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A conversation with Mark Edlen: What goes around, comes around

by Kennedy Smith
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Mark Edlen, half of one of Portland's most notable development companies, is usually in his office by 6 a.m. and often doesn't leave until the sun starts to set. The Gerding/Edlen Development Co. managing principal calls it a blessing and a curse - the worst thing a developer can do is fall in love with a project, he contends, because then he'll never want to leave the office.

Edlen, who has lived in Portland since he was a child, has built a legacy that started with humble beginnings as an associate with Xerox. After tiring of that, he tried his hand at real estate, moving over to Cushman & Wakefield, where he focused on tenant representation. Eventually, he forged a relationship with Principal Bob Gerding while working on a deal regarding ADP Plaza at 2525 S.W. First Ave.



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Photo

"We did a couple build-to-suit projects together," Edlen says. "We had a very forthright and candid relationship, and after doing two or three projects together we looked at each other and said, 'This is ridiculous; let's start our own company.'"

Gerding/Edlen's work can be seen all over the city, from the Pearl District to the Brewery Blocks to the new South Waterfront District. Where the firm will go next, Edlen says, is still a mystery, but one thing is clear - Mark Edlen will make sure whatever project he does next outdoes his last one.

DJC: Do you feel more comfortable with a hardhat on than in a conference room?

Mark Edlen: Actually, no because my background isn't in engineering. But it's absolutely fascinating to watch. I feel like a kid in a candy store. To have the opportunity to work alongside people and firms that are as talented as they are - we've had opportunities to sit next to people at Hoffman, R&H, Group Mackenzie, GBD, KPFF Engineering, Glumac, I mean, every day I kind of pinch myself.

You start to feel like the dumbest person in the room around all these people. We've got some incredibly talented firms in this city.

DJC: What I've noticed in doing these Q&As is that the same names come up a lot, and I think that's indicative that once you're in Portland you want to stay here, and there's only a certain number of degrees of separation. Is it a tight-knit community, the development community?

Edlen: It's a small community. I've seen it go through a couple iterations. We saw a lot of opportunity for a lot of entrepreneurialism and saw the

community grow in the mid-'90s. Then we saw the community contract in the 2000s, after 9/11. It feels like there are fewer development firms today that are really active than there were in the mid-'90s.

What's interesting for us, I remember when the (real estate investment trusts) came on the scene, and we were really scared of them. We were first-generation; what you see is what you get. You got one tall bald guy and one short bald guy and we didn't have tons of money sitting in the background, so we had to figure it out each and every day. We didn't have that luxury of having a big capital source behind us like the REITs did, but what it did was create a lot of opportunity for us in that you look at a lot of REITs and they're office or hotel or industrial, and they have a formula of how they do business.

One thing for us that was very helpful is we were able to kind of work in the seams, so to speak, or the voids, whether it was a historic rehab or a public-private partnership or a client that had some needs or a little off-the-wall or left-of-center, we were able to work with them and try to find solutions to what their needs were, like Wieden+Kennedy, PSU, CNF, InFocus ... whomever. It really created opportunities.

Today the thing that is kind of fun is that we're coming out of a slower period and you're seeing some people like Randy Rappaport and Bruce Wood and some other folks who are doing what we did 10 years ago. That creativity, getting some more people in the mix, is a real positive thing.

DJC: Is it more difficult today for smaller development firms to get footing when they're up against a Williams & Dame or a Gerding/Edlen?

Edlen: Well, I don't think so. I think just like we started, you end up with a lot of self-confidence.

It's a great time for people to get involved. There is a tremendous, what I call underbelly out there, of small to mid-sized projects that for a firm like ours or others, today we can't do some of the small projects.

We did a build-to-suit in Albany. It was a 3,000-square-foot build-to-suit for OSU Credit Union. I have a theory called the Small World Theory: What goes around, comes around. I always believe that if you do something right, it's going to come back to you, and you're going to get treated the same way. We never want to turn down any business.

Now, I doubt if we've gotten any referrals out of Albany, and we may never, but I'm sure we have a better relationship with OSU Credit Union because of the project. It's going out and doing those smaller transactions, like what Randy did over on Belmont (the Belmont Lofts). That's a great project he did with Holst, in my opinion. It changed that neighborhood, in my perspective, very positively, and there are a lot of opportunities out there like that.

DJC: Do you think that there will ever come a time when you just don't have the room to build any more Pearl or any more Brewery Blocks? Are you ever going to go to the Eastside?

Edlen: I'd love to, absolutely. Like over on Mississippi. I think what's going on over there is so cool, just a stitch. There are a lot of other opportunities out there.

I grew up in what I call a T-One-Eleven Special, which is a fairly inexpensive tract suburban home, and they built thousands of them. You look at the West Coast in post-World War II, it was, go out and buy your Chevrolet, get the top down, get out on the freeway and let her rip.

I think that's pretty much a dead model. People are tired, for example, where I grew up; and it's a great model, a lot of people like it and god bless them, good luck, etcetera, etcetera. But, you get up in the morning, you go out in the garage, you get in the car by yourself, you back out, you listen to the radio, you pull into another garage or an office park - it's a solitary experience. But the thing I see in the Pearl again and again, almost anywhere downtown is that you're always late for meetings because you're always bumping into somebody. That social interaction is what people more and more are looking for. People are looking to feel that they belong as part of something bigger than themselves.

DJC: That's interesting, because I sense that on the Eastside. It's almost as if having a big developer come in and say, "This is what we're going to do on Mississippi" would be this foreign entity.

Edlen: Darth Vader.

DJC: How do you deal with that?

Edlen: That's where I think maybe that a big developer going over to Mississippi and doing something, it might not be right.

If you say, for example, you've got a site, and a big developer comes in and says they want to do 200 units, or 100 units, does that fit in the context of the neighborhood? Maybe not. Maybe 20 units fit in the context of the neighborhood. Maybe instead of looking for a national retailer, maybe getting somebody local, Jim's Pizza or Sue's Bakery.

When we came here to the Brewery Blocks, we really wanted to knit ourselves into the neighborhood and we worked hard on doing that and I think we were successful. Why do something that's going to fly in the face of something across the street that's highly successful in its own way? In other words, look for ways to be additive as opposed to win-lose type scenarios. Or, think outside the box. Don't go in with a formula.

I often say in design review, if you can do an out-of-body experience when you're sitting there at the table and they're throwing arrows at your project, it's a great process. It's a great lesson in civics. If you go to those and you put up a wall in front of you, you're not going to learn anything.

DJC: Working a lot with GBD, do you ever get flak for that? Do people say you're going to make everything look the same if you keep working with them?

Edlen: I think so, yes.

DJC: How do you combat that?

Edlen: I think we've done a pretty effective job. I think more and more, design becomes important. It's about place-making. We have four or five "isms" as a company when we think about going forward.

Number one: Right skills, right place, right time.

Number two: Increase the design bar. We should make design review more strident. Architecture can be much like art. People are looking for something more interesting. I feel like we can make a more creative space and therefore make people think more creatively.

The third thing for our company is sustainability. Our basic deal today is we're producing buildings that consume 50 percent of the energy that a

building to code would. We believe that five years from now we have to produce buildings that actually generate energy (rather) than consume energy.

The fourth thing for us is doing the right thing. Let's go back to design and sustainability. One of the things that GBD has done for us is given us the confidence to take on the complex mixed-use projects because they, along with other architectural firms, they get it.

But one of the things we want to do is always be challenging the design. We do that in a couple of ways.

For example, Friday night we were climbing on a plane and flying to Toronto for the weekend to look at design ideas. I was on the phone for an hour today setting up for a week trip where we're going to go to New York, Florida and England and Berlin to try to get design ideas. It's like research and development for us. So we'll probably make on average four trips a year like that. It's expensive to do that, but my basic theory is if we come back with one great idea, it was worth it. So that's one thing we've done.

The second thing we've done is teamed up GBD with Hacker Associates, Thomas Hacker, we teamed them up with Bob Thompson of TVA, we teamed them up with ZGF, and we're really enjoying getting that creative tension going and getting different design ideas and different design inputs into those buildings. It's been a successful way for us to work through the question that you raised about design so that it's not all the same.

DJC: Do you find yourself having to wait around for others to catch up with you?

Edlen: Not too long ago our competitors probably made jokes about us and our green stuff, and today everybody's getting on board, which is great. We have a responsibility to try to share the knowledge that we gain and that's the great thing about the Office of Sustainable Development and PSU here in Portland.

But going forward, we really have a responsibility to try to delve more into ideas that are a little bit more cutting-edge. And I really believe that we have customers where it's a significant part of their decision factor. They embrace the notion of healthy lifestyles, how we eat, how we exercise, and the buildings we live in. I think we're seeing more of that, certainly in the housing side, more people are attuned to that.

... However, I fear that we're slipping. I think we've been out in the forefront, maybe not the most aggressive, but certainly the state and city, we've been out in the forefront, and I look at some of the things that are starting to happen with energy in California and in Washington with their biofuels initiative they put forward. I think we have the potential to slide behind.

DJC: Would you call it plateauing, or are people catching up with you?

Edlen: Well, I don't think it's catching up with us, but more as a region, as a city. It's that true public-private spirit. The public side can't do it all on their own, and we can't do it all on our own on the private side either. But together we can make some really interesting things.

At the end of the day, the consumer has got to want it. They have to want to pay for it. You will have some people that live it and breathe it because that's who they are and what they're about. And you can have some who are kind of like the guilt-free cheeseburger - they can work in a sustainable office or live in a sustainable home but drive their non-sustainable car, and

that's fine. Different people have different motivations.

DJC: It's this idea that Los Angeles is building a platinum building but you still have to drive, commute to get there in all that congestion.

Edlen: It's more sustainable than not having a platinum building. And if you look at their rail lines down there, you're starting to see a lot of development along their mass transit. They're figuring it out. Down there, when you hear these stories that people are buying those units but still have to drive an hour and a half each way, how much further in the desert can they build?

The other thing we're seeing in these markets is that we're being approached by home builders. They recognize they can't just keep going further out in the desert, and we're seeing a lot of these national builders like Pulte and Lennar that are starting to embrace different models.

DJC: What are your challenges now that the ZGF building had to be scaled back?

Edlen: These transactions are very complex, and you have to be ready for changes. That happened back in December.

DJC: When it came to your desk, what was your initial reaction?

Edlen: I think I was the one making the call saying this is not working. It's a disappointment, there's no two ways about it. We were excited to do a 300-foot building, but we're still excited to do a 250-foot building. It's a very complex, difficult project.

DJC: Is there a lot of revamping going on?

Edlen: Sure. It's still a tough project. We're trying to do market-rate projects without the tax abatement and construction costs increasing and interest rates getting more complex, doing a mixed-use project in a neighborhood that has been a tough neighborhood, let's face it. There are social problems over there. It's a very difficult project and we're still not home-free and we've still got a lot of hurdles to cross. Every project you do has challenges.

When we came here we had a number of objectives and one of them was to go across Burnside, try to bring the energy that was created here across Burnside to activate that, and we think we can do that. The other is to go up Burnside which we're doing with the Civic project. We're dumbfounded at the success of that. We've sold 90 percent of the units already. It's going to have a huge impact on the neighborhood. So we're pretty excited about chasing those challenges. Will we be successful all the time? No, there's just no way.

DJC: What would you consider your most disappointing project? Do you consider anything you've done a failure?

Edlen: Our eco-roof across the street. It didn't perform the way we wanted it to.

I don't think we have any projects that we've built that I would call a failure. Every project that we've built, if we were to go back and have the opportunity to do it again and change things, we would, absolutely, every time. I don't think there's a project that we've been involved in or done where we would say it's perfect. Every project, we say, "We sure wish we had done this," or, "We missed this opportunity." Things like that are always

there. Would I consider any one of them a failure? No, I wouldn't.

DJC: Are you apt to say yes to a project right away?

Edlen: Oh, yeah, we hate to say no.

I was just on the phone today with somebody that we like a lot who brought us a property here in Portland and we'd love to make it work and I had to say, "I hate to do this but I don't think we can make it work."

We're going to see more of those challenges. The thing about the market is that we've always been very fortunate. We've had very good luck to always have the opportunity to work with people who are much brighter than we are, whether it be architects, contractors, engineers or business partners. We've had tremendous opportunities to work with people who are much smarter than we are.

The second thing is we've had the opportunity to be in front of some good trends and out of the way of not-so-good trends. Business is cyclical, let's face it. We're office developers. My whole career has been in office leasing.

DJC: It's all condos now.

Edlen: Yes, but that's going to change too. It's part of being adaptive and trying to be flexible. That's probably my biggest fear is, number one, always wanting to deliver to the customer (what) we promise. As you grow, that becomes more complex to do that. The second thing is always wanting to be entrepreneurial here. We don't have an organizational chart here. I have one on my desk but we've never published it. We don't have a business plan, and that notion of wanting to be flexible, maybe it's a little idealistic of me or of us, but I really think that we've always got to be nimble. We've always got to be flexible.

DJC: I want to ask about the PDC. What will it mean for the development community if Mayor Tom Potter appoints a labor representative onto the board?

Edlen: For us it will have very little impact. Look at the products that we're building. They're all very complex, very sophisticated high-rise construction. I would guess that if you looked at any of our buildings that we've built over the last five years, 95 percent have been union labor anyway. I don't think it will have a big impact on us whatsoever.

From the perspective of doing the high-rise type construction, I think it will have very little impact. The ones I worry about are the affordable housing people. I really worry about it. It's the classic example of where we have conflicting public interests.

Do we need to build more affordable housing? You bet. Can we afford to build more expensive affordable housing? I don't know. Do we want to pay the highest wage possible? We need to be competitive. There needs to be a balance somehow, some way, and I'm not sure how to find that balance. I don't think it's all one way or all the other way. It's a delicate balance.

PDC has had a tremendous role in virtually every major project that you look at around the city. It's hard to see any major project in this city that hasn't had PDC's footprints on it. I'm a big advocate for public-private partnerships.

On the cost of going green

DJC: So I got the opportunity to go inside the armory a couple months ago, and I was intrigued by the fact that it's going platinum (through the U.S. Green Building Council's Leadership in Energy and Environmental Design rating system).

Mark Edlen: We have three of them right now: The Casey, OHSU (Center for Health and Healing) and the armory.

DJC: Is it making it more difficult to be timely to go platinum?

Edlen: Well, going platinum is certainly more expensive. There are no two ways about it. You have to be looking long-term.

First of all, Bob and I always had an interest in energy. Then Dennis Wilde (senior project manager at Gerding/Edlen) came along and he had a passion for sustainability, and we said go run with it, because we thought it was the right thing to do.

I would say to this day, for us, it hasn't been as much about the financial return.

I mean, we certainly look at payback, and we've got limits as to what we can do in these buildings, but we think we have a responsibility, much like increasing the design bar and making the buildings more interesting architecturally. We've got a responsibility as well in that these are 100- to 150-year assets. They're going to be here long after we're here. If we're producing buildings that suck out a lot of energy, that's irresponsible.

We're going to make mistakes along the way. We've got an eco-roof across the street that is not performing the way it is supposed to, so we have to end up rebuilding it. You've got to be willing to accept failure and learn from it in doing this stuff.

I don't think it costs us more time to put them together. It causes us and our consultants to scratch their heads more and try to come up with ideas, and I like to think, what's the big, stupid idea? The big, stupid idea may just be the best idea, the one that nobody thinks will work, and I know one thing that has always intrigued us as a company is that as soon as somebody says you can't do that - like doing The Casey, they said a quarter-block would be too expensive - well, that's where the fun is.

Another thing we're starting to ask about is that all these buildings have hardwood floors. So we're buying certified sustainable boards. Well, we're buying this stuff from South America. It's great that we're buying from a sustainable yield, right? But how far are we shipping this stuff? Why are we shipping it so far? There's got to be a better way to do it that's more sustainable. So we're kind of starting to scratch our heads more along those lines.

For example, at an office building at 1700 S.W. Fourth, we've got a line item on our budget for wind turbines. Well, have you ever seen a wind turbine on top of an office building? No, you haven't. So we go out and start sourcing and do a bunch of research on the Web and we find a producer that has them. So, we're talking to the producer and they say, "We think it will work." What do you mean you think it will work? How many of these have you built? "Well, we've got a prototype." Can we come see the prototype? "Well, we're not quite done building the prototype."