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Letter from Carey & Harlan Co. to Mayor

Kenneth Harlan

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October 24, 1931

Honorable Mayor and City Council
City Hall
Portland, Oregon

Gentlemen:

We wish to direct your attention to certain matters connected with the City's proposed municipal public market, which appear to us extremely important.

Referring to the recent hearings held by the city council on the market proposition, and particularly to the one held on Friday night, October 9, the promoters of the waterfront market site emphatically stated that their project was already financed, and that they were ready to begin construction at once. A stenographic record was made of these hearings, and we find that the waterfront representatives made these emphatic statements after members of the city council had just as emphatically stated that the City would pay no money for a market project until it was completely built and had sufficient business attached to make it a going concern. Two members of the city council also stated that they would not approve any proposal where discount on public utility certificates would be more than 10 per cent. Commissioner Riley, at the same hearing, asked the Fifth & Yamhill market representatives many questions regarding their financial ability to construct a market at that location. These same questions, however, were not asked the waterfront people,
for the reason, Commissioner Riley stated, that the waterfront market was already financed. This statement was made notwithstanding the fact that a gentleman appeared at that time and advised the city council that the waterfront representatives had called at his office that very day in an effort to finance their market project.

These very significant facts now become of prime importance, for the reason that within a fortnight we find the same waterfront promoters coming before the city council violating the very pledges that they made and upon which, one may reasonably assume, the council acted in favor of the Front Street site, urging the city council to now financially guarantee their enterprise.

In view of the statements made by the waterfront promoters at the hearings had before the city council, a more flagrant effrontery would be difficult to conceive. The waterfront market people are now urging the city to sell a part or all of the $2,500,000 authorized, if necessary, in order to build a $1,290,000 project, apparently experiencing the same defeat this time as that encountered when it was contemplated that the project be built as a private enterprise. Not obtaining financial backing for an undertaking where earnings are extremely questionable and unproven, the waterfront people now are attempting to procure the financial guarantee of the City of Portland on a project that they are unable to finance upon its merits.

Naturally, these people are little concerned in whether or not the utility certificates will bring only 50 cents on the dollar. Under the terms of the proposed contract they ask the City to enter into, the City obligates itself to pay their full
price for the project, regardless of how many certificates must be sold in order to raise that sum. If the project is so unattractive that bidders will only pay for the certificates, say, 30 cents on the dollar, then the City under this proposed agreement will be forced to issue and sell even more than the $2,500,000 already authorized to pay the market company for its million and a quarter dollar project. Of course, this shouldn't worry the market company, for this huge indebtedness would be shouldered on to the dear public, and the City would find itself with a million and a quarter dollar project at a cost of two and a half or three million dollars, and maybe more, for under the terms of the contract there is no limit.

That is the plan now proposed by the waterfront people, and in the event the City enters into such a contract and guarantees the market company the full price, regardless of what the utility certificates will bring, the public will be left holding the sack.

Due to the proven earnings on the Fifth and Yamhill Street location, that market proposal was set up on the basis of $96 being bid for the certificates, which is a discount of only 4 per cent. Financial interests have expressed a desire and willingness to pay that much for the certificates if issued against the Fifth and Yamhill Market site. The reason for this is obvious. Earnings are proven and justify a bid of that kind. The Fifth and Yamhill Street project is a proven business enterprise, not only from the standpoint of earnings but from every standpoint which financiers are interested in when they bid upon securities covering such a project. Un-
questionably, a market on that location can be financed upon its merits, because the earnings fully justify financial interests in investing in the project and paying a reasonable price for the utility certificates issued against it. Even during these times of financial depression, there is little doubt but that the Fifth & Yamhill Market proposal, with its proven earnings power, can be financed without any guarantee from the City upon a basis not to exceed a maximum 10 per cent discount, and at this point, we wish to again emphasize that the Fifth and Yamhill Market proposal, presented to the city council, carried with it only 4 per cent discount on the public utility certificates, and it was never contemplated that the City should financially guarantee the project in any way. We have repeatedly stated, and wish to emphatically state again that the City is contemplating purely a business proposition, and the best guide in measuring prospective successful retail business enterprises is the price at which the utility certificates can be sold to financiers who understand that earnings in a retail business are dependent upon location.

The better the proposition, naturally the more financiers will bid for securities, and if the city council is earnest in its desire to select the best possible location, which will prove to be a financial success, it should ask for bids on these two market proposals and select the site in accordance with the bids for the certificates based on each of the respective proposals. Surely the council know that financiers
will not pay a high price for certificates which embrace unsound or unproven prospective earnings. This is a measure upon which the city council can safely rely, for it is a measure that conforms to safe business policies, to sound economics and likewise to sound financing.

Yours very truly,

CAREY AND HARLAN COMPANY

By Kenneth Harlan