

**DATE:** January 11, 2017  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 17-03  
Update on the South Waterfront North District Development Agreement

**BOARD ACTION REQUESTED**

No action is requested; information only.

**SUMMARY**

On June 10, 2015, the Portland Development Commission (PDC) Board of Commissioners (Board), through Resolution No. 7117, authorized the Executive Director to enter into a South Waterfront North District Project Development Agreement (DA) with ZRZ Realty Company (ZRZ) and recommended Portland City Council (City Council) approve the DA. On June 24, 2015, per Ordinance No. 187212, City Council approved the DA. The DA formally established PDC and partner City of Portland (City) bureau actions that will support ZRZ development of 1,500,000 square feet (SF) of mixed-use, employment-oriented commercial and residential property in the North Macadam Urban Renewal Area (URA) (see a map in Attachment A). PDC's approximately \$23,700,000 investment in the DA, which is based on projected availability of tax increment financing (TIF) from the amended North Macadam URA Plan and the planned scale of ZRZ private development, is directed to economic development, transportation, infrastructure, greenway, and open space improvements (see the North Macadam URA Fiscal Year 2016/17 Adopted Budget and Forecast in Attachment B).

At the January 11, 2017, PDC Board meeting, PDC staff and representatives from both ZRZ and Oregon Health & Science University (OHSU) will brief the PDC Board on DA implementation accomplishments and other activities in the South Waterfront North District. Staff will also discuss how recent developments could affect DA implementation and timing.

**BACKGROUND AND CONTEXT**

The following provides a summary of the private development, public infrastructure, and public-private partnerships included in the DA.

This update includes:

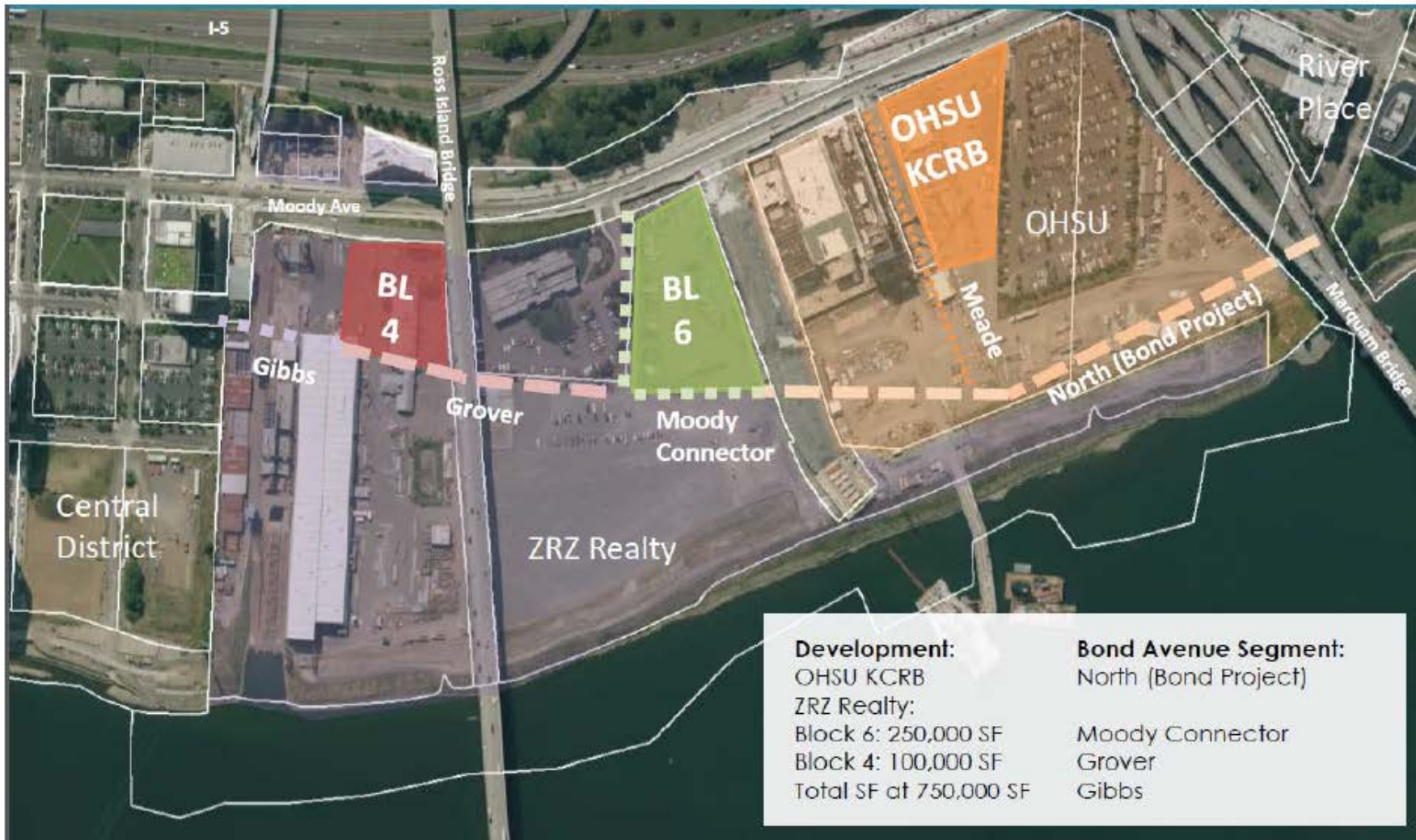
- **Affordable Housing Option:** Through terms of the DA, the Portland Housing Bureau (PHB) has the right to acquire a parcel with up to 180,000 square feet of development capacity. Appraisers for PHB and ZRZ reached agreement on the market value of the Affordable Housing Parcel in compliance with Section 2.3.1.3 of the DA. The market value is \$310 per square foot of land.

- **SW Bond Avenue:** The design of SW Bond Avenue north of SW Porter Avenue is complete. The Portland Bureau of Transportation (PBOT) is negotiating the surcharge and wall contract. Surcharge is expected to occur through December 2017, with street construction to be initiated in 2018.
- **Phase I Private Development Timeline:** In 2016, ZRZ retained Sasaki Associates to develop a master plan for the comprehensive development of the ZRZ property. In September 2016, Zidell Marine Corporation announced it would close its barge building operation in spring 2017, creating new development opportunity earlier than anticipated. ZRZ is now proposing to change how development will be phased. Given the expected completion of the master plan in the first quarter of 2017, PDC agreed to extend the start of Phase I Private Development from December 31, 2016 to December 31, 2017. On January 11, 2017, ZRZ representatives will present to the PDC Board an overview of its master plan including vision, mix of uses and phasing, with an emphasis on the Phase 1 development expected to occur between now and 2022. The phasing proposed in the master plan will require PDC to consider amending the DA to align private development and public infrastructure funding and construction.
- **Open Space Concept Plan Partnership:** The Portland Bureau of Parks and Recreation (PP&R), PDC, and ZRZ initiated the Open Space Concept Plan Partnership in compliance with Section 7.7.1 of the DA. An update to the 2004 Greenway Master Plan, and the affiliated public outreach, is included as part of this effort.
- **District Systems:** ZRZ completed a District Energy System assessment comparing traditional and district energy systems for Block 6. The assessment indicated that a District Energy System would need to achieve three times the energy savings at half the cost in order to be viable across energy, environmental, and economic areas. The assessment indicated that such a system could not be achieved at this time. PDC, the Bureau of Planning and Sustainability, and ZRZ collectively determined not to proceed with District Energy System on Block 6. The Portland Bureau of Environmental Services and PBOT are continuing to evaluate District Stormwater in accordance with Section 6.6 of the DA and in conjunction with the ZRZ master plan effort.
- **Zidell Yards Master Plan:** ZRZ will present an overview of its Master Plan including vision, mix of uses and phasing, with an emphasis on the Phase 1 development expected to occur between now and 2022.
- **OHSU Schnitzer Campus:** OHSU started construction of the Knight Cancer Research Building in June 2016. On January 11, 2017, OHSU officials will update the PDC Board on development progress, including construction and project schedule.
- **Next Steps:** Immediate next steps over the next six months include:
  - Initiate surcharge of SW Bond Avenue north of SW Porter Avenue.
  - Amend the Street Plan Amendment to address street alignments south of SW Porter Avenue, streetcar alignment, and Special Design Areas.
  - Complete Open Space Concept Plan Partnership.
  - Complete Greenway Master Plan update.
  - Continue effort to identify a public/private District Stormwater management solution.
  - Negotiate amendment to DA; staff currently anticipates bringing the amended DA to the PDC Board and City Council for consideration by December 2017.

## **ATTACHMENTS**

- A. North Macadam URA Fiscal Year 2016/17 Adopted Budget and Forecast
- B. South Waterfront North District Site Map and Street Plan

South Waterfront North District Site Map and Street Plan



**North Macadam URA Fiscal Year 2016/17 Adopted Budget and Forecast**

**Financial Summary  
 Five-Year Forecast**

<b>North Macadam Fund</b>	<b>Revised FY 2015-16</b>	<b>Adopted FY 2016-17</b>	<b>Forecast FY 2017-18</b>	<b>Forecast FY 2018-19</b>	<b>Forecast FY 2019-20</b>	<b>Forecast FY 2020-21</b>
<b>Resources</b>						
Beginning Fund Balance	9,185,550	7,305,648	1,674,780	1,285,784	2,068,509	4,343,883
<b>Revenue</b>						
Fees and Charges	0	136	62	-	-	-
Interest on Investments	20,000	30,000	30,000	30,000	-	-
Loan Collections	27,239	27,238	12,387	-	-	-
TIF - Short Term Debt	1,740,000	6,993,000	8,495,197	8,018,788	8,636,542	9,306,650
TIF - Long Term Debt	0	2,000,000	5,000,000	-	-	5,200,000
Miscellaneous	17,000	-	-	-	-	-
Property Sales	7,700,000	1,700,000	-	-	-	-
Rent and Property Income	236,062	261,895	236,062	236,062	236,062	236,062
<b>Total Revenue</b>	<b>9,740,301</b>	<b>11,012,269</b>	<b>13,773,708</b>	<b>8,284,850</b>	<b>8,872,604</b>	<b>14,742,712</b>
<b>Total Resources</b>	<b>18,925,851</b>	<b>18,317,917</b>	<b>15,448,488</b>	<b>9,570,634</b>	<b>10,941,113</b>	<b>19,086,595</b>
<b>Requirements</b>						
<b>Administration</b>						
A00024-Debt Management-NMC	5,740	20,000	20,000	20,000	20,000	20,000
<b>Administration Total</b>	<b>5,740</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Housing</b>						
A00165-Affordable Housing-NMC	400,000	8,100,000	11,100,000	150,000	150,000	3,250,000
A00423-Parcel 3-NMC	7,700,000	-	-	-	-	-
A00424-Parcel 3-Remediation-NMC	1,260,000	-	-	-	-	-
<b>Housing Total</b>	<b>9,360,000</b>	<b>8,100,000</b>	<b>11,100,000</b>	<b>150,000</b>	<b>150,000</b>	<b>3,250,000</b>
<b>Infrastructure</b>						
<b>Parks</b>						
A00222-Central Dist Greenway-NMC	0	-	-	-	100,000	8,150,000
<b>Transportation</b>						
A00228-Central Dist Infra-NMC	166,000	-	-	-	-	-
A00231-Bond Avenue-NMC	700,000	2,450,000	1,400,000	3,650,000	-	-
<b>Infrastructure Total</b>	<b>866,000</b>	<b>2,450,000</b>	<b>1,400,000</b>	<b>3,650,000</b>	<b>100,000</b>	<b>8,150,000</b>
<b>Property Redevelopment</b>						
<b>Real Estate</b>						
A00272-South Wtfrnt Lot 3-NMC	8,916	5,616	-	-	-	-
A00273-RiverPlace Prkng -NMC	46,196	47,857	46,196	46,196	46,196	46,196
A00275-Real Estate Mgmt-NMC	81,067	1,713	1,713	1,713	1,713	1,713
<b>Commercial Property Lending</b>						
A00360-CPRL-General-NMC	0	500,000	500,000	500,000	500,000	-
<b>Redevelopment Strategy</b>						
A00267-Lincoln Station-NMC	0	-	-	2,000,000	4,600,000	6,400,000
A00268-Eco District-NMC	2,500	2,500	2,500	2,500	-	-
A00269-CC 2035-NMC	10,640	-	-	-	-	-
A00270-N Distr Partnershp-NMC	0	2,500,000	-	-	-	-
A00422-PSU-Sch of Bus Comm-NMC	0	2,000,000	-	-	-	-
<b>Property Redevelopment Total</b>	<b>149,319</b>	<b>5,057,686</b>	<b>550,409</b>	<b>2,550,409</b>	<b>5,147,909</b>	<b>6,447,909</b>
<b>Total Program Expenditures</b>	<b>10,381,059</b>	<b>15,627,686</b>	<b>13,070,409</b>	<b>6,370,409</b>	<b>5,417,909</b>	<b>17,867,909</b>
Personnel Services	243,207	200,057	195,173	199,471	206,671	211,011
<b>Total Fund Expenditures</b>	<b>10,624,266</b>	<b>15,827,743</b>	<b>13,265,582</b>	<b>6,569,880</b>	<b>5,624,580</b>	<b>18,078,920</b>
Interfund Transfers - Indirect Charges	995,937	815,394	897,123	932,245	972,650	1,000,797
Contingency	7,305,648	1,674,780	1,285,784	2,068,509	4,343,883	6,878
Ending Balance	0	-	1	-	-	-
<b>Total Fund Requirements</b>	<b>18,925,851</b>	<b>18,317,917</b>	<b>15,448,488</b>	<b>9,570,634</b>	<b>10,941,113</b>	<b>19,086,595</b>