



DATE: October 24, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-39

Approving the Third Amendment to the Amended and Restated River District Urban Renewal Plan Making Public Building Findings for Purposes of Investing Tax Increment Resources for Development of a Multnomah County-Owned Building; Authorizing a Grant Agreement with Multnomah County in an Amount Not to Exceed \$26,948,460 for Purposes of Constructing a County Health Department Headquarters in the River District Urban Renewal Area Pursuant to ORS 457.470(10)(e)

BOARD ACTION REQUESTED

Adopt Resolution Nos. 6977 and 6978

ACTION DESCRIPTION

The Board is being asked to take two actions which fulfill obligations originally made by PDC in 2008, and which assist Multnomah County with the PDC-related authorizations needed for constructing a \$38.5 million, six-story, 90,000 square-foot County Health Department headquarters (MCHD Building) on City-owned property (to be transferred to the County) in the vicinity of NW Sixth Avenue and NW Hoyt in Old Town/Chinatown adjacent to the recently completed Bud Clark Commons, owned and operated by Home Forward.

Multnomah County and Home Forward submitted a development proposal to the Portland Housing Bureau for consideration of the property in December 2011, and are currently in the process of negotiating a Development Agreement under which Home Forward will serve as the developer for the MCHD Building. Funding from the River District Urban Renewal Area will fund the majority of the MCHD Building. Multnomah County will fund the remaining project costs through internal financing and potential revenue from disposition of the McCoy Building.

The two actions are:

- 1) Approving the Third Amendment to the Amended and Restated River District Urban Renewal Plan Making Public Building Findings for Purposes of Investing Tax Increment Resources for Development of a Multnomah County-Owned Building; and
- 2) Authorizing a Grant Agreement with Multnomah County in an Amount Not to Exceed \$26,948,460 for Purposes of Constructing a County Health Department Headquarters in the River District Urban Renewal Area Pursuant to ORS 457.470(10)(e).

BACKGROUND AND CONTEXT

In June 2008, Portland City Council approved amendments which raised the maximum indebtedness of the River District Urban Renewal Plan. At that time, Council authorized an increase of the maximum indebtedness of approximately \$343,719,650. As part of that amendment, Multnomah County was to

receive \$35,000,000 for a tax increment-eligible project in the River District (or approximately 10.18 percent of the increased indebtedness). The plan amendment was appealed to the State Land Use Board of Appeals (LUBA) by the Friends of Urban Renewal and the ultimate outcome, in 2009, was a reduced increase in maximum indebtedness.

During the appeal period, the Oregon Legislature made amendments to the overarching statutes which govern Oregon's use of urban renewal (ORS 457). These changes were negotiated among a large consortium of taxing jurisdiction stakeholders from across the state. The core of the changes introduced a revenue-sharing concept to specific circumstances within urban renewal plans. As part of the negotiation Multnomah County requested the agreement made during the River District Plan Amendments be memorialized into ORS 457. Therefore, language was added stating that Multnomah County would receive 10.18 percent of the total increase in River District indebtedness, and outlining the timing of those payments. The amount, based on the eventual increase in maximum indebtedness of \$264,719,650, ended up being approximately \$26,948,460.

The specific language, via House Bill 3056 in the 2009 Oregon Legislative Session, was as follows:

Notwithstanding any provisions in this section to the contrary, an urban renewal plan that was first approved in 1998 and had an initial maximum indebtedness of \$224,780,350 may be substantially amended after June 1, 2008, to increase maximum indebtedness by not more than \$343,719,650.

(e)(A) To the extent permitted by law, a plan amendment described in this subsection shall provide direct economic benefits to the county in which the plan's urban renewal area is located in the following amounts:

- (i) If the plan is substantially amended to increase maximum indebtedness by \$343,719,650 or more, at least \$35,000,000.
- (ii) If the plan is amended to increase maximum indebtedness by less than \$343,719,650, no less than 10.18 percent of any increase in maximum indebtedness.

(B) Benefits required under subparagraph (A) of this paragraph shall be paid as follows:

- (i) \$10,000,000 no later than June 30, 2014; and
- (ii) The balance no later than June 30, 2021.

In 2012, Multnomah County requested PDC accelerate the payment schedule so that the entire \$26,948,460 million payment would occur by June 30, 2014. The County was able to negotiate an agreement with the City of Portland Bureau of Housing (PHB) and Home Forward (formerly, the Housing Authority of Portland) which will lead to the approval of land transaction and a development agreement for the construction of the 90,000 square foot MCHD Building on land on the eastern edge of the same block where Bud Clark Commons exists. The construction is expected to be completed in 2015.

The current County Health Department headquarters is located in the 88-year-old McCoy Building, a former department store that was not designed to house administrative headquarters, medical clinics and the public health emergency command center.

Maintenance costs and related efficiencies have led to the County's desire to leave the McCoy Building. Any significant renovations would also require at least \$13,000,000 in seismic upgrades.

The new site on Northwest Sixth Avenue, between Hoyt and Irving streets, is accessible for health department clients and community members, and easy to reach by transit. It is large enough for the 90,000 square feet of space the County needs to run an efficient public health department that adequately serves clients and community members. About 250 clients are expected to visit the building

daily, most of them for the pharmacy. Another 250 public health professionals including doctors, nurses and grant writers report to work there.

Multnomah County understands the community's desire to establish balance and stability in the neighborhood and is committed to supporting that goal.

The genesis of the partnership between Home Forward, Multnomah County, PDC and the City of Portland began in 2009 when PDC owned the entire U block. At that time Home Forward received the right to present a development proposal for the vacant portion of the block (due east of the Bud Clark Commons). This vacant block was subsequently transferred to PHB. The development proposal put forth by Home Forward was for the County Health Department Headquarters.

The Board will also be asked to approve the Third Amendment to the River District URA Plan which makes required findings for the how the County's "public building" benefits the URA as a whole.

COMMUNITY AND PUBLIC BENEFIT

The community and public benefits from this project are significant. The benefits include:

- 1) About 250 public health professionals including doctors, nurses, and pharmacists who will work, eat and shop in the neighborhood.
- 2) Construction jobs, minority contracting opportunities, and other economic activity associated with construction of a nearly \$38,500,000 development project.
- 3) The transformation of a blighted half-block into a newly constructed building.

PUBLIC PARTICIPATION AND FEEDBACK

Multnomah County and staff from Chair Cogen's Office were responsible for public involvement and community outreach. As part of that work, since November 2011, they have met with the following groups and individuals to explain the nature of the project, the uses, and the sources of funding:

- Dorian Yee – President, Old Town China Town Business Association (also on board for Transition Projects, Inc.)
- Howard Wiener, Livability Community Chair, Old Town Chinatown Neighborhood Association
- Doreen Binder – Executive Director, Transition Projects, Inc.
- Dave Davis – Chair, Pearl District Neighborhood Association
- Patty Gardner – Transportation & Design Review Committee Chair, PDNA Planning; River District URAC Chair
- Nancy Stovall – Chair, Old Town Chinatown Neighborhood Association
- Patrick Gortmaker - Chair, Old Town Chinatown Land Use Committee (also from Kalberer Co. and River District URAC)
- Paul Verhoeven - Vice Chair, Old Town Chinatown Land Use Committee (also Executive Director of Portland Saturday & Sunday Market)
- David Gold – Goldsmith Blocks, LLC
- Ed Blackburn - Executive Director, Central City Concern
- Thomas Manley, President of Pacific Northwest College of Art
- Al Solheim, Board Chair of Pacific Northwest College of Art
- Stephen McGeady, Board Vice-Chair, Pacific Northwest College of Art
- Adele Nofield, President of the Pearl District Business Association (also General Manager of Wilfs)
- Stephen Ying, Chair, Oregon Commission on Asian and Pacific Islander Affairs
- Louis Lee, Community Leader

- Multnomah County Community Health Council
- Old Town Chinatown Town Neighborhood Association Livability & Public Safety Committee

At each meeting, Multnomah County and Home Forward clearly explained the project, heard concerns and answered questions. Below is a summary of common questions and feedback.

Common questions:

- Who will work there?
- Who are your clients?
- What services will be provided?
- Will there be retail?
- What will it look like?
- When will it happen?
- What is the process?

Feedback:

Overall reaction was described by the County as “cautiously supportive.” That is, this can be a good development, but we have to move forward in a way that acknowledges the challenges facing the neighborhood.

The challenge heard was the neighborhood’s desire to strike a successful balance between essential social services, businesses and residential needs. There is notable enthusiasm around having more people with disposable income to shop and eat in the neighborhood. There is also concern about additional concentration of social services in the neighborhood. The overall sense is that this project would serve as a compatible neighbor to the Bud Clark Commons.

People also expressed a strong desire for the block to not continue to sit empty and that it not include more low-income housing. Participants in prior development projects in the neighborhood spoke highly of Good Neighbor Agreements, but identified working relationships as essential to making those documents functional. It’s clear that neighbors have worked hard to create understanding and compassion among all interests in the area. Through that effort, much has been learned about what works and what doesn’t when it comes to safety and livability. Suggestions and questions included lighting, parking and public restrooms.

Many had questions about what the process looks like between Multnomah County, the City of Portland, the Portland Development Commission and Home Forward. Process for public involvement is clearly very important. Participants noted their desire for more public engagement on the following topics:

Design – exterior and interior. Neighbors want say in what it looks like, and providers, clients and employees want say in layout.

Ground floor retail - there is a desire for Multnomah County to consider this.

The County committed to keep all involved and informed as the process moves forward and to continue talking to larger groups about the project.

The River District URAC was also briefed again on October 9, 2012, regarding the upcoming PDC Board and City Council actions. The URAC agreed to provide a letter in support of the project.

BUDGET AND FINANCIAL INFORMATION

The estimated total project cost for the headquarters is \$38.6 million, construction costs are approximately \$26.9 million with the balance coming in the form of fees and contingency. The tax increment expenditure is virtually identical to the construction cost estimate.

The source and uses are below:

Sources	
River District TIF	\$26,948,460
Multnomah County	\$11,636,254
Total	\$38,584,714

Uses	
Land Acquisition Costs	\$0
Construction Costs	\$26,932,719
Development Costs	\$1,286,719
General Fees	\$4,896,812
Reserves/Contingency	\$5,468,463
Total	\$38,584,714

The River District budget is able to accommodate the acceleration of funding to Multnomah County because of increased financial/debt capacity which occurred over the past 12 months. While this capacity could be allocated to PDC commercial redevelopment loans or real estate projects such as the Post Office or Centennial Mills, the reality is that those alternatives are not poised to begin construction.

An improved debt service schedule for the 2012 River District bond sale allowed PDC to forecast more resources over the course of the FY 2013-14 budget and five-year plan. This translated into \$221,000,000 in new TIF debt in the 2012-13 Adopted Budget and five-year plan (an increase from the earlier forecast of \$177,000,000). Staff has recommended the full funding of all other real estate projects, taking the balance out of Business Investment Funds and Commercial Property Redevelopment Loan programs which are more opportunity-based.

The FY 2012-13 Adopted Budget reflects this approach through the adjustments to the following line items. See Attachment B, URA Financial Summary.

Increased Funding:

Post Office	+ \$5.4 million
Centennial Mills	+ \$4 million
10 th and Yamhill	+ \$5 million
Housing Set Aside	+ \$2 million (for borrowing more overall)

Decreased Funding:

Business Lending	- \$4.5 million
Commercial Real Estate Loan Program	- \$6 million

Total Change: \$5.9 million increase in project funding (net of Multnomah County acceleration)

RISK ASSESSMENT

There are three potential risks with this action:

- 1) Resource Availability – Similar to the 2009 Legislation mentioned in this Report, there is the risk of structural changes to the Oregon Constitution which could affect PDC's ability to access tax increment and reach maximum indebtedness in many urban renewal areas, including River District. If legislation is proposed and passed subsequent to June 30, 2014, which has real and damaging effects to PDC's budget and forecast a consequence could be a cut or elimination of projects. The timing of the financing of the MCHD Building would have to be examined within this context.
- 2) Neighborhood Response – The County and Home Forward made significant efforts to present the project to stakeholders in Old Town/Chinatown and the Pearl District. This public involvement has resulted in an increased understanding of the project as well as a level of comfort with the use and operation of the facility. The risk of neighborhood concerns has been reduced due to these extensive efforts as well as the success of Home Forward's Bud Clark Commons project.
- 3) The MCHD Building not proceeding/or no project proceeding at all - The possibility exists that the project fails to go forward as agreed upon. In such a case, under the Grant Agreement, the accelerated payment to the County is subject to several conditions, including the County's ownership of the property. If the MCHD Building does not go forward after PDC has disbursed the accelerated funds, the County is required to return such funds in the event that it has not materially commenced construction of the MCHD Building 180 days after such disbursement. PDC's obligation to advance the \$10,000,000 by June 30, 2014, is required by statute; nonetheless, in the event that the County wishes to expend such funds on a use other than the MCHD Building, such alternative use would be restricted to uses consistent with ORS 457 and would require notice to PDC to allow for any necessary further amendments to the URA Plan.

ALTERNATIVE ACTIONS

The Board could choose to accept the public building findings and reject the timing of the Grant Agreement expenditure schedule. Until otherwise changed, this would result in the original payment schedule according to ORS 457: \$10,000,000 by June 30, 2014, and \$16,900,000 by June 30, 2021. This would force the County to find alternative financing for the construction of its project and likely increase project costs or cause the cancellation of the project.

ATTACHMENTS

- A. Map of the area
- B. URA Financial Summary

Site is on the vacant block edge in the photo below



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
River District URA						
Resources						
Beginning Fund Balance	9,943,486	11,850,302	7,769,589	2,120,760	1,529,322	1,478,706
Interest on Investments	30,000	0	0	0	0	0
Loan Collections	450,000	600,000	600,000	600,000	600,000	600,000
Long Term Debt	19,760,955	0	38,081,104	25,800,000	33,535,673	27,500,000
Property Income	582,348	582,348	582,348	582,348	582,348	582,348
Reimbursements	200,000	452,822	100,000	100,000	100,000	100,000
Short Term Debt	24,975,000	21,756,450	21,124,245	17,400,567	18,792,098	17,592,961
Total Fund Resources	55,941,789	35,041,922	68,257,286	46,603,675	55,139,441	47,854,015
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101330 Debt Management-RVD	50,000	50,000	50,000	50,000	50,000	50,000
A45997330 Portland Harbor-RVD	85,000	0	0	0	0	0
Administration Total	135,000	50,000	50,000	50,000	50,000	50,000
Business Dev						
Cluster Industry Development						
B15100330 Cluster Development-RVD	200,000	100,000	100,000	100,000	100,000	100,000
B15102330 Site Recruitment-RVD	71,250	82,500	75,000	75,000	75,000	75,000
B15401330 Design Forum/PDX-RVD	0	5,000	0	0	0	0
Business Lending						
LD2100330 BIF-General-RVD	2,000,000	2,000,000	2,500,000	0	0	3,000,000
Business Dev Total	2,271,250	2,187,500	2,675,000	175,000	175,000	3,175,000
Infrastructure						
Parks						
N33011915 Nbrhd Prk(The Fields)-RVD-Adm	1,550,000	4,130,000	0	0	0	0
N33012015 Nbrhd Park SDC Credit-RVD-Adm	0	0	400,000	0	0	0
Public Facilities						
N33022015 Union Station-RVD-Adm	1,706,500	1,182,520	506,500	506,500	3,506,500	106,500
Transportation						
N33033417 Bumside Oper Improv-RVD-Pred	0	2,595,000	0	0	0	0
N33033715 Streetcar Loop Project-RVD	0	500,000	0	0	0	0
N34630015 Dtown Retail Infra-SP B-Adm	240,924	0	0	0	0	0
Infrastructure Total	3,497,424	8,407,520	906,500	506,500	3,506,500	106,500
Portland Hsg Bureau						
PHB Housing						
H15135330 The Medford-RVD	0	1,478,000	0	0	0	0
H15138330 Pearl Family Housing-RVD	547,748	0	0	0	0	0
H15430330 Affordable Rental Hsg-RVD	1,227,314	310,201	4,429,737	7,309,297	10,771,838	7,269,123
H15900330 PHB Staff & Admin-RVD	492,919	521,210	565,867	629,976	659,802	674,283
H15930330 Fairfield Apartments-RVD	5,000	65,000	64,400	64,400	64,400	65,000
H15938330 Blanchet House Redev-RVD	4,022,950	0	0	0	0	0
H15940330 RAC - Access Center-RVD	17,363,209	0	0	0	0	0
H15951330 Yards at Union Station-RVD	4,965,000	1,893,799	0	0	0	0
Portland Hsg Bureau Total	28,624,140	4,066,210	5,060,004	8,003,673	11,496,038	8,008,406
Property Redev						
Commercial Property Redev						
A35401330 Central City 2035-RVD	27,840	0	0	0	0	0
A45997330 Portland Harbor-RVD	0	32,000	0	0	0	0
N33024015 Multnomah County-RVD-Adm	0	0	26,948,460	0	0	0
P33013715 Grove Hotel-RVD-Adm	2,707,850	0	0	0	0	0
P33050015 Post Office-RVD-Adm	100,000	500,000	8,000,000	16,000,002	15,086,222	22,313,779

Five-Year Forecast Project Requirements Detail

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
P33050115 Dtwm Retail Strat-RVD-Adm	200,000	500,000	250,000	250,000	250,000	250,000
P33050415 Centennial Mills Rdv-RVD-Adm	472,000	365,000	7,836,000	7,076,000	0	0
P33051515 Station Place Garage-RVD-Adm	233,147	223,147	223,147	223,147	223,147	223,147
P33052115 10th & Yamhill Redev-RVD-Adm	15,000	0	0	3,750,000	14,200,000	0
P33052215 CC 2035-RVD-Adm	0	163,895	0	0	0	0
P33052715 PNCA RVD-Adm	250,000	0	0	0	0	0
P33053219 Horse Barn Relocation-RVD-mgmt	100,000	1,750,000	0	0	0	0
P33054315 RD Enviro-RVD-Adm	65,000	75,000	0	0	0	0
P33054415 One Waterfront Pl-RVD-Adm	7,000	6,000	6,000	6,000	6,000	6,000
P33054515 Blocks A&N RVD-Adm	32,300	150,000	32,300	32,300	32,300	32,300
Commercial Real Estate Lending						
R01100330 CPRL-General-RVD	1,280,000	4,035,000	3,000,000	0	0	3,000,000
Community Redevelopment Grants						
G02 100330 DOS-General-RVD	75,000	100,000	100,000	100,000	100,000	100,000
G03 100330 SIP-General-RVD	300,000	275,000	275,000	275,000	275,000	275,000
Property Redev						
Total	5,865,137	8,175,042	46,670,907	27,712,449	30,172,669	26,200,226
Total Program Expenditures	40,392,951	22,886,272	55,362,411	36,447,622	45,400,207	37,540,132
Personal Services	1,062,225	816,694	2,628,182	2,098,214	2,021,682	1,834,749
Transfers - Indirect	3,324,879	3,569,367	8,145,933	6,528,517	6,238,846	5,691,590
PHB Staff/Admin	0	0	0	0	0	0
Total Fund Expenditures	44,780,055	27,272,333	66,136,526	45,074,353	53,660,735	45,066,471
Contingency	11,161,734	7,769,589	2,120,760	1,529,322	1,478,706	2,787,544
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	55,941,789	35,041,922	68,257,286	46,603,675	55,139,441	47,854,015