

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** December 14, 2011  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 11-75  
Update on Rose Quarter Redevelopment

### **EXECUTIVE SUMMARY**

#### **BOARD ACTION REQUESTED**

None – information only.

#### **SUMMARY**

At the Board meeting, staff will provide an update on the design and scope of work for the Veterans Memorial Coliseum revitalization, including the status of the concurrent feasibility analysis for a shared thermal energy system. The shared thermal energy system is a significant new step for the Lloyd EcoDistrict. Staff will also update the Board on the Rose Quarter District Plan that was recently reviewed by the Rose Quarter Stakeholder Advisory Committee on November 30, 2011, and will be submitted to the Bureau of Planning & Sustainability Central City 2035 North/Northeast Quadrant Stakeholder Advisory Committee.

Portland City Council Resolution No. 36887 (Attachment “A”) authorized Mayor Adams or Chief Accounting Officer Jack Graham to enter into a non-binding Proposed Transaction Terms agreement (Term Sheet) among the City of Portland (City), Rip City Management, LLC doing business as Portland Arena Management, and Portland Winterhawks. The Term Sheet outlines intentions for a public-private Redevelopment Agreement for investment of approximately \$30,500,000 to design and construct improvements that would revitalize the Veterans Memorial Coliseum. Funding includes \$17,100,000 from the Oregon Convention Center Urban Renewal Area. In January 2012, staff expects to bring to the Board for its consideration, an Intergovernmental Agreement between PDC and the City of Portland Office of Management and Finance (IGA) to fund the City’s obligation under the Redevelopment Agreement. See Exhibit “A” to the Term Sheet (Attachment “B”).

### **BACKGROUND**

The future use of the Memorial Coliseum, rededicated as the Veterans Memorial Coliseum in May 2011, has been under consideration by City Council and the PDC Board since construction of the Rose Garden in 1993. The Veterans Memorial Coliseum is passionately embraced by many as one of the city’s few named symbols honoring armed service members and their families. It is also recognized for its unique modern

design and fondly remembered by those who graduated under its roof or attended a sports or entertainment event there.

The Rose Quarter Stakeholder Advisory Committee (RQSAC) was created by the Mayor's office in September 2009 to advise the City Council and PDC Board on the future of the Veterans Memorial Coliseum and the Rose Quarter. With event attendance of more than four hundred thousand people each year, the Veterans Memorial Coliseum needs major capital improvements; the useful life of many of the building systems is nearing an end.

Community support for retaining the VMC was an outcome of the RQSAC public process and resulted in the building's nomination to the National Register of Historic Places by the Friends of Memorial Coliseum, a citizens group. This action, supported by Portland City Council, clarified the future of the building. Completion of the VMC revitalization would fulfill goals set forth by the RQSAC, whose Aspirational Statement (Attachment "C") has been used to establish specific goals for the revitalization.

PDC, OMF, the Portland Winterhawks (PWH), and Portland Arena Management (PAM) prepared a concept design and cost estimate that reflects the shared objectives of renovating the facility in a manner that respects both its historic status and increased utilization. Extensive building systems analyses were completed and value engineered in order to minimize cost and prioritize the improvements.

On May 11, 2011, the PDC Board made public findings that investing urban renewal funds in the renovation and improvement of VMC was of benefit to the public and to the Oregon Convention Center Urban Renewal Area. On August 10, 2011, the Portland City Council concurred and approved the 19<sup>th</sup> Amendment to the OCC Urban Renewal Plan, permitting PDC to use funds for this project.

The 19<sup>th</sup> Amendment, as stated;

II) Redevelopment of the Veterans Memorial Coliseum. The Development Commission may participate in the renovation and improvement of the Veterans Memorial Coliseum (the Coliseum). The Development Commission's participation in this public building project will benefit the Oregon Convention Center Urban Renewal Area by creating a more vibrant Coliseum that is expected to catalyze future Rose Quarter development and grow the tax base. The renovation and improvement of the Coliseum is expected to increase the quality and number of recreational and cultural events, which will serve the convention trade and associated job creation at the Convention Center within the urban renewal area. Renovation and improvement of the Coliseum will enhance the Convention Center setting and environment within the urban renewal area to help reflect the best of Portland to visitors, thereby extending convention stays and return visits and business recruitment to the region. Enhancement of the Coliseum is expected to provide additional community access to gathering space, recreation and cultural opportunities that will support neighborhood livability and attract new area businesses to create new jobs.

On August 24, 2011, the PDC Board authorized the PDC Executive Director to enter into a multi-phased architectural and engineering (A/E) professional services contract, in an amount not to exceed \$2,760,000, to provide design and construction administration services related to the redevelopment of the VMC. To date, the Executive Director has entered into the first phase of the A/E contract with the selected team, Opsis-AECOM, for an amount not to exceed \$547,030 to produce schematic designs, including further verification of cost estimates. Opsis-AECOM is expected to produce the schematic design and updated cost estimates by late December, when subsequent phases of the contract will be negotiated.

Simultaneously, redevelopment agreement negotiations began between PAM, PWH, PDC and the City, to set forth the terms for the project including public and private investment, financing structure, roles and responsibilities and the business terms of the agreement. A Letter Of Intent (LOI) was signed on September 19, 2011 by Mayor Sam Adams, Portland Arena Management and Portland Winterhawks (Attachment "D"). The LOI served as the framework for the Term Sheet that was approved by Portland City Council through Resolution 36887. Consideration of a redevelopment agreement is expected to be presented to City Council in early 2012.

**ATTACHMENTS:**

- A. Portland City Council Resolution No. 36887
- B. Exhibit "A" to Resolution No. 36887
- C. Rose Quarter Stakeholder Advisory Committee Aspirational Statement
- D. Letter of Intent

**RESOLUTION No. 36887**

Declare the City of Portland's support for the renovation of Veterans Memorial Coliseum and authorize the City, Rip City Management, LLC, doing business as Portland Arena Management, successor in interest to Oregon Arena Corporation and Portland Winter Hawks, Inc. to continue to negotiate a redevelopment agreement for such renovation. (Resolution)

WHEREAS, VMC was placed on the national registry of historic places in September of 2009; and

WHEREAS, on November 2, 2009, the Rose Quarter Stakeholder Advisory Committee (RQSAC) began soliciting ideas from the public for the renovation or adaptive reuse of the Veterans Memorial Coliseum, which were rated and prioritized by the RQSAC and the public and subsequently reduced to three recommended concepts; and

WHEREAS, after determining that two of the concepts were not economically viable given the limitation in available funding and the historic status of the building, the Mayor and the RQSAC recommended the renovation of the facility as an "enhanced spectator facility," which is reflected in the current VMC renovation plan; and

WHEREAS, on January 5, 2011, by Resolution 36839, Portland City Council unanimously voted in favor of renaming the facility previously known as "Memorial Coliseum" to "Veterans Memorial Coliseum"; and

WHEREAS, on August 10, 2011, by Resolution 36875, Portland City Council approved the 19<sup>th</sup> Amendment to the Oregon Convention Center Urban Renewal Area, which gave the Portland Development Commission (PDC) the authority to spend tax increment financing on VMC, a City-owned building, and to enter into a design contract with Opsis Architecture for the renovation of VMC; and

WHEREAS, the renovation of VMC will allow needed capital repairs and improvements to be performed at VMC; and

WHEREAS, the renovation of VMC will generate economic benefit to the City through construction jobs and the generation of increased event-related economic activity at VMC by enhancing the fan experience and increasing attendance; and

WHEREAS, the renovation of VMC is intended to create a more vibrant VMC that is expected to catalyze future Rose Quarter Development and grow the tax base; and

WHEREAS, the enhancement and renovation of VMC is expected to provide additional community access to gathering space and recreation that will support neighborhood livability and attract new area businesses to create jobs; and

WHEREAS, as part of the project, the Veterans Memorial and gardens located at VMC (Memorial Gardens) will be repaired and renovated; and

WHEREAS, the Mayor's office, PDC and the Regional Arts and Culture Council are working with a veterans focus group to establish a vision and design for the

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enhancement of the Memorial Gardens to reflect the values and emotions linked with the memorial aspect of VMC; and

WHEREAS, subject to the parties agreeing upon a binding redevelopment and other agreements, PWH will commit significant private capital to the renovation costs; and

WHEREAS, PAM is willing to manage construction of the renovation without fee compensation; and

WHEREAS, pursuant to an intergovernmental agreement with the City's Office of Management and Finance, PDC will provide tax increment financing from the Oregon Convention Center Urban Renewal Area to partially fund the cost of renovation; and

WHEREAS, the proposed financing package protects the City's General Fund from increased exposure because the City is not incurring any indebtedness related to the project other than potentially securing a bridge loan to facilitate an anticipated historic tax credit transaction; and

WHEREAS, the parties acknowledge that the City will not agree to bear risk for cost overruns that will materially increase risk to the City's General Fund.

NOW, THEREFORE, BE IT RESOLVED that the Portland City Council affirms its support for the renovation of VMC; and

BE IT FURTHER RESOLVED, that either of the Mayor or the Chief Administrative Officer is authorized to execute the Term Sheet in substantially similar form to that attached as Exhibit A; and

BE IT FURTHER RESOLVED, that the redevelopment agreement shall be brought before Portland City Council for approval when completed; and

BE IT FURTHER RESOLVED that the Portland City Council authorizes the Mayor's office and the Office of Management and Finance to continue negotiating a redevelopment agreement with PAM and PWH as generally outlined in Exhibit A attached to this Resolution.

Adopted by the Council: **NOV 17 2011**

Mayor Sam Adams  
Prepared by: PETER PARISOT  
November 9, 2011

**LAVONNE GRIFFIN-LAVADE**

Auditor of the City of Portland

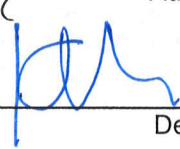
By

Deputy



Agenda No. **36887**  
**RESOLUTION NO.**  
 Title

Declare the City of Portland's support for the renovation of Veterans Memorial Coliseum (VMC) and authorize the City, Rip City Management, LLC, doing business as Portland Arena Management, successor in interest to Oregon Arena Corporation (PAM), and Portland Winter Hawks, Inc. (PWH) to continue to negotiate a redevelopment agreement for such renovation. (Resolution)

INTRODUCED BY Commissioner/Auditor: <b>Mayor Sam Adams</b>	CLERK USE: DATE FILED <u>NOV 10 2011</u>
COMMISSIONER APPROVAL Mayor—Finance and Administration - Adams	LaVonne Griffin-Valade Auditor of the City of Portland  By:  Deputy
Position 1/Utilities - Fritz	
Position 2/Works - Fish	
Position 3/Affairs - Saltzman	
Position 4/Safety - Leonard	
BUREAU APPROVAL Bureau: Bureau Head:	ACTION TAKEN:
Prepared by: Ball Janik Date Prepared: 11/8/11	
Financial Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/> Not Required <input type="checkbox"/>	
Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Council Meeting Date <b>November 17, 2011</b>	
<b>City Attorney Approval</b>	

**AGENDA** 1 of 3

**TIME CERTAIN**   
**Start time: 2:00**

**Total amount of time needed: 1 hour**  
 (for presentation, testimony and discussion)

**CONSENT**

**REGULAR**   
**Total amount of time needed: \_\_\_\_\_**  
 (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	—	
4. Leonard	4. Leonard	✓	
Adams	Adams	✓	

**PROPOSED TRANSACTION TERMS  
(RENOVATION OF VETERANS MEMORIAL COLISEUM)  
\_\_\_\_\_, 2011**

1. Parties

- 1.1 The City of Portland (the "City")
- 1.2 Rip City Management, LLC, doing business as Portland Arena Management (f/k/a Portland Arena Management LLC), successor-in-interest to Oregon Arena Corporation ("PAM")
- 1.3 Portland Winter Hawks, Inc. ("PWH")

2. Non-Binding Term Sheet

The purpose of this Proposed Transaction Terms (Renovation of Veterans Memorial Coliseum) ("Term Sheet") is to evidence the understandings of the City, PAM and PWH (each, a "party" and collectively, the "parties") with respect to the fundamental business terms for the renovation of Veterans Memorial Coliseum ("VMC"). The purpose of the Term Sheet is also to evidence the understanding and agreement of the Portland Development Commission ("PDC") as set forth in Section 4.2. This Term Sheet is not legally binding, and the parties shall not be legally bound until the parties, each in their sole discretion, execute the definitive documents necessary to implement the transactions contemplated by this Term Sheet. The parties entered into a letter of intent on September 21, 2011, which letter has informed this Term Sheet.

3. Project; Ownership

3.1 The City, PAM and PWH intend to establish a public/private partnership, in accordance with the terms set forth in this Term Sheet, to design, finance, and construct renovations to VMC, with an estimated budget of

\$30,500,000, excluding any additional improvements paid through, but not limited to, grants and private fundraising efforts. The preliminary contemplated scope of the renovation to VMC is summarized on the attached Exhibit A, which is subject to change through future design and value engineering activities to be approved by the parties. The parties originally discussed improvements to VMC with a much higher estimated budget. Due to financial considerations, the budget is presently estimated to be \$30,500,000. However, the parties continue to explore additional sources of funding. The parties will identify and pursue in good faith opportunities to enhance attendance and fan experience at VMC while also performing capital repairs agreed to be necessary to keep VMC in good operating condition and to meet applicable code requirements.

3.2 In accordance with the 19<sup>th</sup> Amendment to the Oregon Convention Center Urban Renewal Area (the "OCC URA"), approved by Portland City Council ("Council") by Resolution No. 36875 on August 10, 2011, PDC has been authorized to enter into a design contract with Opsis Architecture ("Opsis"). Subject to agreement upon a redevelopment agreement, the design contract will be assigned to PAM, and PAM will be responsible for entering into the general contract for construction of VMC renovations and managing the construction of the VMC improvements, with specified contractors approved by the parties. The general contract for construction will have a guaranteed maximum price. PAM will have no obligation to contribute money to the project cost funds, and the disbursement of all such project cost funds will be governed by the Project Funding Agreement described in Section 12.4 below. All monies payable under the design contract and general contract for construction will be subject to the payment provisions of the Project Funding Agreement.

3.3 Concurrently with the approval of this Term Sheet, the parties will



request the City to approve a sole-source exemption from public bidding to allow the City to enter into a redevelopment agreement with PAM, the current operator of VMC. PWH will also be a party to the redevelopment agreement.

3.4 The City and PAM may mutually agree in their sole discretion to amend the existing operating agreement pursuant to which PAM operates VMC (the "Operating Agreement") as may be reasonably necessary to facilitate financing for the renovation or to accommodate the structuring of historic tax credits for the project. The City will continue to own VMC.

3.5 The City and/or PAM, as applicable, will enter into agreements with PWH pursuant to which PWH will have the right to use VMC as its primary venue until 2023, with possible extension rights.

3.6 PAM will exercise its first existing option to extend the term of the Operating Agreement until 2018. If PAM does not exercise its second existing option to extend the Operating Agreement until 2023, PWH shall have a right of first refusal to become the operator of VMC on the terms of the then-effective Operating Agreement, including terms relating to operations of VMC set forth in the existing development agreement between the City and PAM (e.g. user fees).

#### 4. Funding Plan

4.1 The funding plan for the renovation work is as follows:

<b>Uses</b>	<b>Amount</b>
Project Costs <sup>1,2</sup>	\$30,500,000

<b>Sources</b>	<b>Amount</b>
Tax Increment Financing (" <u>TIF</u> ")	\$17,100,000
PWH	\$10,000,000
Historic Tax Credits (" <u>HTCs</u> ") <sup>3</sup>	\$3,400,000
<b>Total Sources</b>	<b>\$30,500,000</b>

- <sup>1</sup> Hard and soft construction costs exclude any additional improvements that can be funded with monies from grants and private fundraising.
- <sup>2</sup> Project budget assumes that installation of solar technology will be coordinated with remodeling so that solar technology costs apply to 1.5% state requirement, if applicable.
- <sup>3</sup> Estimate based on 90% of \$27.1m of project costs being eligible for HTCs, 20% credit, and fees and costs of approximately \$1.5m.

4.2 Pursuant to an intergovernmental agreement with the City, PDC will contribute \$17,100,000 of TIF from the OCC URA to the project.

4.3 The parties will cooperate throughout the design, documentation and construction phases of the project to obtain and attempt to maximize the HTCs available for the project. For purposes of the HTC structure, PAM will need to act as the "master lessor." The City will endeavor to provide bridge financing for the HTC transaction.

4.4 If the cost of the VMC renovation project is less than \$30,500,000 million, the savings shall be used to complete additional capital repairs or operational enhancements at VMC, as agreed upon by the parties.

## 5. Construction Cost Overruns

5.1 The parties recognize the importance of agreeing upon a mechanism to pay for costs in excess of the current budget of \$30,500,000. In addition, the parties acknowledge that the City cannot agree to bear overrun risk that increases risk to the City's General Fund. Although negotiations regarding cost overruns are ongoing, the City has agreed to a 20% contingency applicable to the entire project budget, which contingency will be carried into construction. In addition, the parties may consider and agree upon reductions in scope to protect against cost overruns, provided such reductions will not interfere with or delay the contemplated construction schedule for the project.

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5.2 After the scope of the project has been agreed to by the parties, the costs for items in excess of the approved project scope shall be borne as follows:

(a) The cost of City-directed design modifications or enhancements, other than those required by the City in its regulatory capacity, will be borne by the City.

(b) The cost of PWH-directed design modifications or enhancements will be borne by PWH.

(c) The cost of PAM-directed design modifications or enhancements will be borne by PAM.

6. Project Completion

Each party has incentive to ensure completion of the renovation of VMC on an agreed upon schedule. To ensure project completion, PAM, through a provision in the construction contract, will require the general contractor to post payment and performance bonds. Subject to force majeure, PAM will agree to an outside date for completion of the project of approximately twelve (12) months beyond the scheduled completion date.

7. Environmental Risks

The parties have conducted and are continuing to conduct environmental due diligence at VMC to ascertain the extent and cost of environmental remediation that will be necessary as part of the renovation project, including remediation of asbestos containing materials, lead paint and chiller refrigerant. All reasonably foreseeable environmental remediation costs will be included in the project scope and budget.

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8. Community Benefits and Enhanced Community Usage

In addition to community programs and benefits already provided by PAM at VMC, following completion of the renovation, the public will continue to have access to the plaza space outside VMC for community events, access to meeting rooms inside VMC, and access to VMC for ice skating.

9. Prevailing Wage; Business and Workforce Equity

9.1 The renovation project will be subject to prevailing wage.

9.2 The project will be subject to PDC's Workforce Training and Hiring, M/W/ESB (which includes veterans) and project apprenticeship programs, including workforce equity policies applicable to design professionals.

10. Sustainability

10.1 The parties will pursue LEED Gold certification for the project in the new construction/major renovation category.

10.2 The parties are assessing the feasibility of a shared thermal energy system.

10.3 The project may be subject to the state requirement that 1.5% of the total contract price be used for appropriate solar energy technology.

11. Memorial Gardens

As part of the renovation project, the Veterans Memorial currently located at VMC will be repaired and renovated (the "Memorial Gardens Project"). The Memorial Gardens Project will be funded in part with the 2% art fee payable as part of the costs of the project.

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12. Related Agreements

In addition to other agreements mentioned in this Term Sheet or required by the redevelopment agreement, and except as described otherwise below, the following agreements will be part of the documentation for the project:

12.1 PAM will enter into a Neighborhood Livability Partnership with the Eliot Neighborhood, which agreement shall be reasonably acceptable to the City.

12.2 The parties will determine if the project requires a Construction Mitigation Plan.

12.3 The parties will determine if an amendment to the existing Transportation Management Plan is triggered by the project.

12.4 The parties will enter into a Project Funding Agreement to govern the disbursement of project funds during construction.

12.5 PAM and PWH will enter into a new or amended lease as part of the redevelopment of the project.

13. Timing.

All obligations of the parties are conditioned upon the parties entering into all necessary definitive documents, each in its sole discretion.

13.1 The parties will use reasonable efforts to have all necessary definitive documents approved by Council in the first quarter of 2012 and executed as soon as practical thereafter.

13.2 The definitive documents will provide that the funding sources set forth in the financing plan referred to in Section 4 above will be contractually

committed by a date certain. If that can not occur by such date, then the parties may delay execution of the definitive documents to any agreed upon execution date or may terminate this Term Sheet.

14. Counterparts.

This Term Sheet may be signed in counterparts, each of which shall be deemed an original and when taken together shall be deemed one and the same document.

*(Remainder of Page Intentionally Left Blank;  
Signatures on Following Pages.)*

PAM: RIP CITY MANAGEMENT LLC, a  
Delaware limited liability company

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_

CITY: CITY OF PORTLAND, a municipal  
corporation of the State of Oregon

By: \_\_\_\_\_  
Its: Mayor

By: \_\_\_\_\_  
Its: City Auditor

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Linda Meng, City Attorney

PWH: PORTLAND WINTERHAWKS, INC.

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_

FOR PURPOSES OF SECTION 4.2, ACKNOWLEDGED AND AGREED TO BY  
THE PORTLAND DEVELOPMENT COMMISSION.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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## EXHIBIT A

### **Summary of Anticipated Improvements to VMC**

The following is the preliminary contemplated scope of the renovation to VMC, which is subject to change through future design and value engineering activities to be approved by the parties and incorporated into the redevelopment agreement:

#### Arena Bowl Improvements

Complete seat replacement  
Improved ADA seating  
New center-hung scoreboard and video replay system  
New NHL sized ice rink, dashers and glass

#### Concourse and Event Level Improvements

Renovation of restrooms (including ADA)  
Remodel of concession stands  
Accessible counters for concession stands (ADA)  
Replace portable concession carts  
Remodel Winter Hawks' offices  
Remodel Winter Hawks' locker room  
Upgrade meeting room finishes  
Restore glulam columns  
Upgrade concourse lighting  
Replace interior doors (ADA compliant)

#### Memorial Gardens Improvements

Restore hardscape and landscaping  
Enhance memorials using 2% for art funding

#### Building Infrastructure and Systems

Complete roof replacement  
Replace hot and cold water pipe systems  
Replace main electrical panels and switchgear  
Replace and/or recondition building heating and cooling systems

#### Safety and Code Improvements

Upgrade emergency lighting system  
Replace fire sprinkler system at entry pagoda  
Add fire sprinkler system under the bowl  
Add fire sprinkler system to restrooms and concessions  
Install building wide Fire Alarm system  
Connect exhaust fans to Fire Alarm system





## **Rose Quarter Development Project**

**Stakeholder Advisory Committee (SAC)**  
Memorial Coliseum Future Process

### **Aspirational Statement for Presentation to City Council**

*Updated March 25, 2010*

We, the Rose Quarter Stakeholder Advisory Committee, support preservation of the Memorial Coliseum as an inspiring, community-focused, multi-purpose facility with improved flexibility to accommodate a multiplicity of events for public and private purposes, at a variety of scales and uses including, without limitation: sports, entertainment, arts and culture in a manner that honors Veterans, respects the cultural heritage of the African American neighborhood that was previously in this location, integrates education, showcases innovation in sustainability, and demonstrates a triple bottom line of social, environmental and economic equity in a way that is consistent with its status as a National Register historic property. The outcome of the Memorial Coliseum and Rose Quarter development should serve to increase access to community benefits for the widest range of Portland residents. Exhibit A on the next page demonstrates the range of activities that have strong support from the community and the Rose Quarter Stakeholder Advisory Committee.

## **Exhibit A**

It is understood that the Memorial Coliseum may not be able to support all of the following activities and uses, however, our Committee urges the Memorial Coliseum concept proposers to compare the proposals for the use of the Coliseum interior spaces in terms of use, cost, operation and profitability with those for an improved base case. In so doing, they should consider improvements that augment daytime usage and district activation and may consider the following in their more detailed concept submittals in response to the Request for Proposal:

- Enhanced Veterans Memorial
- Meeting Space with Priority Usage by Veterans
- Eco-district Features, Design and operating systems that reflect state of the art sustainability features.
- Amateur Athletics Fitness Facility including an aquatics center
- Live Entertainment Venue
- Amateur and Professional Sports Spectator Facility
- Regulation Hockey Rink
- Space for Visual Arts and Performances
- Restaurants
- Skylights, roof penetrations, and other natural light features
- Programming that reflects the aspiration of educating as well as entertaining users of the facility.



OFFICE OF MAYOR SAM ADAMS  
CITY OF PORTLAND

**September 19, 2011**

**VIA EMAIL AND FIRST CLASS MAIL**

Portland Arena Management  
One Center Court, Suite 200  
Portland, OR 97227  
Attn: Chris Oxley

Portland Winterhawks  
300 N. Winning Way  
Portland, OR 97227  
Attn: Doug Piper, President

**Re: Letter of Intent ("LOI") for the Renovation of Veterans Memorial Coliseum ("VMC")**

The City of Portland (the "City") recommends the renovation of VMC and the negotiation and drafting of documents related thereto based on the background and recitals and in general conformance with the terms and conditions outlined below. This LOI is intended to serve as a basic framework for the proposed renovation of VMC, including building improvements in three areas: (1) capital repair and maintenance; (2) operational and aesthetic enhancements designed to stimulate increased revenues; and (3) community enhancements as informed by the Rose Quarter Stakeholder Advisory Committee. The issuance of this LOI by the City and the acceptance of this LOI by Portland Arena Management ("PAM") and the Portland Winterhawks ("PWH") shall indicate each party's intent to use commercially reasonable efforts to negotiate a redevelopment agreement (the "RDA") and other ancillary agreements for the renovation of VMC.

**A. Background and Recitals**

1. Each of the City, PAM and PWH (collectively, the "VMC Project Team" or the "parties") affirms that the intent of the renovation of VMC is to contribute to the revitalization of the Rose Quarter and, if executed, is intended to improve operations and profitability and will likely result in additional community usage of the facility that will activate the Rose Quarter during non-event times and serve as a catalyst for future district development.

2. The VMC Project Team supports City Council's decision to retain and revitalize VMC, and the VMC Project Team acknowledges that the renovation plan will respect the building's status on the National Register of Historic Places.
3. The Rose Quarter Stakeholder Advisory Committee (the "SAC") Aspirational Statement for VMC will serve as guidance to determine the appropriate community enhancements, which, if feasible, will incorporate elements as outlined in Attachment A.
4. The private parties have endorsed the issuance of a Request for Qualifications ("RFQ") for a shared thermal energy system at the Rose Quarter. The RFQ is attached to this LOI as Attachment B and specifically includes a solar option, which may be implemented as thin film solar on VMC, so long as such implementation is consistent with VMC's designation on the National Register of Historic Places.
5. The City has been actively engaged in planning with PAM and PWH on the scope of the renovation project. The Portland Development Commission ("PDC") has been directed by the City to act as a design and planning manager for the renovation of VMC, and PDC's Board has agreed that PDC will act as a primary funding partner for such renovation. The City's Office of Management and Finance will play a critical role in, and be a point of contact during, the negotiations of the RDA and related documents.
6. The conceptual design phase of the renovation project is complete.
7. On August 10<sup>th</sup>, 2011, by Resolution No. 36875, City Council approved the Nineteenth Amendment to the Oregon Convention Center Urban Renewal Area (the "OCC URA") Plan which allows urban renewal funds to be expended on VMC. PDC's Board approved the Nineteenth Amendment on May 11, 2011.
8. PDC issued a Request for Proposals #11-02, Architectural Design and Engineering: Veterans Memorial Coliseum Renovation (the "RFP") and received responses to the RFP from Opsis Architecture ("Opsis") and Boora Architects. The Notice of Intent to Award Request for Proposals #11-02 published September 7, 2011 identifies Opsis as the successful proposer. Opsis' services will cover schematic design through the preparation of construction documents. The construction package and cost estimates will be presented to City Council prior to issuance of construction contracts.

9. It is anticipated that the RDA will be negotiated concurrently with the design process and will outline the rights and obligations of the parties, including private and public investment in the renovation project. However, the parties recognize that material financing terms cannot be finalized until the parties have agreed upon the scope of the renovation work and the corresponding design. In addition to working to negotiate a RDA, the parties will work in good faith to make necessary changes in existing agreements (related to VMC) as necessary for financing or otherwise, as agreed by each of the parties. The parties anticipate that the RDA will be executed prior to start of construction, with a goal of commencing construction in the first quarter of 2012 and closing VMC for construction from mid-June until a date in October of 2012 that is yet to be determined.

- B. Framework for RDA: The VMC Project Team has reached consensus on the following guiding principles, to be memorialized in the RDA:
1. PAM, PWH and the City will make good faith efforts to identify and execute any required amendments to current agreements to facilitate private investment in, and other financing for, the renovation of VMC.
  2. Other than closing VMC as necessary during performance of the renovation work, the parties will take no actions that materially impair the existing revenue stream to the Spectator Facilities Fund, including revenues from Jeld-Wen Field, the 6% ticket tax at VMC and the Rose Garden Arena, and fees generated by parking facilities and plaza rentals at the Rose Quarter. The parties acknowledge that the City needs these revenues to support existing obligations that will be satisfied in the next 20 to 25 years.
  3. The parties approach the renovation with a shared goal to increase existing revenues for all parties.
  4. PAM, PWH, and the City will make good faith efforts to preserve the current event mix, increase the number of events held at VMC, and encourage public usage and community access to the extent commercially practical.
  5. The City expects to provide some level of funding for ongoing capital repair and maintenance at VMC if and as required by the existing operating agreement with PAM, and the City will consider in good faith establishing a capital reserve account for VMC in the future if and when Spectator Funds become available for such use.
  6. The parties will work with representatives from the Veterans Community with the goal of implementing the Memorial Gardens renovation project in keeping with the concepts

described in the outline attached to this LOI as Attachment C.

7. The parties will use good faith efforts to create a viable business and financing plan for the VMC renovation project. It is anticipated that the City and PDC will fund the majority of the capital repair and maintenance to be conducted as part of the renovation project. It is anticipated that a private party will fund operational enhancements agreed upon by such party. All parties will work cooperatively to explore options for funding for community enhancements to the facility

C. Roles of the Parties:

1. The City will continue to own VMC.
2. PDC has begun the design and planning processes and will be a primary source of public funding for the renovation project.
3. PAM will continue to operate VMC, and PAM will potentially be responsible for the construction of the improvements to VMC, including entering into the construction contract and taking an assignment of the design contract from PDC.
4. PWH will continue to be an anchor user of the facility, and it is anticipated that PWH will contribute to operational enhancements agreed upon by PWH.

D. Potential Sources of Project Funding: The following are anticipated or potential sources of funding for the renovation project.

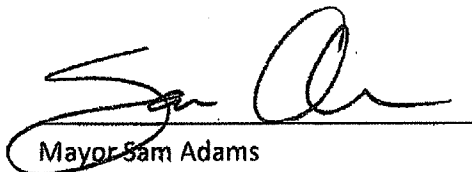
1. Tax increment financing from the OCC URA
2. Private Investment: Portland Winterhawks or related investment entity
3. Historic Tax Credits
4. New Market Tax Credits
5. Clean Energy Works
6. Energy Trust of Oregon

7. Federal Solar and Energy Efficiency Tax Credits

8. Qualified Energy Conservation Bonds (QECBs)

E. Nonbinding Nature of LOI. This LOI represents a general statement of the preliminary intent of the parties with respect to the transaction described herein. It is expressly understood by all parties that, except as set forth in this paragraph E, (i) no contractual obligation and no legal duty of any kind will be created by virtue of this LOI and acceptance hereof by PAM, PWH or both and (ii) the parties will only be bound when they have executed and delivered to each other a RDA. In the event that PAM and PWH execute this LOI, the parties shall negotiate in good faith in an attempt to agree upon the terms and conditions of a definitive RDA and ancillary agreements for the renovation of VMC generally consistent with the terms of this LOI, using such form as reasonably required by the City, as the same may be more fully developed in the course of negotiations among the parties.

Very Truly Yours,



Mayor Sam Adams

cc: Via Email  
Peter Parisot  
Dina Alexander

AGREED TO AND ACCEPTED:

PORTLAND ARENA MANAGEMENT

By: Michael V. Fennell  
Printed Name: Michael V. Fennell  
Title: Senior Vice President  
Date: 9/21/11

PORTLAND WINTERHAWKS

By: Douglas R. Piper  
Printed Name: Douglas R. Piper  
Title: President  
Date: 9/21/11

Attachments

- A: Community Enhancement Elements
- B: RFQ for Shared Thermal Energy System
- C: Memorial Gardens Renovation Outline