

DATE: September 12, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-29
Approving Certain Expenses Related to the Rose Quarter Shared Thermal Energy System
in an Amount Not to Exceed \$650,000

BOARD ACTION REQUESTED

Adopt Resolution No. 6963

ACTION DESCRIPTION

Approval of this action will authorize payment to Corix Utilities for \$550,000 in soft costs incurred to date in the assessment and design of the Rose Quarter Shared Thermal Energy System (RQ STES) to provide heating and cooling to the Veterans Memorial Coliseum (VMC), Rose Garden Arena (RGA), and One Center Court office building. The action will also authorize the payment of an additional \$100,000 to Corix for work completed in the feasibility analysis phase, but will not be payable to Corix unless PDC terminates the MOU or allows it to expire on December 31, 2013. Negotiations to build a shared heating and cooling system at the Rose Quarter have taken longer than expected, causing a delay to the potential construction of the RQ STES. PDC and Corix are continuing negotiations for the RQ STES, and if agreement is reached and a system is implemented, this initial payment will be treated as PDC's contribution toward hard construction costs once construction of the RQ STES begins.

BACKGROUND AND CONTEXT

In July 2011, the PDC issued a Request for Qualifications (the "RFQ") for developing, owning and operating a STES that will provide long-term, cost-competitive heating and cooling services to VMC and which is capable (i) in near-term, of providing these same services to the Rose Garden Arena and the Oregon Convention Center (OCC) in the Project Area and (ii) in the longer term, of expanding the STES to support planned future development in the Project Area as well as potentially service other areas of the Lloyd District. Corix Utilities and its team were selected September 2011 by the PDC to deliver the STES solution. The team was required to perform to a very aggressive timeline as set out by the PDC in order to meet the redevelopment timelines for the VMC. In December 2011, Corix presented the technical options to the STES review team and were authorized to proceed. The design and project management work was undertaken from January 2012 to April 2012 and is now complete.

Due to the complexity of the ownership and management arrangements at the Rose Quarter the multi-party negotiations have taken significantly longer than expected to reach final agreement.

COMMUNITY AND PUBLIC BENEFIT

The RQ STES meets a number of the City's key objectives:

- Implementation of a Shared Thermal Energy System in Portland by 2012
- Part of the 2009 Climate Action Plan District Energy Goals
- Provides a long term solution for the Veterans Memorial Coliseum
- Meets the overall EcoDistrict plan for the Lloyd District.
- Integral part of the "We Build Green Cities" objective.
- Greenhouse gas savings - Phase 1 is estimated at 458 tons CO₂e/year.

Overall the Rose Quarter STES is a strategic investment by the City of Portland that will be recognized for years to come as a cornerstone for successful implementation of EcoDistricts.

PUBLIC PARTICIPATION AND FEEDBACK

No specific public participation was completed for the RQ STES, but the implementation of a Shared Thermal Energy System is a direct recommendation of the 2009 Climate Action Plan.

BUDGET AND FINANCIAL INFORMATION

Funding for the RQ STES will come from the OCC URA FY 2012-13 adopted budget (P35057915) for Eco District Implementation; a total of \$1,880,000 is available for implementation of the RQ STES. If the project is completed prior to the end of FY 2014, payment authorized by Board action shall be treated as investment by PDC into the hard construction costs of the RQ STES.

RISK ASSESSMENT

If the parties are unable to reach agreement on the construction of the RQ STES and PDC terminates the MOU, PDC will have expended \$650,000 for the RQ STES, although PDC will have a license to use and copy the RQ STES work products including design, engineering, and a permit-ready set of drawings.

ALTERNATIVE ACTIONS

The Board could choose not to authorize payment to Corix. The consequences of such action would likely be Corix's unwillingness to negotiate in good faith with PDC for the implementation of the RQ STES.

ATTACHMENTS

- A. URA Financial Summary

URA Financial Summary

Five-Year Forecast Project Requirements Detail

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Convention Center URA						
Resources						
Beginning Fund Balance	1,697,229	47,187,725	5,920,015	3,645,841	1,006,682	69,763
Interest on Investments	0	25,000	20,000	5,000	5,000	5,000
Loan Collections	1,200,000	300,000	400,000	400,000	375,000	350,000
Long Term Debt	43,300,000	0	0	0	0	0
Property Income	3,264,750	0	0	0	0	0
Reimbursements	1,473,339	0	0	0	0	0
Short Term Debt	4,500,000	0	0	0	0	0
Total Fund Resources	55,435,318	47,512,725	6,340,015	4,050,841	1,386,682	424,763
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101350 Debt Management-CNV	28,613	30,044	30,044	30,044	30,044	30,044
Administration Total	28,613	30,044	30,044	30,044	30,044	30,044
Business Dev						
Cluster Industry Development						
B15100350 Cluster Development-CNV	200,000	200,000	200,000	200,000	200,000	0
B15102350 Site Recruitment-CNV	50,000	50,000	50,000	50,000	50,000	0
Business Lending						
L02100350 BIF-General-CNV	250,000	250,000	250,000	250,000	250,000	0
Small Business & Entrepreneurs						
B55800350 Business Development-CNV	100,000	100,000	100,000	100,000	100,000	0
Business Dev Total	600,000	600,000	600,000	600,000	600,000	0
Infrastructure						
Public Facilities						
N35023715 MLK Jr Blvd Gtwy Impr-CNV-Adm	30,000	0	0	0	0	0
N35033115 Green Streets-CNV-Adm	0	150,000	0	0	0	0
Infrastructure Total	30,000	150,000	0	0	0	0
Portland Hsg Bureau						
PHB Housing						
H15430350 Affordable Rental Hsg-CNV	1,456,848	9,037,600	1,176,364	0	0	0
H15900350 PHB Staff & Admin-CNV	212,204	274,016	0	0	0	0
H15902350 MFH - 2nd and Wasco-CNV	6,500	8,700	0	0	0	0
H15903350 Lloyd Cascadian Phase II-CNV	21,500	8,667	0	0	0	0
H15932350 King/Parks Afford Hsg-CNV	362,752	0	0	0	0	0
H15949350 McCoy Apts Rehab-CNV	480,614	0	0	0	0	0
Portland Hsg Bureau Total	2,540,418	9,328,983	1,176,364	0	0	0
Property Redev						
Commercial Property Redevlopm						
A35401350 Central City 2035-CNV	138,029	0	0	0	0	0
P35050515 Eco District-CNV-Adm	195,000	70,000	70,000	70,000	70,000	0
P35050717 Convention Center Hot-CNV-Pred	0	4,000,000	0	0	0	0
P35051115 Block 47-CNV-Adm	20,000	0	0	0	0	0
P35051315 Rose Quarter Revit-CNV-Adm	23,000,000	22,000,000	0	0	0	0
P35052215 CC 2035-CNV-Adm	0	67,522	0	0	0	0
P35057915 Eco Distr Implement-CNV-Adm	200,000	1,680,000	0	1,680,000	0	0
P35059815 Inn At Convention Ctr-CNV-Adm	100,000	100,000	0	0	0	0
P35091015 Public Outreach-CNV-Adm	5,000	5,000	0	0	0	0
Commercial Real Estate Lending						
R01100350 CPRL-General-CNV	250,000	250,000	0	0	0	0
Community Redevelopment Grants						
G02100350 DOS-General-CNV	50,000	50,000	0	0	0	0