

Meier & Frank buildings get a new lease on life

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Local developers are making plans to rehabilitate two former Meier & Frank warehouses, which were planned for telecommunications hotels in 2000 but abandoned when the telco market crashed.

Riding on the success of the \$35 million Marshall-Wells Lofts, developer and historic preservationist Robert Ball will convert the 1923-built Meier & Frank warehouse at 1438 N.W. Irving St. to lofts, offices, storage, commercial space or some combination of these uses.

"The telco hotel concept didn't fit well within the Pearl District or the historic character of this building," Ball said.

"They were going to put generators on the street level, which would have been awful for the neighborhood." Ball intends to complete the purchase of the warehouse around Jan. 1.

Meanwhile, Gerding/Edlen Development Co. is considering the possibilities for the 1927-built Meier & Frank warehouse at 1417 N.W. Everett St.

"An investment banking firm approached us about a year ago to do a joint venture," said Mark Edlen, principal at Gerding/Edlen, which is also developing the Brewery Blocks. "The concept will depend on the market. We're not going to go and speculatively

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develop it; we'll wait for an anchor tenant."

Edlen said his company won't buy the building, but it will develop it and take an interest in the project's performance. He expects to have a development concept ready by March.

Ironically, Gerding/Edlen once owned the 285,000-square-foot warehouse that Ball intends to renovate. Five years ago, G/E intended to give the building a modest face-lift and lease approximately half of the building to Shurgard Storage Centers Inc. and Powell's City of Books. Both companies were scheduled to occupy the building in early summer 2000.

But the Larkspur, Calif.-based F&F (Fowler and Flanagan) Partners LLC bought the building from Mark Edlen and Irving Street Investors LLC. F&F intended to redevelop it as a "multi-tenant telecommunications switching facility." In other words, a telecom hotel.

After pouring roughly \$7 million into the building in seismic and electrical upgrades, the telco market crashed, leaving the financiers, Lehman Brothers (NYSE: LEH), with an empty, half-baked building project. That's when they approached Ball and several other prominent Pearl District developers, including Gerding/Edlen and John Carroll, for a joint venture or sale of the historic structure.

Ball said he burned the midnight oil for weeks, preparing to make a presentation with more than a dozen different ideas of what could be done with the building. One of his greatest strengths, he said, is the fact that he has already assembled a team that works well together.

He hopes to duplicate the Marshall-Wells Lofts' success, where more than 140 of the 164 lofts are sold. Ball is also leasing commercial or retail space on the ground floor, adjacent to the new site of Recreational Equipment Inc.

Ball declined to discuss the purchase price for the Meier & Frank warehouse,



CAROL CHENEY THE BUSINESS JOURNAL

Developer Robert Ball enjoyed success converting one Pearl District warehouse, and now he's ready to take a crack at converting a former Meier & Frank warehouse.

but he said the sale contract includes the full-block warehouse as well as half of the block north of the warehouse. His investment partners include Tom Connor and Don Woolley of Eugene, whom he has known for 17 years, since he started Ball Parc Properties there. Ball, as managing partner, will also seek conventional financing for the project.

Like Ball's project, Gerding/Edlen's project on Everett Street was caught in the telco boom and bust. The Oregon Historical Society once owned the building, but it sold the warehouse to a Wall Street investment banking firm which had plans to convert it into a telco called Pacific Telecom Exchange.

Again, the economic bubble burst before the developers could complete the project, and Meier & Frank's Everett Street warehouse remained empty.

Meier & Frank also had a third warehouse in the Pearl District, located at the southeast corner of 14th and Irving Street. It was converted into the Irving Street Lofts.

Ball and SERA Architects are still at

the drawing board, coming up with a plan for what the Irving Street warehouse will look like in the next 18 to 24 months. Ball said he's running through the cost implications for each scenario with contractors and subcontractors.

One feature Ball will definitely incorporate into the building is an atrium, after he had great success with the atrium carved out of the center of Marshall-Wells. An atrium allows natural light to filter into the center of a full-block building.

The Marshall-Wells warehouse's place on the National Register of Historic Places allowed Ball to freeze property taxes on the building when he bought it for approximately \$5.2 million. Property taxes will remain frozen for 15 total years, even though Ball's efforts improved the building's value by about \$30 million.

Meier & Frank's Irving Street warehouse was also placed on the National Register of Historic Place in 2000 for a 15-year period. Ball has the option of letting that tax freeze run its course, or

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ROBERT BALL
DEVELOPER

removing the freeze, paying a property tax penalty, and then freezing the taxes for a 15-year term at some time in the future.

Ball's ability to secure this kind of tax relief will be governed by whether the building is used for commercial or residential purposes. "My chief concern is to make it financially feasible to preserve an historic resource," Ball said.

The seven-story, 100-foot-tall building was designed by Sutton & Whitney of Portland and built in 1923 as a distribution warehouse for the Meier & Frank department store. "I'm really proud that this building is on the historic register," Ball said. "I take a lot of pride in preserving a historic structure, and the value it will give to the neighborhood."

Ball said one of the biggest lessons he learned in doing the Marshall-Wells project is that "this area works." The west end of the Pearl District was considered out-of-the-way when he started work on Marshall-Wells, and its proximity to Interstate 405 required triple-paneled glass for sound insulation.

But now developers see the edge of the Pearl District as the cutting edge for redevelopment. □