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Building blocks: A gamble on a gritty brewery district pays off Urban conversion -- 5 years later

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By Randy Gragg
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Ask Robert Gerding and Mark Edlen to pick the scariest day in the five years it took them to redevelop the Brewery Blocks, and you might think the answer would be obvious: Sept. 11, the morning two airplanes hit the World Trade Center, sending the American economy into a spiral.

"Nah," says Edlen. The project's worst crisis actually happened a few weeks before, the morning some newly placed pilings slipped 6 inches. That caused the 50-foot-high wall in a freshly dug hole for an underground parking garage to bulge. The 20-inch water main behind it started to crack. And the Pearl District nearly got a new three-block lake.

The pilings got fixed and the water main repaired. Despite the worst recession in 20 years, the buildings got built and profitably leased. And what at the turn of the century was a mishmash of aging beer-brewing machinery divided by empty streets, in 2005 is a new heart for the city -- beating harder, some say, than downtown.

"What developers do has a great deal of intuition, more than people realize," Gerding says. "Sometimes everything lines up: the sun, the moon and the stars."

Indeed, the astrological alignments with the Brewery Blocks are many. With the opening of The Louisa apartments, the last commercial building of the redevelopment is complete. Despite the highest average rents in the city -- \$1.92/square foot -- it is 40 percent full in less than a month.

A block to the east, The Henry condominiums, completed last year, pushed downtown condos past the \$300/square-foot threshold, paving the trail to downtown living for Portland's most elite social class. With 572,000 feet of new Class A office space, the Brewery Blocks stretched downtown's business core north of Burnside for the first time with headquarters for M Financial and the law firm Perkins Coie.

Led by Gerding/Edlen Development Company's eco-guru, Dennis Wilde, every building has or will earn a Leadership in Energy and Environmental Design -- LEED -- rating; The Henry became only the third condominium tower to reach the second-from-top "gold" level. The ongoing renovation of the Oregon Armory is on its way to being both the country's first historic renovation and first arts facility to earn top-of-the-ladder "platinum."

Neither the development team nor the architecture firm, GBD Architects, had ever tackled anything remotely as complex as a five-block urban redevelopment laced with old pipes, long-hidden creeks, downtown's busiest street and high-voltage streetcar lines. The only financial hand from the city was a \$6 million loan for the parking garage and a \$2 million grant to redo the surrounding streets.

And then, of course, as concrete pours began on the financially riskiest piece -- the 1,500-car underground garage that had to be completed before anything on top could be built -- there were the Sept. 11 attacks and their social and economic aftermath.

Gerding/Edlen team members say they never doubted the Brewery Blocks would be anything but a success. But their peers still shake their heads in disbelief.

"I don't know how they did it," says fellow developer Homer Williams. "They leapt from high school to graduate school in urban mixed-use development and came out of it with a PhD."

Checks and balances

Gerding and Edlen are Portland's odd couple of development. Tall and calm, Gerding is a former biochemist, a student of world religions, a collector of paintings and drawings by the likes of Willem de Kooning and Sam Francis. Short, wiry and kinetic, capable of walking faster than some people jog, Edlen starts many mornings at Portland International Raceway on a Ducati 999R, an Italian motorcycle capable of 150-mph runs.

Together, Gerding says, they can sit before a computer, merrily punching numbers on development pro forma all day.

"We're the brightest guys either of us has ever worked with," Gerding explains matter-of-factly. "We provide exactly the checks and balances on each other for mutually assured success."

Founded in 1996, Gerding/Edlen mostly had developed suburban offices such as Three Centerpointe and Triangle Corporate Park along with buildings for PG&E and the City of Portland on downtown's edge. But as the Pearl District took off, they wanted to join the urban redevelopment party. They got a first taste by turning a 1910 paint warehouse into Wieden+Kennedy's architectural award-winning headquarters just to the north of the Blitz-Weinhard Brewery at Northwest Davis Street and 12th Avenue.

"Hearing the clank of bottles and smelling the yeast, I realized at some point that property would change," Gerding recalls. "Downtown needed to connect with the Pearl. It was inevitable."

Meantime, Gerding/Edlen had begun discussions with the Texas-based high-end grocer Whole Foods, which wanted to build a flagship Portland store.

Whole Foods' rigorous demographic and traffic studies, Gerding recalls, pinpointed the best location to scoop up the most highly educated, high-earning downtown workers on their way home: the north side of Burnside between Powell's City of Books and the ramp to Interstate 405 North.

Gerding contacted John Stroh III, owner of the brewery, when looking for Wieden+Kennedy's building. On a fateful morning in 1999, Stroh called Gerding and offered him all five blocks.

It would be the largest downtown redevelopment since a Canadian company assembled the land in 1979 for what, 24 years later, would be completed as Pioneer Place I and II. But by placing Whole Foods at one end and using Powell's as an anchor at the other, Gerding and Edlen essentially had the makings of the kind of "main street" mall now the rage in the suburbs. Stores such as Anthropologie, Sur La Table and Diesel had long looked to tap Portland but for the dearth of 10,000-square-foot-plus spaces with big corner windows in downtown's aging buildings.

Topped by office and residential, the development could become the kind of 24-hour neighborhoods found in bigger cities that had so far failed to congeal in the Pearl. The regal Victorian 1908 Blitz-Weinhard Brewhouse provided a theme. And with five blocks together, Gerding/Edlen could provide the most critical component of all: ample underground parking.

"People in the development community thought we would have our head handed to us," Gerding laughs, "but we didn't just jump off a cliff."

But more than just making -- in developers' parlance -- the project "pencil," Gerding and Edlen wanted to make it green -- the greenest urban redevelopment in the country.

"It all fit in with Whole Foods," says Gerding, whose own history of environmental activism dates to the anti-nuke campaigns of the '70s. "It's the culture of Oregon."

But it was all fantasy without cash. Edlen recalls how Wall Street investors refused to even sniff the project unless the brewery came down and all the parking went up in a cheaper-to-build, above-grade garage.

"All our instincts told us that was wrong," Wilde says. "The idea was live/work/play at street level. A garage would only detract. And what are the Brewery Blocks without the Brewery?"

Enter local financier Peter Stott, who anted 50 percent of the \$19.5 million land price. That became a magnet for more smaller, local investors, for a total of \$50 million in equity. The rest came from smaller local lenders, ranging from Key Bank to Shorebank Pacific -- one putting up \$24 million, according to Edlen.

"Without Peter and that kind of local confidence in the project," he adds, "we could have never done it."

Stott claims he never had a doubt.

"I knew Gerding and Edlen, and I knew the Pearl," he says. "And let me just say, I'm a big fan of downtown parking. That garage is always full."

Lucky breaks along the way

The path from idea to finished development, however, had twists, turns and deep-reach-in-the-pockets bumps. Remodeled nearly continuously during its 140-year life, the brewhouse was a structural mess with mismatched floors and rotting concrete. Saving the smokestack, alone, necessitated award-winning engineering plus \$700,000.

More stars aligned. Multiple Employers Pension Trust of New York bought the tower the team had designed to go next to the brewhouse, providing both more capital and critical seismic support, visible in the I-beam lattice holding the two buildings together.

But saved, the brewhouse's rabbit warren of difficult-to-lease spaces were something only an architecture would love. One did: GBD moved in.

The block surrounded by Northwest 12th, Couch, Davis and 13th -- known as Block 4 -- was nearly built only three stories high. Then M Financial signed on, but it was so last-minute that the final 11-story building was built with separate mechanical systems for base and top.

GBD designed the Armory to be everything from a flagship REI store to a high-end health club before Gerding/Edlen pulled out of an all-but-inked lease to instead turn the 114-year-old building into new home for Portland Center Stage. Lead engineer Blake Patsy of KPFF points out the final block built, The Louisa, sits on footings engineered for everything from an eight-story telecommunications tower to an office building.

But the success of the project is best summed up in The Henry condos, where 123 owners turned it into a sellout before it was finished. With the likes of a Hollywood producer and the lefty lawyer/city lobbyist power couple Stephen and Marge Kafoury and perennial board member Howard Shapiro, The Henry marked the entree of the West Hills and Irvington elites to the Pearl and proved a new market for buying green.

"I don't want to say it's like a clubhouse, but the group here is great," says resident Nancy Hogarth, who moved from the city's most elegant historic high-rise condo, the 705 Davis Building in Northwest. "And my energy bills are so low, it's like I'm living here for free."

One of the penthouses Gerding purchased for himself and his wife, Diana. With both Gerding/Edlen's and GBD's offices across the street, the Brewery Blocks has become something akin to a 1.7 million-square-foot version of the apartment-topped, mom-and-pop grocery store.

"In tune with urban retail"

"Home run" is the phrase rival developers and leasing agents uniformly use to describe the Brewery Blocks, with each quick to point out it came, in part, at the cost of and fumbles by downtown and the Pearl District's newer expansion to the north.

"The downside of the Brewery Blocks is it carved another chip out of downtown," according to Richard Singer, one of the city's most successful retail landlords. "Combine it with success at Bridgeport Village (the new "lifestyle center" mall in Tualatin), and downtown isn't looking so good."

The Brewery Blocks have yet to top Southwest Broadway's rents of \$50-plus/square foot. But by cresting \$30, local agents say, it has matched those of Northwest 23rd Avenue and blasted past top Pearl rents of \$25. And by focusing top draws like P.F. Chang's on Northwest Couch Street, they created the kind of synergistic energy missing elsewhere in the Pearl.

"The rest of the Pearl is so scattered," observes real estate appraiser Don Singer, brother and business partner of Richard Singer. "There's a tight focus in the Brewery Blocks. They're in tune with urban retail and in tune with quality. There are no Subways (sandwich chain)."

Hopes are running high that in the long term the Brewery Blocks will simply be a northwestern node for strong retailing stretching southward between 12th and Broadway and westward to Pioneer Place, ignited by the planned refurbishments to the Midtown Park Blocks, The Galleria and West Burnside.

"The Brewery Blocks are the shiny, new kid, so in any competition right now, they win," according to

downtown leasing agent Mark New. "I hope we'll mature enough as a city to support retail in downtown, the Brewery Blocks and 23rd."

"But those guys are as good as it gets," adds New of Gerding, Edlen and their lead leasing agent, Tom Kellogg. "It's been exciting from the start."

Indeed, whether it is 300 planning and development wonks touring for Metro's "Get Centered" program to spark new, mixed-use centers across the region or last year's 7,000-strong U.S. Green Building Council's national convention or this fall's National Trust for Historic Preservation convention, the Brewery Blocks is the latest national poster child for Portland's good, green growth.

"Most big projects have some Wall Street or foreign capital," Gerding explains. "We had patient, local capital who invested in the concept. We had people who understood the potential. We all made money, but we didn't have to change our vision for it."

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