2,187,000.00	
Lower Station	\$ 2,773,000.00	
Base Tramway per Doppelmayr Bid	\$ 6,645,700.00	
Allowance for Custom Cabin Design	\$ 600,000.00	
		\$ 20,497,700.00

Engineering & Project Management

\$ 5,508,347.00

Contingency

Contingency for Design Development @ 10%	\$ 1,325,200.00	
Escalation to Midpoint @ 3.34%	\$ 450,568.00	
Owner Contingency	\$ 718,185.00	
		\$ 2,493,953.00

Auditor's Costs

LID Construction Fund - Progress Payment Interest	\$ 344,687.39	
LID Construction Fund - Superintendence	\$ 84,729.73	
Recording	\$ 1,708.00	
		\$ 431,125.12

TOTAL PROJECT & LID COSTS

\$ 28,931,125.12

Property Owner Share

Local Improvement District assessment	\$ 19,431,125.12	
		\$ 19,431,125.12

Other Funding

Funding per Development Agreement	\$ 9,500,000.00	
		\$ 9,500,000.00

TOTAL PROJECT & LID FUNDING

\$ 28,931,125.12

**ESTIMATE
100% DESIGN DEVELOPMENT SUMMARY**

CIVIL CONSTRUCTION COSTS **100% Design Development Cost Estimate**

PLANNED CONSTRUCTION COSTS

UPPER STATION	\$8,042,000
PCF SHORING ALLOWANCE	\$250,000
TOWER	\$2,187,000
LOWER STATION	\$2,773,000

PLANNED CONSTRUCTION COST **\$13,252,000**

CONTINGENCIES

CONTINGENCY FOR DESIGN DEVELOPMENT @ 10%	\$1,325,200
ESCALATION TO MIDPOINT @ 3.34%	\$450,568

TOTAL CIVIL PLANNED CONSTRUCTION COST **\$15,027,768**

TRAMWAY COSTS

BASE TRAMWAY PER DOPPELMAYR BID	\$6,645,700
ALLOWANCE FOR CUSTOM CABIN DESIGN	\$600,000

TOTAL TRAMWAY COST **\$7,245,700**

TOTAL PROJECT CONSTRUCTION COST **\$22,273,468**

SOFT COSTS **\$5,508,347**

OWNER CONTINGENCY **\$718,185**

TOTAL PROJECT COST **\$28,500,000**

PROJECT BUDGET **\$28,500,000**

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EXHIBIT D



CITY OF
PORTLAND
 OFFICE OF
TRANSPORTATION

EXHIBIT F

Jim Francesconi, Commissioner
 1120 S.W. 5th Avenue, Suite 800
 Portland, Oregon 97204-1914
 (503) 823-5185
 FAX (503) 823-7576 or 823-7371
 TDD 823-6868

Brant
 Williams
 Director

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Eileen
 Argentina
 System
 Management

Bryant
 Engé
 Finance

Don
 Gardner
 Engineering &
 Development

Jeanne
 Nyquist
 Maintenance

Laurel
 Wentworth
 Planning

SUMMARY OF REMONSTRANCES

August 4, 2004

Create a local improvement district to construct aerial tram improvements in the Portland Aerial Tram Local Improvement District. (Hearing; Ordinance; C-10009)

The City Council has considered the remonstrances made by owners of specially benefited property, and adopts this summary of remonstrances and findings as set forth in this Exhibit F.

I. SUMMARY

Notices of LID formation were mailed by the City Auditor on July 6, 2004. The deadline to submit written remonstrances was at 5:00 PM on July 22, 2004.

Four written remonstrances representing owners of nine (9) of the properties in the Portland Aerial Tram Local Improvement District were received by the filing deadline registering objections to formation of the local improvement district. These remonstrances represent 15.4% of the total square footage of properties included in the local improvement district (30.7% of the total square footage of properties included in Zones A, B and C); 14.2% of the assessable square footage in the local improvement district (25.0% of the assessable square footage of properties included in Zones A, B and C); and 13.7% of the estimated assessment within the local improvement district (37.2% of the estimated assessment of properties included in Zones A, B and C).

City Council retains jurisdiction over formation of the local improvement district since the total remonstrance level is less than the 60% threshold set by Section 9-403 of the City Charter.

II. SPECIFIC RESPONSES TO THE REMONSTRANCE FILED ON BEHALF OF SWINERTON REAL ESTATE, INC.

A remonstrance was submitted on behalf of Swinerton Real Estate Inc., the owner of the property at 3030 SW Moody Avenue, State ID #1S1E10 400, Tax Account #R991100640, Auditor's record #135072. Mr. Kerry Sheperd of Markowitz Herbold Glade & Mehlhaf filed the remonstrance.

ISSUES RAISED BY THE REMONSTRANCE

Issue No. 1: An LID assessment in the amount of nearly \$240,000 would be "punitive" in terms of cost and would negatively affect the value and marketability of its property.

Findings:

- a. The basis for the apportionment of assessments of this LID is based on the amount of benefit that a property derives from the Aerial Tram. Currently, properties within the district are poorly served by transportation infrastructure. The tram will improve access to this and other properties in the district, providing an additional means of access and reducing vehicle trips in and out of the district. More importantly, the market valuation of this property will benefit from its close proximity to the eastern tram terminus as well as from associated development in the Central District. (The Central District is a 20-block area just south of Gibbs Street that encompasses the initial phases of development in the South Waterfront area.)
- b. The amount of the estimated assessment of \$237,607 is only 4.1% of the \$5,794,000 real market value as currently shown on Multnomah County records. Therefore, the level of increase in property value required for the benefit to this property to exceed the local improvement district assessment is relatively small.

Issue No. 2: The assignment of a majority of the Swinerton property to Zone B and a minority of the Swinerton property to Zone A was arbitrary, and no economic justification, empirical data or other findings support its assessment methodology.

Finding:

- a. The assessment methodology reflects the Swinerton property being bifurcated by a future dedication of SW Woods Street, with the remaining southern portion of this tax lot south of SW Woods Street, and the remaining northern portion of this tax lot north of SW Woods St. As SW Woods St. is the basis for the northern delineation of Zones A and B, this property is properly assigned within both zones, and the assignment of benefit is therefore not arbitrary. Zone A was drawn to encompass properties whose block faces after street dedications would be within a quarter-mile walking distance of the eastern tram terminus.

Issue No. 3: The City has ignored Swinerton's site characteristics and their relation (or lack thereof) to the aerial tram, opting instead for a simple calculation.

Finding:

- a. Analysis of special benefits from local improvement districts considers both current and future development potential of the site. The developable

(assessable) area of this parcel is 106,699 square feet and is zoned CX within a one-quarter mile walking distance of the eastern tram terminus. However, current zoning (CX, 6:1 Base FAR) would allow the development of up to 640,194 square feet of commercial development or up to 440 units of residential development on the assessable area of the Swinerton property. Using comparable figures from current development in the Central District, the potential value of the commercial development would be approximately \$250,000,000, and the potential value of the residential development would be approximately \$188,000,000.

Issue No. 4: The assessment methodology is inherently unfair because parties to the Development Agreement have "privately negotiated assessments."

Finding:

- a. All properties within the four zones in the Portland Aerial Tram LID will be assessed at the same rate within the zone regardless of whether the owner of the property was party to the Development Agreement (as most recently amended by Council on June 10, 2004 with the passage of Resolution #36223, as amended). The Development Agreement parties agreed to propose the formation of the Tram LID and to waive remonstrance subject to maximum assessment amounts and final agreement as to the assessment formulae and benefited area. This agreement does not set the LID assessment; it sets a maximum assessment amount below which the parties agree not to remonstrate. The Development Agreement acknowledges that approval of LIDs rests with City Council, which is not a party to the Development Agreement. The Development Agreement was amended on June 10th to reflect the proposed Portland Aerial Tram assessment methodology, not vice versa.

Issue No. 5: The tram is being constructed for the benefit of parties to the Development Agreement.

Finding:

- a. The tram will benefit all properties within the LID boundaries regardless of whether the current or previous owner of such property was party to the Development Agreement. The properties controlled by the parties to the Development Agreement benefit to the same degree as other properties in the district, depending on the distance to the eastern tram terminus. The fact that these parties are developing now, and other parties may develop or redevelop later, does not change the extent to which properties potentially benefit.

Issue No. 6: The assessment methodology is flawed because assessments in Zone C are approximately one-third to one-eighth of Swinerton's assessment on a square footage basis.

Findings:

- a. The estimated assessment rate for Zone B is approximately 33% of the estimated assessment rate in Zone A. The estimated assessment rate for Zone C in turn is approximately 38% of the estimated assessment rate in Zone B. The assessment methodology provides for an equitable treatment of properties in the district, with properties close to the eastern tram terminus paying more (since they benefit more) than properties further away. Properties closer to the eastern tram terminus benefit more due to the increased access and utility of the tram as well as the increased property values associated with the tram. The zone and termini mechanism for establishing LID assessment is a common feature of LIDs not only in Portland but also in Oregon and nationally. With this mechanism, distance is a major factor (and in some cases the only factor) used to differentiate assessment rates between various properties.
- b. Most of the Swinerton property is in Zone B. None of the Swinerton property is in Zone C, but no property in Zone C is closer than 1,250 feet from the eastern tram terminus, whereas the Swinerton property lies within 1,250 feet of the eastern tram terminus.

III. SPECIFIC RESPONSES TO THE REMONSTRANCE FILED ON BEHALF OF ZRZ REALTY CO.

A remonstrance was submitted on behalf of ZRZ Realty Co. the owner of the property at 3121 SW Moody Avenue, State ID #1S1E10 300, Tax Account #R991100010, Auditor's record #135063; owner of the property at 3121 SW Moody Avenue, State ID #1S1E10AC 200, Tax Account # R991100420, Auditor's record #135067; owner of the property at 3121 SW Moody Avenue, State ID #1S1E10BD 100, Tax Account # R140910080, tax lot 100, Auditor's record #135006; owner of the property at 3121 SW Moody Avenue, State ID #1S1E10BD 200, Tax Account # R140911250, Auditor's record #135007; and owner of the property at 3121 SW Moody Avenue, State ID # 1S1E10BD 300, Tax Account #R140911270, Auditor's record #135008. Mr. Joseph Voboril of Tonkon Torp filed the remonstrance.

ISSUES RAISED BY THE REMONSTRANCE

Issue No. 1: The proposed assessments are the result of negotiations among parties to the Development Agreement and are not the result of any cost/benefit analysis or any other study or report. In addition, the Development Agreement gives the parties "considerable control" over the scope and timing of the required local improvement districts, including the aerial tram LID. The Development Agreement sets forth the maximum amounts that may be assessed to the Development Agreement parties, while no such protection is offered to other district property owners.

Findings:

- a. All properties within the four zones in the Portland Aerial Tram LID will be assessed at the same rate within the zone regardless of whether the owner of the property was party to the Development Agreement. In fact, the Development Agreement was amended on June 10th to reflect the proposed Portland Aerial Tram assessment methodology, not vice versa.
- b. The Development Agreement does not grant the developer parties any extraordinary rights relative to the Portland Aerial Tram LID or other LIDs. In fact, the Development Agreement restricts the rights of the developer parties to object to the formation of the Portland Aerial Tram LID as long as the assessments do not exceed the stated amounts. If the assessments exceeded the stated amounts, the developer parties would regain their right to remonstrate against the LID. Other property owners in the district, by contrast, are able to exercise their right to remonstrate or support the project regardless of the amount of their assessment.
- c. The basis for the assessment methodology of any LID is the amount of benefit that a property derives from a public improvement. In the case of the tram, ZRZ Realty owns land directly adjacent to the eastern tram terminus that stands to enjoy tremendous benefit from the tram and associated development. In 2003, an E.D. Hovee study was commissioned by PDOT and PDC to determine the economic benefit of proposed LIDs in South Waterfront (previously known as North Macadam) and confirmed that for properties with low buy-in costs for land, such as the ZRZ Realty properties, returns on the LID investment can be substantial dependent on the intensity of development. Its author, Eric Hovee, estimates that given a raw, pre-developed land cost of \$10 per square foot, returns on an LID investment of just under \$6.00/sf could yield a return on that investment of \$27 per square foot (low development intensity) to \$63 per square foot (high development intensity). However, current base zoning (CX, 6:1 FAR) would allow the development of up to 3,590,000 SF of commercial development or 2480 units of residential development on the assessable area of the ZRZ Realty property. Using comparable figures from current development in the Central District, the potential value of the commercial development would be approximately \$1,382,000,000, and the potential value of the residential development would be approximately \$1,060,000,000.
- d. For the ZRZ Realty properties, the total LID burden associated with the Portland Aerial Tram and streetcar extension LIDs is estimated at \$4.65 per square foot once areas associated with streets and greenway are removed from the assessment (the cost goes to just over \$2.00/square foot for gross acreage). It is entirely reasonable to assume that with commensurate public investment in streets and utilities similar to that in the Central District that ZRZ Realty should meet or exceed the numbers outlined in Hovee's analysis and benefit considerably from their investment in the aerial tram. The amount of the

collective estimated assessments of \$2,173,379 amounts to 21.1% of the collective \$10,295,800 real market value as currently shown on Multnomah County records. Most of this property is currently undeveloped; current GIS data show that only 157,794 square feet, or 26.4%, of the 597,527 assessable square feet are currently developed. It is also worth noting that the ZRZ Realty holdings north of the Ross Island Bridge and west of Moody Avenue are currently undeveloped. The majority of the ZRZ Realty property could therefore be easily developed and realize the benefits of the tram even should ZRZ choose to continue barge operations. Therefore the level of increase in property value required for the benefit to these properties to exceed the local improvement district assessment is relatively small. This is further illustrated by recent experience in the Central District, where the cost for land development, including the costs of purchasing property, dedicating right-of-way and greenway areas, site demolition and preparation, LID assessments (Tram and Streetcar) and privately funded infrastructure improvements are just under \$64.00/square foot. Recent appraisals of these same properties have been in the \$100 - \$120/square foot range, and demonstrate that property values will be greatly enhanced with LID investment in the Tram and Streetcar projects, even taking into account land development costs. It is also apparent that the Central District Properties included a higher buy-in value than the ZRZ properties, which means that there is likely that the ZRZ properties could achieve a better rate of return due to the fact that the properties have been in ZRZ ownership for decades.

Issue No. 2: The proposed assessments are based on a single arbitrary criterion of distance from the eastern tram terminus.

Findings:

- a. The LID assessment methodology is based on an equitable treatment of properties in the district, with properties close to the eastern tram terminus paying more (since they benefit more) than properties further away. ZRZ Realty owns property directly adjacent to the eastern tram terminus. In order to meet the fairness test, this property must be assessed the same as the property on the other side of the eastern tram terminus, since both properties are subject to the same codes and regulations and possess the same development rights. The only difference at this point is timing of redevelopment. The zone and termini mechanism for establishing LID assessment is a common feature of LIDs not only in Portland but also in Oregon and nationally. With this mechanism, distance is a major factor (and in some cases the only factor) used to differentiate assessment rates between various property owners. However, the assessment methodology of this LID is based on two criteria; first, proximity to the eastern tram terminus; and second, the developable area of property.
- b. All assessable area in the South Waterfront area (Zones A, B and C) have the same basic zoning (CX), which provides for similar potential uses of properties within the district.

Issue No. 2 (Conclusion No. 1 in ECONorthwest document of July 22, 2004): The proposed assessments are based on a single arbitrary criterion of distance from the eastern tram terminus.

Findings:

- a. It is common for jurisdictions to spread assessments based on a single criterion, such as square footage. The zone and termini mechanism for establishing LID assessment is a common feature of LIDs not only in Portland but also in Oregon and nationally. With this mechanism, distance is a major factor (and in some cases the only factor) used to differentiate assessment rates between various properties.
- b. Subsection 17.08.060.B of City Code requires that the Resolution of Intent include the proposed assessment methodology, which, in fact, was included. ECONorthwest also states that, "such a naïve and arbitrary assignment fails to account for things such as net developable land area, existing development, zoning, density, roadway and pedestrian access, nuisance characteristics associated with the tram, other public investments, etc." In particular, developable land area, density, roadway and pedestrian access are not incorporated into the assessment methodology of zones and square footage but are instead taken into account in the amount of area to be assessed. Nowhere in the remonstrance is it acknowledged that less than one-half of the property is proposed for assessment (597,527 square feet out of 1,313,470 square feet total). This results in an effective assessment rate of \$1.65 per square foot when the assessment is applied to the total gross area of the ZRZ properties (1,313,470 SF).
- c. The assessment methodology of this LID is based, in fact, on two criteria; first, proximity to the eastern tram terminus; and second, the developable area of property. Thus ECONorthwest's statement that "The City erroneously assigns the aerial tram's benefits solely on the criterion of distance from the aerial tram's terminus" is incorrect.

Issue No. 3 (Conclusion No. 2 in ECONorthwest document of July 22, 2004): The City has not reliably demonstrated that the aerial tram will improve accessibility to the ZRZ Realty property in economically relevant way and, therefore, has not reliably demonstrated that the purported benefits of the aerial tram to the ZRZ Realty property equal or exceed the ZRZ Realty LID assessment.

Findings:

- a. The basis for the apportionment of assessments of this LID is based on amount of benefit that a property derives from a public improvement. One of the properties fronts the Willamette River and benefits from its current marine usage (the

property with State ID #1S1E10AC 200, Tax Account # R991100420, Auditor's record #135067). Currently, the inland portions of all five properties are poorly served by transportation infrastructure. The tram will improve access to these and other properties in the district, providing an additional means of access and reducing vehicle trips in and out of the district. More importantly, the market valuation of this property will benefit from its close proximity to the eastern tram terminus as well as from associated development in the Central District.

- b. Analysis of special benefits from local improvement districts considers both current and future development potential of the site. Even if ECONorthwest's statement were true that "The irrelevance of the aerial tram to ZRZ Realty's property indicates that the tram will convey no benefits on ZRZ Realty's property for as long as it remains in its current use", the assignment of benefit must take into account future and potential use of the property. ECONorthwest's assertion that the property will not benefit as long as it remains in its current use asks the City Council to assume that ZRZ Realty is not able or willing to redevelop its properties. Willingness aside, all of ZRZ Realty's holdings west of Moody and north of the Ross Island Bridge are currently vacant and could immediately accommodate redevelopment activity, including any environmental remediation that may be necessary. ECONorthwest also states that "There has been no reliable demonstration that aerial tram ridership will have any relevant impact on accessibility to ZRZ Realty's property or its barge construction and repair facility." This is predicated on current marine usages and fails to take into account future potential usage of the property. Exempting the barge construction and repair facility from assessment necessarily assumes that this current usage will necessarily or likely continue. Given the rapidly rising land values in the area and redevelopment that is already occurring, the barge construction and repair facility may not now or always be the highest and best use of the property.
- c. ECO Northwest appears to suggest that tram ridership be substituted as an assessment methodology for the criteria of proximity of the tram and developable area. In the absence of the tram investment, OHSU development plans on Marquam Hill would likely be scaled back and OHSU related development in South Waterfront would not occur. Related NMI residential and mixed-use development in the Central District also would be effectively curtailed, substantially delayed, or rendered infeasible. With the tram connection between Marquam Hill and South Waterfront, plans for Central District developments of OHSU and NMI/RCI can proceed, capturing what currently appears as the most viable or perhaps only near term opportunity for significant redevelopment investment in South Waterfront. The market potential for related office development – both for bioscience and other more traditional business tenants – will spill over to adjoining properties, particularly as non-institutional employment development is no longer planned for the Central District. In short, the benefits of facilitating early phase OHSU related development at the eastern tram terminus include impetus for Portland's emerging bioscience cluster, accelerated diversification of the metro area economy, development of more

diverse Central City housing and stimulus of more bioscience and traditional office development than could be projected with any other reasonable scenario at this time. South Waterfront development can proceed more quickly, at higher densities and with resulting property value enhancements well exceeding what would otherwise be expected at a time of continued economic downturn statewide and regionally. Since June 2003, national and regional economic conditions have improved. However, the opportunity for market driven South Waterfront development would remain unlikely for some time in the absence of the major catalyst investment represented by OHSU and related Central District development. With the recent decision by the Schnitzer family to donate South Waterfront land to OHSU, the opportunities for other properties such as ZRZ Realty to benefit from future spin-off private investment may be further enhanced beyond what was earlier anticipated.

Issue No. 4 (Conclusion No. 3 in ECONorthwest document of July 22, 2004): The present value of net benefits, not simple gross benefits, is the appropriate measure of the capitalization potential of the tram development on the ZRZ Realty's property.

Findings:

- a. Even if a net present value analysis could somehow be applied to differentiate shorter versus long-term benefit, there is simply no way to ascertain how far off redevelopment might be. There is simply no way to guarantee that a property whose owner argued that redevelopment was at least 30 years off won't, in fact, redevelop immediately after the final assessment for an LID occurs. ZRZ has participated in redevelopment planning with the City since 1997, and has prepared a master plan that anticipates redevelopment to non-industrial uses consistent with the SW Plan. ZRZ representatives participated in the North Macadam Framework Planning process, served on the Tram Citizen Advisory Committee, and currently serve on the North Macadam URAC, Greenway Plan Advisory Team, Greenway Implementation Strategy Partnership Group, and Portland Aerial Tram, Inc. Board of Directors.
- b. ECONorthwest suggests that the assessment methodology take into account demolition, rehabilitation and other costs. This in itself inherently involves speculative assumptions. Even if for the sake of argument such costs could be objectively determined for the ZRZ property and somehow credited to the property, such an assessment methodology would need to be applied uniformly to all properties within the district. Much of this information is proprietary and is not publicly available and therefore can only be inferred with a relatively low degree of accuracy. Some, indeed many, of these costs might not be estimated at all if the risk or liability could not be foreseen in advance. This makes such a consideration difficult to equitably apply among all properties included in the district.
- c. Much of this information is proprietary and is not publicly available and therefore can only be inferred with a relatively low degree of accuracy. Some,

indeed many, of these costs might not be estimated at all if the risk or liability could not be foreseen in advance. This makes such a consideration difficult to equitably apply among all properties included in the district.

- d. This approach would have the perverse effect of discouraging highest and best use of property, and would reduce in important economic incentive to encourage redevelopment more consistent with current South Waterfront comprehensive plan and zoning designations.
- e. The underlying land value of a particular property typically will increase based on other nearby development activity and appreciating area land values regardless of whether or not the owner of that property seeks to take advantage of higher land values to redevelop to the new highest and best use.

Issue No. 5 (Conclusion No. 4 in ECONorthwest document of July 22, 2004): The LID assessments of other property owners will be partially mitigated by public subsidies.

Findings:

- a. The assessment rates within each zone are uniform throughout the district.
- b. The Portland Development Commission is ready and willing to begin discussions on a development agreement for the ZRZ Realty properties, and has offered to begin discussions at ZRZ Realty's request. The Development Agreement does not prevent clinical facilities available to the general public from being developed on ZRZ Realty property. Assumption that clinical facilities are the only generators of riders is inaccurate. Many other businesses such as hotels, biotech facilities, general office and retail uses will benefit from easy access to Marquam Hill.
- c. The developer parties do not receive subsidies that offset their Aerial Tram LID assessments. While PDC and PDOT are investing in public street and utility infrastructure both throughout the South Waterfront District, these investments are consistent with the North Macadam Urban Renewal Area's funding and finance plan, and would likely be extended to cover other property owners at the time that Development Agreements with these property owners are negotiated.
- d. Public investments that together serve to stimulate development in conjunction with the LID generate opportunity for property value appreciation effect in the entire South Waterfront area, and to a degree that otherwise would not occur. In this situation, the tram stimulates the incremental value to other properties like the ZRZ Realty property.

Issue No. 6 (Conclusion No. 5 in ECONorthwest document of July 22, 2004): To the extent development of the North Macadam URA is contingent on the development of the aerial tram, all property owners relying on the tram and the associated public investment/subsidies

benefit, in gross terms, more equally than implied by the assigned assessments. The City has not demonstrated that development of the North Macadam URA is, in any way, contingent on the aerial tram to catalyze redevelopment of the site.

Findings:

- a. The statement that the aerial tram was not the catalyst for redevelopment in the area belies the fact that such a large tract of land near the urban core of the City has been undeveloped and underdeveloped for decades, and has eluded many plans for redevelopment until the strategy for constructing the aerial tram was firmly in place.
- b. The ECONorthwest analysis states that the City "has not demonstrated that development of the North Macadam URA is, in any way, contingent on the aerial tram to catalyze redevelopment of the site." The Development Agreement does, in fact, directly predicate Central District development and, by extension, future Tax Increment Financing generation, on completion of the aerial tram.
- c. The ECO analysis indicates that 80-90% of tram ridership is attributable to OHSU. However, that same 80-90% touch down at the eastern tram terminus at Gibbs Street in close proximity to the subject ZRZ Realty property. Land values that appreciate because of development made possible by ridership to the eastern tram terminus will not be limited to the Central District properties alone, but can be expected to result in appreciation for directly adjoining and vicinity area properties as well.

Issue No. 7: The proposed assessments ignore the fact that ZRZ Realty's Zone A property is presently fully developed for industrial uses, specifically for barge construction and repair.

Finding:

- a. Analysis of special benefits from local improvement districts considers both current and future development potential of the site. Even if ECONorthwest's statement were true that "The irrelevance of the aerial tram to ZRZ Realty's property indicates that the tram will convey no benefits on ZRZ Realty's property for as long as it remains in its current use", the assignment of benefit must take into account future and potential use of the property. ECONorthwest's assertion that the property will not benefit as long as it remains in its current use asks the City Council to assume that ZRZ Realty is not able or willing to redevelop its properties. Willingness aside, all of ZRZ Realty's holdings west of Moody and north of the Ross Island Bridge are currently vacant and could immediately accommodate redevelopment activity, including any environmental remediation that may be necessary. ECONorthwest also states that "(t)here has been no reliable demonstration that aerial tram ridership will have any relevant impact on accessibility to ZRZ Realty's property or its barge construction and repair facility." This is predicated on current marine usage and fails to take into

account future potential usage of the property. Exempting the barge construction and repair facility from assessment necessarily assumes that this current usage need always be the case. Given the rapidly rising land values in the area and redevelopment that are occurring, the barge construction and repair facility may not now or always be the highest and best use of the property.

Issue No. 8: The proposed assessment methodology must be revised to reflect current facts and circumstances; e.g., the conveyance of the Schnitzer property to OHSU.

Findings:

- a. The conveyance of the Schnitzer property to OHSU underscores the appropriateness of considering future benefit in the apportionment of assessments. While the Schnitzers did not sign a petition in support of the LID prior to Council accepting the petitions at the Resolution of Intent stage, OHSU has since indicated their support for including these recently-conveyed properties in the LID, and will bear an even larger percentage of the total assessment than previously estimated.
- b. The spreading of assessments must be on the basis of benefit to property, not on the basis of who holds title to the property. Even within properties owned by OHSU, any reasonable analysis would not assume that all equally benefit. Clearly the tram would be of more benefit to an OHSU property across the street from the eastern tram terminus than for another OHSU property that is further away, which is, in fact, the case with the property recently conveyed from Schnitzer to OHSU.

IV. SPECIFIC RESPONSES TO THE REMONSTRANCE FILED ON BEHALF OF Z V COMPANY, INC.

A remonstrance was submitted on behalf of Z V Company Inc., the owner of the property at 0601 SW Abernethy Street, State ID #1S1E10DB 700, Tax Account #R140916160, Auditor's record #135021. Jeff Bachrach of Ramis Crew Corrigan & Bachrach filed the remonstrance.

ISSUES RAISED BY THE REMONSTRANCE

Issue No. 1: The Z V property is more than 1,250 feet from the eastern tram terminus, and therefore should be assigned to Zone C instead of Zone B.

Findings:

- a. The northern face of the block that includes the Z V property is less than 1,250 feet of walking distance from the eastern tram terminus. Therefore, this property was correctly assigned to Zone B based on this criterion.

- b. The amount of the estimated assessment of \$75,023 is only 6.8% of the \$1,098,000 real market value as currently shown on Multnomah County records. Therefore the level of increase in property value required for the benefit to this property to exceed the local improvement district assessment is relatively small.

Issue No. 2: The public notice did not conform to the requirements of Section 17.08.070.A of City Code.

Findings:

- a. The City Auditor mailed notice on July 6, 2004 consistent with the requirements of City Charter and Code. Mr. Bachrach is not specific as to how this notice may not comply with the requirements set forth in 17.08.070.A.
- b. Posting notice was provided on July 9, 2004; and publication was provided on July 13 and 14, 2004. Section 17.08.070.A.4 states, "A record shall be kept of the mailing, posting and publication of any notice required by this Ordinance. Any mistake, error, omission or failure with respect to publication, posting or mailing notice shall not affect City Council's jurisdiction to proceed or otherwise invalidate the local improvement proceedings when notice is provided by at least one of the methods in this Section."

V. SPECIFIC RESPONSES TO THE REMONSTRANCE FILED ON BEHALF OF LA GRAND INDUSTRIAL SUPPLY CO.

A remonstrance was submitted on behalf of La Grand Industrial Supply Co. (hereafter "La Grand"), the owner of the property at 3714 SW Macadam Avenue, State ID #1S1E10CA 300, Tax Account #R140914960, Auditor's record #135019 (hereafter "north parcel"); and at 3838 SW Macadam Avenue, State ID # 1S1E10CA 400, Tax Account # R140916080, Auditor's record #135020 (hereafter "south parcel"). Doug Bean of Doug Bean & Associates Realtors filed the remonstrance.

ISSUE RAISED BY THE REMONSTRANCE

Issue: Property along SW Macadam Avenue will not benefit as much as the land at least one block to the east of SW Macadam Avenue due to the noise and traffic on Interstate 5 and SW Macadam Avenue.

Findings:


- a. The owners of two properties on the next block to the north, bounded by SW Gaines Street, SW Moody Avenue, SW Curry Street and SW Macadam Avenue, signed petitions in favor of the project. These properties are in the same assessment zone (Zone B) as the La Grand properties.

- b. Evidence from other current or previous urban renewal areas of the City close to the downtown core demonstrates the potential for high property values in dense areas immediately adjacent to interstate freeways. The Marshall-Wells Lofts and the Edge Lofts are located on blocks fronting Interstate 405 to the west, and the American Plaza Condominiums are located on a block fronting Interstate 405 to the south. According to a July 24, 2001 press release, the Marshall Wells Lofts will result in the construction of 164 units at a total project cost of \$34 million, or an average of approximately \$207,000 per unit. As of July 28, 2004, the lofts remaining to be sold are listed at a minimum price of \$214,900. According to an article in the January 7, 2003 edition of the Portland Tribune, prices of the American Plaza condominiums range from \$160,000 to \$900,000.
- c. The northern face of the block that includes both La Grand properties is less than 1,250 feet of walking distance from the eastern tram terminus and therefore is correctly assigned to Zone B by this criterion.
- d. The amount of the collective estimated assessment of \$174,254 is only 6.6% of the \$2,637,150 collective real market value as currently shown on Multnomah County records. Therefore the level of increase in property value required for the benefit to these properties to exceed the local improvement district assessment is relatively small.

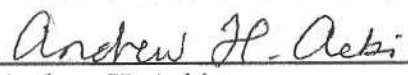
RECOMMENDATION

This LID will help provide public improvements for the benefit of the South Waterfront District. The proposed LID in South Waterfront represents less than 25% of the total project and LID costs, with the remainder of the funds being provided by other parties. The LID represents the opportunity to leverage funds, provide benefits to all of the designated properties, and to construct a world-class transportation project. Therefore, it is the recommendation of the Local Improvement District Administrator that this local improvement district be formed by the City Council, which retains jurisdiction to do so.

Respectfully submitted,



Matthew E. Brown
Aerial Tram Project Manager



Andrew H. Aebi
Local Improvement District Administrator

178675

Tonkon Torp LLP
ATTORNEYS

1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503-221-1440

MEMORANDUM

To: City Council Clerk
From: Joseph S. Voboril
Date: August 12, 2004
Subject: Portland Aerial Tram Local Improvement District

On behalf of our clients, Zidell Marine Corporation and ZRZ Realty Co., I am submitting the following documents into the record of the above-referenced proceeding:

1. My letter to Matthew Brown and Andrew Aebi dated August 6, 2004, requesting copies of appraisals;
2. Letter to me dated August 9, 2004 from Mark R. Moline, Senior Deputy City Attorney, responding to my August 6 letter;
3. A spreadsheet dated August 9, 2004 entitled "South Waterfront Comparisons" prepared by Robert Durgan.

JSV/CLT

cc: Mayor Vera Katz
Commissioner Jim Francesconi
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten

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Tonkon Torp LLP
ATTORNEYS

JOSEPH S. VOBORIL
ADMITTED TO PRACTICE IN OREGON AND WASHINGTON

1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503-221-1440

(503) 802-2009
FAX (503) 972-3709
joe@tonkon.com

August 6, 2004

VIA FACSIMILE

Mr. Matthew Brown
Portland Department of Transportation
Project Management Division
1120 SW 5th Avenue, Room 800
Portland, OR 97204

Mr. Andrew Aebi
LID Administrator
City of Portland
Office of Transportation
1120 SW 5th Avenue
Suite 800
Portland, OR 97204-1914

Re: Portland Aerial Tram Local Improvement District

Gentlemen:

On page 6 of your Summary of Remonstrances dated August 4, 2004, you make the following statement:

"Recent appraisals of these same properties have been in the \$100 - \$120/square foot range and demonstrate that property values will be greatly enhanced with LID investment in the Tram and Streetcar projects, even taking into account land development costs".

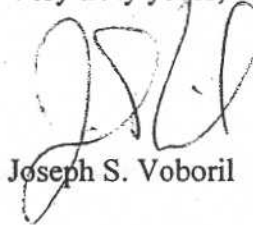
It is apparent that these appraisals are critical to many of the points you are making in your Summary. Accordingly, it is impossible for us to respond to the findings in your Summary of Remonstrances unless we have copies of these appraisals.

Mr. Michael J. Brown
Mr. Andrew Aebi
August 6, 2004
Page 2

178675

In order for us to meet the August 9, 2004 5:00 p.m. deadline, we need copies of these appraisals prior to the end of today. I will be happy to have someone come by your office to pick up the copies as soon as they are available. Please call me on my direct line 503-802-2009 and I will send someone over to pick them up.

Very truly yours,



Joseph S. Voboril

JSV/CLT

cc: Bob Durgan
Jay Zidell
Mayor Vera Katz
Commissioner Jim Francesconi
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten

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CITY OF
PORTLAND, OREGON
OFFICE OF CITY ATTORNEY

Linda Meng, City Attorney
1221 S.W. 4th Avenue, Suite 430
Portland, Oregon 97204
Telephone: (503) 823-4047
Fax No.: (503) 823-3089

August 9, 2004

JOE VOBORIL
TONKON TORP LLP
1600 PIONEER TOWER
888 SW FIFTH AVENUE
PORTLAND, OR 97204

VIA FACSIMILE MESSAGE

Re: Portland Aerial Tram Local Improvement District

Dear Mr. Voboril:

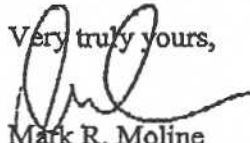
This will acknowledge receipt of your August 6, 2004, letter (by facsimile) to Matthew Brown and Andrew Aebi.

Unfortunately, as I explained to you in my voicemail message I left for you today, Mr. Brown was out of the office on Friday, August 6. Mr. Aebi did not receive his copy of your August 6 letter until today at which point he forwarded the letter to me.

The appraisal information came from a telephone conversation between staff and Williams and Dame. The findings will be revised to clarify the source of the information. We do not have copies of those appraisals.

On a final matter, let me reiterate what I have previously told you (and your associate) twice in writing and again in my voicemail message. If you need any documents from the City or have questions regarding this matter, please contact me directly. Had you done so, we would have been able to provide this information to you much earlier.

Very truly yours,


Mark R. Moline
Senior Deputy City Attorney

MRM/jlt

c. Andrew H. Aebi
Matt Brown
Linly Rees

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060

**SOUTH WATERFRONT
COMPARISONS**

SOURCE:Portland Aerial Tram
Petition Estimate

	A	A%	B	B%	C	C%	D	E	E%	F	F%
	ZRZ	A/D	NMI/ OHSU	B/D	ALL OTHERS	C/D	TOTAL A,B,C.	SCHNITZER OHSU	E/D	OHSU* SoWa	F/D
1 TOTAL AREA -SF	1,313,470	23.4%	1,172,518	20.9%	2,578,083	46.0%	5,604,071	838,575	15.0%	N/A	N/A
2 ASSESSABLE AREA - SF	597,527	18.2%	896,842	27.3%	1,789,780	54.5%	3,284,149	507,012	15.4%	774,295	23.6%
3 % ASSESSABLE/TOTAL	45.5%		76.5%		69.4%		58.6%	60.5%		N/A	
ZONE A	261,341	42.5%	267,283	43.4%	86,891	14.1%	615,515	0	0.0%	267,283	43.4%
ZONE B	336,186	25.6%	547,917	41.7%	430,982	32.8%	1,315,085	126,369	9.6%	674,286	51.3%
ZONE C	0	0.0%	81,642	6.0%	1,271,907	94.0%	1,353,549	380,643	28.1%	462,285	34.2%
4 ESTIMATE COST:	\$2,173,379	30.5%	\$2,679,513	37.6%	\$2,277,031	31.9%	\$7,129,923	\$473,741	6.6%	\$2,078,612	29.2%
5 COST PER ASSESSABLE SF	\$3.64		\$2.99		\$1.27		\$2.17	\$0.93		\$2.68	
6 STREET ADJUSTMENT	263,424	27.3%	222,321	22.3%	480,267	49.7%	966,012	224,486	23.2%	N/A	N/A
7 GREENWAY ADJUSTMENT	461,867	44.6%	216,016	20.8%	358,296	34.6%	1,036,180	141,556	13.7%	N/A	N/A
8 ROW ADJUSTMENTS	-9,346	4.2%	-162,661	73.2%	-50,259	22.6%	-222,265	-34,478	15.5%	N/A	N/A
9 TOTAL ADJUSTMENTS	715,945	40.2%	275,676	15.5%	788,304	44.3%	1,779,927	331,564	18.6%	607,240	N/A

OHSU ANALYSIS

ZRZ adjustments do not include Ross Island Park (per Matt Brown)
Ross Island Park is approximately 3.2 acres or 139,392 sf
Asume 50% Zone B, 50% Zone A :

ZONE A	69,696	5.82	405,631
ZONE B	69,696	1.94	135,210

\$ ASSESSMENT FOR PARK

\$540,841

ZRZ ASSESSABLE	597,527
ROSS ISLAND PARK DEDUCT	139,392
NET USABLE	<u>458,135</u>
% ASSESSABLE/TOTAL	34.88%

BY: R DURGAN 8/9/04

	NET SF	ZONES	LID \$
ZONE A	267,283	\$ 5.82	1,555,587.06
ZONE B	126,369	\$ 1.94	245,155.86
ZONE C	380,643	\$ 0.73	277,869.39
	<u>774,295</u>	<u>\$2.68</u>	<u>2,078,612.31</u>

*ASSUMES ALL NMI/RCI ZONE A, IS OHSU'S, ACTUAL
ADJUSTMENT ASSUMPTIONS ARE NOT AVAILABLE

NMI/RCI w/o OHSU ZONE A

	NET SF	ZONES	LID \$
ZONE A	-	5.82	-
ZONE B	547,917	1.94	1,062,958.98
ZONE C	81,642	0.73	59,598.66
	<u>629,559</u>	<u>1.78</u>	<u>1,122,557.64</u>

178675

178675



August 12, 2004

City Council
City of Portland
1221 SW Fourth Avenue, Room 110
Portland, OR 97204

PORTLAND AERIAL TRAM LOCAL IMPROVEMENT DISTRICT

Dear Mayor and City Council Members:

On behalf of LaGrand Industrial Supply Co., this letter is to support the modest change of part of the LaGrand Industrial Supply Co. property changing Zone B to Zone C. LaGrand Industrial Supply Co. is in favor of the Tram Project proceeding and looks forward to the positive community impact of this important development project. We appreciate your favorable consideration of this modest yet fair change to the southern half of the LaGrand Industrial Supply Co. from Zone B to Zone C boundary.

LaGrand Industrial Supply Co. will withdraw their remonstrance in consideration for this change.

Very truly yours,

Douglas L. Bean

G:\pkn\AGREEMENTS\LAGRAND\Lagrand Support of Tram.doc

DLB:pkn

COMMERCIAL
REAL ESTATE SERVICES

ONE MAIN PLACE
101 SW MAIN STREET
PORTLAND, OR 97204
(503) 222-5100
FAX: (503) 222-5311

RAMIS CREW CORRIGAN & BACHRACH, LLP**ATTORNEYS AT LAW**

1727 NW Hoyt Street
Portland, Oregon 97209
Telephone: (503) 222-4402
Fax: (503) 243-2944
www.rccb.com

Jeff H. Bachrach
jeffb@rccb.com

August 12, 2004

VIA HAND DELIVERY

Portland City Council
c/o Office of City Auditor
Assessments and Liens Division
1221 SW 4th Avenue, Room 130
Portland, Oregon 97204

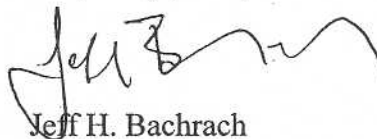
RE: Portland Aerial Tram Local Improvement District
Property Address: 0601 SW Abernethy Street
Property Owner: Z V COMPANY INC

Dear Mayor Katz and City Commissioners:

As stated in my July 22 letter of remonstrance submitted on behalf of the Z V Company, and as stated in my testimony before you on August 4, my client requests that the City Council correct an error in the proposed assessment for the Aerial Tram LID and move the Z V property from the Zone B assessment area to the Zone C assessment area. If that change is adopted, then the remonstrance filed on behalf of Z V Company would be automatically withdrawn.

Thank you very much for your consideration of this request.

Very truly yours,



Jeff H. Bachrach

Enclosure

cc: Matthew Brown, LID Project Manager (via fax)
Andrew Aebi, LID Administrator (via fax)
Therese Wooding, Z V Company Inc.



CITY OF
PORTLAND
 OFFICE OF
TRANSPORTATION

Jim Francesconi, Commissioner
 1120 S.W. 5th Avenue, Suite 800
 Portland, Oregon 97204-1914
 (503) 823-5185
 FAX (503) 823-7576 or 823-7371
 TDD 823-6868

Brant
 Williams
 Director

178675

August 10, 2004

Eileen
 Argentina
 System
 Management

TO: City Council Members

Bryant
 Enge
 Finance

FROM: Matt Brown, Aerial Tram Project Manager *MB*
 Andrew Aebi, Local Improvement District Administrator *AA*

Don
 Gardner
 Engineering &
 Development

SUBJECT: Agenda Item #970 – August 12, 2004 3:00 PM Time Certain
"Create a local improvement district to construct aerial tram improvements in the Portland Aerial Tram Local Improvement District. (Hearing; Ordinance; C-10009)"

Jeanne
 Nyquist
 Maintenance

Substitute Ordinance – Bifurcate Zone B and Modify Zone C

Laurel
 Wentworth
 Planning

Exhibit A – No Change to Estimated Assessment Amounts for Purposes of Notification of LID Formation Hearing

Substitute Exhibit B – Replace Map to Bifurcate Zone B and Modify Zone C

No Change to Exhibits C or D Related to the Preliminary Estimate of the Cost of the Local Improvement

Substitute Exhibit E – Replace Assessment Worksheets to Bifurcate Zone B and Modify Zone C

No Change to Exhibit F As Substituted on August 4, 2004 Related to Summary of Remonstrances

Ordinance

The original southern Zone B / Zone C boundary as drawn was predicated on the assumption that SW Lane Street between SW Moody Avenue and SW Bond Avenue would be an easement rather than dedicated ROW, which would result in a block face of less than 1,500 feet walking distance from the eastern tram landing. (This block was to have been bounded by SW Gaines Street on the north, SW Bond Avenue on the east, SW Abernethy Street on the south and SW Moody Avenue on the west; with the boundary then continuing due west to the LID boundary.) The segment of SW Lane Street between SW Bond Avenue and SW Moody Avenue is planned as a pedestrian/bicycle connection.

Other property owners in the district are utilizing easements in lieu of dedications in order to maximize the economic value of their properties in terms of development potential. However, we believe that this is essentially a "grandfathered" strategy that is unlikely to be available to the owners of the following three properties because the owners of these properties have not yet initiated the easement process with the City:

- At 0601 SW Abernethy Street, State ID#1S1E10DB 700, Tax Account # R140916160, Auditor's record #135021
- At 3732 SW Moody Avenue, State ID#1S1E10DB 800, Tax Account # R140914790, Auditor's record #135017
- At 3732 SW Moody Avenue, State ID#1S1E10DB 900, Tax Account # R140914860, Auditor's record #135018

Although determination of benefit for all LIDs is generally irrespective as to who holds title to the property, it must be recognized in this instance that there are multiple property ownerships on what otherwise would be a single block bounded by SW Gaines Street, SW Bond Avenue, SW Abernethy Street and SW Moody Avenue. Therefore, the most likely scenario is that these three tax lots will eventually become two separate blocks as follows with a future dedication of SW Lane Street dividing them in lieu of an easement:

- The northern block bounded by SW Gaines Street on the north, SW Bond Avenue on the east, SW Lane Street on the south, and SW Moody Avenue on the west.
- The southern block bounded by SW Lane Street on the north, SW Bond Avenue on the east, SW Abernethy Street on the south, and SW Moody Avenue on the west.

Substitute Ordinance

The Local Improvement District Administrator therefore recommends that City Council:

- Split the Zone B zone into a Zone B North zone and a Zone B South zone, while retaining the existing boundaries of Zones A, C and D (Zone C would not be bifurcated).
- Make no change to the base amount of Zone A exclusive of Auditor's and financing costs, or to Zone D exclusive of Auditor's and financing costs
- Draw the new Zone B South / Zone C boundary along the current southern Zone B / Zone C boundary from the Willamette River as currently drawn to the center of the SW Bond Avenue and SW Lane Street intersection; then continue westward (in lieu of southward) along the centerline of a future dedication of SW Lane Street from SW Bond Avenue to the intersection of SW Moody Avenue and SW Lane Street.
- Continue the new Zone B South / Zone C boundary from the intersection of SW Moody Avenue and SW Lane Street to the west through the property line dividing the La Grand property at 3714 SW Macadam Avenue, State ID #1S1E10CA 300, Tax Account #R140914960, Auditor's record #135019; and the La Grand property at 3838 SW Macadam Avenue, State ID #1S1E10CA 400, Tax Account #R140916080, Auditor's record #135020, then west to the existing LID boundary.
- Retain the entirety of the Aldeck property at 3732 SW Moody Avenue, State ID #1S1E10DB 900, Tax Account #R140914860, Auditor's record #135018 in Zone B South.
- Retain the northern half of the Aldeck property at 3732 SW Moody Avenue, State ID #1S1E10DB 800, Tax Account #R140914790, Auditor's record

- #135017 in Zone B South, but exempt it as a future dedication of right-of-way.
- Retain the southern half of the Aldeck property at 3732 SW Moody Avenue, State ID #1S1E10DB 800, Tax Account #R140914790, Auditor's record #135017 in Zone C, but exempt it as a future dedication of right-of-way.
 - Move the ZV property at 0601 SW Abernethy Street, State ID #1S1E10DB 700, Tax Account #R140916160, Auditor's record #135021 from the existing Zone B into the redrawn Zone C.
 - Retain the La Grand property at 3714 SW Macadam Avenue, State ID #1S1E10CA 300, Tax Account #R140914960, Auditor's record #135019 in Zone B South.
 - Move the La Grand property at 3838 SW Macadam Avenue, State ID #1S1E10CA 400, Tax Account #R140916080, Auditor's record #135020 to Zone C.
 - Establish the base amount of Zone B North exclusive of Auditor's and financing costs at \$1,067,779
 - Establish the base amount of Zone B South exclusive of Auditor's and financing costs at \$1,371,982
 - Increase the base amount of Zone C from \$1,000,000 to \$1,060,239 exclusive of Auditor's and financing costs

Exhibit A

No change. If the substitute Ordinance is adopted, directive b adopts the amounts in substitute Exhibit E as the amounts for the preliminary lien record in lieu of the amounts in Exhibit A.

Exhibit B

Replace map to be consistent with the substitute Ordinance.

Exhibit C

No change.

Exhibit D

No change.

Exhibit E

Replace assessment worksheets to be consistent with substitute Ordinance. All worksheets, including those for zones whose assessments are not changing, are being replaced.

Exhibit F

No change from substitute Exhibit F adopted by Council on August 4, 2004.

MB:AA

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy auditing of the accounts.

In addition, the document outlines the procedures for handling discrepancies. If there is a difference between the recorded amount and the actual amount received or paid, it is crucial to investigate the cause immediately. This could be due to a clerical error, a missing receipt, or a fraudulent transaction.

The final section of the document provides a summary of the key points discussed. It reiterates the need for diligence and accuracy in all financial reporting. The document concludes with a statement of intent to continue to improve the accounting processes and ensure the highest level of integrity.

The second part of the document details the specific steps involved in the reconciliation process. It begins with a comparison of the bank statement to the company's cash ledger. Each entry is checked for accuracy, including the date, amount, and description.

Once the reconciliation is complete, the results are documented in a reconciliation statement. This statement shows the starting balance, the adjustments made, and the ending balance. It is signed by the responsible officer and filed for future reference.

The document also addresses the handling of outstanding items, such as checks that have not yet cleared the bank. These items are recorded in a separate schedule and monitored until they are fully processed.

The third part of the document discusses the role of the accounting department in providing financial information to management. It highlights the importance of timely and accurate reporting to support decision-making.

The document describes the various reports generated, including the income statement, balance sheet, and cash flow statement. Each report is prepared according to established standards and is reviewed for accuracy before being presented to management.

Finally, the document outlines the process for handling tax obligations. It ensures that all taxes are calculated correctly and paid on time. The document also discusses the importance of maintaining proper records for tax purposes.

970

RECEIVED

178675

2004 AUG -9 A 11:48

August 9, 2004

GARY BLACKMER, AUDITOR
CITY OF PORTLAND, OR

WWW.MHGM.COM

LAWYERS

JEFFREY M. BATCHELOR

PAUL BIERLY*

LEAH B. CRONN

JEFFREY M. EDELSON

PETER H. GLADE*

WHITNEY L. GRUBBS

KATHERINE R. HECKIN*

CHRISTINE T. HERRICK

JENNIFER H. HOLCOMB

LISA R. KANER

MATTHEW D. LARSON

MATTHEW A. LEVIN*

DAVID B. MARKOWITZ

WILLIAM N. MEHLHAF*

DAVID W. MELVILLE

LYNN R. NAKAMOTO

EMILY M. NAZAROV

CHARLES J. PATERNOSTER

KERRY J. SHEPHERD*

LYNN R. STAFFORD

BARRIE J. HERBOLD
1949-2001

*ALSO ADMITTED
IN WASHINGTON

CYNDA L. HERBOLD
BUSINESS MANAGER

Hand Delivered

Mr. Gary Blackmer, City Auditor
Auditor's Office
City of Portland
1221 SW Fourth Avenue, Room 140
Portland, OR 97204

**Re: Remonstrance to Proposed Portland Aerial Tram Local
Improvement District / Resolution No. 36225**

Dear Mr. Blackmer:

The purpose of this letter is to provide supplemental testimony in support of the July 22, 2004 remonstrance filed by Swinerton Real Estate, Inc. ("Swinerton") to the proposed \$237,000 LID assessment for the Portland Aerial Tram Local Improvement District.

I. Procedure

The City Council heard oral testimony and received written testimony on August 4, 2004 at 9:30 a.m. from Swinerton and other property owners. The hearing concluded with testimony from Matt Brown ("Brown"), the Project Manager for the Portland Aerial Tram Project, and Eric Hovee ("Hovee"). My understanding is that the remonstrating property owners are entitled to submit additional written testimony in response to the memos that were filed at the beginning of the August 4, 2004 hearing by Brown on Hovee.¹ I understand further that, if Brown and Hovee recommend any adjustments to the LID assessments, those recommendations will be provided to the property owners and they will have the opportunity to provide responsive oral testimony.

¹ These materials comprised the following: (i) letter dated August 4, 2004 from Brown to City Council members, substituting Exhibit E and Exhibit F; (ii) June 20, 2003 Preliminary Economic Analysis of Proposed North Macadam LIDs, authored by Hovee; and (iii) August 3, 2004 memorandum from Hovee to Brown.

Mr. Gary Blackmer, City Auditor
Auditor's Office
August 9, 2004
Page 2

II. Response to Hovee's and Brown's Submissions

Brown and Hovee made several important admissions in their written materials and during the course of their oral testimony, particularly in response to questions from Commissioner Leonard.

A. Hovee and Brown have done no site specific analysis for Swinerton's property.

In his memo dated August 4, 2004, Brown stated that "the basis for the apportionment of assessments of this LID is based on the amount of benefit that a property derives from the Aerial Tram." However, both Brown and Hovee disregarded their burden to conduct site-specific analyses to support the LID assessments.

The written materials from Hovee are clear that he performed no analysis to opine whether the Swinerton property specifically will receive a "special and peculiar" economic benefit from the presence of the aerial tram. In point of fact, Hovee admitted in his memo dated August 3, 2004, that

"our June 2003 report did not purport to analyze economic benefits on a property-by-property basis. Rather, the analysis considered district wide benefits. . . ."

Further to that notable comment, Hovee stated the following about his June 20, 2003 and August 4, 2004 reports:

"Because of the generalized nature of our 2003 analysis and the changed circumstances of the LID assessment specifics, the following comments also are provided on a generalized basis and should not be construed to address unique property-specific considerations."

Commissioner Leonard picked up on this important fact. Specifically, Commissioner Leonard directed several questions to Hovee and Brown as to whether there was site-specific evidence to support the LID assessments for the remonstrating property owners. Both witnesses admitted there is none. In fact, Hovee testified (as he had to) that he did no analysis for any specific property. Brown then stated his position that no such site-specific analysis is required by law.

Mr. Gary Blackmer, City Auditor
Auditor's Office
August 9, 2004
Page 3

B. There is no evidence to support Swinerton's LID assessment.

Hovee's and Brown's refusal to consider the characteristics of Swinerton's property is telling. Not once have either Hovee or Brown cited – or even noted – the fact that the Swinerton property is fully developed, and not once have they suggested that anyone will actually use the tram to access Swinerton's building anytime in the foreseeable future.² Simply stated, there is a complete dearth of reliable information, empirical data, valuation studies, or any other evidentiary basis to support the conclusion that the presence of a tram will increase the value of Swinerton's fully developed property, or that it would do so in a manner even roughly equivalent to the size of the proposed LID assessment. Hovee and Brown were given an opportunity to supply this information, and they either failed or refused to do so.

C. Brown erroneously relied on the fact that the assessment is 4.1% of the tax assessed value.

Brown claimed in his August 4 memo that the LID assessment on Swinerton's property is justified because it "is only 4.1% of the \$5,794,000 market value," and he therefore concluded the LID assessment would be easily offset by a general upswing in property values. However, not once did Brown (or Hovee) refer to any specific characteristics of the Swinerton property or the effect of the tram itself on the value of this property, relying instead on the assumption that values generally will increase across the board. Additionally, both Brown and Hovee have ignored the fact that in other local improvements districts – such as the Oregon Convention Center and the Portland Streetcar – developed properties such as Swinerton's were assessed at just 0.3% to 0.8% of the tax assessor's stated value, far less than this 4.1% proposed assessment.

D. Hovee and Brown have not taken OHSU's new property ownership into consideration.

The arbitrary method of assessing Swinerton's property as Zone A and Zone B – based merely on the logic and reasoning of a yard stick – is clear when comparing it to OHSU's new property one block to the north. This 20-acre site was recently donated to OHSU by the Schnitzer family. The property was and still is within Zone C, even now that OHSU is the owner. However, OHSU has completely changed how that property will be used by and benefited from the presence of a tram. Indeed, OHSU plans to use its new 20-acre

² Mr. Brown stated in his August 4, 2004 memo that "the tram will improve access to this and other properties in the district," but he has never suggested that anyone will ride the tram to access the Swinerton site. Similarly, both Messrs. Brown and Hovee have ignored the fact that the Swinerton site is completely serviced by existing infrastructure and has no need for a tram as an alternative means of access.

Mr. Gary Blackmer, City Auditor
Auditor's Office
August 9, 2004
Page 4

site for educational facilities that will require access to and from Marquam Hill with the tram. It is just that type of use that will benefit by the presence of a tram, and it is a benefit City Council should consider when finalizing the LID assessments.

That Brown and Hovee have ignored OHSU's new usage and benefits – as well as the benefits of other property owners who are parties to the Development Agreement – is clear from this statement in Brown's August 4, 2004 memo: "*The properties controlled by the parties to the Development Agreement benefit to the same degree as other properties in the district, depending on the distance to the eastern tram terminus.*" Of course, that statement is irrational when comparing existing, developed properties to those owned by OHSU and others who will be the primary beneficiaries of the tram. OHSU, nonetheless, finds itself within Zone C merely because of an arbitrary distance from the tram.

Unless and until this oversight is reflected by changing OHSU's LID assessment to Zone A as a primary beneficiary of the tram, the City Council should refrain from proceeding further with Swinerton's assessment.

E. The City plans to extend SW Wood Street into Swinerton's property, which will require its building to be razed.

Finally, the proposed assessment ignores an important fact that for the first time was disclosed to Swinerton in Brown's August 4, 2004 memo. The City plans to extend SW Wood Street through Swinerton's property. The street, when it is constructed, will impede on the location of the building such that it will need to be razed. The City's plans for locating SW Wood Street though the Swinerton property are set in stone, so much so that Brown relied on this street extension to support the LID assessment:

"The assessment methodology reflects the Swinerton property being bifurcated by a future dedication of SW Woods Street, with the remaining southern portion of this tax lot south of SW Woods Street, and the remaining northern portion of this tax lot north of SW Woods St. As SW Wood Street is the basis for the northern delineation of Zones A and B, this property is properly assigned within both zones. . . ."

It is counterintuitive that punching a street through a piece of property, and causing the existing building to be razed, could somehow equate with an economic benefit supporting Zone A and Zone B LID assessments for an aerial tram. But, nevertheless, that is what Brown said.

178675

Mr. Gary Blackmer, City Auditor
Auditor's Office
August 9, 2004
Page 5

Additionally, this is the first occasion Swinerton has been informed of any plans to "bifurcate" its property. These plans, which to date are still unclear to Swinerton, would all but wipe out the existing Class B building and its infrastructure, all of which were developed in 1986 and purchased by Swinerton in December 2001. In Commissioner Francesconi's words, it would be "unfair and inequitable" to apportion the LID assessments by requiring Swinerton to pay Zone A and Zone B LID taxes, particularly where the City intends to turn around and use the property for its own devices anyway.

Swinerton respectfully requests that Mayor Katz and the Commissioners fully consider the record before taking any further action on the Swinerton LID assessment.

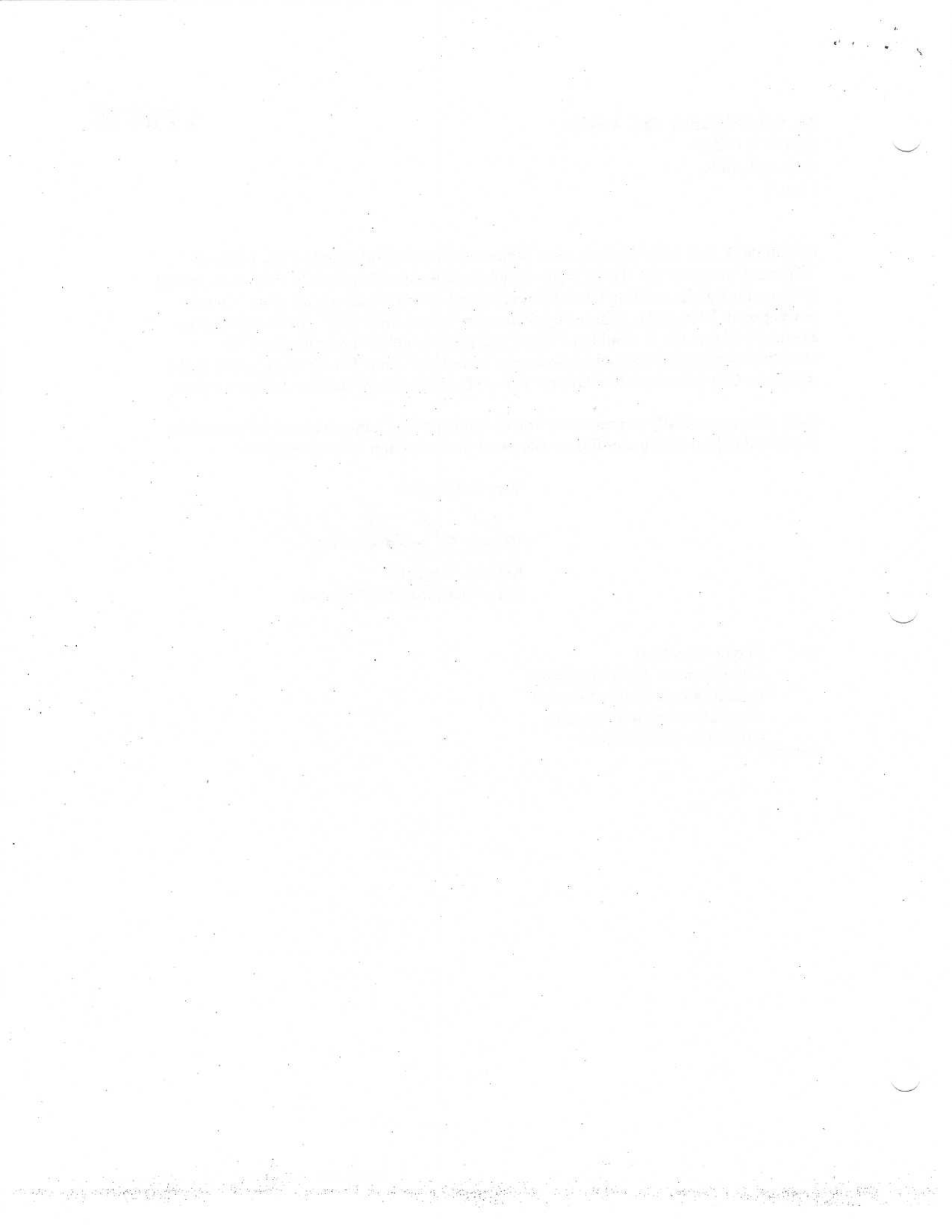
Very truly yours,



Kerry J. Shepherd
KerryShepherd@MHGM.com

cc: Mayor Vera Katz
Commissioner Jim Francesconi
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten

SWIN77074



1600 Pioneer Tower
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503-221-1440

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JOSEPH S. VOBORIL
ADMITTED TO PRACTICE IN OREGON AND WASHINGTON

August 9, 2004

BY HAND DELIVERY

Mr. Gary Blackmer
City Auditor
City of Portland
1221 SW 4th Avenue, Room 140
Portland, OR 97204

RECEIVED
2004 AUG -9 P 4: 24
GARY BLACKMER, AUDITOR
CITY OF PORTLAND, OR

Re: Portland Aerial Tram Local Improvement District – Rebuttal to Information
Submitted on August 4, 2004

Dear Mr. Blackmer:

This letter, together with the attached letter and materials prepared by ECONorthwest, are submitted on behalf of our clients, ZRZ Realty Co. and Zidell Marine Corporation, in response to new information that was submitted to the City Council on August 4, 2004 by Matt Brown and Andrew Aebi of the Portland Department of Transportation. The new information included the following:

(a) Summary of Remonstrances dated August 4, 2004 prepared by Mr. Brown and Mr. Aebi, which is intended as the "Substitute Exhibit F" to the draft Ordinance;

(b) Memorandum dated June 20, 2003 prepared by Eric Hovee entitled "Preliminary Economic Analysis of proposed North Macadam LIDs" (the "June 2003 Hovee Report"); and

(c) Memorandum prepared by Eric Hovee dated August 3, 2004 entitled "Special Benefits Review Portland Aerial Tram LID Remonstrance" (the "August 2004 Hovee Report").

Upon review of this new information, it is apparent that the proponents of the Aerial Tram LID have yet to submit evidence which would enable the City Council to make the following three determinations which are required by the City Code and Oregon law:

- That the Zidell properties will receive a "special or peculiar benefit" from this public improvement;
- That the benefit to be received by the Zidell properties is reasonably related to the proportion of the total costs of the improvement that the assessment represents; and
- That the assessment methodology, which apportions the share of costs differently among property owners, is not arbitrary.

1. In the remonstrance letter and related materials we filed with your office on July 22, 2004, and in our written and oral presentations to the City Council on August 4, Eric Fruits of ECONorthwest and I explained to the Council that the proposed assessments could not be justified based upon any estimate of tram ridership. Now that we have had an opportunity to review Substitute Exhibit F and the Hovee Reports, it is apparent that the proposed assessments are not based on anticipated ridership, but rather upon the assumption that property values in the South Waterfront area will increase as a result of the aerial tram. (Actually, as explained in paragraph 2 below, these documents do not assume that the purported property value increases will result solely from the aerial tram. Rather, the authors contend that the aerial tram, together with a whole portfolio of public improvements, will cause property values in the area to increase.)

As noted by ECONorthwest in the attached letter, the City provides no reliable evidence to support the assertion that Zidell's property values will increase as a result of construction of the tram. Mr. Hovee's analysis is provided on a "generalized basis" and is not based upon any property-specific considerations. In fact, in the August 2004 Hovee Report, Mr. Hovee acknowledges the following:

Finally it is noted that our June, 2003 report did not purport to analyze economic benefits on a property-by-property basis. Rather, the analysis considered district wide benefits together with potential effects for properties that were described as being in low, medium and high LID rate categories.

Because of the generalized nature of our 2003 analysis and the changed circumstances of the LID assessment specifics, the following comments also are provided on a generalized basis and should not be construed to address unique property-specific considerations.

In the attached materials prepared by Eric Fruits of ECONorthwest, Mr. Fruits has conducted a property-specific analysis for the Zidell properties and concludes that the Aerial Tram LID assessment will actually reduce the value of the Zidell properties.

2. Under Oregon law, there must be evidence that the benefit to be conferred on a specific property is "reasonably related" to the proportion of the total cost of the improvement that the assessment represents. Absent such evidence, the amount is arbitrary.

A careful reading of the Hovee Reports and Substitute Exhibit F make it clear that the alleged benefit is not attributable to this public improvement, the aerial tram. Mr. Hovee and Messrs. Aebi and Brown are careful to not limit their analysis of the purported benefit to the aerial tram alone. Instead, they rely on a number of other factors, including future local improvement districts for other necessary services, availability of similar public funding, to reach the conclusion that property values in the South Waterfront area will increase. Nowhere in the Substitute Exhibit F or the Hovee Reports is there any evidence to support the conclusion that all of these necessary components (future LIDs, public funding, etc.) will be available to the Zidell properties. In any event, before imposing an assessment on the Zidell properties of \$2,173,000, which represents slightly more than 21% of real market value of the Zidell properties, the City must make a determination that this public improvement will confer the identified special and peculiar benefit (increased property values) on the Zidell properties. There is no evidence in the record to support such a determination. Indeed, as the attached letter from ECONorthwest indicates, it is not reasonably possible to produce evidence to justify such a conclusion.

3. There is nothing in Substitute Exhibit F or the Hovee Reports which would constitute evidence to support the assessment methodology which apportions the share of the cost differently among property owners based upon the single criterion of distance from the eastern tram terminus. Based upon the new information – and the testimony given by Messrs. Brown and Aebi at the August 4, 2004 City Council hearing – it is apparent that the alleged benefit from the aerial tram is an increase in property values, rather than any benefit that a property owner may receive from tram ridership. And, as indicated above, Mr. Hovee makes it clear that his assumption is that property values will increase on a "district wide" basis and that he has not addresses property-specific considerations.

But if the assessments are based upon the assumption that property values will increase on a district wide basis and not tram ridership, then what rationale supports the assessment methodology which creates categories of assessment based upon distance from the eastern tram terminus? What evidence is there to support a conclusion that the value of property nearer the eastern tram terminus will increase more than the value of property that is further away? Again, it has been asserted that tram ridership is not the basis for the distinction.

The Zone A property is being assessed at \$253,500 per acre, while Zone B is to be assessed at \$84,500 per acre and Zone C at \$31,000 per acre. Since the Zone A assessment is approximately three times larger than the Zone B assessment, what evidence is there that the properties in Zone A will increase by three times the property value increase in Zone B? Furthermore, since the Zone A assessment is approximately eight times the assessment in Zone

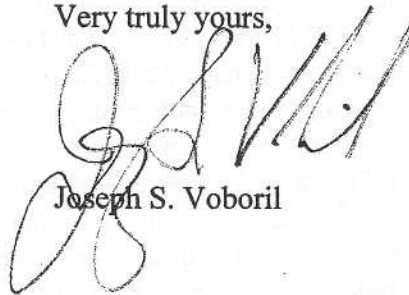
Mr. Gary Blackmer
August 9, 2004
Page 4

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C, does that mean that the increase in Zone A property values will be eight times greater than the increase in Zone C property values? There is absolutely no evidence in the record to support such a differentiation in assessments.

The new evidence confirms that the chosen assessment methodology is fundamentally flawed. The City Council should direct the proponents of the Aerial Tram LID to develop an assessment methodology that fairly apportions the cost of the improvement in a manner consistent with applicable law.

Very truly yours,

A handwritten signature in black ink, appearing to read 'J.S. Voboril', written over a printed name.

Joseph S. Voboril

JSV/CLT

009219\00003\584370 V001

(copy of server only)

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ERIC FRUITS, PH.D.
SENIOR ECONOMIST

August 9, 2004

VIA HAND DELIVERY

Mr. Gary Blackmer
City Auditor
1221 SW Fourth Avenue
Room 140
Portland, OR 97204

RECEIVED
2004 AUG -9 P 4: 24
G. BLACKMER, AUDITOR
CITY OF PORTLAND, OR

Re: Portland Aerial Tram LID—rebuttal to information submitted on August 4, 2004

Dear Mr. Blackmer:

I am a senior economist at ECONorthwest and an adjunct professor at Portland State University's School of Urban Studies and Planning where I teach a graduate-level course in real estate finance and investments. For both public and private clients I have evaluated the impacts of public transportation projects on property values.

I was retained by counsel for ZRZ Realty Co. and Zidell Marine Corporation ("Zidell") to respond to the City of Portland Office of Transportation Substitute Exhibit F ("Exhibit F"), summarizing remonstrances against the Portland Aerial Tram Local Improvement District ("LID") assessments. I have attached the documents cited throughout this letter. Exhibit F relies on appraisals of Central District properties that have not been submitted into the record. I reserve the right to supplement and/or modify my analysis as new information such as the appraisals or reports by the City or other parties' consultants, are made available. My conclusions are summarized as follows:

- **The City has not reliably demonstrated that Zidell's property in particular will benefit from the Aerial Tram.** Instead, the City has asserted that the Aerial Tram will convey general benefits to all property owners in the proposed LID. The only reliable method to determine whether Zidell's properties will experience a net benefit from the Aerial Tram is to evaluate the expected benefits the Aerial Tram, by itself, will deliver to the properties relative to the costs and timing of redeveloping Zidell's properties consistent with the Tram's existence.
- **The City has not reliably demonstrated that any benefits from the Aerial Tram—excluding the benefits associated with non-Tram public investments**

and/or subsidies—will exceed Zidell's Aerial Tram LID assessment. Economic logic, as well as the City charter, dictates that the Aerial Tram LID assessment cannot exceed the special and peculiar benefit from that improvement. Moreover, the increases that Zidell's properties would require to offset the Tram's LID assessment substantially exceed the increases the City purports that Central District properties have experienced, after fully accounting for private and public investments.

- **The City has not reliably demonstrated that Zidell's property in particular will benefit from Central District-related development.** The City asserts that the Tram is the key element to spur OHSU expansion, which will in turn generate "spill over" benefits to all properties in the Aerial Tram LID. However, there is no reliable demonstration that such spillovers will benefit Zidell's properties in particular. In fact, a number of provisions in the Development Agreement are designed to capture many development benefits and act to reduce or eliminate the potential for positive development spillovers outside of the parties to the Development Agreement.
- **The City has not reliably demonstrated that any benefits from purportedly Tram-contingent Central District-related development will exceed Zidell's Aerial Tram LID assessment.** Even if Central District development is "predicated" on the existence of the Aerial Tram and that development benefits will "spill over" from the Central District to Zidell's properties specifically, the City has not reliably demonstrated that the net present value of any spillover benefits meets or exceeds the Zidell's Aerial Tram LID assessment.

The bases for my conclusions are outlined as follows.

1. The City has not reliably demonstrated that Zidell's property in particular will benefit from the Aerial Tram

As noted in Commissioner Francesconi's comments at the August 4, 2004 Council meeting, three key components of property values are "location, location, location." The point, of course, is that property values are very sensitive to locational factors, where distance from the Tram terminus is only one of many factors. Other locational factors such as pedestrian access, accessibility to other modes of transportation, the quantity and quality of neighboring development, net developable land area, and density of the development realized will have far more impact on Zidell's property values than distance from the Aerial Tram terminus.

The City asserts that land values that appreciate because of development made possible by ridership to the eastern Tram terminus can be expected to cause appreciation for directly adjoining and vicinity area properties (Exhibit F, p. 11). The City provides no reliable support for its assertion. It is widely assumed that 80-90% of tram trips (or 1050-1181 trips per day in 2007 according to the Portland Office of Transportation) will be OHSU intercampus trips. With the recent Schnitzer donation OHSU's share of ridership will almost certainly increase. The City has provided no reliable demonstration for its assertion that Zidell properties in particular will benefit in any way from these internal OHSU trips.

The only reliable method to determine whether Zidell's properties will experience a net benefit from the Aerial Tram is to evaluate the expected benefits the Aerial Tram, by itself, will deliver to the properties, evaluate the costs and timing associated with demolishing the existing structures, evaluate the costs of rehabilitating the properties, and constructing new structures that benefit from the Tram's existence. Indeed, the City concedes that such an analysis must be applied to every property in the LID to determine whether the expected benefits meet or exceed the assessment:

“Even if for the sake of argument such costs could be objectively determined for the ZRZ property and somehow credited to the property, such an assessment methodology would need to be applied uniformly to all properties in the district.” (Exhibit F, p. 9)

The City erroneously concludes that such an analysis cannot be performed because it necessarily involves a degree of uncertainty. Finance and economics have developed widely-accepted statistical methods for dealing with uncertainty. Rather than make any attempt to quantify the specific costs and timing of demolition, rehabilitation, and construction, the City implicitly—and erroneously—asserts that such costs are zero.

The City asserts that Zidell's properties are subject to the same codes and regulations and possess the same development rights as Central District property directly adjacent, and therefore the only difference between the properties is the timing of redevelopment (Exhibit F, p. 6). The City's premise is false and its conclusion is flawed. As noted below, Central District properties will receive substantial public investments that Zidell's properties will not receive. Also, as noted below, the City and PDC are enjoined from actively recruiting or providing subsidies to facilities that may compete with OHSU. Zidell does not enjoy the same development rights as Central District properties adjacent. Nevertheless, differences in the timing of redevelopment are crucial. A key component of financial analysis is valuing the passage of time (see Stephen T. Janik, *Economics of the Deal*). Zidell's property values would have to increase by \$2.17 million on the day the Aerial Tram LID assessments are paid for the benefits to equal the assessment. Alternatively, if Zidell redeveloped the properties, the net profit after accounting for the costs of demolition, rehabilitation, construction, and the other LID assessments, must be \$3.05 million if developed 5 years hence, and \$6.00 million if developed 15 years hence. Thus even if one accepts the City's contention that the “only difference” is the timing of development, that difference is significant.

2. The City has not reliably demonstrated that any benefits from the Aerial Tram—excluding the benefits associated with non-Tram public investments and/or subsidies—will exceed Zidell's Aerial Tram LID assessment

Only the benefits to a particular property attributable to the Aerial Tram itself—excluding the benefits associated with non-tram public investments and/or subsidies—are relevant to a property's Aerial Tram LID assessment. Economic logic and the City charter dictate that the Aerial Tram LID assessment cannot exceed the special and peculiar benefit from that improvement (see City Charter § 9-701). In contrast, the City asserts that Zidell's properties “should” benefit from that Aerial Tram but only with “commensurate public investment in

streets and utilities similar to that in the Central District" (Exhibit F, p. 5). The City also asserts that "[p]ublic investments that *together* serve to stimulate development *in conjunction* with the LID generate opportunity for property value appreciation" (Exhibit F, p. 10, emphasis added). The City seemingly concedes that the Aerial Tram adds no value to Zidell's property in the absence of the same level of investments and/or subsidies provided to the Central District.

The Portland Aerial Tram Petition Estimate shows that only 13.7 acres of Zidell's 30.2 acres are developable; 10.6 acres are subject to greenway adjustments and 6.0 acres are for streets. The City asserts that the total real market value of Zidell's properties is approximately \$10.3 million (Exhibit F, p. 6). Relying on E.D. Hovee's analysis, the City asserts that someday, with substantial non-Tram-related investments, Zidell's properties will increase 13,323% in value to as much as \$1.4 billion, or approximately 2% of the real market value of *all* property in Multnomah County (Exhibit F, pp. 5-6; Multnomah County Assessor). This is more than 70% of the market value of all properties in the Pearl District. To ascribe such benefits to the Aerial Tram alone defies economic logic and common sense.

The City cites a 2003 study by E.D. Hovee in asserting that payment of a \$6 per square foot in LID assessments (which include the Aerial Tram and streetcar) represents an "investment" that could yield a return of \$27 per square foot (Exhibit F, p. 5). The E.D. Hovee report is over one year old and development conditions have changed; for example, I understand that development costs have been increasing since the report was prepared. Moreover, the hypothetical increases in property values in E.D. Hovee's analysis is driven entirely by increases in density ("FAR") (E.D. Hovee, *Preliminary Economic Analysis of Proposed North Macadam LIDs*, June 20, 2003, pp. 4-5). In addition to the methodological errors in E.D. Hovee's report, neither the City nor E.D. Hovee have (a) reliably demonstrated that benefits that E.D. Hovee purports to have been experienced by "North Macadam and other Central City areas" can be applied to Zidell's specific properties, (b) reliably demonstrated that development densities for Zidell's properties, as measured by FAR, are determined by existence of the Tram, and, if so, (c) isolated the impacts of the Tram on development densities for Zidell's property.

E.D. Hovee asserts that the development potential of properties in the North Macadam URA "is not anticipated to occur without the upfront transportation improvements" (E.D. Hovee, *Preliminary Economic Analysis of Proposed North Macadam LIDs*, June 20, 2003, p. 5). Portland Aerial Tram recognized that the Tram itself is only one component of a portfolio of necessary transportation improvements.

"As part of any future efforts associated with South Corridor Light Rail, potential linkages with the Aerial Tram, streetcar, transit, and the South Waterfront District must be considered, including alternative alignments that are responsive to changing conditions, including access to jobs and transit." (Portland Aerial Tram, Inc. Board, *Final Recommendations and Report*, p. 46)

However, as late as January 23, 2004, the North Macadam Technical Advisory Committee noted that the City was seeking funding for transportation projects that do not accommodate buildout

of properties outside of the Central District (Robert Durgan Letter to Council, August 3, 2004, Attachment 6).

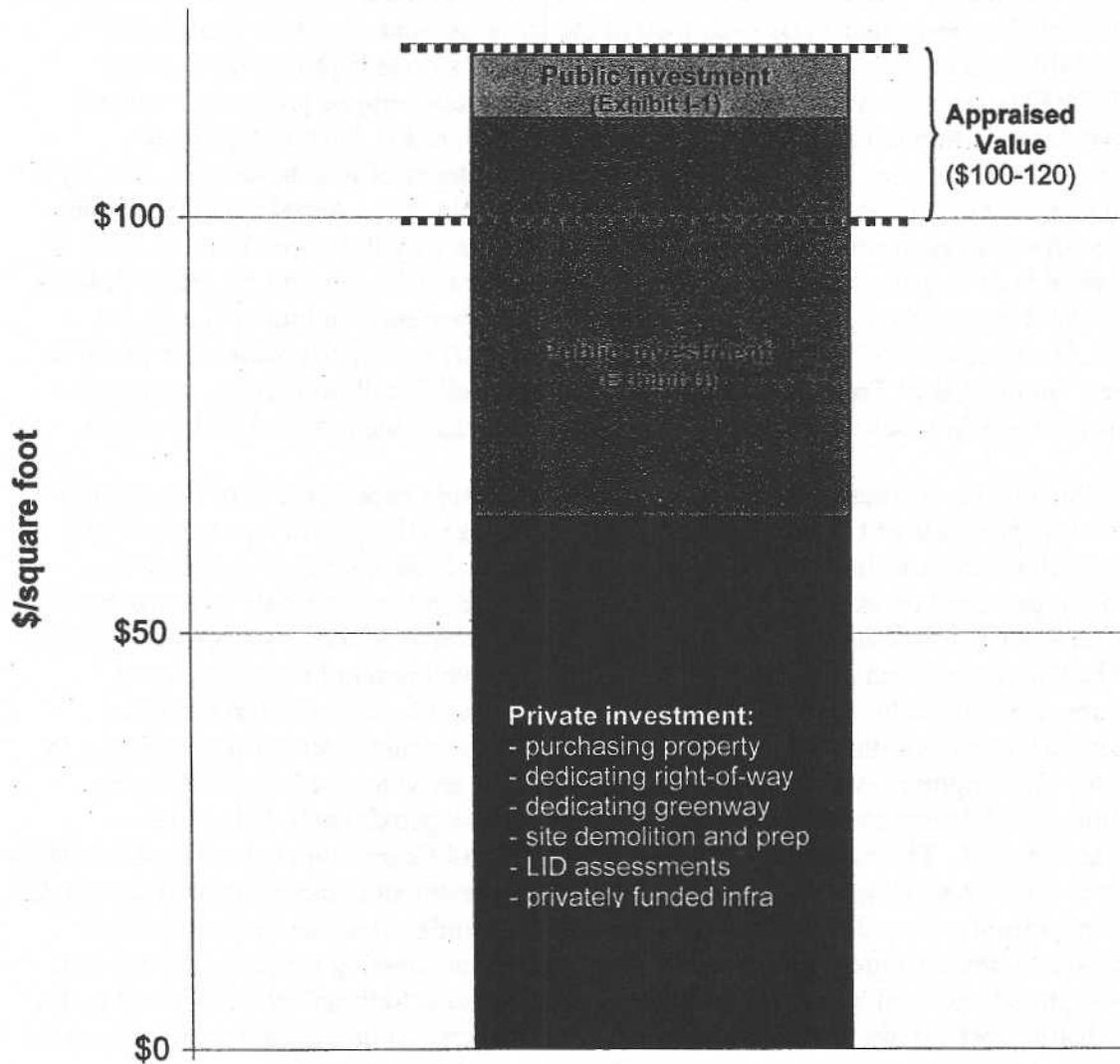
The City's erroneously concludes that Zidell's properties need to see only a modest increase in property values for benefits ascribed to the Aerial Tram to meet or exceed the benefits (Exhibit F, p. 6). This conclusion flatly contradicts the City's conclusion made elsewhere that the spreading of assessments must be on the basis of benefit to the property, *not* on the basis of who holds title to the property (Exhibit F, p. 12). Moreover, this conclusion is economically erroneous. The City asserts that the collective estimated assessment for the Aerial Tram LID (excluding any other LIDs described in the Development Agreement) amounts to 21.1% of Zidell's real market value. Because none of Zidell's Zone B properties are fully developed, the City concludes that a modest increase in the undeveloped properties' values would offset Zidell's Aerial Tram LID assessment (Exhibit F, p. 6). Even accepting the erroneous assumption that the benefits may be spread on the basis of who holds title, the City's conclusion that a modest increase in property value attributable to the Aerial Tram would be sufficient to offset the assessment is wrong. Assuming, as the City does, that Zidell's Zone A properties would not be redeveloped, the Zone B properties (which represent 56.3% of Zidell's developable land according to the Petition Estimate) must experience an immediate 37.5% increase (21.1% assessment divided by 56.3% developed land) in property values for Zidell to "break-even" on the Aerial Tram LID assessment applied to all Zidell properties. As noted above, timing delays in redevelopment will substantially increase the required dollar return.

To illustrate the increases in property values Zidell could expect, the City erroneously points to recent appraisals of Central District properties to assert that Zidell's property's will experience similar increases in value. The City has not made these appraisals available for review and has provided no explanation of the basis upon which the appraisals were made. The City purports that the appraised properties have a value of \$100 to \$120 per square foot (Exhibit F, p. 6). The City asserts that the average private costs of development for the appraised properties are approximately \$64 per square foot (Exhibit F, p. 6). These Central District properties have and will continue to benefit from public investments in streets and utilities. In particular, the Development Agreement (Exhibits U and I-1) provides for \$43.0 million to \$49.8 million of public investment in the Central District, or approximately \$48-56 per assessable square foot. The combined value of private and public investments are approximately \$112-120 per square foot (Figure 1), of which the public investment component accounts for 43-46% of the appraised value. Zidell would likely never see similar appraised values for his property without similar or greater public investment. After accounting for private and public investments, properties cited by the City apparently experienced "returns" of 16% losses to 7% gains, which are substantially different from the 37.5% property value increase ascribable to the Aerial Tram that Zidell would need for the benefits to equal the assessment.

Without substantial public investment, the appraised property values cited by the City likely would be approximately one-third to one-half lower. I understand that no similar public investments in properties outside of the Central District—such Zidell's—have been made or are promised by the City to be made. The City points to Central District properties that benefit from such investments to jump to the conclusion that somehow "LID investment in the Tram and

Streetcar projects” will “greatly enhance” property values outside the Central District (Exhibit F, p. 6). Such non sequitur reasoning is logically flawed. Moreover, in lumping the general benefits of the Tram with the general benefits of the streetcar, the City fails to isolate any benefits to a particular property that can be ascribed to the Aerial Tram by itself.

Figure 1: Components of Recent Appraisals in South Waterfront Central District



Source: Exhibit F, p. 6; Third Amendment to South Waterfront Central District Development Agreement, Exhibits U and I-1.

3. The City has not reliably demonstrated that Zidell's property in particular will benefit from Central District-related development

The City asserts that the market potential for related office development—both for bioscience and other more traditional business tenants—will spill over to adjoining properties (Exhibit F, p. 8). However, the City has not demonstrated that Zidell's properties in particular will benefit from such spillovers. Moreover, implicit in the City's assertion is the assumption that demand for office and related space is virtually limitless. The City has provided no reliable evidence that future demand will be sufficient to support such a volume of development. Moreover, a number of provisions in the Development Agreement act to reduce or eliminate the potential for positive development spillovers outside of the Central District property owners. For example, as noted in our July 22, 2004 letter, PDC has agreed to "not actively recruit or provide subsidy" to facilities in the North Macadam URA that may compete with OHSU's facilities in the Central District for the next 15 years (South Waterfront Central District Project Development Agreement § 11.2.15). The combination of Central District investments and competitive restrictions suggest that the Development Agreement has been negotiated such that the Central District property owners capture most of the development benefits. Because the Central District properties benefit from substantial public investments—some of which Zidell would be enjoined from receiving—and will be on the market many years before developments on Zidell's properties are completed, demand at that time may not be sufficient (both in terms of quantity demanded for space and willingness to pay for space) to justify redevelopment of the properties.

The City asserts that OHSU's development at the eastern Tram terminus would provide impetus for Portland's emerging bioscience cluster that would stimulate more bioscience and traditional office development (Exhibit F, pp. 8-9). The City, however, has provided no reliable evidence that Portland will ever develop a substantial bioscience sector from which Zidell's properties, in particular, will benefit; nor has the City reliably demonstrated a demand for "traditional" office development so far away from the downtown central business district.

A critical mass of firms is required for a bioscience sector to thrive in Portland. That means there have to be enough employers, scientists, and bioscience company managers to make the City more attractive to research talent. Achieving critical mass is problematic. As noted by PDC, the greatest barrier is money (Portland Development Commission, *Economic Development Strategy 2002 for the City of Portland*). In 2001, Oregon companies received less than 0.1% of total nationwide bioscience venture capital. The City and the State have committed far fewer resources than the many other regions around the country that are competing to attract investment from this sector. Cities that already have multiple research universities, large drug manufacturers, and access to large amounts of local venture capital are all seeking biotechnology firms (Portland Development Commission, *Economic Development Strategy 2002 for the City of Portland*). Indeed, even established institutions, such as OHSU, are facing vigorous competition for federal funding from institutions in other long-established bioscience centers (see OHSU Sees Drop In Award Rankings, *Oregonian*, July 4, 2004). The gap between Portland's components for critical mass is so large that it defies economic logic and common sense to assert that the Aerial Tram is *the* key to overcoming the City's relative weaknesses in catalyzing development of this sector.

The City points to the Development Agreement to conclude that Central District development is predicated on completion of the Aerial Tram:

“The Development Agreement does, in fact, directly predicate Central District development and, by extension, future Tax Increment Financing generation, on completion of the aerial tram” (Exhibit F, p. 11).

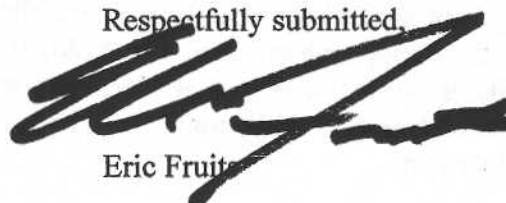
Zidell is not a party to the Development Agreement. The technical requirements of the Development Agreement have nothing to do with the economic reality that rezoning and public investments are almost entirely responsible for the redevelopment of the Central District rather than the existence of a Tram that the City itself expects to generate approximately 1,300 trips per day. In contrast to the City’s assertions (Exhibit F, p. 8), it is disingenuous to assert that OHSU’s—and, in domino fashion, other developers’—expansion plans rely *entirely* on the Aerial Tram. If, hypothetically, the Tram were an engineering impossibility or the costs become prohibitive, it seems extremely unlikely that OHSU and the other parties to the Development Agreement would halt all development.

4. The City has not reliably demonstrated that any benefits from purportedly Tram-contingent Central District-related development will exceed Zidell’s Aerial Tram LID assessment

Accepting, for the sake of argument, the City’s assertion that the Central District development is “predicated” on the existence of the Aerial Tram and that development benefits will “spill over” from the Central District to Zidell’s properties specifically, the City has not reliably demonstrated that the net present value of these benefits—accounting for the cost and time needed for Zidell’s properties to be redeveloped—meets or exceeds the Zidell’s Aerial Tram LID assessment.

The proposed Aerial Tram assessment amounts to 21.1% of the entire market value of Zidell’s properties. Development of Zidell’s properties that are not occupied by the barge construction and repair facilities would need to achieve an immediate 37.5% increase in value upon payment of the proposed assessment. The City’s analysis of appraisals indicates that even Central District properties—which have superior development rights and public investments relative to Zidell’s properties—have not experienced the rate of property value appreciation that Zidell would need for the benefits of the Aerial Tram to meet or exceed Zidell’s assessments. Because the City has not demonstrated that Zidell’s properties specifically will benefit from the Aerial Tram, by itself, the assessment has the effect of reducing Zidell’s property values by the amount of the assessment, or \$2.17 million.

Respectfully submitted,



Eric Fruit

Mr. Gary Blackmer
August 9, 2004
Page 9

1 78 675

cc: Mayor Vera Katz
Commissioner Jim Francesconi
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten

Attachments: Portland Office of Transportation, *Substitute Exhibit F*, August 4, 2004.

Portland Office of Transportation, *Marquam Hill to North Macadam Connector Study*, June 20, 2002, p. 26.

Stephen T. Janik, *Economics of the Deal*, August 13, 1999.

Portland City Charter § 9-701.

Multnomah County Assessor, *History of Certified Taxable Values In Multnomah County*.

E.D. Hovee, *Preliminary Economic Analysis of Proposed North Macadam LIDs*, June 20, 2003.

Robert Durgan Letter to Council, August 3, 2004, Attachment 6

Third Amendment to South Waterfront Central District Project Development Agreement, Exhibits I-1 and U.

Portland Development Commission, *Economic Development Strategy 2002 for the City of Portland*, Appendix 2-7B, pp. 40 and 50.

OHSU Sees Drop In Award Rankings, *Oregonian*, July 4, 2004



CITY OF
PORTLAND
OFFICE OF
TRANSPORTATION

Jim Francesconi, Commissioner
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Portland, Oregon 97204-1914
(503) 823-5185
FAX (503) 823-7576 or 823-7371
TDD 823-6868

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Brant Williams
Director

IMPORTANT NOTICE – LID HEARING DATE AND TIME

Eileen Argentina
System Management

August 6, 2004

Bryant Enge
Finance

To: Portland Aerial Tram Local Improvement District Property Owners

Don Gardner
Engineering & Development

RE: **LID Testimony to Continue on August 12th, 3:00 P.M.**

Jeanne Nyquist
Maintenance

City Council continued the hearing for the proposed formation of the Portland Aerial Tram Local Improvement District on Wednesday, August 4th as scheduled. Additional written testimony based on issues raised in the August 4th Council session was invited for submission into the Council record. This testimony must be in writing and received by the City Auditor no later than 5:00 PM on Monday, August 9th. The address of the City Auditor is 1221 SW Fourth Avenue, Room 140, Portland, OR 97204.

Laurel Wentworth
Planning

A continuation of this hearing has been scheduled for next week. As a courtesy, we wanted to notify you about this action so that you are able to plan your time accordingly. We have reserved a Time Certain on **Thursday, August 12th, at 3:00 p.m.** for Council to continue deliberations on this agenda item and to receive additional testimony from property owners and other interested parties. Oral testimony will also be taken at the August 12th Council session. However, oral testimony at the August 12th session must pertain to changes under consideration to the southern Zone B / Zone C boundary. The City Council meeting will be held at Council Chambers in City Hall, 1221 SW Fourth Avenue.

If you have any questions about this item, please contact Matt Brown, Project Manager, at (503) 823-7027 or Andrew Aebi, Local Improvement District Administrator, at (503) 823-5648.

Sincerely,

Andrew H. Aebi

Andrew H. Aebi
Local Improvement District Administrator

cc: Jane Blackstone, Portland Development Commission
Matt Brown, Project Manager
Michael Harrison, Commissioner Francesconi's Office
Karla Moore-Love, Council Clerk
Michael Mock, Mayor Katz's Office
PATI Board Members

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JANE BLACKSTONE, AUDITOR
CITY OF PORTLAND, OR

TESTIMONY SIGN-UP

9:30 AM

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Aerial Tram LID

IF YOU WISH TO SPEAK TO CITY COUNCIL, PRINT YOUR NAME & ADDRESS

NAME (Print)

ADDRESS & ZIP CODE

✓ KERRY SHEPHERD	1211 SW FIFTH AVE. SUITE 3000, PORTLAND, OR 97201
✓ PASQUALE PASCUZZI	10250 SW North Dakota St Tigard, Oregon 97223
✓ Bob Durgan	6712 N. CUTER CUN
✓ Joe Uabori	1600 Pioneer Tower 888 SW 5th Ave Portland 97204
✓ Eric Fruits	1400 PIONEER TWR 888 SW 5TH AVE PORTLAND 97204
✓ JEFF BACHRACH	1727 NW Hoyt PT 10 97209
✓ DOUG ISAAC	101 SW Main Portland, OR 97204

Date: 8-04-04

Page 1 of 1

PASCUZZI INVESTMENT LLC
10250 SW NORTH DAKOTA ST.
TIGARD, OREGON 97223

JULY 27, 2004

CITY COUNCIL
CITY OF PORTLAND
1221 SW 4TH AVENUE
PORTLAND, OREGON 97204

RE: PORTLAND AERIAL TRAM
LOCAL IMPROVEMENT DISTRICT

TO THE MEMBERS OF THE PORTLAND CITY COUNCIL;

MY NAME IS PASQUALE PASCUZZI - 10250 SW NORTH DAKOTA ST. TIGARD,
OREGON 97223.

I WISH TO THANK THE COUNCIL FOR THIS OPPORTUNITY TO SPEAK ON BEHALF
OF MY FAMILY THAT OWNS PROPERTY AT THE SOUTH PORTAL OF THE NORTH
MACADAM URBAN RENEWAL DISTRICT. OUR LAND IS APPROXIMATELY 2,500
FEET SOUTH OF THE GIBBS STREET LANDING OF THE TRAM.

ON APRIL 8, 2004, WE RECEIVED A PETITION FROM GARD & GERBER INVITING US
TO PARTICIPATE IN THE PORTLAND AERIAL TRAM LID. OUR PORTION OF THE LID
WOULD AMOUNT TO \$41,530.15.

GARD & GERBER, APPARENTLY RELYING ON E.D. HOVEE'S PRELIMINARY
ECONOMIC ANALYSIS FOR NORTH MACADAM LID'S, SUGGESTS A TRAM
CONNECTING MARQUAM HILL AND SOUTH WATER FRONT WILL INCREASE
PROPERTY VALUES IN THE DISTRICT. ALTHOUGH NO PROJECTIONS ARE MADE,
THEY SITE PORTLAND STREET CAR AS AN EXAMPLE OF A CATALYST FOR SUCH
INCREASES, WITH LAND VALUES CLIMBING FROM 17% TO 34% IN A TWO- YEAR
PERIOD FOR PROPERTY ALONG THE STREETCAR. OUR QUESTION IS - CAN THEY
SITE ONE CASE ANYWHERE IN THE UNITED STATES WHERE THE INSTALLATION
OF A TRAM INCREASED LAND VALUES IN THE AREA BY THOSE SAME AMOUNTS?

GARD AND GERBER STATES THAT THE TRAM LID COMPRISES ONLY 1 PERCENT
OF THE \$2 BILLION IN ANTICIPATED PUBLIC AND PRIVATE INVESTMENT FOR
SOUTH WATER FRONT THROUGH 2020. THEY DO NOT MENTION THE PROPOSED
EXPENSE FOR THE GREENWAY LID, THE STREETCAR LID, AND THE
RESPONSIBILITY OF PROPERTY OWNERS TO CONSTRUCT FULL STREET
IMPROVEMENTS OF SOME EAST-WEST STREETS. THIS HESITANCE BY STAFF TO
REVEAL EVEN APPROXIMATE EXPENSES FOR FUTURE LID'S IN THE DISTRICT
MAKES IT DIFFICULT FOR MOST OF US TO DEVELOP A PRO-FORMA FOR OUR
PROPERTY.

PAGE 2- TRAM LID

ESPECIALLY TROUBLING IS DESIGN AND CONSTRUCTION COSTS FOR THESE OTHER LID'S POTENTIALLY DOUBLING, AS IN THE CASE OF THE VERY TRAM LID WE ARE DISCUSSING TODAY.

AT ONE TIME, WE COULD CONCEDE THE REMOTE POSSIBILITY OF A BIO SCIENCE FACILITY BEING BUILT ON OUR PROPERTY. THIS WOULD CREATE SOME JUSTIFICATION TO OUR FINANCIAL PARTICIPATION IN THE SOUTH WATER FRONT TRAM CONNECTION TO MARQUAM HILL.

IN OUR VIEW, SUCH A FACILITY ON OUR PROPERTY IS NO LONGER VIABLE BECAUSE OF THE SCHNITZER LAND DONATION TO OHSU. ACCORDING TO THE JUNE 29, 2004 EDITION OF *THE OREGONIAN* "OHSU PLANS TO PLACE ACADEMIC BUILDINGS ON MUCH OF THE (SCHNITZER) LAND BUT HAS LEFT OPEN THE POSSIBILITY OF SELLING SMALL PORTIONS OF THE LAND FOR COMMERCIAL BIO SCIENCE USES."

OUR INTERPRETATION OF THIS QUOTE IS OHSU AND THEIR ANCILLARIES HAVE MORE THAN ENOUGH LAND INVENTORY (20 ACRES) AND A SEARCH FOR POTENTIAL SITES AT THE SOUTH END OF THE DISTRICT WILL PROBABLY NOT BE NECESSARY.

WE ADMIT THAT INSTALLATION OF THE TRAM MAY BE A PRACTICAL COMPONENT TO THE BUSINESS OPERATIONS OF FUTURE OHSU ACADEMIC BUILDINGS AND BIO SCIENCE FACILITIES CLUSTERING ON THE SCHNITZER PROPERTY. BECAUSE OF THIS EXTRAORDINARY UTILIZATION OF THE TRAM BY THOSE AT THE NORTH END OF THE DISTRICT, I RESPECTFULLY SUGGEST TO THIS COUNCIL THAT THE SCHNITZER PROPERTY BE RE-CLASSIFIED FROM A ZONE "C" DESIGNATION PAYING A MERE \$.73 PER FOOT FOR THE TRAM LID TO A ZONE "B" DESIGNATION MAKING THEIR OBLIGATION \$1.94 PER FOOT. WITH THIS NEW DESIGNATION PROPERTIES SOUTH PORTION OF THE DISTRICT MAY BE RELEASED FROM PARTICIPATING IN THE TRAM LID UNLESS IT WAS DISCOVERED LATER THAT THEIR FUTURE DEVELOPMENT HAD A PREDOMINANT NEED FOR TRAM USE.

THIS EVEN HANDED APPROACH WOULD PLACE THE FINANCIAL BURDEN ON THOSE WHO WILL ACTUALLY USE THE TRAM AND REMOVE THE ENCUMBRANCE FROM THOSE PROPERTY OWNERS IN THE SOUTHERN PORTION OF THE DISTRICT THAT WILL REALIZE LITTLE IF ANY FINANCIAL BENEFIT FROM THE TRAM'S OPERATION.

THANK YOU AGAIN FOR THIS CHANCE TO SPEAK PERSONALLY TO YOU REGARDING THIS MATTER.

RESPECTFULLY,



PASQUALE PASCUZZI

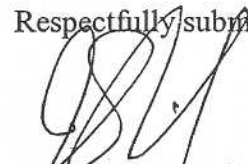
MEMORANDUM

To: City Council Clerk
From: Joseph S. Voboril
Date: August 4, 2004
Subject: Portland Aerial Tram Local Improvement District
City Council Hearing August 4, 2004

On behalf of our clients, Zidell Marine Corporation and ZRZ Realty Co., I am submitting the following documents into the record of the above-referenced proceeding:

1. City Council Testimony of Joseph S. Voboril dated August 4, 2004;
2. Letter to the City Council from Joseph S. Voboril dated August 4, 2004, requesting time to respond to substitute Exhibit F; and
3. South Waterfront Central District Project Development Agreement, including all amendments and exhibits thereto.

Respectfully submitted by,



Joseph S. Voboril
Attorney for ZRZ Realty Co. and
Zidell Marine Corporation

JSV/jeh



Tonkon Torp LLP
ATTORNEYS

JOSEPH S. VOBORIL
ADMITTED TO PRACTICE IN OREGON AND WASHINGTON

1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503-221-1440

(503) 802-2009
FAX (503) 972-3709
joe@tonkon.com

August 4, 2004

HAND DELIVERED

The Honorable Vera Katz, Mayor
and Members of the City Council
City of Portland
1221 SW Fourth Avenue
Portland, OR 97204

Re: Proposed Portland Aerial Tram LID

Dear Mayor Katz and Members of the Council:

As you know, this firm represents ZRZ Realty Company and Zidell Marine Corporation (together, "Zidell") with respect to their remonstrance regarding the proposed Portland Aerial Tram Local Improvement District (the "LID"). We filed a remonstrance on behalf of Zidell with the City Auditor on July 22, 2004.

On July 23, 2004, Mr. Mark Moline of the City Attorney's Office provided me with a copy of a draft Ordinance forming the LID. (A copy of the transmittal letter is attached.) The draft Ordinance provides, in part, that "[t]he City Council has considered the remonstrances made by owners of specially benefited property, and has accepted the summary of remonstrances and findings set forth in Exhibit F." (Draft Ordinance, ¶ 14.) As of July 23, however, the City's response to the four remonstrances received by the July 22 deadline had not yet been drafted; consequently, the Exhibit F attached to the draft Ordinance provided to me is just a placeholder. In the transmittal letter, Mr. Moline's assistant states: "As soon as the substitute Exhibit F is available, we will provide you with a copy."

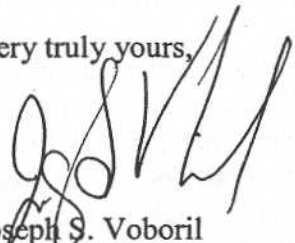
Earlier this week, I requested that Mr. Moline send me the City's substitute Exhibit F responding to the remonstrances as soon as it was available. On late Monday afternoon, August 2, Mr. Moline left me a voicemail message advising me that I would not receive a copy of the substitute Exhibit F until after it was presented to the City Council at the public hearing today.

Based on the review of the substitute Exhibit F that I have been able to make in the short time afforded me, it appears that Exhibit F introduces new evidence into the record that has not previously been made available to me, my client, or any other remonstrator or member

of the public. In light of the minimal time afforded for review of this new evidence, this matter should be continued so that Zidell, as well as the other remonstrators and interested members of the public, can meaningfully review and respond to this new evidence. Indeed, the Land Use Board of Appeals ("LUBA") has recognized that for quasi-judicial land use decisions, the local government must permit interested parties the opportunity to rebut new evidence introduced into the record at the last minute. See, e.g., ORS 197.763(6)(e); *Brome v. City of Corvallis*, 36 Or LUBA 225 (1999); see also Portland City Code § 33.730.100(B)(4) (any party to a public hearing is entitled to a continuance to respond to new evidence). While the decision to form the LID may or may not be a land use decision subject to LUBA's jurisdiction or within the scope of the City's Planning and Zoning Code, the underlying due process principle applies equally here. See ORS 222.389(1); 223.399 (prohibiting the City Council from adopting procedures for the formation of local improvement districts that do not comply or are not consistent with the Oregon Constitution, including constitutional principles of due process).

Fundamental principles of due process require that the matter be continued. Accordingly, we request on behalf of Zidell that this matter be continued for a reasonable time (e.g., seven days) so that Zidell and any other interested participants can fairly review the new evidence introduced by the City and submit additional argument rebutting the evidence, if they feel it appropriate. To proceed without affording Zidell and others this opportunity would be contrary to Oregon law and fundamental principles of due process protected by the Oregon Constitution.

Very truly yours,



Joseph S. Voboril

JSV/DJP

cc: Mr. Jay Zidell
Mr. Bob Durgan
Mr. David Petersen

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CITY OF
PORTLAND, OREGON
 OFFICE OF CITY ATTORNEY

Linda Meng, City Attorney
 1221 S.W. 4th Avenue, Suite 430
 Portland, Oregon 97204
 Telephone: (503) 823-4047
 Fax No.: (503) 823-3089

July 23, 2004

TO BE PICKED UP

JOE VOBORIL
 TONKON TORP LLP
 1600 PIONEER TOWER
 888 SW FIFTH AVENUE
 PORTLAND, OR 97204

Re: Portland Aerial Tram Local Improvement District

Dear Mr. Voboril:

In accordance with Mark Moline's letter of July 16, 2004, enclosed is a copy of the Ordinance that will be filed for consideration by Council at the July 29, 2004, City Council session. I was advised today by Andrew Aebi that the Ordinance as submitted does not yet address your remonstrance or the other three remonstrances filed by the filing deadline. These remonstrances will be addressed in a substitute Exhibit F that will be provided to Council at the August 4 City Council session. As soon as the substitute Exhibit F is available, we will provide you with a copy.

If you have any questions regarding the Ordinance, please contact Mark Moline, who will return to the office on Monday, July 26, 2004.

Thank you.

Very truly yours,

Jody L. Thoman
 Jody L. Thoman
 Legal Assistant to
 Mark R. Moline

jlt

c. Andrew H. Aebi
 Matt Brown
 Don Mazziotti
 Karla Moore-Love

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Relaxing & Speech Impaired (503) 823-4047 TDD (For Hearing & Speech Impaired) (503) 823-6868



10-10-1910

Dear Sir,

I have the honor to acknowledge the receipt of your letter of the 10th inst.

Yours faithfully,

J. H. [Name]

[Address]

[City]

[State]

[Country]

[Post Office]

[Telephone]

[Fax]

[E-mail]

[Signature]



ZRZ Realty Company

3121 S.W. Moody Avenue, Portland, Oregon 97239
(503) 228-8691 / (800) 547-9259
FAX: (503) 228-6750

178675

August 3, 2004

Matthew E. Brown
Project Manager
Portland Office of Transportation
1120 SW 5th Avenue, Suite 800
Portland, Oregon 97204-1914

Abe Farkas
Portland Development Commission

Dear Mr. Brown and Mr. Farkas,

As a PATI Board member since its inception, my support of the Tram project has been proven. However, just in case there continues to be any confusion on the issue, I wish to reiterate that along with the rest of the Zidell family, I continue to be strongly supportive of the Tram.

Further, we are equally supportive of OHSU's expansion into the South Waterfront District. We look forward to the construction and operation of the Tram as it shuttles OHSU employees, researchers, patients and visitors between their two campuses.

Our concern is not with these efforts, but with the City's inequitable allocation to us of the costs of the Tram under the proposed Tram LID. We believe the allocation does not take into account the current uses of our property, is unfair and must be changed.

To that end, I have asked Mr. Bob Durgan from our team to respond in detail to you regarding those issues that are problematic to us.

Before closing, I must set the record straight on something of great concern to me. You mentioned your letter of June 10, 2004 at the City Council meeting of the same date as in fact did the Mayor. However, I never received the above referenced letter through normal channels. In fact, it was only through extensive efforts by our legal counsel to obtain this document, along with others in preparation of our challenge to the LID, that I received your letter. I am not sure why a signed copy of the letter was not sent to me directly.

Regards,



Jay Zidell
President

cc: Mayor Vera Katz
Commissioner Jim Francesconi
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten
Don Mazziotti, Director, Portland Development Commission
Brant Williams, Director, Portland Office of Transportation

City Council Testimony
of Joseph S. Voboril
submitted on behalf of
ZRZ Realty Company and
Zidell Marine Corporation

August 4, 2004

Mayor Katz, Members of the Council:

My name is Joe Voboril. I am a partner of the Tonkon Torp law firm here in Portland. My office address is 1600 Pioneer Tower, 888 SW Fifth Avenue, Portland, Oregon 97204.

You have before you a letter of remonstrance which I have filed on behalf of our clients, ZRZ Realty Co. and Zidell Marine Corporation. As I state in that letter, in order to create a valid local improvement district, there must be evidence to establish that the assessment is roughly approximate to the special benefit to the property that is being assessed.

As you conduct such an analysis, you have to give consideration to the purpose of the public improvement. In this instance, the public improvement is an aerial tram that has a single purpose – to shuttle people back and forth between North Macadam and the OHSU campus on Marquam Hill. As Randy Pozdena of ECONorthwest has explained in his July 22 letter, the assessment methodology must be based upon a reasonable analysis of the expected tram ridership associated with each property.

And what evidence do you have before you regarding ridership? Well, Exhibit G2 to the Development Agreement states that the percentage of anticipated riders related to OHSU is estimated to be between 80% - 90%, and based upon that ridership projection, the Operation and Maintenance Budget in the Development Agreement provides that OHSU will pay 85% of the annual operation and maintenance cost for the tram with the City picking up the balance of 15%. And it must be emphasized, this 85% - 15% split was determined before Schnitzer Investment Corporation conveyed its 20 acres of property to OHSU, property which OHSU has announced will be devoted to educational facilities connected to Marquam Hill by way of this aerial tram. Given this recent development, it is safe to say that the ridership attributable to OHSU will far exceed 85% of usage.

If you examine the total assessments that are being proposed, OHSU is not paying anywhere close to 85% of the aerial tram assessments. By virtue of limitations in the Development Agreement, OHSU is only paying \$13,224,791 of the total \$19,000,000 in assessments, or slightly less than 70% of the total.

We have alleged that the result of this limitation is that the cost of the aerial tram has been disproportionately shifted to the Zidell properties. As a result, you have a situation where Blocks 33 A and B, upon which a 1,300 space parking garage is being constructed – which will be larger than any parking structure in downtown Portland – is being assessed at \$84,000 per acre, while Zidell's barge operation and corporate offices are being assessed at more than

\$253,000 per acre. Does anyone truly believe that the Zidell barge operation will produce anywhere close to the number of riders that will be attributable to this 1,300 space parking garage? Yet the Zidell assessment is three times as large as the parking garage assessment.

Then there's the case of the condominium towers being constructed by Homer Williams and Gerding/Edlen. The Merriwether Condominium Towers on Block 30, which are under construction today, will contain 245 condominium units. Across the street, on Block 35, the John Ross condominium project will contain 314 units and is projected to have a valuation of \$110,000,000 upon completion. Yet these three condominium towers are in an area that will be assessed at the rate of \$84,000 per acre compared to Zidell's \$253,000 per acre assessment. There is no way such a disparity in assessments can be justified.

Finally, we have just received copies of substitute Exhibit F to your ordinance which responds to the remonstrances which have been filed. We have not had time to adequately review this substituted Exhibit. Based upon our quick review of the document, however, it is apparent that it contains new evidence. Accordingly, we ask that you keep the record open for a reasonable time so that we can respond to this new evidence. As I indicate in my letter to you, one week would be sufficient.

For the record, I have some documents that have been referred to in our remonstrance letter and in our testimony which I would like to include in the record of this proceeding. This includes the following:

1. My letter to you dated August 4, 2004 asking for a reasonable period of time within which we can respond to substitute Exhibit F; and
2. The South Waterfront Central District Project Development Agreement and all Amendments and Exhibits thereto.

Thank you. I will respond to questions if you have them.

(Copy of letter only)

178675



August 3, 2004

Mayor Katz and Council Members
900 SW Fourth Avenue
Portland, Oregon 97201

Re: Response to June 10, 2004 "Draft Letter" to Council City of Portland
Transportation

Jay Zidell asked me to prepare a response letter the PDOT "draft" letter attributed to Matt Brown and Abe Farkas (Attachment #1). The letter was distributed to the Mayor, Commissioners, Don Mazziotti, and Brant Williams. However, this letter was not delivered to Jay Zidell. We did not receive the letter until July, 28, 2004.

Some background information on Andersen Construction's role. "On October 30, 2003 ZRZ announced the selection Andersen Construction Company to provide pre-development services for ZRZ's property in Portland's South Waterfront neighborhood. As part of the agreement, Bob Durgan, Vice President of Development Services for Andersen, will assume responsibility for working with the City of Portland, adjacent property owners and other interested parties as ZRZ continues its development planning (attachment #2)."

Jay felt that it was important for ZRZ to respond to the letter since it is a part of the record for the City's approval of the *Third Amendment to the South Waterfront Central District Project Development Agreement (PDA)*.

I am not an attorney; therefore, my questions and arguments are submitted as questions of ethical fairness. For example:

How was this assessment methodology selected?

Were other methodologies analyzed, to be more or less appropriate?

Were public hearings held and alternatives discussed?

Why was the combined Tram LID cost for NMI in the PDA, Exhibit K, reduced from \$1,441,381 to \$1,395,271 (Attachment #3) for a savings of \$46,109?

Why, during the same period, was the ZRZ assessment raised from \$1,395,271 to \$2,173,379 for a net increase of \$790,810 (Attachment #4)?

How does PDOT's methodology address the PDA Tax Increment Financing (TIF) incentive of \$24,809,315, increased to \$30,809,315 by Third Amendment (attachment #5), and a not to exceed Tram LID, relate as equal to ZRZ's assessment which has no funding incentive or Tram LID cap?

Were the methodologies for the LID assessment negotiated as part of the PDA process only; or were they done by a fair and open public process?

Why is it fair for PDC to negotiate a PDA, which defines district wide projected LID's and cap the cost to the signatories, in exchange for agreeing not to remonstrate, if they are below the negotiated cap?

Does the donation of twenty acres of land to OHSU, and their plan to develop a South Waterfront Campus connected to Marquam Hill by the Streetcar and Tram, create a transportation paradigm shift trigger. Should PDOT re-evaluate assessment methodologies, testing values usage versus proximity; proximity versus proximity with entitlements and incentive; Entitlement value of peak hour capacities?

I believe these are clear, fair and ethical questions that need to be addressed, prior to approving this critical LID. Hopefully, the Council has the courage and reason, to pause and ask for the right answers to the questions raised in this letter?

I have written the rest of this letter in the "second person" because the history of ZRZ's support for, and involvement in, the redevelopment of South Waterfront dates back to the early 1990's. Many people have been involved. Most notably, Steve Shain, who has a long history working on ZRZ's behalf in South Waterfront.

On July 28, 2004, through the efforts of our law firm, Tonkon, Torp LLP (Tonkon), we received a copy of a letter addressed to Jay Zidell, dated June 10, 2004. The letter was from the City of Portland, Office of Transportation and had signature blocks for Matthew E. Brown, Project Manager, Portland Office of Transportation and Abe Farkas of the Portland Development Commission

We are encouraged by tone of the letter. Specifically, the recognition of ZRZ and an offer to resolve our differences:

"...We appreciate your hard work and dedication in promoting the Portland Aerial Tram and ensuring that it attains the highest level of design and excellence, and are encouraged by your continuing support of the overall development goals of the district. In that spirit, we would like to come to a mutual beneficial solution of the issues outlined by your attorney today at the PDC meeting."
(Para. 1.)

"In closing, we are thrilled at the prospect of helping you, family, and your company meet the vision you have for the property. ... We fully anticipate that we will be partners with you and your family to the same extent we are with NMI and RCI, and that we can help you attain the lofty vision that you have set for the district and the tram. (Last para.)

However, we respectfully disagree with some of facts that were used to justify the current assessment methodology for the Tram LID.

We wish to offer our concerns and differences.

BACKGROUND:

Tonkon appeared, on our behalf, before the Portland Development Commission, and the City of Portland, in opposition to the adoption of the Third Amendment to the Development Commission. After adoption of the Amendment by both bodies, Tonkon filed a LUBA appeal on our behalf.

In reviewing the proposed record for the LUBA appeal prepared by your City Attorney's office, our legal counsel noted a comment made by Mayor Katz during the hearing. According to the transcript of the June 10, 2004, City Council Hearing, Mayor Katz stated:

"I'm going to need – Abe or Don, not right now, and then Matt, you or somebody else, needs to respond, because you have a letter from PDOT in response to Zidell's letter."

Since the proposed record did not contain any letter from PDOT, our attorneys asked your City Attorney to provide a copy to us and to include the letter as part of the record of the proceedings.

After inquiring about the missing document, the City Attorney agreed to include the PDOT letter as part of the record since it had been distributed to all parties copied on the letter. Those parties included all of the City Council members.

We are extremely concerned about the fact that this letter was not provided to us at or prior to the June 10, 2004 City Council Hearing. (It now appears that the letter was never mailed.) It is simply unconscionable that a letter that was distributed to all of the Council members was not shared with us. It is disturbing to us that it took a record exception on a LUBA appeal to learn of the letter. Obviously, we were not able to respond to the letter prior to your decision on June 10. That is of considerable concern since your decision may have been affected by that letter.

RESPONSE:

Having received and reviewed the letter, we offer the following response.

We disagree with the logic in the third paragraph under "**Background,**" which suggests no impact cost to Zidell because of elimination of the cost responsibility for the phase one improvements of \$2,500,000 for the Macadam Avenue Interim Transportation Improvements LID.

We believe the elimination of the phase one Macadam Avenue LID Improvements as described in the Development Agreement were of no benefit to ZRZ's property.

1. The \$2,500,000 phase one Macadam Avenue LID was for the sole benefit of the Central District phase one developments.

During our due diligence, we met with Kittleson and Associates, the traffic engineer of record for the Central District property owners. We were advised by Kittleson staff that the Macadam Avenue interim fix would accommodate phase one development projects only, specifically, Blocks 25, 26 or 33, & 30. Kittleson specifically stated that any additional build out would trigger the requirement for the full interchange build. PDOT was represented at this meeting. Kittleson prepared a summary and recommendation regarding our meeting (Attachment #6), which recommended a district wide capacity study. The City was copied. To date, no response to the Kittleson recommendation has been shared with us.

We believe this analysis should be done in order to identify true transportation infrastructure needs and capacities for the district.

2. The phase one improvements are temporary in nature and will not be accretive for funding construction of the long-term solution. See PDOT/ODOT design alternatives (Attachment #7).
3. **The ZRZ property has not been relieved of future North Macadam Avenue LID impact costs!!**
 - The Portland Aerial Tram, Final Recommendations and Report (Attachment #8), hereinafter, the "Tram Report", sections "2.0 Inventory and Analysis," and "5.0 Proposed Neighborhood Improvements," address the real transportation design and funding challenges for the South Waterfront Vision.
 - Section **5.6 Regional Recommendations:** areas of concern that need to be addressed in order to allow full build out of the district.

- PDOT's South Waterfront District, Transportation Management Strategy, dated 02/23/04 (Attachment #9), addresses additional district transportation improvements which were not contemplated or analyzed as impacts to the district under the current Tram Lid methodology.
 - Long Term Macadam Avenue LID will be required. This LID will be required to fund a new I-5 off ramp to North Macadam and the South Waterfront District. The current estimated cost is \$30 to \$35 million dollars (see Attachment #10). The final design solutions and funding are "to be" determined. See Final Tram Report sections 5.5.4, 5.5.4.1, 5.5.4.2, 5.5.4.3, and 5.6.
 - PDC's Urban Renewal Advisory Committee has reviewed Urban Renewal Funding and schematic plan(s) for the project (Attachment #11). To date, the information consists of an estimate of cost with an undefined scope, and plug numbers for resource funding (Attachment #12).
4. There are other mitigating factors, which give us cause for concern:
- The PDOT Memo of 3/24/2003 to ODOT-"Guiding principles for Macadam Avenue design process" (Attachment #13) clearly identifies transportation constraints, which will require a huge investment in off site mitigation costs. **This impact has not been considered in any assessment methodology.**

Consider the following statements in the PDOT memo.

Guiding principle #5 states:

"In recognition that Macadam operates as part of the I-5 Ross Island / Macadam interchange, the design of Macadam Avenue should acknowledge the importance of this transportation function. Access into the South Waterfront District and related development must not adversely or significantly impact the function and safety of I-5. Thus any potential vehicular queuing or delays along Macadam Avenue must not result in safety problems on I-5."

Guiding principle #6 states

"Consistent with its designations per ODOT as a State Highway and the City's various TSP street classifications; the design of Macadam Avenue is to provide for safe and efficient traffic flow with moderate to low speed operation. Macadam Avenue is intended to serve as the primary connection between regional trafficways while also meeting the local access needs. Maintaining safe and efficient operations for each of the different trip

movements and transportation modes is a critical issue for any future design. Design must consider all traffic patterns in the area, including interactions between the through trips in the corridor and the trips into and out of the district. Ultimately, the recommended design should balance the future needs of all the future users of the transportation system."

6. **We have two essential questions regarding the Tram Report's transportation issues and PDOT's guiding principles:**
 - A. Can PDOT design a Macadam Avenue long-term improvement (at any price) which meets the ODOT and City of Portland development standards ?
 - B. If not, how should the district's development plans be adjusted?
7. **Regarding Zidell's "Real Liability" for the Long Term Macadam Avenue Improvements, we would like to know:**
 - A. When is the major Macadam Avenue off ramp requirement triggered?
 - B. Is the Kittleson conclusion (*i.e.*, that any additional build out will trigger the requirement) correct?
 - C. If Kittleson is incorrect, what amount of build out will trigger the off-ramp requirement?
 - D. When and how will the Macadam Avenue off ramp be funded?
 - E. Does the Development Agreement require the parties to not remonstrate against, and equally participate in, the future Macadam Avenue LID?

Regarding, the LID Process to Date section:

With reservations, Zidell has positively supported the South Waterfront District. As part of its continued support for South Waterfront, Zidell participated with time, money and talent as follows:

- Portland Aerial Transportation Inc. (PATI) Board
- City of Portland's Parks, South Waterfront Greenway Development Plan Project Advisory Team.

- Portland Development Commission's Partnership Group Advisory Committee, South Waterfront Greenway Implementation Strategy Project.
- Portland Development Commission's North Macadam Urban Renewal Advisory Committee.
- North Macadam Development Council
- Zidell loaned the PATI Board \$75,000.00 for the Tram Design competition.
- Zidell loaned the PATI Board \$50,000 in public relation services. These services included Tram Design Competition, Web Site Design and Maintenance, Press Releases, and Open House Presentations.

Unfortunately, no good deed goes unpunished. As a result of Zidell's assistance, it is now suggested that Zidell has no right to object to an assessment which is disproportionate to the benefit that the Zidell property will receive from the Tram.

We are a founding member of the North Macadam Development Council (NMDC), chaired by Rick Saito, Principal Group MacKenzie. The questions of funding and financing has been a primary concern of the NMDC. Over the years, many meetings were held with the City and PDC where the NMDC asked virtually the same questions we are asking in this letter.

Additionally, it is important for the Council to understand that we have objected to the amount of the Tram assessment since it was presented to us on April 8, 2004. Upon receipt of the proposed assessment, we had a number of meetings (described below) in an attempt to get PDOT to consider alternative assessment methodologies.

It is interesting to note that, before their generous donation, Schnitzer Investment Corp. experienced similar problems working with PDC on assessment methodologies. In a March 26, 2003 letter to PDC, Schnitzer requested a reasonable list of projected investment costs, before they would respond to individual LID requests (Attachment #14).

- When Zidell first received the proposed assessment, we protested and felt our allocation was not supported by empirical facts. We had a number of conversations and meetings, with Peter Kohler, Vic Rhodes, Ginny Burdick, Brian Gard, Jim Francesconi, Pat LaCrosse, Mike Lindberg, and Michael Harrison. All of these individuals were apprised of our disagreement with the assessment.
- A special meeting with Abe Farcas and Matt Brown was held at ZRZ's office where we addressed our objections and offered some alternative assessment methodologies (Attachment #15).

- We received no written response to our meeting. Verbally, we were advised that they understood we would protest the Third Amendment to the Development Agreement and remonstrate against the Tram.
- The polite response was that they understood our position and, other than an offer to negotiate future a ZRZ Development Agreement, they were not interested in addressing a different assessment methodology. In effect, we were told to show up at the meetings and file our complaint(s).

Excluded from an assessment methodology, was:

1. The utilization ridership formula cited in the DA agreement: **Exhibit G2 - Portland Aerial Tram Operations Plan, Funding For Operations and Maintenance** (Attachment #16), wherein, OHSU has negotiated an 85% ownership of tram rides and the City accepts a 15% responsibility. **NOTE:** This calculation was done prior to the twenty acre Schnitzer donation to OHSU, where OHSU has announced a vision of connecting a South Waterfront Campus to the Marquam Hill via Streetcar and Tram.
2. The uniqueness of the Tram benefit to OHSU with their: (a) special benefits development subsidies (see funding and financing), and (b) benefit OHSU enjoys, via specific prohibitions with the City and PDC that will not allow ZRZ, or other non DA signatories, to have any TIF subsidy funds for competing development projects in the district for fifteen years.
3. There is no recognition or explanation as to an analysis impact of Schnitzer donation of twenty acres of property to OHSU.
 - How will new campus affect direct utilization of Tram and Streetcar?
 - The current projections for OHSU Central District ridership are 85% OHSU's responsibility, and 15% public responsibility. Will the envisioned twenty-acre "campus extension" logically move this utilization factor closer to 100% of peak hour availability?
 - What will be the impact on PDC's long term TIF funding projections, now that OHSU a non-profit owns a portion of SoWa that was projected to be developed by the private sector?

We feel these factors should be considered as part of a fair assessment methodology for the Tram LID.

We have the following comments regarding the LID Assessment Methodology:

The Hovee Report (Attachment #17) was prepared in June of 2003 and is now more than a year old. Conditions, as cited above, have changed significantly since that Report was prepared.

Development costs are rising and densities may be restricted in the district if our long term transportation problems cannot be resolved to the standards which have been set.

Based on the changes cited the Hovee Report would not qualify as a valid report for any current market rate public sector financing standard.

The Tram Report **5.6.5 RR-3-South Corridor Light Rail** –

“As part of any future efforts associated with South corridor Light Rail, potential linkages with the aerial tram, streetcar, transit and the South Waterfront District must be considered, including alternative alignments that are responsive to changing conditions, including access to jobs and transit.”

When do we start addressing this issue and how will it be paid for?

A prudent administrator should consider these changes significant and require a revised comprehensive assessment methodology, as suggested in ECONorthwest's letter (Attachment #18).

Comments on Clarifications:

Clarification #1

A guaranteed maximum assessment allocation is of significant benefit when negotiating project financing from lenders. This is a benefit to the PDA signatories not ZRZ.

Another, current example is the Tram LID logic which combined the two and one half million dollar, phase one, Macadam Avenue LID, with the four and one half million dollar South Waterfront Tram LID.

As we illustrated in our opening remarks the PDA partners actually have a lesser LID obligation by \$46,109 and ZRZ's obligation has increased by \$790,810.

Clarification #2

We question whether the decision to combine the Marquam Hill Tram LID and the South Waterfront LID into one LID was due to State law requirements. The PDA allowed for the signatories, at their sole discretion, to agree to a combined Tram LID.

We do have some problems with the zone allocation methodologies and the "true cost" allocations. However, they are not as significant as our main issue. We would hope to address them as part of a revised methodology.

Clarification #3

The concept of having to enter into a development agreement in order to have some cost criteria for unfunded improvements is somewhat alien to us.

We believe, as a contiguous property owner we should have been asked to be included in the original PDA. It was well known that ZRZ and the Schnitzers had been working with OHSU on North Macadam for a Nursing School for years. Why were we not offered an opportunity to join in the initial PDA. It be would logical that ZRZ property and OHSU's property should have been co-developed around a Tram.

To date you have not provided empirical statistics, which back up the statement:

"In addition the Central District Development Agreement proffers improvements that serve and benefit the ZRZ holdings, including district access and circulation improvements, the aerial tram, streetcar extension to Gibbs, utility improvements and other projects."

However, we have provided a letter from ECONorthwest which suggests you need to do what the law requires "consideration of several methods of assessments, with public hearings and deliberations."

Clarification #4

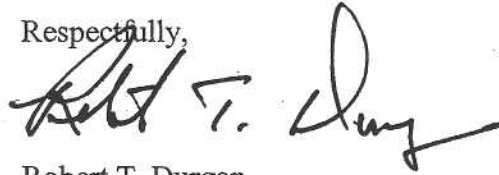
What does this statement mean? We were told the South Waterfront share of the combined Tram LID would not exceed \$7,000,000.00. The opening sentence says that there are no assurances.

If the Zones A, B, and C, (South Waterfront) are capped at the \$7,000,000, who will bear the cost if there are overruns?

The City has stated that no additional general funds will be available. If we all are guaranteed a cap against cost escalations who will make up the shortfall with the current budget crisis?

In closing we hope the spirit of your original letter is not quenched by our remonstrance against the Tram LID. Hopefully, a prudent City Council will consider our request for a reconsideration of the assessment methodologies. Developing a fair and equitable assessment evaluation will be good for all parties and ensure a "Win, Win" opportunity for the South Waterfront District.

Respectfully,



Robert T. Durgan
Vice President of Development Services
Andersen Construction Inc.

Attachments #1 to 18

C: Matthew E. Brown, Portland Office of Transportation
Abe Farkas, Portland Development Commission
Don Mazziotti, Director, Portland Development Commission
Brant Williams, Director, Portland Office of Transportation

ECONorthwest

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ERIC FRUITS, PH.D.
SENIOR ECONOMIST

August 4, 2004

VIA HAND DELIVERY

Portland City Council
900 SW Fourth Avenue
Portland, OR 97201

Re: Break-even analysis of aerial tram trips associated with Zidell's property

Dear Mayor Katz and Members of the Council:

I am a senior economist at ECONorthwest and an adjunct professor at Portland State University's School of Urban Studies and Planning where I teach a graduate-level course in real estate finance and investments. For both public and private clients I have had engagements that have evaluated the impacts of public transportation projects on property values.

I was retained by counsel for ZRZ Realty Co. and Zidell Marine Corporation ("Zidell") to provide a preliminary evaluation of the number of aerial tram trips to or from Zidell's properties that would be required to justify the amount of Zidell's aerial tram LID assessment. The analysis and conclusion I am providing in this letter are focused solely on the assessments related to the aerial tram.

In our July 22, 2004 letter to the City Auditor, we explained that transportation projects are capitalized into increased property values only in as much as they improve accessibility to the property. Thus, any evaluation of the benefits of the aerial tram to property owners must include a reasonable analysis of expected tram ridership associated with each property. Then, the cost savings associated with such ridership must be compared to the proposed assessments to the specific property owners. While we have not had time to perform such an evaluation for all property owners, we have conducted a preliminary analysis for the Zidell properties. Our analysis is summarized on the attached table labeled "Break-Even Analysis of Aerial Tram Trips Associated with Zidell's property."

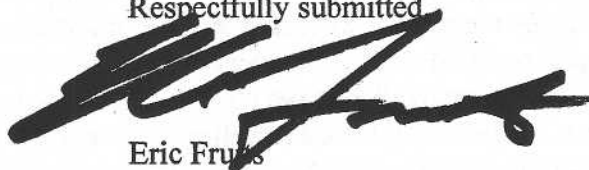
We also explained in our July 22 letter that the evaluation must account for the costs and timing associated with demolition, rehabilitation, and construction of a facility that would capitalize on the aerial tram's existence. The timing and costs of these activities can have an impact on the number of aerial tram trips that would be required to justify the amount of Zidell's aerial tram LID assessment. We have not had time to perform such an analysis.

Our preliminary analysis indicates the following:

1. **For the benefits of the tram to equal the proposed LID assessment for Zidell, the aerial tram must generate travel cost savings for trips to or from Zidell's properties of over \$287,000 per year, every year for 20 years.** This assumes that Zidell's properties would be sufficiently redeveloped for uses relevant to the tram's fixed route within five years of the date the LID assessment is levied. Any delays in redevelopment would result in an ever increasing amount of required travel costs savings.
2. **The number of trips to or from any future developments on Zidell's properties necessary for the benefits to equal the LID assessment exceed the City's projections for non-OHSU intercampus trips.** At least 830 trips every workday, every year for 20 years are necessary to generate travel cost savings sufficient to offset the proposed LID assessment. This amounts to 63 percent of *all* 2007 forecast aerial tram trips; an amount that is inconsistent with the City and OHSU's conclusion that OHSU would account for 85 percent of trips. Put another way, the number of trips to or from developments on Zidell's properties would have to be *four times* greater than *all* the trips to or from any non-OHSU-related developments for the benefits to equal the LID assessment.

Our preliminary estimates rely as much as possible on information produced by or for the City, the Portland Aerial Tram Board, and other government sources. These estimates likely are conservative in that the travel costs savings presented in the attached table are derived from a comparison of aerial tram and shuttle bus travel and waiting times. For example, our preliminary analysis suggests that the aerial tram would likely confer little or no travel cost savings to individuals who have the option of driving a private vehicle between North Macadam and Marquam Hill. The estimates are also conservative in assuming that the structures on Zidell's Zone A properties can be demolished, the site can be rehabilitated, and new construction can be completed within five years. We also use an inflation-adjusted rate of return suggested by the U.S. Office of Management and Budget for benefit-costs analysis of public projects, which we also believe to be conservative.

Respectfully submitted



Eric Frue

Break-Even Analysis of Aerial Tram Trips Associated with Zidell's Properties

Prepared by ECONorthwest
August 4, 2004

Benefits Relative to Shuttle Bus

		Source
1. Number of minutes saved per trip	7.83	Portland Aerial Tram; Portland Office of Transportation
2. Portland-area median wage, incl. benefits (per hour)	\$21.21	U.S. Bureau of Labor Statistics
3. Value of travel time savings (per hour)	\$10.61	(2) x 0.5; American Society of State Highway and Transportation Officials; U.S. Department of Transportation
4. Value of travel time savings (per minute)	\$0.177	(3) / 60 minutes per hour
5. Value of time saved	\$1,388	(1) x (4)

Costs

		Source
6. Proposed LID assessment for Zidell	\$2,170,000	Zidell
7. Time until development (years)	5	Zidell
8. Inflation-adjusted rate of return	7%	U.S. Office of Management and Budget
9. Value at the time of development	\$3,043,537	FV[r=(8),N=(7),PV=(6)]
10. Amortization of LID assessment (years)	20	Portland Aerial Tram
11. Annual cost savings required to offset assessment	\$287,288	PMT[r=(8),N=(10),PV=(9),FV=0]

Break-Even Analysis

		Source
12. Annual number of trips to/from developments on Zidell's properties for costs to equal benefits	207,485	(11) / (5)
13. Daily number of trips to/from future developments on Zidell's properties for costs to equal benefits	830	(12) / 250 workdays per year

Ridership from Future Developments on Zidell's Properties as a Percent of Total Ridership

		Source
2007		
14. Total number of aerial tram trips (daily average)	1,313	Portland Office of Transportation
15. Trips to/from future developments on Zidell's properties for costs to equal benefits (percent of total)	63%	(13) / (14)
16. OHSU intercampus trips (percent of total)	85%	Portland Aerial Tram
17. OHSU intercampus trips (daily average)	1,116	(14) x (16)
18. Non-OHSU intercampus trips	197	(14) - (17)
19. Trips to/from future developments on Zidell's properties for costs to equal benefits (percent of total)	422%	(13) / (18)

Note: This analysis is preliminary and may be revised as additional information is provided or additional analyses are completed.

Travel Time Savings Associated with Portland Aerial Tram

Prepared by ECONorthwest

August 4, 2004

	2002			2020		
	To North Macadam	To Marquam Hill	Average	To North Macadam	To Marquam Hill	Average
	(minutes)					
Shuttle Bus						
Travel time						
AM Peak	10.00	10.35	10.18	10.00	13.00	11.50
Off Peak	9.92	7.50	8.71	10.00	7.50	8.75
PM Peak	14.10	8.42	11.26	17.50	10.00	13.75
Average	11.34	8.76	10.05	12.50	10.17	11.33
Average waiting time			2.50			2.50
Total travel and waiting time			12.55			13.83
Aerial Tram						
Travel time			2.67			2.67
Waiting time						
Peak			2.50			2.50
Off-peak			5.00			5.00
Average			3.33			3.33
Total			6.00			6.00
Average aerial tram travel time saving relative to shuttle bus			6.55			7.83

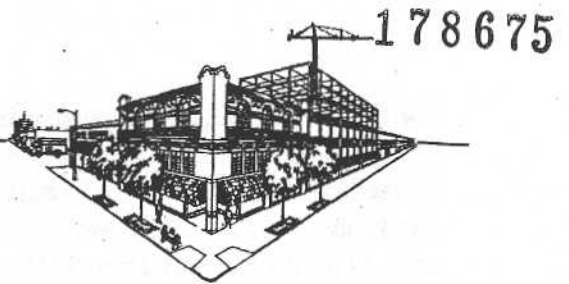
Sources: Portland Aerial Tram, Final Recommendations and Report, June 10, 2004;
Portland Office of Transportation, Marquam Hill to North Macadam Connector Study, June 20, 2002.

(Copy of sources with original)

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E. D. Hovee & Company

Economic and Development Services



MEMORANDUM

To: Matt Brown, Portland Department of Transportation
From: Eric Hovee
Subject: Special Benefits Review of Portland Aerial Tram LID Remonstrance
Date: August 3, 2004

E. D. Hovee & Company has been asked to review remonstrances submitted by four property owners affected by the proposed Portland Aerial Tram Local Improvement District (LID). These comments are provided consistent with the *Preliminary Economic Analysis of North Macadam LIDs* prepared by our firm for the Portland Development Commission, June 20, 2003. What follows is a description of the context for this review and then specific review comments.

CONTEXT FOR REVIEW

Our June 2003 analysis provides a context for the comments in this memorandum. We were asked to comment on special economic benefit received by the properties whose owners submitted remonstrances. We have not been asked to review or comment on pertinent provisions of City Charter and Code, and we therefore do not address legal or policy questions related to City Charter or City Code.

June 2003 Analysis: The preliminary LID economic analysis that our firm conducted more than one year ago was prepared in the context of three potential LIDs for the North Macadam/South Waterfront area:

- Aerial Tram – then estimated at \$4.5 million
- Macadam Access Improvements – \$2.5 million
- Central City Streetcar Extension – \$2.02 million

Subsequent to this analysis, the Macadam Access LID proposal was dropped and the Tram LID was increased to \$7.0 million (but equal to the combined total of the earlier Tram and Macadam proposals). The Central City Streetcar Extension is not being in the scope of the present Tram LID proposal and will be considered as a separate LID.

For the Tram LID, assessment zones are comparable to but somewhat changed from what was being considered on a preliminary basis in 2003. Assessment rate schedules have also been revised. With our June 2003 analysis, the range in LID rates (for all three possible LIDs combined) varied from a low of \$0.93 to a high of \$5.99 per square foot of developable land area. With the current Tram LID proposal alone, the high end of the assessment range is \$5.82 per square foot.

Assuming the streetcar extension LID amount continues to be \$2.02 million and is allocated in the same manner as the Tram LID, this would imply a maximum combined rate for both LIDs (as revised) of up to \$7.50 per square foot. While the total maximum rate of assessment is somewhat higher than previously anticipated, the amount of what might be assessed to a particular property is still below the range of added property value previously estimated with all of the land value scenarios considered in our 2003 economic analysis. As was noted in this earlier analysis, the amount of value appreciation is greatest for owners who bought in early at relatively lower cost.

Finally it is noted that our June 2003 report did not purport to analyze economic benefits on a property-by-property basis. Rather, the analysis considered district wide benefits together with potential effects for properties in what were described as being in low, medium and high LID rate categories.

Because of the generalized nature of our 2003 analysis and the changed circumstances of the LID assessment specifics, the following comments also are provided on a generalized basis and should not be construed to address unique property-specific considerations.

REVIEW COMMENTS

We understand that remonstrances have been submitted by representatives of four properties within the geographic boundaries of the proposed Aerial Tram LID. Two of the remonstrances (Z V Company, Inc. and LaGrand Industrial Supply Co.) address assessment rate and technical questions with respect to assessment zones and not the determination of special benefit of the tram itself and so are not covered by the following comments. The other two remonstrances (ZRZ Realty Co./Zidell Marine Corporation and Swinerton Real Estate) do raise questions related to economic or special benefit analysis of the tram and are therefore addressed by the following comments.

ZRZ Realty Co./Zidell Marine Corporation. The remonstrance followed by Tonkin Torp LLP attaches an *Economic evaluation of aerial tram on LID assessment on ZRZ Realty Co.* conducted by ECO Northwest. Key points made by the ECO Northwest letter of July 22, 2004 and our (EDH) comments are as follows:

1. The City erroneously assigns the aerial tram's benefits solely on the criterion of distance from the aerial tram's terminus.

EDH comment: The *zone and termini* mechanism for establishing LID assessment is a common feature of LIDs not only in Oregon but nationally. With this mechanism, distance is a major

factor (and in some cases the only factor) used to differentiate assessment rates between various property owners.

In Portland, a variety of assessment methodologies have been applied to other Central City LIDs. As identified by our June 2003 memorandum, distance was a major (but not the only) factor, for example, with the streetcar LIDs. In effect, there is clear precedent for use of a distance factor with similar transportation related LIDs.

2. The City has not reliably demonstrated that the aerial tram will improve accessibility to Zidell's in any economically relevant way and, therefore, has not reliably demonstrated that the purported benefits of the aerial tram to Zidell's property equal or exceed Zidell's LID assessment.

EDH comment: Our June 2003 analysis directly addressed the relationship of the aerial tram to OHSU, Central District and other North Macadam development. Comments made at that time still appear pertinent and are consistent with the Development Agreement subsequently adopted for Central District development. Comments from the June 2003 report are repeated here as follows:

In the absence of the tram investment, OHSU development plans on Marquam Hill would likely be scaled back and OHSU related development in North Macadam would not occur. Related NMI residential and mixed use development in the Central District also would be effectively curtailed, substantially delayed, or rendered infeasible.

With the tram connection between Marquam Hill and North Macadam, plans for Central District developments of OHSU and NMI/RCI can proceed, capturing what currently appears as the most viable or perhaps only near term opportunity for significant redevelopment investment in North Macadam. The market potential for related office development – both for bioscience and other more traditional business tenants – will spill over to adjoining properties, particularly as non-institutional employment development is no longer planned for the Central District.

In short, the benefits of facilitating early phase OHSU related development at the tram terminus include impetus for Portland's emerging bioscience cluster, accelerated diversification of the metro area economy, development of more diverse Central City housing and stimulus of more bioscience and traditional office development than could be projected with any other reasonable scenario at this time. North Macadam/South Waterfront development can proceed more quickly, at higher densities and with resulting property value enhancements well exceeding what would otherwise be expected at a time of continued economic downturn statewide and regionally.

Since June 2003, national and regional economic conditions have improved. However, the opportunity for market driven South Waterfront development would remain unlikely for some time in the absence of the major catalyst investment represented by OHSU and related Central District development. With the recent decision by the Schnitzer family to donate South Waterfront land to OHSU, the opportunities for other property such as that owned by Zidell to benefit from future spinoff private investment may be further enhanced beyond what was earlier anticipated.

3. The present value of net benefits, not simple gross benefits, is the appropriate measure of the capitalization potential of the tram development on Zidell's property.

EDH comment: Because Zidell may not redevelop its existing barge operations for some time, the ECO report observes that “the present value of any net benefits to Zidell’s property are further reduced by the fact that any gross benefits from the tram will not be enjoyed until far into the future.” Similarly, the remonstrance letter submitted by Tonkin Torp cites our June 2003 analysis which stated that “there may be situations where an existing business located in a structure with remaining useful life could make a case for undue economic hardship over at least an interim period.”

However, while adjustment of the LID assessment for properties that may not redevelop for some time may be considered as a policy option by the City Council, our June 2003 analysis also noted that such adjustment is not required by state law. The City has offered LID payment deferral, for example, with the Airport Way LID. However, this appears to be more the exception than the rule.

The more common LID experience has been to not to make a special adjustment for already developed properties. There are two economic reasons that weigh in support of not making such adjustments or doing so in only very limited circumstances:

- a) The underlying land value of a particular property typically will increase based on other nearby development activity and appreciating area land values whether or not the owner of that property seeks to take advantage of higher land values to redevelop to the new highest and best use.

Because of this transportation linkage to the Marquam Hill campus, OHSU is investing now, meaning that South Waterfront land value appreciation happens more quickly than would otherwise occur. This means that properties such as those owned by ZRZ benefit earlier with a higher net present value of return due to the time value of money – as cash flows (returns) from property value appreciation are able to be realized in the next few years rather than at some as yet unknown point in the future.

- b) Reducing the assessment rate may remove an economic incentive important to encourage redevelopment more consistent with current South Waterfront comprehensive plan and zoning designations.

4. The LID assessments of other property owners, but not Zidell, will be partially mitigated by public subsidies.

EDH comment: From a public policy perspective, the determination of LID assessments and other South Waterfront public investments appear to be independent decisions. In some cases (as in the Central District), public investments that together serve to stimulate development in conjunction with the LID generate opportunity for property value appreciation affecting the entire South Waterfront area – to a degree that otherwise would not occur. In this situation, the incremental value to other property such as that owned by ZRZ is stimulated by the combination of the LID funded improvement and other public investment.

Also noted is that the presence of public funding support for Central District development does not preclude public investment in other portions of the South Waterfront area. In fact, the urban renewal plan contemplates a variety of public investments – such as North-South street

improvements – directly benefiting other area owners. These public investments would not be possible in the absence of the tram transportation link necessary for OHSU investment and related Central District private development – generating the early tax increment within the urban renewal district to fund other South Waterfront public improvements.

5. To the extent development of the North Macadam URA is contingent on the development of the aerial tram, all property owners relying on the tram and the associated public investment/subsidies benefit, in gross terms more equally than implied by the assigned assessments.

EDH comment: The ECO analysis indicates that 80-90% of tram ridership is attributable to OHSU. However, that same 80-90% touch down at the tram terminus at Gibbs Street in close proximity to the subject ZRZ property. Land values that appreciate because of development made possible by ridership to the tram terminus will not be limited to the Central District properties alone, but can be expected to result in appreciation for directly adjoining and vicinity area properties as well.

The ECO analysis also states that the City “has not demonstrated that development of the North Macadam URA is, in any way, contingent on the aerial tram to catalyze redevelopment of the site.” Our understanding is that the Development Agreement does, in fact, directly predicate Central District development on completion of the aerial tram. The importance of the tram investment to the entire South Waterfront area is also referenced by our comments in regard to item #2 raised by the ECO economic analysis.

Swinerton Real Estate: A remonstrance was submitted by attorney Kerry J. Shepherd on behalf of Swinerton Real Estate. The remonstrance states that the City “has offered no economic justification, empirical data, or other findings to support its assessment methodology.” Our understanding is that the June 2003 economic analysis conducted by our firm was intended to provide findings pertinent to the LID assessment – as initially proposed and with general economic findings still relevant with the LID assessment as now proposed.

The Swinerton remonstrance also expresses concern with Central District properties receiving public subsidy. This comment is similar to that expressed by the ECO analysis and is addressed by our response to ECO item #4 earlier in this memorandum.

SUMMARY OBSERVATIONS

In summary, the two remonstrances that question special benefits appear to be addressable consistent with our earlier June 2003 economic analysis. Though some specifics of the LID proposal have changed over the last year, the general conclusions reached earlier still appear supportable at present and also support possible findings of special benefit that could be considered by Portland City Council.

E. D. Hovee & Company appreciates the opportunity to provide this follow-up special benefits review of remonstrances to the aerial tram. We would be happy to respond to questions regarding any aspect of the analysis in this memorandum or our June 2003 report.

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2004 JUL 22 A 9:40

BLACKMER, AUDITOR
CITY OF PORTLAND, OR

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July 22, 2004

LAWYERS

Hand Delivered

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- CYNDA L. HERBOLD
VICE MANAGER

Mr. Gary Blackmer, City Auditor
City of Portland
Auditor's Office
1221 SW 4th Avenue, Room 140
Portland, OR 97204

**Re: Remonstrance to Proposed Portland Aerial Tram Local
Improvement District / Resolution No. 36225**

Dear Mr. Blackmer:

Swinerton Real Estate, Inc. ("Swinerton") respectfully submits this remonstrance pursuant to ORS 223.389 and Chapter 17.08.070 of the City Code, in response to the Hearing Notice and Cost Estimate dated July 6, 2004 for the Portland Aerial Tram Local Improvement District project. Attached hereto is a memo signed by Sue Twitchel, Vice President of Swinerton Real Estate, Inc., authorizing me to sign this letter on the company's behalf.

Swinerton owns 2.77 acres on the north side of the Ross Island Bridge and fronting Moody Avenue. The physical address is 3030 SW Moody Avenue. From the early 1930s to approximately 1984, the property was occupied by a building with a foundry operation, a maintenance shop and administrative offices for Western Steel Casting Company of Oregon. The foundry was defunct by 1984.

The property was redeveloped in 1985 and 1986 by Swinerton's predecessor, Westwood Development. The main building was renovated into a 2-story office structure. Other areas on the property were redeveloped by razing dilapidated structures, regrading and paving portions of the site, removing old and useless rail spurs, and creating a parking lot and infrastructure to fully service the remaining office building. Swinerton purchased the property from Westwood Development in December 2001 for \$4,462,500, to serve as the offices for its construction business in Oregon.

Mr. Gary Blackmer, City Auditor
July 22, 2004
Page 2

Sometime during April 2004 – just a few short months ago – Swinerton was contacted for the first time regarding the aerial tram project and the formation of a local improvement district. Swinerton was told at the time that it would be assessed nearly \$240,000 to pay for an aerial tram it did not believe was necessary or desirable for its property interests. Swinerton believed then, and it believes now, that saddling its fully-developed property with an LID assessment for the construction of a tram would be punitive in terms of cost and would negatively affect the value and marketability of its property. Swinerton therefore objected when it was first contacted. With the exception of this single phone call in April 2004, no effort was made by the City or by the proponents of the local improvement district to contact Swinerton or provide further information, that is until the Hearing Notice and Cost Estimate of \$237,607.24 arrived in the mail on July 8, 2004. Swinerton continues to object now.

For reasons that on this record are arbitrary, Swinerton's property appears to have been categorized by the City partially within Zone A (\$5.82 / square foot) and mostly within Zone B (\$1.94 / square foot) solely because of the property's proximity to the eastern terminus of the proposed tram. The City has offered no economic justification, empirical data or other findings to support its assessment methodology. Indeed, the City has ignored Swinerton's site characteristics and their relation (or lack thereof) to the proposed aerial tram, opting instead for the simple calculation called for by a measuring stick.

The assessment methodology is inherently unfair. That much is clear from comparing the proposed assessment for Swinerton's property with privately negotiated assessments for other property owners within the LID boundary, particularly those owners within Zone C (\$0.73 / square foot) who are parties to the Development Agreement with the Portland Development Commission.¹

The tram is being constructed ostensibly for the benefit of parties to the Development Agreement, including those who own property ~~within the boundary~~ for the South Waterfront Central District.² Those property owners have admitted – albeit as a condition to receiving public subsidies – that their properties are being served by and will be benefited from the construction of a tram.³ Indeed, they are receiving public subsidies for their projects to offset expenses such as LID assessments, and they have negotiated amongst themselves and with the Portland Development Commission for limitations to

¹ Swinerton understands that the Development Agreement, in its Third Amended form, was approved by the City Council with Resolution No. 36223 on June 10, 2004.

² Swinerton's 2.77 acres falls outside the boundary for the South Waterfront Central District.

³ There is no evidence or empirical data that that the presence or absence of a tram would have any impact on the timing for developing the properties within the South Waterfront Central District, with the exception of terms privately negotiated in the Development Agreement.

Mr. Gary Blackmer, City Auditor
July 22, 2004
Page 3

their LID assessments. Significantly, parties to the Development Agreement are proceeding with plans to immediately construct condominiums, parking garages and other improvements in conjunction with construction of the tram. However, their LID assessments within Zone C are approximately one-third to one-eighth of Swinerton's proposed assessment on a square footage basis. The reason, as arbitrarily stated, is that a tape measure shows their properties to be further from the eastern terminus of the tram when compared to Swinerton's office building (which appears to be within Zone B) and one of Swinerton's driveways (which appears to be partially within Zone A).⁴ Thus, Swinerton is being penalized because its property is relatively unique – *i.e.*, it stands as fully developed and without any need for or benefit from the aerial tram project, and it falls outside the South Waterfront Central District.

In short, the LID assessment methodology is flawed. The assessment on Swinerton's property is arbitrary, and there is no evidence or finding of any benefit to Swinerton's property from the construction of a tram.⁵ Swinerton therefore objects.

Very truly yours,



Kerry J. Shepherd
Attorney for Swinerton Real
Estate, Inc.

Attachment (Authority to Sign for Swinerton)

SWIN76022

⁴ The absence of logic and reason is reflected, in part, in the distinction made between Swinerton's office building (Zone B) and what appears to be a small slice of property closest to the tram (Zone A), which appears to be part of Swinerton's driveway next to the pilings for the Ross Island Bridge.

⁵ Section 9-702 of the City Charter specifically provides that an LID assessment "shall not . . . exceed the amount of the benefits" to the property. Similarly, Section 9-701 provides that an assessment should be zero (0) if a "particular lot, tract, or parcel of land within the boundaries of a local improvement assessment district does not in fact receive any special or peculiar benefit from the improvement."

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July 16, 2004

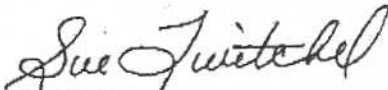
City of Portland
Office of City Auditor

To Whom It May Concern:

Swinerton Real Estate, Inc. is represented by Markowitz, Herbold, Glade & Mehlhaf, P.C. as its legal counsel for matters involving our property located at 3030 SW Moody Avenue in Portland, Oregon. Kerry J. Shepherd, a shareholder with the Markowitz Herbold firm, is authorized to sign a remonstrance as Swinerton's attorney.

Should you have any questions please feel free to call me at (720) 382-1305.

Very truly yours,


Sue Twitchel
Vice President

Swinerton Real Estate, Inc.
260 Townsend Street
San Francisco, California
94107-1790

Telephone
415 421-2980

Facsimile
415 433-0943

Original

178675

MARKOWITZ · HERBOLD · GLADE & MEHLHAF · PC
3000 PACWEST CENTER · 1211 SW FIFTH AVE · PORTLAND, OR 97204-3730 · F 503.323.9105 P 503.295.3085

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2004 JUL 22 A 9:40

BLACKMER, AUDITOR
CITY OF PORTLAND, OR

WWW.MHGM.COM

July 22, 2004

LAWYERS

JEFFREY M. BATCHELOR

PAUL BIERLY*

LEAH B. CRONN

JEFFREY M. EDELSON

PETER H. GLADE*

WHITNEY L. GRUBBS

KATHERINE R. HEEKIN*

CHRISTINE T. HERRICK

PETER H. HOLCOMB

LISA A. KANER

MATTHEW D. LARSON

MATTHEW A. LEVIN*

DAVID B. MARKOWITZ

WILLIAM N. MEHLHAF*

DAVID W. MELVILLE

LYNN R. NAKAMOTO

EMILY M. NAZAROV

CHARLES J. PATERNOSTER

KERRY J. SHEPHERD*

LYNN R. STAFFORD

BARRIE J. HERBOLD
1949-2001

*ALSO ADMITTED
IN WASHINGTON

CYNDA L. HERBOLD
ESS MANAGER

Hand Delivered

Mr. Gary Blackmer, City Auditor
City of Portland
Auditor's Office
1221 SW 4th Avenue, Room 140
Portland, OR 97204

**Re: Remonstrance to Proposed Portland Aerial Tram Local
Improvement District / Resolution No. 36225**

Dear Mr. Blackmer:

Swinerton Real Estate, Inc. ("Swinerton") respectfully submits this remonstrance pursuant to ORS 223.389 and Chapter 17.08.070 of the City Code, in response to the Hearing Notice and Cost Estimate dated July 6, 2004 for the Portland Aerial Tram Local Improvement District project. Attached hereto is a memo signed by Sue Twitchel, Vice President of Swinerton Real Estate, Inc., authorizing me to sign this letter on the company's behalf.

Swinerton owns 2.77 acres on the north side of the Ross Island Bridge and fronting Moody Avenue. The physical address is 3030 SW Moody Avenue. From the early 1930s to approximately 1984, the property was occupied by a building with a foundry operation, a maintenance shop and administrative offices for Western Steel Casting Company of Oregon. The foundry was defunct by 1984.

The property was redeveloped in 1985 and 1986 by Swinerton's predecessor, Westwood Development. The main building was renovated into a 2-story office structure. Other areas on the property were redeveloped by razing dilapidated structures, regrading and paving portions of the site, removing old and useless rail spurs, and creating a parking lot and infrastructure to fully service the remaining office building. Swinerton purchased the property from Westwood Development in December 2001 for \$4,462,500, to serve as the offices for its construction business in Oregon.

Mr. Gary Blackmer, City Auditor
July 22, 2004
Page 2

Sometime during April 2004 – just a few short months ago – Swinerton was contacted for the first time regarding the aerial tram project and the formation of a local improvement district. Swinerton was told at the time that it would be assessed nearly \$240,000 to pay for an aerial tram it did not believe was necessary or desirable for its property interests. Swinerton believed then, and it believes now, that saddling its fully-developed property with an LID assessment for the construction of a tram would be punitive in terms of cost and would negatively affect the value and marketability of its property. Swinerton therefore objected when it was first contacted. With the exception of this single phone call in April 2004, no effort was made by the City or by the proponents of the local improvement district to contact Swinerton or provide further information, that is until the Hearing Notice and Cost Estimate of \$237,607.24 arrived in the mail on July 8, 2004. Swinerton continues to object now.

For reasons that on this record are arbitrary, Swinerton's property appears to have been categorized by the City partially within Zone A (\$5.82 / square foot) and mostly within Zone B (\$1.94 / square foot) solely because of the property's proximity to the eastern terminus of the proposed tram. The City has offered no economic justification, empirical data or other findings to support its assessment methodology. Indeed, the City has ignored Swinerton's site characteristics and their relation (or lack thereof) to the proposed aerial tram, opting instead for the simple calculation called for by a measuring stick.

The assessment methodology is inherently unfair. That much is clear from comparing the proposed assessment for Swinerton's property with privately negotiated assessments for other property owners within the LID boundary, particularly those owners within Zone C (\$0.73 / square foot) who are parties to the Development Agreement with the Portland Development Commission.¹

The tram is being constructed ostensibly for the benefit of parties to the Development Agreement, including those who own property ~~within the boundary~~ for the South Waterfront Central District.² Those property owners have admitted – albeit as a condition to receiving public subsidies – that their properties are being served by and will be benefited from the construction of a tram.³ Indeed, they are receiving public subsidies for their projects to offset expenses such as LID assessments, and they have negotiated amongst themselves and with the Portland Development Commission for limitations to

¹ Swinerton understands that the Development Agreement, in its Third Amended form, was approved by the City Council with Resolution No. 36223 on June 10, 2004.

² Swinerton's 2.77 acres falls outside the boundary for the South Waterfront Central District.

³ There is no evidence or empirical data that that the presence or absence of a tram would have any impact on the timing for developing the properties within the South Waterfront Central District, with the exception of terms privately negotiated in the Development Agreement.

Mr. Gary Blackmer, City Auditor
July 22, 2004
Page 3

their LID assessments. Significantly, parties to the Development Agreement are proceeding with plans to immediately construct condominiums, parking garages and other improvements in conjunction with construction of the tram. However, their LID assessments within Zone C are approximately one-third to one-eighth of Swinerton's proposed assessment on a square footage basis. The reason, as arbitrarily stated, is that a tape measure shows their properties to be further from the eastern terminus of the tram when compared to Swinerton's office building (which appears to be within Zone B) and one of Swinerton's driveways (which appears to be partially within Zone A).⁴ Thus, Swinerton is being penalized because its property is relatively unique – i.e., it stands as fully developed and without any need for or benefit from the aerial tram project, and it falls outside the South Waterfront Central District.

In short, the LID assessment methodology is flawed. The assessment on Swinerton's property is arbitrary, and there is no evidence or finding of any benefit to Swinerton's property from the construction of a tram.⁵ Swinerton therefore objects.

Very truly yours,



Kerry J. Shepherd
Attorney for Swinerton Real
Estate, Inc.

Attachment (Authority to Sign for Swinerton)

SWIN76022

⁴ The absence of logic and reason is reflected, in part, in the distinction made between Swinerton's office building (Zone B) and what appears to be a small slice of property closest to the tram (Zone A), which appears to be part of Swinerton's driveway next to the pilings for the Ross Island Bridge.

⁵ Section 9-702 of the City Charter specifically provides that an LID assessment "shall not . . . exceed the amount of the benefits" to the property. Similarly, Section 9-701 provides that an assessment should be zero (0) if a "particular lot, tract, or parcel of land within the boundaries of a local improvement assessment district does not in fact receive any special or peculiar benefit from the improvement."

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July 16, 2004

City of Portland
Office of City Auditor

To Whom It May Concern:

Swinerton Real Estate, Inc. is represented by Markowitz, Herbold, Glade & Mehlhaf, P.C. as its legal counsel for matters involving our property located at 3030 SW Moody Avenue in Portland, Oregon. Kerry J. Shepherd, a shareholder with the Markowitz Herbold firm, is authorized to sign a remonstrance as Swinerton's attorney.

Should you have any questions please feel free to call me at (720) 382-1305.

Very truly yours,

A handwritten signature in cursive script that reads "Sue Twitchel".

Sue Twitchel
Vice President

Swinerton Real Estate, Inc.
260 Townsend Street
San Francisco, California
94107-1790

Telephone
415 421-2980

Facsimile
415 433-0943

Original
RAMIS CREW CORRIGAN & BACHRACH, LLP 178675

ATTORNEYS AT LAW

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1727 NW Hoyt Street
Portland, Oregon 97209
Telephone: (503) 222-4402
Fax: (503) 243-2944
www.rccb.com

2004 JUL 22 P 3:43

Z. BLACKMER, AUDITOR
CITY OF PORTLAND, OR

Jeff H. Bachrach
jeffb@rccb.com

July 22, 2004

VIA HAND DELIVERY

Portland City Council
c/o Office of City Auditor
Assessments and Liens Division
1221 SW 4th Avenue, Room 130
Portland, Oregon 97204

RE: Remonstrance Against Portland Aerial Tram Local Improvement District
Property Address: 0601 SW Abernethy Street
Property Owner: Z V COMPANY INC

Dear Mayor Katz and City Commissioners:

This remonstrance against the formation of and proposed assessment for the Aerial Tram LID is filed on behalf of Z V Company Inc. As required by City Charter Article 4 Section 9-403, attached is a letter from the representative of Z V Company authorizing my office to file this remonstrance and represent the property owner in connection with the objection to the LID.

My client's property is located on SW Abernethy Street between Moody Avenue and Bond Avenue. In the current proposal, the property is in the most southeastern corner of the Zone B assessment area. The purpose of this remonstrance is to request that the City Council correct an error and properly place the Z V property in the Zone C assessment area.

As stated in the public notice, the different assessment zones are based on a property's "distance from the eastern tram landing." Although the supporting methodology does not explain the basis for measuring the distance, according to Project Manager Matt Brown, Zone B properties should be within 1,250 feet from station to front door, and those properties greater than 1,250 from the station should be in Zone C. Based on that criterion, the Z V property belongs in the Zone C assessment area, because it is more than 1,250 feet from the station location. The June 20 memorandum from PDC's consultant, Eric Hovee, puts the property in what is now being called Zone C.

There are approximately 1.3 million square feet of assessable property within Zone B and about 1.4 million square feet of assessable property within Zone C. Therefore, correcting the mistake

RAMIS CREW CORRIGAN & BACHRACH, LLP

ATTORNEYS AT LAW

Re: Remonstrance Against Portland Aerial Tram Local Improvement District

July 22, 2004

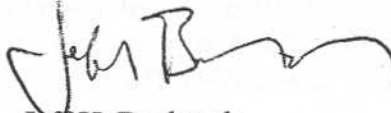
Page: 2

and switching the Z V property, which is only about 40,000 square feet, from Zone B to Zone C would entail a minor adjustment to the calculations. The City Council is authorized to make such adjustments without having to continue the hearing or send a new notice. (See, City Code 17.08.070 (D)(2)).

I would also note for the record that the public notice regarding the LID formation that was sent to Z V property did not conform to the requirements of City Code 17.08.070(A).

Between now and the City Council hearing on August 3, I will work with the Project Manager to determine the extent of the assessment adjustment that will be necessary, assuming the Council agrees that the Z V property correctly belongs in the Zone C assessment area. Thank you very much for your consideration of this request.

Very truly yours,



Jeff H. Bachrach

Enclosure

cc: Matthew Brown, LID Project Manager
Therese Wooding, Z V COMPANY INC

G:\JR\WRCCBJHB\Wooding\AuditorL1072204.doc

178675

**Z V COMPANY INC
P.O. Box 6486
Tacoma, WA 98466**

July 21, 2004

**RE: Portland Aerial Tram LID
Authorization**

I, Therese Wooding, represent the Z V Company Inc., the owner at the property at 0601 SW Abernethy Street, Portland Oregon, and I hereby authorize Jeff Bachrach of the law firm of Ramis Crew Corrigan & Bachrach LLP to file a remonstrance and to represent the property owner in connection with the remonstrance against the proposed improvement district.

Very truly yours,



Therese Wooding

cc: **Jeff H. Bachrach**



178675



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LA GRAND INDUSTRIAL SUPPLY Co.

ABRASIVES, SAFETY EQUIPMENT AND FOUNDRY SUPPLIES

P.O. BOX 1959 • 2620 S.W. FIRST AVE. • PORTLAND, OREGON 97207-1959

PHONE: (503) 224-5800 • FAX: (503) 224-0639 • E-MAIL: lagrand@lagrandindustrial.net

2004 JUL 22 P 4: 55

BLACKMER, AUDITOR
CITY OF PORTLAND, OR

July 22, 2004

TO WHOM IT MAY CONCERN:

Doug Bean & Associates may act as our agent for La Grand Industrial Supply Company with the power to sign a remonstrance for our property at 3839 SW Moody and 3714 SW Macadam Ave, both in the city of Portland, Oregon.

Sincerely,

**Robert Reed
Officer**

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2004 JUL 22 P 4: 55

July 22, 2004

GARY BLACKMER, AUDITOR
CITY OF PORTLAND, OR

Mr. Gary Blackmer
City Auditor
City of Portland
Assessment and Liens
1221 SW Fourth Avenue, Room 130
Portland, OR 97204-1905

VIA HAND DELIVERY

Rec'd by:

Date:

Re: R 190916080
R 140914960

Dear Mr. Blackmer:

On behalf of LaGrand Industrial Supply Co., this letter is a written remonstrance against the allocation of the proposed assessment for your project C10009. Clearly, the property along Macadam Avenue will not benefit as much as the land at least one block to the east of macadam avenue due to the noise and traffic on Interstate 5 and Macadam Avenue. We do not want to stand in the way of the OHSU Tram Project. However, we request a more equitable allocation of the assessment and encourage your office to assess the LaGrand Industrial Property at a significantly lower amount. It is simply not equitable to have property along Macadam and Interstate 5 assessed at the same rate as property to the east.

Attached please find the authority for Doug Bean & Associates, Inc. to speak on behalf of LaGrand Industrial Supply.

Thank you very much for your consideration and we look forward to the opportunity to publicly testify.

Very truly yours,

Douglas L. Bean

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DLB:pkn

COMMERCIAL
REAL ESTATE SERVICES

ONE MAIN PLACE
101 SW MAIN STREET
PORTLAND, OR 97204
(503) 222-5100
FAX: (503) 222-5311

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Original
178675

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Portland, Oregon 97204
503-221-1440

(503) 802-2009
FAX (503) 972-3709
joe@tonkon.com

2004 JUL 22 P 2: 56

JOSEPH S. VOBORIL
ADMITTED TO PRACTICE IN OREGON AND WASHINGTON
GARY BLACKMER, AUDITOR
CITY OF PORTLAND, OR

July 22, 2004

HAND DELIVERED

Mr. Gary Blackmer
City Auditor
City of Portland
1221 SW 4th Ave Room 140
Portland, OR 97204

Re: Remonstrance to Proposed Portland Aerial Tram Local Improvement
District - Resolution No. 36225

Dear Mr. Blackmer:

This is a letter of remonstrance filed pursuant to ORS 223.389 and Section 17.08.070B of the City Code on behalf of ZRZ Realty Co. and Zidell Marine Corporation. Attached is a letter to you from Jay Zidell, the president of ZRZ Realty Co. and Zidell Marine Corporation, which authorizes me to file the remonstrance on their behalf. This remonstrance includes the text of this letter, and all attachments thereto, including the Authorization Letter executed by Mr. Zidell and the attached letter to you entitled "Economic Evaluation of Aerial Tram LID Assessment on ZRZ Realty Co." submitted by Randall J. Pozdena of ECONorthwest ("the ECONorthwest Evaluation").

Introduction

ZRZ Realty Co. owns approximately 33 acres of land in the North Macadam Urban Renewal Area, all of which is included in the Proposed Aerial Tram Local Improvement District ("the Tram LID"). Substantially all of the ZRZ Realty Co. land is leased to Zidell Marine Corporation. Hereinafter, ZRZ Realty Co. and Zidell Marine Corporation will be referred to collectively as "Zidell".

Zidell has received five separate Hearing Notices and Cost Estimates dated July 6, 2004 which pertain to the Tram LID. The Hearing Notices and Cost Estimates propose total assessments for the Zidell property in the amount of \$2,173,379. Of this total, \$1,521,005 is the result of inclusion of a portion of the Zidell property in Zone A, the highest assessment category at \$5.82 per square foot. It is important to note that the portion of the Zidell property which has been included in Zone A is currently used to house Zidell's barge building operation and its corporate offices.

The balance of the Zidell property is included in Zone B, with proposed assessments at \$1.94 per square foot. None of the Zidell property has been included in Zone C, the lowest level of assessment at \$.73 per square foot.

Of the total \$7,000,000 amount which is being proposed for allocation among the North Macadam property owners, Zidell's assessment of \$2,173,379 represents 31% of the total. Zidell believes that this represents a disproportionate amount of the cost of the Tram LID, far in excess of any benefit that the Zidell property might receive from this public improvement. In fact, Zidell believes that imposition of the proposed assessments will negatively impact the value of the Zidell property. At \$5.82 per square foot, the Zidell Zone A property is being assessed at \$253,519 per acre, a significant encumbrance for property that is currently used as a barge building operation and corporate offices. Zidell has concluded that it must remonstrate and object to the proposed Tram LID.

Reasons for the Objection

The following paragraphs and the attachments to this letter, including the ECONorthwest Evaluation, state the reasons for the objection:

1. The proposed assessments are not the result of any cost/benefit analysis or any other study or report. Rather, the proposed assessments are simply the result of negotiations among parties to a Development Agreement which included only a few of the property owners who are being asked to bear the expense of this public improvement. The Development Agreement contains a number of provisions which dictate the timing and scope of the Tram LID. By virtue of a Third Amendment to the Development Agreement, adopted by the Portland City Council on June 10, 2004, the parties to the Development Agreement were allowed to establish limits on the amounts that they could be assessed under the proposed Tram LID. Property owners in the North Macadam area who were not parties to the Development Agreement, such as Zidell, have no such protection. As a result, the property owners in the North Macadam area who were not parties to the Development Agreement are being asked to pick up the remaining balance after the agreed upon assessments for parties to the Development Agreement have been totaled.

On behalf of Zidell, I appeared before the City Council at its June 10, 2004 public hearing and asked the Council to remove those provisions in the Development Agreement, including Exhibits K1 through K6 of the Third Amendment, which pertain to local improvement district financing. A copy of my June 10, 2004 letter to the Council and a transcript of my testimony to the City Council on June 10, 2004 is attached. In spite of our request, the City Council adopted the Third Amendment to the Development Agreement and a fait accompli now exists. Having approved an agreement that limits the amount that can be assessed to parties to the Development Agreement, for whose benefit the Tram is being constructed, other property owners, such as Zidell, are now required to pick up the remaining balance. On behalf of Zidell,

on June 29, 2004 our firm appealed the adoption of the Third Amendment to the Development Agreement to the Land Use Board of Appeals.

2. The proposed assessments for the North Macadam portion of the Tram LID (referred to as the "South Waterfront" area in Resolution No. 36225) are based on the single arbitrary criterion of distance from the eastern tram terminal. As Mr. Pozdena explains in more detail in the ECONorthwest Evaluation, the City's reliance on a single criterion is "fundamentally flawed".

3. No evidence has been submitted which would enable the City to make the determinations required by the City Charter, the City Code and Oregon law.

There is no evidence that the Zidell property will receive "any special or peculiar benefit" from the Tram improvement as required by Section 9-701 of the City Charter and Sections 17.08.020 and 17.08.070D.3 of the City Code.

There is no evidence to support a determination that the proposed assessments for the Zidell property do not exceed the apportioned share of actual cost or the actual benefit to be received by the Zidell property. Such a determination is required by Section 9-702 of the City Charter.

There is no evidence to support the assessment methodology which apportions the share of the costs differently among property owners based solely upon the single criterion of distance from the eastern tram terminal. Nor is there any explanation as to why the same criterion was not used for the benefited property at the western tram terminal.

There is also no evidence to support the proposed assessment of Zidell's Zone A property at \$5.82 per square foot while OHSU's Marquam Hill property is assessed at \$4.82 per square foot. In truth, the \$4.82 per square foot assessment that is proposed for OHSU's Marquam Hill property is solely the result of OHSU's commitment in the Third Amendment to the Development Agreement to accept an assessment of \$12,000,000 for its Marquam Hill property if the South Waterfront area and the Marquam Hill area are combined into one local improvement district.

In order to create a valid local improvement district under Oregon law, it must be determined that a special benefit is being conferred upon the property to be assessed by virtue of the improvement. Furthermore, the assessment must roughly approximate the special benefit to the property. As explained in the ECONorthwest Evaluation, in order to make such a determination, there must be a reasonable analysis of the expected tram ridership associated with each property. Then, the cost savings associated with such ridership (i.e., the "special benefit") must be compared to the proposed assessments. Without such an analysis, the proposed assessments are arbitrary.

The only documents which have been submitted by the proponents of the Tram LID are petitions signed on behalf of property owners who support the proposed assessments. Such petitions are not the kind of evidence required by Oregon law, the City Charter or the City Code. Actually, when the City Council adopted the Third Amendment to the Development Agreement, which accepted the agreement of the parties to the Development Agreement to combine the South Waterfront area Tram LID and the Marquam Hill Tram LID into one local improvement district, the parties to the Development Agreement obtained the unilateral right to dictate whether the Tram LID proceedings stop or go forward since their agreed upon shares constitute a majority of the assessable square footage which will be specially benefited by the combined Tram LID.

4. The proposed assessments ignore the fact that Zidell's Zone A property is presently fully developed for industrial uses, specifically barge construction and repair. It will take time and considerable expense to redevelop the Zidell property to a use which could receive a benefit from the Tram. This point was made to the Portland Development Commission by Eric Hovee in his June 20, 2003 Memorandum entitled "Preliminary Economic Analysis of Proposed North Macadam LIDs". On Page 6 of Mr. Hovee's Memorandum, he states as follows:

"However, there may be situations where an existing business located in a structure with remaining useful life could make a case for undue economic hardship over at least an interim period. Some businesses and property owners may require added time to plan and make the transition to more intense property disposition, use and/or redevelopment. Because most of the North Macadam area is undeveloped (with structures already cleared), this is not expected to be a major consideration except in limited circumstances".

In truth, the Zidell barge operation and corporate offices represent such a "limited circumstance". Unfortunately, no consideration is given in the proposed assessment methodology to account for such circumstances. Instead, all property is deemed to be equal, which it clearly is not. As Mr. Pozdena explains in paragraph 3 of the ECONorthwest Evaluation, since many years will pass before redevelopment of Zidell's Zone A property is profitable, the present value of any net benefits to Zidell must be reduced by the fact that any gross benefits from the Tram will not be enjoyed until far into the future.

As Mr. Pozdena points out in Paragraph 4 of the ECONorthwest Evaluation, consideration also has to be given to the fact that substantial public subsidies are being provided to property owners in the South Waterfront Central District who are parties to the Development Agreement, while Zidell, a property owner who is not a party, is being asked to pay a substantial portion of the Tram's cost without receiving any mitigating public assistance. In short, it is not a level playing field.

Consider for example Zidell's Zone A property, which is currently utilized as a barge operation and corporate offices. Because that property lies immediately to the north of the eastern Tram terminal, Zidell's property is proposed for assessment at \$5.82 per square foot or \$253,500 per acre. Under the proposed assessment methodology, Block 25 in the South Waterfront Central District, which is located immediately south of eastern Tram terminal, is also assessed at \$5.82 per square foot. However, OHSU is constructing a building on Block 25 which will contain approximately 400,000 square feet with approximately 630 underground parking spaces. In fact, Section 6.2.4.5 of the Third Amendment to the Development Agreement states that construction of the Tram cannot commence until OHSU has commenced construction of this building. And, pursuant to Section 11.2.14 of the Development Agreement, the Portland Development Commission has agreed to give OHSU \$5,000,000 which may be used by OHSU in constructing the research components in this building. Furthermore, in addition to subsidizing the cost of this building, the Portland Development Commission has agreed, in Section 11.2.15 of the Development Agreement, "to not actively recruit or provide subsidy to facilities that include clinical facilities available to the general public" in the South Waterfront area (which includes the Zidell property) for a period of 15 years after the effective date of the Development Agreement. So, for the next 15 years, the Portland Development Commission is contractually prohibited from helping Zidell attract this type of use, a use which would likely be a candidate for Tram ridership. Accordingly, the playing field is not level. We submit, and the ECONorthwest evaluation confirms, that these factual differences have to be included in any valid cost/benefit analysis.

5. The proposed assessment methodology must be revised to reflect current facts and circumstances. The proposed assessment methodology for the South Waterfront area was established well in advance of the decision by the Schnitzer family to donate its 20 acres to OHSU. Since conveyance of the Schnitzer property to OHSU, OHSU has announced its intention to construct educational facilities on the former Schnitzer property which will be connected to Marquam Hill via the street car and the aerial tram. As noted by Mr. Pozdena in the ECONorthwest Evaluation, the property formerly owned by the Schnitzer family will provide a significant number of tram riders.

The proposed assessment methodology clearly does not factor this new development into account. Approximately 84% of the property formerly owned by the Schnitzer family is included in Zone C, the lowest category of assessment at \$.73 per square foot. The balance, approximately 16%, is included in Zone B, which would be assessed at \$1.94 per square foot. While the total assessed square footage of the Zidell property and the former Schnitzer property is similar (i.e., 597,527 square feet of assessed property for Zidell; 507,012 square feet of assessed property for Schnitzer), the proposed assessments are dramatically different: Zidell, \$2,173,379; Schnitzer, \$473,741. Thus, as a result of the current assessment methodology, the former Schnitzer property assessment is approximately 22% of the Zidell

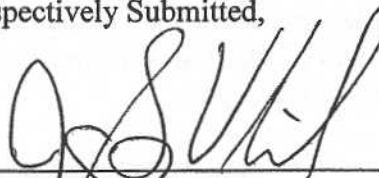
property assessment. We are confident that if a valid cost/benefit analysis were conducted, the resulting assessments might well be reversed.

Conclusion

The proposed assessment methodology which apportions costs based solely on the single criterion of distance from the eastern Tram landing is fundamentally flawed. Furthermore, no evidence has been submitted to demonstrate that the proposed assessments are roughly approximate to the special benefit that the assessed property owners will receive. As a result, the proposed assessments are arbitrary.

Given the size of the proposed assessments and the economic hardship that will be suffered by property owners who are charged a disproportionate amount of the cost of the Tram improvement, the assessments must be based on a thorough economic analysis which considers all of the relevant factors and apportions the cost to the property owners in a manner which is roughly approximate to the special benefit to be received. As confirmed by the ECONorthwest Evaluation, that has yet to be done.

Respectively Submitted,



Joseph S. Voboril
Attorney for ZRZ Realty Co. and
Zidell Marine Corporation

JSV/CLT
Attachment

009219\00003\581353 V001



THE ZIDELL COMPANIES

3121 S.W. Moody Avenue, Portland, Oregon 97201
(503) 228-8691 / (800) 547-9259
FAX: (503) 228-6750

178675

July 19, 2004

Mr. Gary Blackmer
City Auditor
City of Portland
1221 SW 4th Ave., Room 130
Portland, OR 97204

RE: Portland Aerial Tram Local Improvement District

Gentlemen:

I am the President of ZRZ Realty Co. and the President of Zidell Marine Corporation. We are in receipt of a hearing notice and cost estimate for our property which is located in the North Macadam area in connection with the above-referenced local improvement district. The estimated assessments proposed for property owned by ZRZ Realty Co. total approximately \$2,173,000.

This will confirm that ZRZ Realty Co. and Zidell Marine Corporation have authorized Joseph S. Voboril and his firm, Tonkon Torp LLP, to sign and file a remonstrance with your office prior to 5:00 pm on July 22, 2004.

Very truly yours,

Jay Zidell, President

ECONorthwest

ECONOMICS • FINANCE • PLANNING

178675

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FAX • (503) 222-1504
WEB • WWW.ECONW.COM

PIONEER TOWER • SUITE 1460
888 SW FIFTH AVENUE
PORTLAND, OREGON 97204-2028

OTHER OFFICES
EUGENE • (541) 687-0051
SEATTLE • (206) 622-2403

RANDALL J. POZDENA, PHD
MANAGING DIRECTOR

INTERNET EMAIL ADDRESS:
POZDENA@PORTLAND.ECONW.COM

BY HAND DELIVERY

July 22, 2004

Mr. Gary Blackmer
City Auditor
City of Portland
Auditors Office
1221 SW Fourth Avenue
Room 140
Portland, OR 97204

Re: *Economic evaluation of aerial tram LID assessment on ZRZ Realty Co.*

Dear Mr. Blackmer:

I am the managing director of the Portland, Oregon office of ECONorthwest, an economic and financial consulting firm. I lead the firm's quantitative analysis practice, providing mathematical, statistical, and forecast analysis services for private and public clients, and in litigation. I have been engaged in economic and financial analysis and forecasting for over 25 years. I have been engaged by both plaintiffs and defendants as a consultant or expert economics and financial analyst in a variety of matters and have provided expert testimony in over 14 cases and in more than 10 jurisdictions. These matters have involved issues regarding condemnation, real estate valuation, analyses of companies' profits, evaluation of antitrust issues, event analysis, valuation of complex options, past and future product liability claims, and other types of complex business claims and issues.

I have performed research, supported litigation, and provided consultation services in numerous sectors including the urban and interurban transportation sector. I am the senior author of two editions of the industry-standard highway project evaluation manual (the *Redbook* of the American Association of State Highway Transportation Officials) and primary author of the transit project evaluation manual for the Transit Cooperative Research Program of the National Academy of Science. I work extensively in highway finance, pricing and evaluation. Colleagues in my firm have performed transit station area studies and authored texts on the relationship between transportation and land use and value. I have been hired as a consultant or expert witness in numerous condemnation and takings cases, including *Dolan v. City of Tigard*.

Portland City Council
July 22, 2004
Page 2

I was Vice President of the Federal Reserve Bank of San Francisco where I directed the Banking and Regional Studies section, which advised on matters relating to financial-market developments, banking operations and regulation, and the disparate industries and regional economies of the western United States, including the high-tech industries. I have written more than 50 published papers and books—including a real estate economics textbook—and have been a contributing editor to a buyouts and acquisitions journal. I have taught economics, finance, and real estate courses at the University of California, Berkeley (Graduate School of Business), University of California, Irvine (Graduate School of Administration), Mills College, and Portland State University.

ASSIGNMENT

I was retained by counsel for ZRZ Realty Co. and Zidell Marine Corporation ("Zidell") to provide an economic evaluation of Zidell's local improvement district assessment for the Portland aerial tram. The analysis and conclusion I am providing in this letter are focused solely on the assessments related to the aerial tram.

FACTUAL BACKGROUND

The North Macadam Urban Renewal Area ("North Macadam URA") covers about 409 acres of southwest Portland along the Willamette River. One of the primary goals of the North Macadam URA is to encourage conversion of industrial land in the area to mixed-use developments comprised of residential, research, and retail uses.

Zidell owns approximately 33 acres of land in the North Macadam URA, of which 12 acres lie between the Ross Island Bridge and the South Waterfront Central District. Of those 12 acres, about 9 acres are within Zone A of the proposed aerial tram local improvement district ("Zidell's Zone A Property") and the remaining 3 acres are in Zone B. I understand that virtually all of Zidell's Zone A Property is fully developed for industrial uses, specifically marine construction and repair.

In August 2003, the Portland Development Commission ("PDC") entered into a development agreement ("Development Agreement") with Oregon Health and Sciences University ("OHSU"), North Macadam Investors LLC, River Campus Investors LLC, and Block 39 LLC. It is my understanding that the Development Agreement has been amended, most recently on June 10, 2004. Zidell is not a party to the Development Agreement.

The Development Agreement creates a new neighborhood within the North Macadam URA—the South Waterfront Central District—targeted for immediate and intense development. Zidell's property is not located the Central District. This development will be catalyzed and supported by substantial public

subsidies. Zidell will receive no such subsidies. In addition, PDC has agreed to "not actively recruit or provide subsidy" to facilities in the North Macadam URA that may compete with OHSU's facilities in the Central District (South Waterfront Central District Project Development Agreement § 11.2.15). Accordingly, Zidell will receive no assistance from PDC in attracting biosciences facilities.

One component of the planned development of the South Waterfront Central District is an aerial tram linking the Central District with the OHSU campus on Marquam Hill. The City Council has passed a resolution declaring an intent to create a local improvement district ("LID") to fund a portion of the tram's development costs (Resolution No. 36225, June 10, 2004). The City Charter dictates that an assessment for a LID "shall not exceed the apportioned share of actual costs *nor exceed the amount of the benefits*" (§ 9-702, emphasis added).

The proposed LID would apportion the costs of the aerial tram into four zones. Zones A, B, and C are in the North Macadam URA. Assessments for these three zones would be higher on properties located closer to the eastern tram terminus. Properties closest to the terminus ("Zone A") would be assessed approximately \$5.82 per square foot, the next closest ("Zone B") would be assessed approximately \$1.94 per square foot, and the furthest ("Zone C") would be assessed approximately \$0.73 per square foot. A fourth zone ("Zone D") is OHSU's Marquam Hill property where the western terminus would be located and would be assessed \$4.82 per square foot.

Zidell is one of two property owners in Zone A, and the only property owner in Zone A who is not a party to the Development Agreement. The City proposes to assess Zidell's property \$2.17 million for the aerial tram LID, \$1.52 million of which is for Zidell's Zone A Property. Under the resolution, Zidell's Zone A Property would be assessed nearly eight *times* more per square foot than land in Zone C.

ANALYSIS AND CONCLUSIONS

I have analyzed the LID assessments to evaluate the appropriateness of the level and allocation of LID levies. My findings in this regard are summarized in this section of this letter.

1. **The City erroneously assigns the aerial tram's benefits solely on the criterion of distance from the aerial tram's terminus.** The City provides no information describing its assumptions and/or methodology in determining the purported benefits of the aerial tram to Zidell's property. The wording of the resolution indicates that the City assigned benefits based on distance, rather than developing a reliable estimate of expected benefits (Resolution No. 36225, June 10, 2004, "... with *assignment* of benefit ..." emphasis added).

In addition to being unsupported, the City's assignment of benefits is erroneous. The City provides no support for its assignment of benefits on the single arbitrary criterion of distance from the eastern tram landing. I am unaware of any reliable empirical studies demonstrating the relationship between distance from an aerial tram terminus and property values. The City's reliance on a single criterion is fundamentally flawed in its failure to account for other relevant factors that affect property values. Such a naïve and arbitrary assignment fails to account for things such as net developable land area, existing development, zoning, density, roadway and pedestrian access, nuisance characteristics associated with the tram, other public investments, etc.

In general, to the extent development occurs because of relaxation of inefficient zoning, reduced taxation, direct investment, and subsidies rather than the presence of the aerial tram, then the tram in and of itself may have no causal link to a net increase in property values even if such an increase has been observed in analogous developments. The City's assignment of benefits does not separate the effects of the aerial tram from the effects of zoning, taxes, direct investment or other policy tools, thereby rendering its assignment of benefits erroneous.

2. The City has not reliably demonstrated that the aerial tram will improve accessibility to Zidell's in any economically relevant way and, therefore, has not reliably demonstrated that the purported benefits of the aerial tram to Zidell's property equal or exceed Zidell's LID assessment. Transportation projects are capitalized into property values only in as much as they improve accessibility to the property (see William Alonso, *Location and Land Use*, 1964). Transportation improvements that provide benefits to travelers do so by reducing traveler travel times and/or out-of-pocket costs relative to the access enjoyed without the improvement. Improved accessibility thus will, in turn, improve the relative market values of affected parcels as businesses or residences express increased willingness to pay for the superior services of such parcels. Conversely a project that diminishes a property's accessibility will have a negative impact on the property's value and a project that is irrelevant to a property's use or accessibility will have no impact on the property's value.

There has been no reliable demonstration that aerial tram ridership will have any relevant impact on accessibility to Zidell's property or its barge construction and repair facility. The City and OHSU estimate that 80 to 90 percent of aerial tram riders will be shuttling between OHSU's North Macadam and Marquam Hill facilities (Portland Development Commission, *Aerial Tramway Technical Design Issues-Draft*, April 16, 2003; Nice Tram, Who Pays? *Portland Tribune*, October 11, 2002). This estimate was determined prior to the announcement by the Schnitzer family to donate 20 acres of Zone C property to OHSU. OHSU has announced the donation will be used for additional OHSU schools which would be connected to Marquam Hill via the streetcar and aerial tram. Therefore, it is unlikely that a substantial amount, if any, of the remaining 10 to 20 percent of expected tram riders would be shuttling between Marquam

Hill and Zidell's barge construction and repair facility. Indeed, I understand that the aerial tram, and its construction, will likely have a negative impact on access to Zidell's barge construction and repair facility.

Any evaluation of the benefits of the aerial tram to property owners must include a reasonable analysis of expected tram ridership associated with each property. Then, the cost savings associated with such ridership must be compared to the proposed assessments to the specific property owners. Moreover, the evaluation must account for the costs and timing associated with demolition, rehabilitation, and construction of a facility that would capitalize on the aerial tram's existence.

The irrelevance of the aerial tram to Zidell's property indicates that the tram will convey no benefits on Zidell's property for as long as it remains in its current use. Moreover the City has not demonstrated that Zidell's property will receive any special and peculiar benefit from the aerial tram as required by the City Charter (§ 9-701).

3. The present value of *net* benefits, not simple gross benefits, is the appropriate measure of the capitalization potential of the tram development on Zidell's property. Even if one accepts the speculative assumption that the tram generates *gross* benefits for properties in the LID, the *net* benefits to property depend upon the level of investment necessary to liberate property value increases, and the timeframe within which such investment can profitably occur.

In contrast to other properties in Zone A, Zidell's Zone A Property is today nearly fully developed for industrial uses. Redevelopment will require extensive demolition and site rehabilitation before it can be redeployed in a new use. The costs associated with any demolition and rehabilitation will partially or fully offset—and could possibly exceed—any property value enhancement anticipated from any purported catalyst effect of the tram development. Moreover, the site's current productive use and the extensive site rehabilitation costs affect the timeline of profitable redevelopment. To the extent that many years will pass before redevelopment is profitable to Zidell, the present value of any net benefits to Zidell's property are further reduced by the fact that any gross benefits from the tram will not be enjoyed until far into the future. The City's assignment of the aerial tram LID assessment has not considered the costs of site demolition and rehabilitation cost or the passage of time on the appropriate assessments.

4. The LID assessments of other property owners, but not Zidell, will be partially mitigated by public subsidies. The Development Agreement associated with the South Waterfront Central District promises the property owners/developers who are parties to the Agreement substantial public subsidies to support their developments. To the extent Zidell is not a party to the Development Agreement, is not located in the South Waterfront Central District, and has no plans for development in the near future, Zidell would be

forced to pay for a substantial portion of the aerial tram without receiving any mitigating public assistance. The uneven distribution of costs imposed relative to benefits received has the effect of benefiting other property owners/developers at Zidell's expense.

5. **To the extent development of the North Macadam URA is contingent on the development of the aerial tram, all property owners relying on the tram and the associated public investment/subsidies benefit, in gross terms, more equally than implied by the assigned assessments.** The proposed assessments would charge Zidell nearly eight times more per square foot than Zone C property owners and 20 percent more per square foot than OHSU, who expect to account for 80-90 percent of the tram's ridership.

It must be said that the City has not demonstrated that development of the North Macadam URA is, in any way, contingent on the aerial tram to catalyze redevelopment of the site. Rather, much of the increased land values associated with the North Macadam URA likely are a result of zoning, taxes, direct investment or other policy tools that are unrelated to the aerial tram's construction. Nevertheless, to the unlikely extent the ultimate course of development of the North Macadam URA would be curtailed, delayed, or rendered infeasible without the aerial tram, then all property owners enjoying such gross development benefits from the tram and the associated public investment and/or subsidies benefit more equally in gross terms than the assigned LID assessments would indicate.

CONCLUSIONS

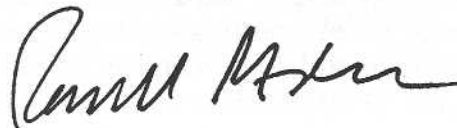
I conclude that the City has not demonstrated that the aerial tram will convey any net benefits on Zidell's property. Moreover the City's arbitrary assignment of zones on the single criterion of distance from the tram terminal is fundamentally flawed and the underlying formula undocumented. To the extent development of the North Macadam URA is contingent on the aerial tram, all property owners relying on the tram and the associated public investment/subsidies benefit, in gross terms, more equally than implied by the assigned assessments. The failure to consider the unequal cost and timing of redevelopment of the properties on the *net* benefits to individual properties, however, suggests that the proposed assignment of LID assessments has the effect of significantly benefiting other property owners/developers at Zidell's expense.

Portland City Council
July 22, 2004
Page 7

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I have not provided herein the specifications of an LID assessment that I would consider more reliable and fair. Such an effort would take at least 60 days, with considerable additional cost to my client. The unreasonable timeframe offered by the City and the weakness of the current record on this matter made preparation of such a response impossible.

Respectfully submitted,



1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503-221-1440

JOSEPH S. VOBORIL
ADMITTED TO PRACTICE IN OREGON AND WASHINGTON

(503) 802-2009
FAX (503) 972-3709
joe@tonkon.com

June 10, 2004

City Council
900 SW Fourth Avenue
Portland, OR 97201

**Re: Third Amendment to the South Waterfront Central
District Project Development Agreement**

Dear Mayor Katz and Members of the Council:

This letter is intended to supplement oral testimony which I have delivered to you this afternoon at your hearing regarding the above-referenced matter. A copy of the oral testimony is attached.

As I have explained in the oral testimony, our clients, ZRZ Realty Company and Zidell Marine Corporation, have been supporters of the expansion of Oregon Health & Science University (OHSU) to the South Waterfront area. However, within the last few months, our clients have received estimates of the proposed assessments for the Tram Local Improvement District and the Streetcar Local Improvement District, which cause our clients considerable concern.

Based upon the petitions being circulated in connection with the Tram Local Improvement District, our clients' assessment would total approximately \$2,173,379. Our clients believe that this is a disproportionate share of the proposed assessments. The same is true of the proposed Streetcar Local Improvement District assessments. Under the most recent proposal, our clients would be obligated to pay \$850,395 or 32% of the total cost of the Streetcar Local Improvement District. Our clients' assessments for these two local improvement district projects alone will exceed \$3,000,000. Unfortunately, our clients will receive very little, if any, benefit from these two projects. Actually, our clients' ability to operate its barge building operation will be negatively impacted by the tram.

Given the terms and conditions of the South Waterfront Central District Project Development Agreement (the "Development Agreement"), the Project Area is being primed for

immediate, intense development that is guaranteed to occur as a result of significant public investment in infrastructure and other subsidies. While it could be argued that Zidell will some day benefit from these projects, given the magnitude of the public investment and the scope of the anticipated projects in the Project Area, so much absorption will have to occur that any development of the ZRZ property is, in all likelihood, at least 15 to 20 years away. Furthermore, it will not be a level playing field. There are a number of provisions in the Development Agreement that give the parties to the Development Agreement a competitive advantage. See, for example, Section 11.2.15 of the Development Agreement wherein "PDC agrees to not actively recruit or provide subsidy to facilities that include clinical facilities available to the general public." This restrictive covenant will remain in place for 15 years.

In spite of the fact that our clients will receive little or no benefit from these local improvement districts, it is apparent that because of the way the Development Agreement is structured, the assessment methodology that will necessarily result from implementation of the Development Agreement will shift a disproportionate amount of the assessments to the Zidell property. Once the City Council approves the Third Amendment to the Development Agreement, the City will have irrevocably committed to very detailed provisions pertaining to these local improvement districts, which only benefit the parties to the Development Agreement. The following are just a few examples:

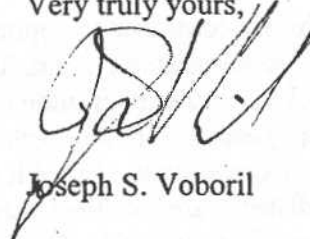
1. Section 5.2.5 gives the parties to the Development Agreement considerable control over the scope and timing of the required local improvement districts. This Section, together with Exhibits K-1 through K-6, sets forth the maximum amounts that may be assessed under each of the local improvement districts and, in most instances, the total amounts which parties to the Development Agreement may be assessed. However, property owners in the South Waterfront area who are not parties to the Development Agreement have no such protection. As a result, the parties to the Development Agreement have the ability to increase the size of the local improvement districts—and the resulting assessments on property owners who are not parties to the Development Agreement. For example, in Section 5.2.5.2 of the August 22, 2003 Development Agreement, the Tram Local Improvement District for the South Waterfront Plan area—which includes the Zidell property—was "capped" at \$4,500,000. Now, in the proposed Third Amendment to the Development Agreement, the parties have increased the amount to be paid by the South Waterfront property owners from \$4,500,000 to \$7,000,000. There were no public hearings regarding this increase. The parties to the Development Agreement simply negotiated this amount. Unfortunately, the result is a much higher assessment for the Zidell property.
2. As indicated above, Section 5.2.5.2 of the August 22, 2003 Development Agreement provided for a separate Tram Local Improvement District for the South Waterfront area. Now, in the proposed Third Amendment to the Development Agreement, the parties to the Development Agreement have combined the Marquam Hill Local Improvement District with the Tram Local Improvement District for the South Waterfront area. The

effect of combining these two local improvement districts into one local improvement district effectively eliminates the right of remonstrance of any property owners in the South Waterfront area who are not parties to the Development Agreement. Again, there were no public hearings to determine whether it is in the public interest to combine these two local improvement districts; the parties to the Development Agreement simply decided to do it.

3. The parties to the Development Agreement—not the City—have control over when the improvements will be constructed. Section 6.2.4.5 of the Third Amendment states that construction of the tram cannot commence until OHSU has constructed its first building and North Macadam Investors, LLC has constructed its first condominium tower. Accordingly, even the timing of the Tram Local Improvement District is solely in the hands of the parties to the Development Agreement.

The above provisions, and others in the Development Agreement, violate both the letter and the spirit of the Oregon Revised Statutes governing the formation of local improvement districts (ORS Chapter 223) as well as Chapter 17.08 of the City Code. On behalf of our clients, ZRZ Realty Company and Zidell Marine Corporation, we ask that all provisions in the Development Agreement, including Exhibits K-1 through K-6 of the Third Amendment, which pertain to local improvement district financing be removed from the Development Agreement prior to final approval by City Council.

Very truly yours,



Joseph S. Voboril

JSV/cjs
Attachment

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**CITY COUNCIL TESTIMONY
of Joseph S. Voboril,
submitted on behalf of
ZRZ Realty Company
and
Zidell Marine Corporation**

June 10, 2004

Mayor Katz, Members of the Council:

My name is Joe Voboril. I am a partner of the Tonkon Torp law firm here in Portland. My office address is 1600 Pioneer Tower, 888 SW Fifth Avenue, Portland, OR 97204.

I am here this afternoon on behalf of our clients, ZRZ Realty Company and Zidell Marine Corporation. Both of these entities are owned by members of the Zidell family. ZRZ Realty Company is the owner of approximately 33 acres located immediately to the north of the "Project Area" in the Development Agreement. Zidell Marine Corporation's corporate headquarters and its barge operation are located within a few blocks of the proposed eastern terminal of the tram.

The Zidell family has been a supporter of OHSU's expansion to the Waterfront and the tram in particular. In fact, Jay Zidell, the president of Zidell Marine Corporation, has been a member of the PATI Board of Directors since its inception and the Zidell family loaned PATI \$75,000 to help fund the design competition for the tram.

While the Zidell family continues to support this project, within the last few months, they have been presented with proposed assessments for the tram and streetcar local improvement districts, and they are shocked by the magnitude of these assessments—particularly in view of the fact that it will be many years before any benefit will accrue to the Zidell property as a result of these public and private expenditures. Since it is clear in the Development Agreement that these local improvement districts are a critical component of the total financing plan, our clients have decided that they must speak up now. They thought it would be inappropriate to remain silent, allow the City Council to adopt the financing package, and then challenge the local improvement districts at a later date.

It is apparent that because of the way the Development Agreement is structured, the assessment methodology that will necessarily result from implementation of the Development Agreement will shift a disproportionate amount of the assessments to the Zidell properties. Furthermore, once the Development Agreement is adopted by the City Council, the City will have irrevocably committed not only to the formation of the local improvement districts, but also to the special provisions that are contained in the Development Agreement which benefit only the parties to the Development Agreement. We believe these provisions are in violation of the Oregon statutes that govern the formation of local improvement districts, as well as Chapter 17.08 of the City Code. Given your time limitation for testimony, I am submitting a letter that states our clients' concerns in more detail.

While we recognize that the Council has a desire to proceed with haste on this matter, we ask that you defer taking action on those provisions of the Development Agreement that pertain to the creation of local improvement districts and, in particular, to those provisions in the Development Agreement that provide special benefit and protection only to the parties to the Development Agreement.

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CITY OF
PORTLAND
 OFFICE OF
TRANSPORTATION

901 178675

Jim Francesconi, Commissioner
 1120 SW 5th Avenue, Suite 800
 Portland, Oregon 97204-1914
 (503) 823-5185
 FAX (503) 823-7576 or 823-7371
 TDD (503) 823-6868

Brant Williams
 Director

Eileen Argentina
 System Management

Bryant Enge
 Finance

Don Gardner
 Engineering & Development

Jeanne Nyquist
 Maintenance

Laurel Wentworth
 Planning

2004 JUL 26 A 11:25

IMPORTANT NOTICE - LID HEARING DATE AND TIME

BLACKMER, AUDITOR
 CITY OF PORTLAND, OR

July 23, 2004

To: Portland Aerial Tram Local Improvement District Property Owners

RE: LID Testimony to Shift to August 4th, 9:30 a.m.

As you are aware through previous correspondence from the City Auditor's Office, City Council has set a hearing date for the proposed formation of the Portland Aerial Tram Local Improvement District on Thursday, July 29, 2:00 p.m. Due to unplanned absences of key project staff, City Council will open the session on July 29th and immediately set the LID item over until the next City Council meeting. City Council will not accept verbal testimony on this item until the item is continued on August 4th.

As a courtesy, we wanted to notify you about this action so that you are able to plan your time accordingly. We have reserved a time certain on **Wednesday, August 4th, at 9:30 a.m.** for Council to take up this item and receive testimony from property owners and other interested parties. The City Council meeting will be held at Council Chambers in City Hall, 1221 SW Fourth Avenue. While you are welcome to attend the meeting on July 29th, please be aware that public testimony will be received on August 4th.

If you have any questions about this item, please contact Matt Brown, Project Manager, at (503) 823-7027 or Andrew Aebi, LID Administrator, at (503) 823-5648.

Sincerely,

Matt Brown, Project Manager
 Portland Aerial Tram
 Portland Office of Transportation

C: Andrew Aebi, LID Administrator
 Karla Moore-Love, Council Clerk
 PATI Board Members



CITY OF
PORTLAND, OREGON
 OFFICE OF CITY ATTORNEY

RECEIVED

Linda Meng, City Attorney
 1221 S.W. 4th Avenue, Suite 430
 Portland, Oregon 97204
 Telephone: (503) 823-4047
 Fax No.: (503) 823-3089

2004 JUL 19 A 10:24

BLACKMER, AUDITOR
 CITY OF PORTLAND, OR

July 16, 2004

JOE VOBORIL
 TONKON TORP LLP
 1600 PIONEER TOWER
 888 SW FIFTH AVENUE
 PORTLAND, OR 97204

Re: Portland Aerial Tram Local Improvement District

Dear Mr. Voboril:

This will acknowledge receipt of your July 14, 2004, letter to Andrew Aebi. A Formation Ordinance will be filed for consideration by Council at the July 29, 2004, City Council session. I will be happy to provide you with a copy of this Ordinance once it has been approved by Commissioner Francesconi. A copy of this Ordinance should be available after noon on Friday, July 23. Although I will be out of the office, I have asked my legal assistant Jody Thoman to call you when it is available.

Your July 14 letter was addressed to Andrew Aebi with copies to Matt Brown, Don Mazziotti and me. In the future, please contact me directly if you need documents from the City or have questions regarding this matter.

Thank you.

Very truly yours,

Mark R. Moline
 Senior Deputy City Attorney

MRM:jlt

c. Andrew H. Aebi
 Matt Brown
 Don Mazziotti
 Karla Moore-Love

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For hearing & speech impaired, call (503) 823-6868 TDD (For Hearing & Speech Impaired) (503) 823-6868





CITY OF
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TRANSPORTATION

AMENDMENT

Jim Francesconi, Commissioner
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 Portland, Oregon 97204-1914
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 FAX (503) 823-7576 or 823-7371
 TDD 823-6868

Brant Williams
 Director

August 4, 2004

178675

Eileen Argentina
 System Management

TO: City Council Members

Bryant Enge
 Finance

FROM: Matt Brown, Aerial Tram Project Manager *MB*
 Andrew Aebi, Local Improvement District Administrator *AA*

Don Gardner
 Engineering & Development

SUBJECT: Agenda Item #907 – August 4, 2003 9:30 AM Time Certain
 "Create a local improvement district to construct aerial tram improvements in the Portland Aerial Tram Local Improvement District. (Hearing; Ordinance; C-10009)"

Jeanne Nyquist
 Maintenance

Substitute Exhibit E – Replace Assessment Worksheets for Zone A & D
Substitute Exhibit F – Summary of Remonstrances

Laurel Wentworth
 ning

*E SUPERCEDED
 8/12/04*

Exhibit E

There was an transposition error in the spreadsheet containing the Assessment Worksheets for Zone A & Zone D as originally submitted. This correction aligns the assessment worksheets for Zone A and Zone D in Exhibit E with the amounts contained in the ordinance itself. This correction does not substantively change the apportionment of benefit or assessment from what was contained in the Resolution of Intent for this LID as passed by Council on June 10th.

F FINAL

Exhibit F

Notices of LID formation were mailed by the City Auditor on July 6, 2004. The deadline to submit written remonstrances was at 5:00 PM on July 22, 2004.

Four written remonstrances representing owners of nine (9) of the properties in the Portland Aerial Tram Local Improvement District were received by the filing deadline registering objections to formation of the local improvement district.

Although receipt of the remonstrances was timely, they were received after the ordinance had been submitted to Council. Attached are the responses and findings to the remonstrances.

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PORTLAND OFFICE OF TRANSPORTATION

COUNCIL CALENDAR ITEM

8-4-04

Council Calendar No. _____

Submitted for Council Consideration on: July 29, 2004, 2:00 p.m. Time Certain Regular Agenda

DESCRIPTION: Ordinance Title: Create a local improvement district to construct aerial tram improvements in the Portland Aerial Tram Local Improvement District.

The ordinance forms the LID for the aerial tram project.

BACKGROUND: On June 10, 2004, City Council unanimously approved a Resolution of Intent for the Portland Aerial Tram and directed the LID Administrator to schedule an LID Formation Hearing and for the City Auditor to notify property owners of a hearing date for the formation of the Aerial Tram LID.

ISSUES: The updated Funding and Finance Plan, contained in the Third Amendment to the Development Agreement, shifts the \$2,500,000 associated with the Macadam Avenue LID to the Portland Aerial Tram LID to increase the project funding amount for the South Waterfront portion of the Tram LID to \$7,000,000. The Macadam LID is no longer required due to ODOT funding of the Macadam Avenue improvements. The Macadam LID was eliminated from the funding and financing plan. Therefore there was no net increase in the amount of LID financial participation for property owners in South Waterfront area for all of the projects scheduled in South Waterfront including the tram.

The Tram LID proposal has been based on a fair and equitable methodology for determining benefit to property owners. Property owners in South Waterfront have been proposed for assessment based on distance from the South Waterfront terminus located in Gibbs between Bond and Moody. Three zones of benefit have been established, with Zone A being those properties within a two block distance of the tram landing; Zone B being between two blocks and 1,250 feet of the tram landing, and Zone C over 1,250 feet from the tram landing.

The LID also removes future street right-of-way and greenway setbacks from the area of property to be assessed. In a meeting with property owners in November 2003, this was agreed to be a fair way of determining the amount of property that would benefit from any of the proposed projects.

The total LID amount is \$19,000,000, exclusive of Auditor's costs including financing, which includes \$12,000,000 in assessments for the Marquam Hill area which are assessed entirely to OHSU properties. Council accepted petitions for the LID when it passed the Resolution of Intent. At this time, total support for the project stood at over 80%, well over the legal threshold for LID formation; and over 46% in South Waterfront, which was shy of our goal for attracting 50% support in that area on its own. However, late petition support has since been received in South Waterfront, which brings total LID support to 84% and support in the South Waterfront zones alone to 55%.

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City Council has Code and Charter authority to form the LID based on two methods. First, if a majority support is received for the project in the form of signed petitions, Council may proceed with formation. In this case, we stand at over 80% accepted petition support (84% unofficial support including late petitions) including OHSU properties on Marquam Hill. Second, Council may initiate LID proceedings and form an LID as long as 60% of the property owners, measured by property area, do not remonstrate against LID formation. Looking only at South Waterfront and assuming that all property owners not in support would remonstrate, the remonstrances would amount to only 45%, still allowing the LID to move forward.

POTENTIAL PROBLEMS: The Zidells have expressed displeasure over the proposed LID assessment for their properties. They have presented an alternative assessment amount to City staff based on what they feel they should pay for the Tram, which amounts to approximately one-third of their proposed assessment. Their counterproposal would create an unfair methodology with a seriously skewed apportionment of benefit, in which the Zidells' development block on the north side of the tram landing would pay \$1.94 per square foot, but OHSU's block immediately south would pay \$5.84 or more per square foot.

The Zidells have filed a notice of intent with the State Land Use Board of Appeals challenging Council's approval of the Third Amendment. Although details of their brief are not yet known, the Tram and Streetcar LIDs are the likely target of the potential lawsuit.

The Zidells will also remonstrate against the project for the previously-stated reasons. In addition, three or four other property owners are likely to remonstrate as well. The total amount of remonstrances is not likely to pose any problem in terms of overall support for the Tram LID. Staff will prepare a report on all of the written remonstrances received by the July 22nd deadline for Council's consideration.

RECOMMENDATION: Pass Ordinance

Can be delayed week(s), if necessary

Should be filed this week.

Must be filed this week.

Fiscal Review by KK @

No impact at fund level

Impact on Fund

Contact Person Matt Brown, Project Manager will **not** attend Council session.

Phone No. 503-823-7027

Contact Person Andrew Aebi, LID Administrator will **attend** Council session.

Phone No. 503-823-5648

City of Portland
BUDGET/FINANCIAL COUNCIL ACTION IMPACT STATEMENT

INITIATOR'S SUMMARY OF COUNCIL ACTION (Deliver original to Financial Planning Division. Retain copy).

1. Name of Initiator Andrew Aebi	2. Interoffice Mail Address 106/800	3. Telephone No. 503-823-5648	4. Bureau/Office/Dept. PDOT/BTE&D/PMD
5a. To Be Filed (date) July 29, 2004	5b. Calendar (Check One) REGULAR Consent 4/5ths <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	5. Date Submitted to OMF Budget Analyst: July 21, 2004	6. Fund Name & Number Transportation Fund #

Please check appropriate box and list dollar amount.
 If using electronic MS Word Version, underline appropriate category and type and list dollar amount after. (Opt.)

Category 1 No financial Impact []


Category 2 Routine and Budgeted Items []

- | | |
|--|--|
| <input type="checkbox"/> Contracts | <input type="checkbox"/> Annual Supply Contract |
| <input type="checkbox"/> Grants | <input type="checkbox"/> Claims payment under \$15,000 |
| <input type="checkbox"/> Call for bids on purchasing contracts | <input checked="" type="checkbox"/> Creation of a Local Improvement District |
| <input type="checkbox"/> Reports to Council regarding completion of projects | <input type="checkbox"/> Other |

Category 3 Non-Routine or Unbudgeted Item []

SUMMARY OF ACTION: In concise terms, describe what is to take place through the enactment of this council action. Where applicable, narrative should include answers to the following questions. Add space as necessary below each question. Multiple page responses are acceptable if necessary to answer all relevant questions.

- A. What action(s) is proposed?
- B. Who will be affected by the proposed action? (List other City bureaus? Citizens? The business community?)
- C. What will the action cost? In this fiscal year? Subsequent year(s)? How much revenue will it generate? In this fiscal year? In subsequent year(s)? If there are indirect costs or future commitments implied as a necessary accompaniment or result of this action, include an estimate of these costs even if the action does not formally authorize any expenditure.
- D. Is the cost included in the current year's budget? If so, which Fund or AU? If not, identify funding sources and amounts -i.e., interagency, contingency/unforeseen, grants, administrative transfer, etc.
- E. What alternatives to this action have been explored?

APPROPRIATION UNIT HEAD (Typed name and signature)


Brant Williams, Director, Office of Transportation

