

Vera's Portland

The City That Shrinks

By Jim Pasero

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A Tale of Two Cities

THE SPRING OF OUR HOPE

Tim Boyle's view of the world from Cornell Drive in Washington County is vast and expanding.

Last year Columbia Sportswear's President and CEO saw his company grow by 27 percent, and this year, "we're expected to grow in the high single digits," says Boyle. Not bad—especially when the American economy grew by less than one percent in '01 and is projected to grow by a very anemic 0.7 percent in '02. Imagine what Columbia Sportswear's growth might be if we weren't in the midst of a world recession.

Today, Columbia Sportswear has 1,600 employees and is closing in on \$800 million in annual sales throughout over fifty countries in Asia, South America, and Europe. Growing 35 percent in two years—now that's a company on the move. It's reflected in the pace of Tim Boyle's life, as well as his mother's, Gertrude Boyle, Chairperson of the Columbia Sportswear Board of Directors.

Early January found Gertrude Boyle halfway around the world in Russia, opening up a new distribution center where sales were going spectacularly well. By mid-February Gertrude and Tim were hosting NBC executives for the Salt Lake City Winter Olympics. For the second Olympics in a row, NBC's on-air commentators are wearing Columbia Sportswear clothing. As for the company's global image, it's almost perfect: glamorous, moderately priced, practical, and very, very fashionable.

THE WINTER OF OUR DISCONTENT

Portland Mayor Vera Katz's office on Southwest Fourth this winter was one of contraction. Dreary contraction. Here is a business atmosphere to fit Portland's winter weather.

The unemployment number in Oregon this March is 8.1 percent, which compares in a most unflattering way to the national unemployment figure of 5.6 percent. Most telling, the unemployment figures are higher in the Portland region than in rural Oregon. The Portland Tribune recently reported, "Last year, for the first time since 1983, the Portland metropolitan area registered negative job growth, losing 2,700 jobs: a decline of 0.3 percent."

Mayor Katz told BrainstormNW in a recent interview, "When I took office it was important to maintain a compact city," which only begs the joke: Be careful what you wish for, you just might get it. After nine years of being Mayor—she's got it. This winter the city of Portland, after a decade of neglecting the business environment, is minus some serious company headquarters: US Bank and Fred Meyer's, last fall Columbia

Sportswear, and early this year, Willamette Industries. It's also minus Delta Airlines international service to Asi.

Meanwhile, despite the economic doom and gloom that has settled over the region, the Mayor and the Council trudge on, hoping to accomplish what many business leaders believe is a litany of utopian projects. These include putting a lid on I-405; tearing down the Marquam Bridge; building an efficient light rail system; tearing up major boulevards like N. Interstate (the home of 97 struggling small businesses) and Broadway in North and Northeast Portland, and Tacoma Boulevard in Southeast Portland; making Portland the safest place in the world for bike riders, transit goers, and trolley riders; asking 13,000 landowners in Portland to give up a chunk of their backyards so that city streams will be safer. And of course, they are making sure that city employees get the 4 percent raise they've been promised.

THE BUSINESS DISCONNECT

John Bradley is the owner of R & H Construction, one of Oregon's top 150 privately owned companies. R & H is currently building the new Adidas headquarters. Other notable projects include Portland Brewing Co., Widmer, Sun River's Crosswater Resort, Wieden+Kennedy, and half the remodeling projects in downtown Portland. Bradley thinks he knows what's wrong with the city's economy and he believes it's utopian driven.

"I would just hope our city of Portland could get back to basics and just ask themselves, 'How do we help businesses succeed and how do we help schools succeed?' If you've got healthy businesses, lots of jobs and good schools, then let's work on a lot of these other fun things. But we've got to get the basics done right before moving on to a litany of other wonderful causes. When the basics aren't working it's hard to make all the great causes work too."

Dan Yates is part owner of the Portland Spirit, a cruise line that serves downtown Portland and hosts over 100,000 customers a year on more than 1,200 dinner cruises. He worries about the disconnect between the business community, the mayor and the city council.

Yates remembers seeing the Mayor during a riverfront fundraiser last year and telling her, "Vera you need to know the local economy is starting to really slide." Yates says, "Her response was, 'I don't want to hear about it.' I was blown away."

What worries Yates is this: "We have the highest unemployment number in the country. We were the first into the recession and will be the last out, and has anyone asked the question, 'Why?' We see ourselves as the best planned city, but from an economic standpoint we are the worst planned. We don't ask how we got here, so we don't know how to get out." And then Yates gets succinct: "No one—the mayor or the council—understands wealth creation. Period."

Wayne Kingsley, Yates's business partner at the Portland Spirit and head of the Central Eastside Industrial Council (a politically active group of 250 members), recalled last year when the Mayor gave one speech on jobs and there was no follow through. "You aren't going to enjoy the livable neighborhoods she talks about if you don't have a job," says Kingsley.

So what's the problem? Why can't the city's leadership focus on the economy?

Kingsley believes that an adversarial relationship has grown up between the business community and the mayor and the council. "The mayor and the members of the city council want to change the behavior of the citizens. They want to pass rules and regulations to 'make them do it.'"

Commissioner Jim Francesconi observes the out-of-touch attitude of the mayor and the council, admitting, "I do think there is a disconnect between the business community and the city council and I'm concerned about it. I had breakfast the other day with two small business owners, and they wonder if they are even welcome in the city."

WORLDS COLLIDE

On October 4, 2000 two world-views collided: the successful expansionist view of the Boyles and Columbia Sportswear versus the draconian contractionist planning agenda of Portland's mayor. The hearing set off a chain of events that would end with the Boyles terminating a 63-year relationship with the city of Portland and Multnomah County.

The mayor calls the city's loss of Columbia Sportswear "an old story," yet it's been only five months since Columbia moved into its new headquarters. Commissioner Francesconi thought the loss important enough to visit Columbia on their last day, driving to their St. Johns headquarters on Baltimore road, where they had been since 1958.

Perhaps as big a story as the timeline of Columbia Sportswear's move is Weyerhaeuser's recent successful hostile takeover of Willamette Industries, Portland's last Fortune 500 company. Together, these seismic shifts have underscored in the minds of many business leaders, what's wrong with Portland.

It also explains why the Daily Journal of Commerce would run a front page headline in January declaring, "Texan tells CREW: Oregon is 'very business-unfriendly.'" And in the same story Ted C. Jones, chief economist for Stewart Title Guaranty Co. of Houston, observes: "Why would a company with limited capital come to Oregon, where they have to fight the legislative and local politics?"

HOW THE CITY OF PORTLAND LOST COLUMBIA SPORTSWEAR

For Vera Katz, the departure of Columbia Sportswear from Portland may be "an old story," but it reflects current reality for the city's business community—a stark example of conflicting world views that intersected when Tim Boyle and Columbia decided, in 2000, that they had out-grown their headquarters in St. Johns.

"We wanted to expand our facilities," says Boyle, "and we knew that our building in St. Johns was not a good candidate. So after we did a survey to find out where our employees live, we found that ground zero was the East end of the Morrison Bridge."

"In other words, they lived everywhere," says Carl Davis, the company's general counsel, who was chosen to lead the survey for Columbia Sportswear's new home when he was hired in '98. Davis had previously been with NIKE for 17 years, working for five years in Washington, D.C. as the company's top lobbyist to the federal government.

“I’m now an expert on land for sale in Portland,” jokes Davis, with only a touch of sarcasm about his lengthy search.

“In the process of our search we found a building owned by US Bank,” says Davis. “It was the old Ben Franklin building on SE Grand & Hawthorne, a six story red brick building. There were only two bidders for the building, Multnomah County and us.”

After Columbia submitted their bid, Davis thought they had a new home, and one that wouldn’t require them building from scratch.

“US Bank told us to do our final bid. We submitted the bid and the US Bank attorney called us and told us that the deadline had passed and that the building was ours, and that the other side hadn’t made a bid.” The other side being, of course, Multnomah County. Columbia Sportswear had a brand new home...until...

“That following Monday,” says Davis, “the bank’s attorney called us again and said ‘you got outbid,’ and that the county came in with a bid before midnight.”

And then Davis relates a story he says “has been told to me by several sources. What happened to us was that the county brought in assessors and had the building reassessed so that they could increase their bid and outbid us by \$5 million.”

“The irony,” says Davis, “is that once the county increased the assessment and got the building, they then pulled it off the tax rolls, because the county does not pay taxes.” Before their move to Washington County, Columbia Sportswear was paying several millions of dollars in taxes to the city of Portland and Multnomah County.

“We were never looking for breaks,” says Tim Boyle. “What we wanted from the beginning is what you would be offered if you were a brand new business. That ought to be the minimum.”

Boyle and Davis continued their search, but their story only gets worse.

BACK TO THE DRAWING BOARDS

“When I saw the property between OMSI and KPTV,” says Davis, “I could picture our employees running on their lunch hour along the Eastside Esplanade, and I could picture a ribbon cutting with Vera looking across the city at the nice view.”

All of sudden the neighborhood was starting to take shape with the Portland Spirit, KPTV-12, Columbia Sportswear, OMSI, and an extension of Portland Community College located side-by-side on the east bank of the Willamette River—not a bad foundation to begin an eastside renaissance.

For the Mayor, and the six floors of city planners at the Office of Planning Design and Review (OPDR), that kind of business renaissance didn’t align with the utopian vision. The vision was building a light rail stop and tearing down the Marquam Bridge.

As the property sits today, it is owned by PGE. The six and one-half acres originally held a power plant but are currently used only to store utility poles.

Davis says of the property, “We liked the site because it has a great view of downtown, so we approached PGE, who owned the property, and they said they wanted to sell.

We're an outdoor company, so the process just seemed so sensible: an icon company for the city, building on the riverbank across from downtown."

Davis was encouraged because many of the potential sticking points regarding building on the property had already been addressed: the greenway was already in, the bank was stabilized, the property had the designated number of plants required by the city, and there was also a bike path in place.

One of the sticking points was the setback from the river the city would require for Columbia's building.

"We needed to know," says Davis. "We could have lived with 75 feet, but to this date no setback was ever adopted by the city. They couldn't agree on whether it would be 10 feet, 100 feet, or 200 feet."

This is the kind of planning politics that infuriates Dan Yates of the neighboring Portland Spirit.

To Yates it is unbelievable that the city couldn't give Carl Davis an answer, "because the setback is right there in the city's code; it's 25 feet." Ken Novack, CEO of The Schnitzer Group, agrees, "The code does say 25 feet."

"They (City Hall) like to talk about sustainability," says Yates, "but what this city needs is a regulatory climate that is ethical and regular. Businesses like predictability."

The other issue of contention was parking. With four hundred workers at its corporate headquarters Columbia's employees would need a place to park their cars. There was enough property, but the city has something in its code called "area surface parking" which needed to be changed from urban restrictions to suburban use to accommodate the company's workers.

Carl Davis worked with Wayne Kingsley and Commissioner Jim Francesconi to have the parking rules changed and they won the issue by a three-to-two vote, with the Mayor and Commissioner Charlie Hales voting against the change. "The mayor was very upset about it," says Davis.

Beginning to worry about just how much trouble they could have in building on this property, Davis asked the city for a pre-conference hearing to meet with representatives from the city's various planning departments and determine just how many hurdles would surface. That meeting was held on October 4, 2000.

The first thing that went wrong, according to a senior official from PGE, was that the city sent their underlings into a meeting instead of their big guns. In business, with a multi-million dollar deal on the line, would you send your inexperienced people? Where were the senior people from the city, the senior PGE official wanted to know? Davis remembers the initial obstruction from the city being that the property needed to be rezoned. "Well, that would have cost us \$10,000 and a minimum of nine months, and they still couldn't tell us where the setback was."

"HOUSTON, YOU HAVE A PROBLEM"

And then came the deal sinker:

“You have a problem,” Davis recounts a planner from Portland Department of Transportation (PDOT) telling him. “He said, ‘you can’t build surface parking; it’s a light rail station.’”

“Well, they didn’t have a light rail station. What they had was a conceptual drawing of a light rail station,” says Davis.

This was a light rail station that had previously been denied by voters. Both Davis and PGE pointed out to planners that this property wasn’t a light rail station. Davis remembers a representative from Tri-Met saying, “Yes, it is,” which was confirmed by the representative from PDOT, who then said according to Davis, “This rule is unwavable and non-negotiable. Do you understand?!”

Davis tried to restore reason in the meeting. “If you get light rail,” he told the planners, “we will accommodate it by building a parking structure. You don’t have to sell it to us; we will just do it. You have Columbia’s word on it.”

But the city wasn’t buying.

The PGE official confirms accounts of the meeting, adding that the city has an attitude that amounts to: I don’t care who you are. I’ll do it my way because I’m in charge. They’re really despots, says the official.

Sitting in his office more than a year and some months after that meeting, Comm. Francesconi looks physically deflated about downtown Portland’s loss of Columbia Sportswear.

“Columbia didn’t have an advocate in that meeting,” says Francesconi. “I don’t think the mayor had enough information about what was going on. We could have worked with Columbia. It would have been good for light rail. I believe that a ‘field of dreams’ approach to economic development, where you say, ‘build the perfect city and the business community will come,’ is wrong.”

The mayor doesn’t agree. But she does admit to being in the dark about Columbia’s frustration saying, “We didn’t know about the meeting.”

That’s also what Sam Adams, the mayor’s chief of staff, told Carl Davis when he remarked to him afterwards, “Don’t blame the mayor. The mayor didn’t do anything in this.”

“And I told him,” Davis recalls, “Sam, that’s the problem.”

Then Francesconi throws the match on the fire: “They tell me this wouldn’t have happened if Neil was mayor.” It’s a sentiment voiced by many downtown business leaders.

Sam Adams fires back, “Wasn’t Neil the mayor when Portland lost Georgia-Pacific?” The Mayor’s response: “I’m not going to respond to that because you wouldn’t like where the conversation would go.”

THE MORNING AFTER

On October 5th, one day after the infamous meeting, Carl Davis and Tim Boyle drove west to Washington County to look at a potential new home—three buildings just off

Cornell Road. They stopped at the Oak Hill McMEnamin's Brewpub, drank a couple of Hammerhead Ales, and decided to move, ending a 63-year relationship with the city of Portland.

Carl Davis recounts calling Washington County about zoning for the potential site on Science Park Drive. "The county planner answered, 'What kind of zoning would you like Mr. Boyle?'" says Davis. Twenty-one days later Columbia Sportswear closed on their new home. Today, Columbia Sportswear has a beautiful new headquarters, one they were able to assemble in an expeditious manner.

"I knew from that meeting," says Boyle, "that if we have to fight with the city over whether some planner had destined the property for light rail, and the planner says this is 'non-negotiable' when the voters had already voted it down—well, if you have to fight about that, how difficult is everything else going to be?"

Columbia Sportswear may be happy with their new home, but their treatment at the hands of Portland city planners has left a lot of residual anger among business leaders.

The senior PGE official believes that the city "screwed this up," and then tried to point the finger at PGE. It infuriated executives at PGE, but they are quick to admit that you can't blow the whistle on the mayor and the council because you have to live with them. But it's a nightmare. The PGE official believes that Columbia Sportswear would have been a fabulous place on a piece of land that today is an eyesore.

Says Clayton Hering, owner of Norris, Beggs & Simpson (one of the largest commercial real estate firms in Portland), "The city of Portland had an opportunity to retain Columbia Sportswear, but instead of asking how to help, they created one series of obstacles after another."

For their part, the mayor and Sam Adams would prefer to talk about their accomplishments, and not the past. One of their accomplishments is getting Adidas to build its new headquarters in North Portland.

To that, John Bradley of R & H Construction, builder for the new Adidas headquarters, responds, "One: I doubt they, Adidas, would do it again—building in the city of Portland. And two: we are not talking about just one problem. We're talking about 50 or 60 permit problems."

The mayor responds, "That's Charlie's [Hales] department." She shakes her head and says, "I told you before that this form of government is dysfunctional."

To these kinds of answers from City Hall, Clayton Hering just about bursts a blood vessel.

"I'm confused," says Hering. "I thought that when you were elected to public office, you were put in place to serve as a leader, not to be so process driven, but to have a vision and lead. Say what you want about Bud Clark—a lot of people laughed at him, me included—but he said he would build a convention center, and by god he did."

"When Neil and Frank were mayor they could bring three votes with them. One could articulate a vision, and the other was tough. The mayor doesn't have the confidence to do either. All of the time she gets persuaded by the last guy to talk to her."

Comm. Francesconi reinforces Hering's point, saying that the mayor has trouble leading because "she is shy and insecure."

The mayor admits, "I am shy."

Shy or not, Clayton Hering sees a deeper problem. "In Oregon, from governor on down to every elected official in the metropolitan region," says Hering, "there is not an understanding between the policies they pass and the connection to economic vitality. Our elected officials don't understand that quality of life begins with a good job."

George Passadore, President of Oregon's regional branch of Wells Fargo Bank and head of the Tri-Met Board, likes the mayor and defends her.

"I think it's a tough job being mayor. I've seen some good things from her leadership; the Eastside Esplanade is wonderful and I'm a strong proponent of light rail. In the long run, the price we pay for it will seem insignificant." Passadore is also impressed with the leadership that has come from the mayor's office in helping Freightliner build its wind tunnel.

He does, however, have a few issues where he and the mayor have gone sideways. "The skateboard ordinance was one," says Passadore.

"That was Charlie's deal," says the Mayor, "I fought it." She is referring to the council ordinance that gave skateboarders street privileges in the city.

"Another was Dignity Village," says Passadore, on the issue of the mayor and the council dealing with the rights of the homeless.

An official for the Portland Development Commission (PDC) talked about the frustration business leaders felt on the same issue, recalling that it took the world famous Cirque du Soleil months to get a temporary permit in Portland, but Dignity Village is able to plop down anywhere they'd like.

Francesconi adds, "I don't think that having a village is the way to treat the homeless. I believe in shelters. Camping in January is not fun. Sticking them away from services is not humane."

TWENTY-THREE DEGREES OF SEPARATION

The final issue of separation between Passadore and the mayor was over Attorney General Ashcroft's request to have the city of Portland help with the interviews of 23 Middle Eastern visitors to Portland.

"The mayor told us in a Chamber retreat that the situation got out of control," says Passadore, who is also the Chairman of The Chamber of Commerce. "We were concerned, as business people, that the city should have found a different way to respond to Ashcroft's request for help so that we could have avoided the national publicity that we wouldn't cooperate. In hindsight she regrets it. She said that to us at the Chamber, and she did it in a straightforward manner."

The negative national publicity that Passadore is referring to was documented on Willamette Week's December 5th cover, displaying national headlines at the time the story broke:

CNN: "Portland Police Refuse To Cooperate With U.S. Questioning"

ABC NEWS: "Portland Cops Jilt Feds"

The New York Times: "Police in Portland, Ore., Reject FBI Request to Interview Men From Mideast."

The headlines hit the local business community hard and, according to Dan Yates, the Portland Visitors Center (POVA) received almost 200 phone calls a day, canceling trips to the un-cooperative Rose City. The Mayor denies that the number was that high. Says Ken Novack of Schnitzer, "Okay, then how high was the number?"

Both the mayor and the police chief, Mark Kroeker, were out of town when the Attorney General's questionnaire was filled out in Portland and returned to Washington with reservations about complying. "Someone leaked our response to the press within hours of having sent it to the Justice Department," says Sam Adams, "and it wasn't leaked locally."

"Ashcroft said in his memo to us that the people who they wanted questioned weren't suspects," notes the Mayor. "I was in the state legislature when the law passed that said you can't keep files on people not suspected of crimes. We had knowledge about this law. We'd already been sued once over it."

The Mayor's opinion not to cooperate was not unanimous, as Willamette Week reported:" Multnomah County District Attorney Mike Shrunck and Oregon Attorney General Hardy Myers, both of whom work closely with the U.S. Department of Justice, said Ashcroft's request did not violate Oregon law."

"All the interviews have been done," says the Mayor emphatically, wanting the bad publicity to fade away. But to the business community, the mayor's reaction was just another example of an out-of-touch City Hall trying to remain provincial and trendy in a recessionary, post-September 11th America.

Chuck Jones, Vice Chairman of Portland's 1,700-member Chamber of Commerce, was mad enough at the Katz's response to write her this letter:

Dear Mayor,

I was extremely proud to be an Oregonian when you, Sho Dozono and 900+ other Oregonians went to New York, and even had tears in my eyes when Gov. George Pataki spoke to you all at the Waldorf Astoria.

Wow, has that changed! Now, I am ashamed to be a Portlander as you and Mark defy the U.S. Attorney General and the Oregon Attorney General, by placing roadblocks in what could be the prosecution of those involved in 9/11.

Please give consideration to changing your decision.

Chuck Jones
Small Business Owner

Why did Chuck Jones write such a letter to the mayor? “Because September 11th brought us together as a nation. It was exciting. I have a flag, but before 9-11 I was almost embarrassed to fly it—embarrassed to be that patriotic. And then came 9-11.”

For Chuck Jones and other chamber members, it was as if the mayor of Portland was trying to take that rekindled patriotism away from them. It also didn't help matters when a group of businessmen came to Portland to meet with members of the Chamber and made snide remarks about “knowing all about Portland,” or that chamber members were called by East Coast associates asking, unanimously, “What the hell is going on in your town?”

“I said to Charlie Hales, ‘This stinks,’” says Jones. “Charlie said, ‘Do something about it.’”

So Jones decided he would. He'd had enough and so he e-mailed George Passadore, Sho Dozono and Don McClave, the Chamber's Executive Director, that this issue should be discussed. Jones recalls, “Mark Dodson, the Chamber's Chairman-Elect and CEO of Northwest Natural Gas, said to change the agenda and bring this up at our Friday December 21st meeting.”

At that meeting Jones read a motion to the executive committee of the Chamber, which read in part:

“...in my opinion, we are at war and it only makes good business sense, as the leading business group in this city, to do all we can to put a stop to the type of thinking that is corrupting our city, our state, and our wonderful country...I therefore move, ‘That this board send a letter to the Mayor, copies to our two Newspapers, and printed in the Chamber Newsletter (or maybe a separate mailing to all of our members), expressing our major concern over her decisions and demanding that she reverse her stand on this issue and make a public apology to the Nation.’”

“I didn't get a second,” says Jones, “so maybe my motion was too strong. That's when the chamber asked Stu Hall to draft a letter before our retreat at Salishan on January 4th.” The letter, rebuking the mayor's position, was to be approved and then mailed to all 1,700 members of the Chamber.

“The mayor found out about the letter when she went to Sho Dozono's house for dinner on the Sunday before Christmas. Then she came to the retreat at Salishan.”

“She didn't apologize;” remarks Jones, “she blamed it on the circumstances, on the way it happened, that it had gotten out of hand. If she had said, ‘I screwed up,’ well, okay. But it was a half apology. She went through this step-by-step process...that she and Mark were out of town.”

“Her half apology really bothered me,” says Jones, “because, a: she didn't apologize, and b: she didn't explain why she hung Mark out to dry. Mark Kroeker's a fine person, but he looked uncomfortable on national TV, over Thanksgiving weekend, saying things he really didn't believe.”

Commissioner Francesconi admits that the Mayor's treatment of the Police Commissioner did “hurt his reputation with some folks in the business community, but didn't do him permanent damage.”

For Chuck Jones the issue is straightforward: “The Mayor ought to think of what she does, says, and what effect it will have on business...take some time to make her decisions before acting. This one really blew me away.”

As for the letter that Stu Hall drafted rebuking the mayor—it never got out to the Chamber’s 1,700 members because the mayor began an immediate damage-control dialogue with Chamber’s leaders Passadore, Dodson and McClave. It was one of those process things.

THE CITY THAT DYSFUNCTIONS

The mayor speaks candidly about city government being dysfunctional, and lately there have been some pretty dysfunctional moments.

“Having a dispute about the size of the windows at Tiffany’s created a bad taste in the business community,” says Commissioner Francesconi.

For some time the Portland Chamber was trying to bring Tiffany’s to Portland. The rub: according to one source at PDC it is that windows in Tiffany’s are the same all across the country; it’s their signature, large windows and a small display in the middle of that window. But those large windows didn’t fit the city’s code. Neither did the moving hands on Tiffany’s clock. The city wouldn’t allow moving hands on a sign.

To move things along, Tiffany’s compromised by covering up a portion of their windows and displaying their clock without moving hands. Mayor Katz looked embarrassed at the store’s grand opening with the frozen clock.

Another moment of dysfunction—when the city fined Tom Moyer, the builder of Fox Tower and the Broadway Building, \$250,000 for violating his planning permits while building Fox Tower. Moyer may be Portland’s leading civic citizen and he is actively buying up the Park Blocks so that he can donate them to the city.

The city wanted Moyer to build three floors of retail space beneath the tower, but granted approval to his plans for two stories of retail. Later in the process, Moyer was able to reach an agreement with Regal Cinemas for nine theatres (on a third floor), and then amended the plan to build Fox Tower with the three floors of retail the city originally wanted. The city’s price for Moyer’s compliance with their original plans was a quarter-million dollar fine. Moyer sued and the case was recently settled out of court.

Ken Novack, CEO of the Schnitzer Group, has been trying since 1993 to get the city’s planning approval to develop 20 acres on North Macadam. He’s also been working with a group of property owners to develop the 100 acres of property that runs from the river to the freeway, and from the Spaghetti Factory to Zidell. “In ’98,” says Novack, “the city came up with the North Macadam Planning Framework. We supported it.” The plan called for mixed use, or what would be the equivalent of a low-density residential use. “The plan reflected a lot of compromise as a process of involving everybody. Some of the compromises were the result of a lot of thought,” says Novack

Today, Novack and the Schnitzer Group have been informed that the city is starting over. “It’s frustrating to a lot of people,” Novack laments, “and now the property owners are saying, ‘Let’s at least get the OHSU development started.’” Novack says that when you

deal with the city, “you end up in a lot of meetings. There is a tremendous amount of process in the city; an inability to get to closure.”

Because of the city’s planning code, Dan Yates and Wayne Kingsley built the most expensive building per square foot (\$800 sq. ft., \$64,000 total) in the state of Oregon—the Portland Spirit ticket booth near McCall’s restaurant at Waterfront Park. To this day, they still can’t load the public from their dock at their headquarters, only charter groups.

Yates and Kingsley’s final frustration comes over the city’s short attention span regarding their idea for helping Portland’s traffic problems. The two have come up with a plan to move 5,000 commuters by fast ferries from Lake Oswego to downtown Portland, and from Vancouver to downtown, in less than 25 minutes—or about half the time the commute takes by car. Think of it: sunshine, a beer, and the Wall Street Journal, on board a boat, and home in half the time.

The city would prefer not to think about it. Yates was asked by PDOT’s South Corridor Transportation Team to participate in a discussion on the viability of ferries running from Oregon City, Lake Oswego, and Milwaukie to downtown Portland. “I was given a one-day notice,” says Yates. “I was told they would get back to me. Needless to say they did not.” Why not? Because, says Yates, “They are slavishly attached to light rail...Tri-Met views ferries as competition and will fight fiercely to protect its turf.”

A BIT OF A BUSINESS PROBLEM

The issue that bothers Steve Holwerda, Chief Operating Officer of Ferguson Wellman, is the city’s Business Income Tax (BIT). The city’s BIT is paid by business owners on their income, if they own more than 5 percent of their company. Only the first \$54,000 of their income is exempted from the tax, an amount virtually unchanged since the 1970s. For small companies like Ferguson Wellman, who have only 30 employees, the tax can run into several hundreds-of-thousands of dollars; and for the individual owners of these companies, it is enough to push their marginal tax rate well over 50 percent.

“We paid as much in taxes last year to the City as we did in rent,” says Holwerda. “If we moved out of Portland, with the money we saved, we’d be nearly rent free in the suburbs.”

Dan Lavey, a partner in The Gallatin Group, a consulting firm located in downtown Portland, knows the tax issue too well. “My partners in Seattle, Boise and Spokane just gasp when they look at my tax bill.”

“The mayor’s office is aware of the problem,” Holwerda says, “and has reached out to inquire, but there is a lack of suggestion on how to fix it. It’s clear to me that the city council doesn’t understand small business owners when a high ranking official looks me in the eye and asks, ‘Have you thought about changing your corporate structure to get around it?’ One: he just admitted it’s a bad tax; and two: he’s admitted he doesn’t understand why people have multiple owners.”

Holwerda concludes, “There’s been a lot of listening, but we need to see some activity.”

Sam Adams snaps back his response to Holwerda’s impatience: “He will just have to wait until we’ve done our preliminary analysis that comes out in mid-March—it’s a complicated issue.”

MONEY ON THE MOVE

Andrew Miller, Vice President of Stimson Lumber (headquartered in downtown Portland), has a message for city leaders: “Capital is fluid, and Portland is a high cost place to do business. These days, being downtown is a pretty poor investment. We have options both abroad and nationally. You can pass on a few extra points of expense, but these days it is pretty substantial. We have to compete with Chinese mills and Russian logs. We’ve been in downtown Portland since 1950, but we’ve also got a division in Coeur d’Alene, Idaho. If we add people, we will add them there. Their mayor (Sandi Bloem)”she’s a big advocate of business.”

Ken Novack reinforces Miller’s point: “Capital is very, very portable these days. To the extent that we lose company headquarters in Portland, it becomes even more portable. Company headquarters like to spend money in their own towns. The piece that is missing in Portland from our leaders is the question, What does it take to stimulate capital investment?”

HAVING THE ANSWER

Pete Mark thinks he has the answer to the city’s dysfunction. Mark is an experienced 75 years old and originally from Philadelphia via New York City. He is chairman of the board for Melvin Mark Properties, one of the largest real estate firms in downtown Portland.

“I pick my causes carefully, and right now what we need to do is get a city government that’s working. Ours is not working, and because it isn’t business doesn’t have a voice in Portland. It’s the truth. We need a strong business voice. Lately I’ve seen a lot of projects happen without business involvement, whether it’s PGE Park or the remodeling of city hall. The City Hall remodel cost \$40 million instead of \$20 million, and then they had to go build another building for \$60 million more. The Eastside Esplanade, PGE Park, the sewer deal: these things should have been debated.”

The downtown library, on the other hand, is a remodel job that Mark believes was done right. “They went out and did a bond issue. There was debate. People could say, ‘Yes, we want a central library,’ or ‘No, we don’t want it.’”

So what is Mark’s solution to ending the city’s dysfunction?

“First, we need a merger of the Chamber (Portland Chamber of Commerce) and the APP (Association for Portland Progress). Once we merge the organizations then we can get NIKE and Intel involved, and then business will have a voice. There will be leadership.”

Mark is halfway home: The merger of the two organizations (The Portland Chamber with 1,700 members and a \$2 million operating budget and the Association of Portland Progress with 94 members and \$10 million budget) was approved by the executive committee of the Chamber at their January retreat at Salishan.

One of the reasons APP members wanted the merger is that they were starting to feel that their small but very influential group was becoming less effective. Clayton Hering remembers APP taking matters into its own hands in the form of protest against the

mayor and the council over a hearing on whether the police had used brutality in their response to downtown's May Day and New Year's Eve riots.

"The mayor didn't back the police during the New Year's Eve riot," says Hering. "The police are in harms way. As commander-in-chief, you are supposed to stand behind them. The police lay it on the line, and then the city puts the police in front of the council so they can be told they (the police) overreacted. You don't put that up in a public process. It violated everything that we at the APP stand for."

And the APP didn't stand for the hearing. Hering, Passadore, Novack, Mark, and even Oregonian publisher Fred Stickel took the extraordinary step of attending the hearing, sitting in the front row and glaring at the mayor and the council.

Francesconi remembers the leaders of the APP sitting in the front row, and he remembers how it changed the tone of the police hearing.

"I have to tell you," says the commissioner, "that the tone of the meeting was different when we saw them sitting in the front row. The council is influenced by who happens to be in the room. It was the first time the business community ever showed up for an issue."

THE FUTURE THAT WORKS?

It may have been effective for that day, but somewhere along the way to an 8.6 percent metro unemployment figure, the leaders of Portland's business community have discovered that angry front row glares may not solve all their problems. And that explains the merger of APP and the Chamber. It also explains the second cause that Pete Mark has chosen to facilitate: Robert Ball's Good Government Initiative.

Recently Portland Tribune columnist Phil Stanford wrote: "The political battle of the decade may be shaping up over the redistricting initiative, which is expected to be on the ballot this May. On one hand, an unlikely coalition of populists and downtown real estate interests. On the other hand, the white wine and Volvo set, spearheaded by Commissioner Charlie 'Skateboard' Hales, who likes to keep things the way they are. My experts say it's a toss-up at this point."

"I think the neighborhoods feel just as left out of the process as does the business community," says Mark. "I'm impressed with Robert Ball, who's heading the Good Government Initiative. He's a developer who started from scratch and now he's developing a \$40 million dollar project."

That project is Marshall-Wells lofts, a condominium building in Northwest Portland, and when Robert Ball isn't busy selling condominiums for anywhere from \$137,000 to \$800,000, he's busy in his spare time reforming City Hall. Developer Robert Ball is one of the more unlikely reformers you'll meet.

Ball's interest in civic affairs began when he was mugged in June of '96 at the corner of Northwest 22nd & Johnson. After his mugging, Ball decided to attend the police academy and become a reserve police officer. Since his graduation, Ball has logged over 5,000 hours of police duty and is now a rank captain. This year he's taken time off from his moonlighting career, but it's been that career, according to Ball, where "I learned about

the city's neighborhoods and saw police work from the inside." In other words, it was an education on the city's problems.

"I thought about running for mayor but decided not to. But while I was thinking about it I talked to business and community leaders and heard about problems in the city—the lack of coordination—and how we do and don't deliver services."

At that point Ball decided to research what made a good city government and what didn't. "I read books by other mayors, including Stephen Goldsmith of Indianapolis (currently President Bush's Faith Based Initiative leader), and Ed Rendell of Philadelphia (former chairman of the Democratic Party)." Then Ball began to add traveling to his research: "I met with Eleanor Johns, Willie Brown's chief of staff in San Francisco. I met with the city manager of Phoenix, met with the city manager of Denver, Frank Fairbanks, and with Wellington Webb, Denver's mayor."

The peripatetic Ball explains, "I wanted to look at the livability of other cities: St. Paul, Madison, Indianapolis. The goal was to say, how can we keep our existing charter? But at the same time how do we improve our executive branch?"

Ball returned from his travels determined to fix City Hall. These days, Ball runs the campaign out of his Northwest Portland home, and has gathered 40,000 signatures for his ballot measure, which will be on the ballot this May.

What Robert Ball and the Good Government Initiative hope to achieve is to make the mayor a stronger executive and get the commissioners out of the business of running the city's bureaus. The initiative would do this by creating nine council members instead of four, with seven representing district neighborhoods and two serving the city from At-Large Districts. The mayor would not be a member of the council but would have a veto. Professionals, not campaign managers, says Ball, would then be hired to run the bureaus.

Peter Mark thinks it's a wonderful idea. "If you attract the best people to government, and pay them well, government will work. Look what John Buchanan has done for the Art Museum. A strong mayor is essential for Portland."

Mayor Katz, now in her tenth year, is in favor of the Good Government Initiative. Most of the council members, with the exception of Hales, are neutral. Says the Mayor about the change, "I always felt our form of government is dysfunctional and I've wanted to change it, but I never wanted it to seem self-serving. This is something I would have probably done in my last year."

Most recently, Katz tried to step in and bail out Robert Ball's initiative when the Portland city attorney Jeff Rogers found what the Mayor describes as "a major flaw in the initiative." The Mayor's amended version was voted down 4-1 in late February. The Mayor believes that offering the amended version would have been a courtesy to the 40,000 citizens who signed Ball's petition. Ball's mistakes also partially and inadvertently prove the mayor's point that "people just don't know how complicated city government is." Lately Ball, the political neophyte, has been bristling at members of the city council who are quietly working against his measure and questioning his "good government" motives.

“DO YOU FEEL LUCKY?”

If you're planning on doing business in the Portland area in the next decade you've got to ask yourself one question: Do you feel lucky?

Will the future Portland economy resemble more the contractionist, planning-driven, utopian world of Vera Katz? Or will it resemble the global, expansionist vision of Tim Boyle?

Nothing focuses the public's attention on issues so much as an 8.1 percent unemployment figure. In *Sports Illustrated's* article on the Blazers the author wrote, "...populist Portland...feels more like a large village than a small city."

No, says one Portlander, we're really a big city with small town politics.

Today, small town politics isn't working for Portland. It doesn't work because the days of Ira Keller and Glenn Jackson picking good leaders are long gone. Also gone maybe the days of influential business leaders working, cooperating, (sometimes collaborating?) with the mayor. The loss of Columbia Sportswear from downtown Portland has been described as breakdown in common sense and reason. It was.

Do you feel lucky? For now the answer for many business owners is no, but in the next year Oregonians face some choices about opening up Oregon's political process, be it the Good Government Initiative, the merger of APP and the Portland Chamber of Commerce, or the upcoming gubernatorial election. Choose well and Oregon may lag only slightly behind the nation's economy. Choose poorly and Oregon could lag way, way behind the nation and see unemployment numbers almost as high as the early 1980s. The most damning conclusion of all will be that we did it to ourselves.