Students brainstorm over Hillsboro development

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On Tuesday evening in room 249 of Portland State University’s Lincoln Hall, a group of six students pondered a property development brainteaser: how to deliver the highest return on investment for a 15-acre green field in Hillsboro.

The discussion was active, collaborative and thought provoking.

“So you think it needs a daytime anchor?”

“Yeah, I think it’d be nice. I’m just trying to think of something to activate it.”

“Is there enough employment to justify a dry cleaner or something like that?”

“What does Oregon allow as far as wood framing? Is it five over one?”

“If this is an extreme outlier we might just want to remove it from our scattergraph.”

The class, a real estate development workshop, is sponsored by commercial real estate development association NAIOP. Students are presented with hypothetical development problems for real properties, and can then bounce ideas off of industry experts or mentors.

This workshop is PSU’s ninth; past projects have focused on properties like the Brewery Blocks, University Place and the Con-way Commons.

“What I really think is useful for them is it’s very rare that someone thinks these things all the way through – including people in the industry,” said Jerry Johnson, an adjunct faculty member who is leading the class.

Johnson, managing principal of development firm Johnson Reid LLC, said many people come to development meetings with ideas from their own specific area of expertise – such as architecture, construction or marketing – but few are rarely in position to call the shots.

But the students will be in that position for a 15-acre site, at the intersection of Northwest 194th Terrace and Tanasbourne Drive, owned by Standard Insurance. The challenge is basically to figure out what kind of development will give the property the highest value.
During Tuesday’s meeting, the group tossed around ideas as they walked through an organized decision tree, which included hotel, multifamily, restaurant, retail, office building and senior housing development options. The tree also included the option to sell the property undeveloped.

“You should always have the ‘do nothing,’ ” Johnson said during the class. “Just walk away. It’s some of the best decisions we’ve ever made.”

However, the group zeroed in on a mix of uses – hotel, restaurant, multifamily and destination retail. Each student left the meeting with an assignment; Jeff Sakamoto said his was hotels.

“What we need to figure out is what hotels are willing to pay for land and how they go about their ownership,” he said. “We need to figure out the business model from a hotel’s development standpoint.”

Sakamoto works for a company called Velocity Capital Partners and said he was in the feasibility planning stage for a North Portland apartment project. He said he hopes the workshop will help him hone his skills.

“This is great hands-on experience, and the more you do it, the better you get,” he said.

During the meeting, the students bounced ideas back and forth about things like the size and shape of a possible boutique hotel; the type of customers – business or tourist – that business would serve; ideal restaurant candidates; and feasible development for multifamily buildings.

Sakamoto said he was scheduled to meet with Oswego Grill’s owners to learn about their business model, and Johnson said the class was planning to host Howard S. Wright Senior Vice President Gordon Childress in the near future for a discussion on construction logistics.

Johnson said it will be interesting to watch the project evolve as the students learn what ultimately drives development – the market.

“What they don’t really realize until they get into it – and they’ll still be finding this out later in this process – is that the market and the pro forma are going to start driving their development form a lot more than they think they will,” Johnson said.