

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 24, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-81
Oregon Sustainability Center Feasibility Study – Status Briefing

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

None – information only.

SUMMARY

The Portland Development Commission (PDC) is funding a feasibility study to site the Oregon Sustainability Center (Center) at PDC-owned property at SW 4th Avenue and SW Montgomery Street in the South Park Blocks Urban Renewal Area (SPB URA). The Center is the collaborative vision of a unique public/private partnership between City and State government, higher education, nonprofit organizations and the business community. At the core of the project is a 220,000+ square foot mixed-use high rise building, including conference room, classroom, office, and exhibit space. The Center is intended to be a hub for the region's economic competitiveness in sustainability, making connections to Oregon's sustainable businesses, and showcasing the building's green building features and innovations. Development of the Center is a key action item in the PDC Economic Development Strategy.

The Center is anticipated to be the world's first "Living Building" of its scale. Adhering to the requirements of the Cascadia Region Green Building Council's Living Building Challenge, the Center would produce 100% of its energy on site through self-sustaining energy generation and distribution systems; its design also includes integrated water reuse, net-zero energy consumption and no carbon footprint.

Partners in this effort include: Oregon University System (OUS); Portland Community College (PCC); Portland + Oregon Sustainability Institute (P+OSI); City of Portland Mayor's Office and Bureau of Planning & Sustainability (BPS); and the Oregon Living Building Initiative (OLBI), a consortium of nonprofits and businesses working in sustainability.

The feasibility study will be substantially complete by the end of June 2009. The project is on an expedited time frame given anticipated approval for up to \$80 million of OUS bonds in the biennium State budget and pursuit of federal stimulus funding.

This briefing reviews feasibility study results, shares public outreach and comment, and requests a PDC Board of Commissioners (Board) decision on whether and how to proceed with the project. Currently, staff anticipates working with project partners through October to develop a full project funding strategy and to resolve outstanding ownership questions; staff

would return to the Board in the fall to report back on these activities prior to entering into any disposition or funding agreement.

BACKGROUND

PDC acquired two parcels on Block 153 near the Portland State University (PSU) campus between 2002 and 2004 pursuant to the 1995 *University District Plan* and the 2002 *Montgomery Blocks Redevelopment Strategy*. One Block 153 parcel, commonly referred to as the Jasmine Tree property, is located at the northwest corner of SW Harrison and 4th Avenue. The second parcel is used as a PSU carpool parking lot and is located on the northern half of the block. A map of the site is provided as Attachment A.

In 2006, PDC issued a Request for Proposals (RFP) seeking a qualified development team to redevelop the site as a mixed-use project focused on middle income housing. Gerding/Edlen Development Company (Gerding/Edlen) was selected by the Board as a result of a competitive solicitation. Subsequently, Gerding/Edlen and PDC entered into a Memorandum of Understanding (MOU) currently set to expire July 31, 2009. In the event that the results of the feasibility study warrant moving forward with full design and funding of the Center, this MOU with Gerding/Edlen will be terminated and a new agreement will be negotiated.

Over the past three years, PDC has conducted site cleanup activities pursuant to this MOU, and Gerding/Edlen has pursued construction of the Cyan project included as the phase 1 project in their solicitation proposal. With a significant downturn in the housing and financing markets, PDC, the City and P+OSI, together with OUS, PCC and other sustainability-focused organizations and agencies, initiated the feasibility assessment to site the Center at this location.

Goals

Key economic development goals of the Center to bolster Portland and Oregon's sustainable economy and job growth include:

- Provide immediate support for over 300 jobs within the city and state's sustainable and green building sectors, in architecture, engineering, development, and higher education.
- Further develop this employment and knowledge base through completion of the Center, which has the potential to generate over 1,600 jobs.
- Promote longer term job creation through ongoing monitoring, management, and maintenance of the Center and adjacent EcoDistrict.
- Provide hands-on training for students following green technology and engineering curricula at PSU and PCC.
- Develop the city and state's green workforce using the Center's innovative energy systems for hands-on training for PSU and PCC students.
- Support Oregon companies through sourcing materials locally, as required by the Living Building Challenge; this will involve extensive collaboration between the Center's design team, tenants, and Oregon-based manufacturing and project-related businesses.
- Strengthen the region's economic growth in the export of green building services.
- Integrate new green technologies into the Center as a "living laboratory" that align with concurrent research underway at OUS universities; through Oregon BEST spur the development of new businesses in Oregon based on these new green building construction techniques and innovations.

- Forge research and innovation partnerships between universities, the private sector, nonprofits, and governmental partners.
- Maximize opportunities during both the development phase as well as post occupancy to assess and develop new public policy that can serve as a national model for green development.

Process

In January 2009, PDC issued a RFP seeking a qualified and experienced team to provide development feasibility services, including pre-development phase program, design, financial, and construction analysis related to the Center. The RFP also laid forth that if the Center is deemed to be feasible and desirable, the team selected as a result of the feasibility study RFP could be invited to provide development, design and construction services for the Center.

Of the eleven submissions received in response to the RFP, PDC short listed four teams who were invited to present their proposals before an evaluation committee and at a public event held in late February. The four short-listed teams were:

- Gerding/Edlen Development with SERA Architects and GBD Architects
- Holst Architecture with FXFOWLE, Pettigrove Venture and Equity Community Builders LLC
- Ethos Project Management with Behnisch Architects, Inc., Brightworks and Regenesi Group
- Winkler Development Corporation with Perkins + Will and LRS Architects Inc.

In early March, the Evaluation Committee recommended selection of the Gerding/Edlen team, which was confirmed by the PDC Executive Director.

Key Elements

Oregon Sustainability Center

The Center is anticipated to be the world's first Living Building of its scale and within an urban context. The Center will be an over 220,000 square foot building with ground floor retail; shared conference and presentation space; and City of Portland Bureau of Planning and Sustainability, Oregon University System, P+OSI and Oregon Living Building Initiative offices, that also:

- Adheres to the prerequisites of the Cascadia Region Green Building Council's Living Building Challenge.
- Produces 100% of its energy on site through self-sustaining energy generation and distribution systems.
- Includes water capture and reuse (for black, grey and storm water) and regenerative water systems.
- Integrates all systems to achieve net-zero energy consumption.
- Design will collectively produce zero carbon footprint.
- Integrates a permanent streetcar alignment design cutting diagonally through the block to replace the temporary alignment currently on SW Montgomery Street and SW 4th Avenue.

Renderings of the preliminary site plan and design are included as Attachment B.

EcoDistrict

The Center is also proposed to anchor a pilot EcoDistrict. EcoDistrict is a neighborhood development strategy that combines high performance buildings and infrastructure to reduce greenhouse gas emissions, energy use, and water use. This pilot district is planned to include:

- District scale energy, with renewable and low carbon energy production, and an on-site “Living Machine” that treats black water using microorganisms as opposed to carbon-producing energy sources.
- Water reuse, storm water management, and park enhancements that integrate with the adjacent Montgomery Street right-of-way through an innovative green street design.
- A confluence of alternative transportation that includes mass transit (MAX light rail and streetcar), a key east-west pedestrian connector through the PSU campus, and bike paths.
- An on-site resource and education center for citizens, businesses, and delegations to learn about the Center and EcoDistrict and to track the building and EcoDistrict’s environmental performance over time.

Project Funding

The preliminary budget for the project, including the adjacent Montgomery Green Street, streetcar alignment, and ongoing research and monitoring activities is \$120 million. The preliminary budget for the Center is approximately \$100 million. Through the Oregon University System, there is a reservation of \$80 million in State bonds. PDC has approximately \$4.65 million available in the FY 2009-2010 South Park Blocks Approved Budget and Forecast. A copy of the FY 2009-2010 SPB Approved Budget is included as Attachment C.

OLBI and P+OSI have contracted with a consultant to prepare a fundraising strategy targeting private sector and foundation resources. The project team is also considering the availability of New Market Tax Credits for the project. Finally, the partners are actively pursuing federal stimulus dollars with the support of the Governor’s Office. Proposed federal stimulus funds sought for this project are approximately \$30 to \$40 million from various sources, including Department of Energy and Department of Commerce grants.

ATTACHMENTS:

- A. Montgomery Blocks Map and Site Images
- B. Preliminary Oregon Sustainability Center Renderings
- C. FY 2009/2010 South Park Blocks Approved Budget and Forecast

ATTACHMENT A
Montgomery Blocks Map and Site Images



View from PSU Urban Center Plaza

Aerial looking southwest

ATTACHMENT B
Preliminary Oregon Sustainability Center Renderings



ATTACHMENT C
FY 2009/2010 South Park Blocks Approved Budget and Forecast

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Approved FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
South Park Blocks URA						
Resources						
Beginning Fund Balance	4,753,726	24,309,779	10,779,346	4,215,818	1,035,418	500,018
Cash Transfers In	0	0	0	0	0	0
Fees and Charges	0	0	0	0	0	0
Interest on Investments	500,000	300,000	150,000	50,000	50,000	0
Loan Collections	700,000	50,000	50,000	50,000	50,000	50,000
Property Income	2,000,000	1,800,000	0	0	0	0
Reimbursements	0	0	0	0	0	0
Tax Increment Proceeds	35,676,691	299,700	399,600	399,600	399,600	399,600
Total Resources	43,630,417	26,759,479	11,378,946	4,715,418	1,535,018	949,618
Requirements						
Program Expenditures						
Business & Industry						
General Business Assistance						
79020 Business Finance	0	925,000	0	0	0	0
Target Industries						
70021 Oregon Sustainability Center	640,000	2,922,029	1,728,807	0	0	0
Business & Industry Total	640,000	3,847,029	1,728,807	0	0	0
Housing						
Multi-Family - Rental Housing						
12027 Jefferson West Apartments	700,000	0	0	0	0	0
12035 Martha Washington	1,500,000	3,150,000	0	0	0	0
12036 Admiral Apartments	3,300,000	0	0	0	0	0
34510 Section 8 Preservation SPB	900,000	180,000	3,000,000	3,000,000	900,000	790,000
34525 University Place	2,300,000	3,700,000	0	0	0	0
Portland Housing Bureau						
28025 Administration	0	73,884	130,805	67,200	18,900	16,590
Housing Total	8,700,000	7,103,884	3,130,805	3,067,200	918,900	806,590
Infrastructure						
Parks						
12210 South Park Block 5 and Streetscapes	2,966,964	0	0	0	0	0
Infrastructure Total	2,966,964	0	0	0	0	0

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised	Approved	Forecast	Forecast	Forecast	Forecast
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Revitalization						
Plans and Strategies - Revitalization						
92110 Westside/Central City Study	180,665	40,000	0	0	0	0
Redevelopment						
10221 Transit Mall Revitalization	339,101	0	0	0	0	0
12101 Downtown Retail Strategy	15,000	0	0	0	0	0
12217 University District Projects	399,097	0	0	0	0	0
27001 Storefront Grants	150,000	200,000	200,000	200,000	0	0
28030 Redevelopment Loan Projects	0	2,200,000	1,300,000	0	0	0
60004 Montgomery Blocks - PCAT	2,000,000	0	0	0	0	0
Revitalization Total	3,083,863	2,440,000	1,500,000	200,000	0	0
Administration						
Finance						
98001 Debt Management	100,000	0	0	0	0	0
Administration Total	100,000	0	0	0	0	0
Total Program Expenditures	15,490,827	13,390,913	6,359,612	3,267,200	918,900	806,590
Personal Services	714,346	541,623	112,118	57,600	16,200	14,220
Indirect Cost	3,165,465	2,047,597	691,398	355,200	99,900	87,690
Total Fund Expenditures	19,370,638	15,980,133	7,163,128	3,680,000	1,035,000	908,500
Contingency	24,259,779	10,779,346	4,215,818	1,035,418	500,018	41,118
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	43,630,417	26,759,479	11,378,946	4,715,418	1,535,018	949,618