

**DATE:** September 9, 2015  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 15-57  
Update on the Broadway Corridor Framework Plan and Negotiations with the United States Postal Service towards Acquiring Property in the River District Urban Renewal Area

**BOARD ACTION REQUESTED**

No action is requested; information only.

**SUMMARY**

The purpose of this item is to brief the Portland Development Commission (PDC) Board of Commissioners (Board) on three inter-related efforts:

- Planning activities under way towards redevelopment of the 24-acre Broadway Corridor Framework Plan study area (Framework Plan) (see Attachment A);
- Negotiations with the United States Postal Service (USPS) concerning the possible acquisition by PDC of USPS's Processing and Distribution Center at 715 NW Hoyt Street (P&DC site) and the relocation of the USPS functions to an alternative location; and
- Financial impacts associated with the potential acquisition and future redevelopment of the P&DC site, including the potential need to secure financing (Interim Financing Mechanism) from the City of Portland (City) in addition to tax increment financing (TIF) resources from the River District Urban Renewal Area (URA).

Acquisition and redevelopment of the P&DC site is a once-in-a-generation opportunity for PDC and the City to meet affordable housing, economic development, redevelopment, transportation, and open space goals on a large, contiguous property in the middle of downtown and adjacent to Portland's regional transit hub. The P&DC site is identified in the City's West Quadrant plan as a key opportunity site for high-density employment and signature city attractions, connecting the Old Town/Chinatown and Pearl District neighborhoods. The West Quadrant Plan, approved by Portland City Council (City Council), calls for PDC to work on behalf of the City to "relocate the US Post Office and redevelop the site with a wide mix of urban uses including employment" and further requires a Master Plan as part of any redevelopment of the P&DC site.

**BROADWAY CORRIDOR FRAMEWORK PLAN**

The Broadway Corridor area encompasses several PDC-owned properties, including Blocks Y and R as well as Union Station (Portland's primary multi-modal transportation hub). Historic Union Station is an active Amtrak passenger rail terminal, and PDC aims to further activate the station as a gateway to the

city and surrounding neighborhood. On the western half of the study area, PDC is in negotiations with the USPS to acquire its 14-acre P&DC site, which would be a crucial redevelopment anchor.

On June 15, 2015, staff and a multi-disciplinary consultant team led by Zimmer Gunsul Frasca Architects LLP kicked off work with a Stakeholder Advisory Committee (SAC) and Technical Advisory Committee (TAC). The scope of the Framework Plan is two-fold: 1) Articulate a strategic vision for development of the broader Broadway Corridor area, and 2) Develop a preferred development concept for the P&DC site. The Framework Plan will result in greater certainty regarding PDC's and the City's development objectives, infrastructure and open space requirements, and desired public investments for the area, with a particular focus on the P&DC site. The Framework Plan may also inform a potential future Master Plan, pursuant to PDC's successful acquisition negotiations with the USPS.

Briefings on this process were provided to the PDC Board on April 8, 2015, and July 16, 2015. PDC staff will present an update on work completed to date at the September 9, 2015, PDC Board Meeting and seek PDC Board input on the final draft recommendations. PDC also anticipates presenting Framework Plan findings to City Council at a September 17, 2015, work session.

**Stakeholder Involvement.** The Framework Plan is being developed with significant public and partner engagement. A TAC composed of partner City staff is participating to provide technical information and perspective based on multiple City interests in the area. An SAC, composed of public, nonprofit, and private partners, is providing community and regional insight to ensure that future development serves both the adjacent neighborhoods and broader Portland interests.

Input is also being sought through a series of regional public engagement efforts, including public open houses, a series of online surveys, and one-on-one interviews conducted regionally at major public transportation stations at the Lloyd Center, Hollywood, 82nd Avenue, Gateway, 122nd Avenue, Parkrose/Sumner and Cascades, at North Portland's Overlook Park during Movie in the Park night, and at the Portland Saturday Market. These interviews aim to capture a broader range of feedback on the project, particularly from those communities who may be underrepresented in traditional public participation forums.

Completed key work sessions and outreach forums include:

- **June 15, 2015: SAC/TAC Meeting #1** – Advisory committees provided input on broader redevelopment attributes and challenges in the area.
- **June 30, 2015:**
  - **SAC/TAC Meeting #2** – Advisory committees refined the guiding principles for redevelopment of the area.
  - **Open House #1** – Approximately 60 attendees provided feedback on the overall strategic public vision for the area and/or specific redevelopment principles.
  - **Online Survey #1** – An online poll was launched which resulted in 272 site visits to view information, and 130 responses regarding the guiding principles for development of the area.
- **July 21, 2015:**
  - **SAC/TAC Meeting #3** – Based on refined development principles, advisory committees provided feedback on five preliminary development concepts for the P&DC site.
  - **Open House #2** – Approximately 45 attendees provided feedback on the five preliminary development concepts for the P&DC site in an interactive work session.
  - **Online Survey #2:** A second online poll was launched which resulted in 859 site visits and 289 responses regarding the preliminary development concepts.

- **September 4 and September 8, 2015:**
  - **SAC/TAC Meeting #4** – Advisory committees were asked to review a preferred development concept for the P&DC site based on their input provided in July and provided feedback on implementation metrics by which to measure public investments and benefits.
  - **Open House #3** – Attendees reviewed the preferred development concept for the P&DC site and implementation metrics and provided feedback as PDC considers next steps, including seeking PDC Board and City Council actions; ongoing negotiations with USPS; and eventual master planning efforts on the P&DC site should PDC's USPS negotiations be successful.

**Development Concepts.** At the July 16, 2015, PDC Board meeting, PDC staff provided an overview of the strategic vision and development framework for the area. The framework is informed by the following five strategic development principles:

1. **COMPETITIVE:** Create opportunities for innovation, education, and economic growth and add a net gain of jobs in the region.
2. **ACCESSIBLE:** Enhance the public realm to create vibrant community spaces to enrich the quality of life for Portlanders.
3. **CONNECTED:** Leverage regional assets to strengthen multimodal transportation connections and improve accessibility to and through the area.
4. **HEALTHY:** Develop the site so that it reflects environmentally-friendly practices, opportunities for resource sharing, high-quality construction, and social responsibility.
5. **ACCOUNTABLE:** Create an implementable strategy that attracts private investment and delivers appropriate public benefit.

Based on the development framework and guiding principles above, the consultant team prepared five preliminary development concepts for the P&DC site that illustrated a range of development densities, scale, urban design and open space forms, and programs. The concepts were intended to be thought-provoking and stimulate feedback from the advisory committees and public.

The advisory committee and public work sessions together with the online survey responses provided extensive feedback on the most and least favorable elements of the five preliminary development concepts for the P&DC site. In general, public feedback supported pursuing higher density development, including a tower at the northern end of the site; balancing denser development with public spaces that engage Union Station and the North Park Blocks; ensuring a “green loop” connection from the site to the Broadway ramp “Y”; and emphasizing the connection and corridor from Union Station west along NW Johnson Street. In addition, there was support for a mix of uses and phasing of development that creates a mixed-income community, with 24/7 activity and a job density on par with the Central Business District.

This feedback resulted in the preparation of three refined development concepts that were tested for financial feasibility and transportation impacts, including an assumption that 25 percent of residential development square footage was reserved for affordable housing. A preferred development concept, including phasing, development program, density, and urban design was prepared based on this input together with the financial feasibility and transportation impact findings. This preferred development concept, including related public benefits of affordable housing, open space, and infrastructure, will be presented in detail at the September 9, 2015, PDC Board meeting, and the September 17, 2015, City Council work session.

### **USPS NEGOTIATIONS**

On April 8, 2015, the PDC Board authorized exclusive negotiations with USPS for the possible acquisition of the P&DC site. Acquisition of the site by PDC would necessitate USPS to relocate to a new facility elsewhere in the Portland metropolitan area. As such, PDC and USPS mutually agreed that more definitive information about the viability of finding and financing a replacement facility (Replacement Facility) is necessary before the parties can contemplate moving forward with all regulatory and statutory requirements for, or enter into a formal Purchase and Sale Agreement (PSA) with respect to, the sale of the P&DC site by the USPS to the PDC.

As authorized by the PDC Board on April 8, 2015, PDC's Executive Director negotiated and executed an Agreement to Pursue Exclusive Negotiations (Agreement). Pursuant to the Agreement, PDC placed \$500,000 in an escrow account for the benefit of the USPS, with the funds to be used exclusively for mutually-acceptable costs associated with determining the feasibility and cost of building a Replacement Facility in the Portland metropolitan area. To date, \$124,605 of the escrowed funds have been authorized for USPS to pay for the costs of site utilization studies and environmental assessments of multiple sites in and outside of the city of Portland to determine the costs and feasibility of a Replacement Facility. All costs paid from the escrow account are applicable to the Purchase Price of the P&DC site, in the event a formal PSA is agreed upon and a closing occurs.

Although a PSA has not yet been negotiated, the parties both anticipate that the Purchase Price shall be sufficient to pay for the costs of USPS to i) purchase a site for a Replacement Facility, ii) construct a Replacement Facility of equivalent size and program to P&DC, and iii) move to the Replacement Facility. Preliminary estimates indicate these costs will not exceed approximately \$80,000,000. Over the next month, PDC and USPS intend to complete the feasibility analysis, refine the cost estimates and allocation of costs between PDC and USPS, and negotiate a binding PSA. Concurrent with the PSA negotiations and staff seeking PDC Board approval, PDC and USPS will coordinate the completion of additional due diligence items including preparation of an environmental assessment, USPS moving forward with acquisition of the Replacement Facility site, and solicitation of contractor bids to construct the Replacement Facility.

### **FINANCIAL IMPACTS**

The cost of preparing the Framework Plan is approximately \$250,000. Funds for completing the Framework Plan and future Master Plan are budgeted in the fiscal year (FY) 2015-16 River District URA Adopted Budget (see Attachment B).

The \$500,000 payment authorized by the PDC Board on April 8, 2015, in consideration of USPS agreeing to enter into exclusive negotiations and complete further due diligence was paid from \$1,500,000 in funds remaining from an original 2008 escrow amount under the Escrow Agreement (now expired) previously authorized by the PDC Board.

The FY 2015-16 River District URA Adopted Budget and Five Year Forecast includes \$35,700,000 budgeted to support possible acquisition and redevelopment of the P&DC site.

The preliminary cost to PDC of acquiring the P&DC site (by providing USPS with a Replacement Facility) is estimated not to exceed \$80,000,000. The Framework Plan findings provide a range of estimated public investment for redevelopment of the P&DC site including affordable housing, streets, and open space. A significant amount of this investment is supportable with PDC's current TIF resources and the estimated future land value of the P&DC site.

However, adding the preliminary acquisition cost of the P&DC site to the River District URA budget and five-year forecast results in an interim deficit until the P&DC site can be sold. To fund this interim gap, PDC is in discussions with the City's Office of Management and Finance regarding a potential Interim

Financing Mechanism that would be backed by the City General Fund and River District URA program income. Since the proposed Interim Financing Mechanism would be backed by the City General Fund, proceeds from the Interim Financing Mechanism would only be used to support public infrastructure projects in the FY 2015-16 Adopted Budget and Forecast. Without an Interim Financing Mechanism, current River District URA projects (such as the Old Town/Chinatown Action Plan or Centennial Mills) would have to be delayed until the P&DC site is sold for equal or greater value. Based on the market absorption of new development modeled as part of the Framework Plan, full land sale will not occur within the forecast five-year period. Net resources remaining from disposition of the P&DC site in excess of the amount required to retire the proposed Interim Financing Mechanism would be available to fund additional public benefits, including subsidizing the construction of affordable housing units within the P&DC site's development rights being reserved for affordable housing.

### **NEXT STEPS**

Following the City Council work session and briefings to other City bodies, including the City's Planning and Sustainability Commission, PDC staff anticipates seeking the following formal approvals:

- October 14 and October 21, 2015: City Council approval of the Broadway Corridor Framework Plan and Interim Financing Mechanism
- October 14, 2015: PDC Board approval of the Broadway Corridor Framework Plan and authorization to execute a PSA with the USPS for up to \$80,000,000 to acquire the P&DC site
- November 18, 2015: PDC Board approval of budget changes required to facilitate the P&DC acquisition as part of the FY 2015-16 Revised Budget No. 1.

### **ATTACHMENTS**

- A. Broadway Corridor Framework Plan Study Area
- B. FY 2015-16 River District URA Adopted Budget

**Broadway Corridor Framework Plan  
Study Area**



**FY 2015-16 River District URA Adopted Budget**

**Five-Year Forecast Program Requirements Detail**

	Revised-3 FY 2014-15	Adopted FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20
<b>River District URA</b>						
<b>Resources</b>						
Beginning Fund Balance	49,258,181	37,846,177	16,489,814	5,850,288	1,782,873	265,476
Fees and Charges	16,900	6,000	1,324	2,937	2,110	2,110
Interest on Investments	200,000	200,000	150,000	50,000	25,000	5,000
Intergovernmental Revenues	1,983,620	1,983,620	0	0	0	0
Loan Collections	14,664,000	5,211,777	704,564	1,214,497	940,948	4,516,616
Long Term Debt	0	21,000,000	21,066,380	9,000,000	2,900,000	0
Property Income	2,769,168	2,672,865	11,945,115	2,470,115	6,116,995	2,466,015
Reimbursements	918,311	0	0	0	0	0
Short Term Debt	20,472,169	19,948,515	12,542,954	16,575,087	17,437,825	18,543,087
<b>Total Resources</b>	<b>90,282,349</b>	<b>88,868,954</b>	<b>62,900,151</b>	<b>35,162,924</b>	<b>29,205,751</b>	<b>25,798,304</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Administration</b>						
<b>Financial Administration</b>						
A45101330 Debt Management-RVD	71,055	71,055	65,000	65,000	65,000	65,000
<b>Total Administration</b>	<b>71,055</b>	<b>71,055</b>	<b>65,000</b>	<b>65,000</b>	<b>65,000</b>	<b>65,000</b>
<b>Business Development</b>						
<b>Business Lending</b>						
L00210330 BL -General-RIV	50,000	500,100	500,100	500,100	500,100	500,100
<b>Small Business &amp; Community Dev</b>						
B55005330 OT/CT Action Plan-RVD	155,000	145,000	125,000	0	0	0
<b>Traded Sector Business Dev</b>						
B15100330 Cluster Development-RVD	50,000	50,000	50,000	50,000	50,000	0
<b>Total Business Development</b>	<b>255,000</b>	<b>695,100</b>	<b>675,100</b>	<b>550,100</b>	<b>550,100</b>	<b>500,100</b>
<b>Housing</b>						
<b>PHB Housing</b>						
H15900330 PHB Staff & Admin-RVD	858,960	0	0	0	0	0
H15931330 Block 26-RVD	1,402,138	0	0	0	0	0
H15930330 Fairfield Apartments-RVD	46,738	0	0	0	0	0
H15430330 Affordable Rental Hsg-RVD	0	12,455,583	8,369,756	3,253,533	2,428,468	0
H15136330 Erickson-Fritz-RVD	2,804,275	0	0	0	0	0
H15137330 The Abigail-RVD	9,254,109	0	0	0	0	0
<b>Total Housing</b>	<b>14,366,220</b>	<b>12,455,583</b>	<b>8,369,756</b>	<b>3,253,533</b>	<b>2,428,468</b>	<b>0</b>
<b>Infrastructure</b>						
<b>Parks</b>						
N33011915 Nbrhd Prk(The Fields)-RVD-Adm	9,170	400,000	0	0	0	0
<b>Public Facilities</b>						
N33022015 Union Station Grant-RVD-Adm	2,461,889	2,461,889	3,500,500	0	0	0
<b>Transportation</b>						
N33033415 Pearl District Cir-RVD-Adm	1,841,465	0	0	0	0	0
<b>Total Infrastructure</b>	<b>4,312,524</b>	<b>2,861,889</b>	<b>3,500,500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Redevelopm</b>						
P33050215 4th and Burnside-RVD	1,559,862	0	0	0	0	0
A45997330 Superfund-RVD	25,000	0	0	0	0	0
P33050015 Post Office-RVD-Adm	250,000	1,700,000	10,000,000	10,000,000	14,000,000	0
P33050315 Broadway Corridor-RVD	65,000	310,000	125,000	0	0	0
P33060545 Station Place Prkng-RVD-Adm	278,165	351,106	271,106	271,106	271,106	271,106

**Five-Year Forecast Program Requirements Detail**

	Revised- 3 FY 2014-15	Adopted FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20
P33092015 Real Estate Mgmt-RVD-Adm	8,069	2,000	2,000	2,000	2,000	2,000
P33060815 Old Fire Station Mgmt-RVD-Adm	80,086	17,747	0	0	0	0
P33050115 Dwn Retail Strat-RVD-Adm	30,000	30,000	30,000	0	0	0
P33060615 Block R-RVD-Adm	10,550	8,750	8,750	8,750	8,750	0
P33060525 Station Place Lot 5-RVD-Adm	21,300	204,000	4,000	0	0	0
P33060415 Centennial Mills-RVD-Adm	3,883,713	5,536,355	12,766,287	0	0	0
P33060315 Grove Hotel-RVD-Adm	43,037	41,037	0	0	0	0
P33052115 10th & Yamhill Redev-RVD-Adm	50,000	3,250,000	1,750,000	0	0	0
P33060115 Block Y-RVD-Adm	48,404	45,100	45,100	45,100	45,100	45,100
P33055115 Multnomah County-PDV-Adm	0	16,948,460	0	0	0	0
P33054315 RD Enviro Reimb-RVD	1,000	0	0	0	0	0
P33060715 One Waterfront North-RVD-Adm	16,083	7,187	7,187	0	0	0
P33052815 PNCA Contract-RVD	9,049	0	0	0	0	0
P33052715 PNCA-RVD-Adm	7,907	0	0	0	0	0
P33052215 CC 2035-RVD-Adm	175,990	0	0	0	0	0
P33060215 Union Station-RVD-Adm	1,541,484	1,156,747	1,156,747	1,156,747	1,156,747	1,156,747
<b>Commercial Real Estate Lending</b>						
R01100330 CPRL-General-RVD	18,220,000	20,452,000	12,002,000	11,002,000	3,002,000	2,002,000
<b>Community Redevelopment Grants</b>						
G02100330 DOS-General-RVD	100,000	100,000	100,000	100,000	100,000	100,000
G03100330 SIP-General-RVD	308,000	300,000	300,000	300,000	300,000	300,000
G04100330 GFGP-General-RVD	0	25,000	0	0	0	0
G01100330 CLG-General-RVD	138,000	100,000	100,000	100,000	100,000	0
<b>Total Property Redevelopment</b>	<b>26,870,499</b>	<b>50,585,489</b>	<b>38,668,177</b>	<b>22,985,703</b>	<b>18,985,703</b>	<b>3,876,953</b>
<b>Total Program Expenditures</b>	<b>45,875,298</b>	<b>66,669,116</b>	<b>51,278,533</b>	<b>26,854,336</b>	<b>22,029,271</b>	<b>4,442,053</b>
Personal Services	532,505	624,464	595,584	625,363	656,632	689,463
Transfers - Indirect	6,028,370	5,085,559	5,175,747	5,900,352	6,254,373	6,066,742
<b>Total Fund Expenditures</b>	<b>62,436,173</b>	<b>72,379,139</b>	<b>57,049,864</b>	<b>33,380,051</b>	<b>28,940,276</b>	<b>11,198,258</b>
Contingency	37,846,176	16,489,815	5,850,287	1,782,873	265,475	14,600,046
Ending Fund Balance	0	0	0	0	0	0
<b>Total Requirements</b>	<b>90,282,349</b>	<b>88,868,954</b>	<b>62,900,151</b>	<b>35,162,924</b>	<b>29,205,751</b>	<b>25,798,304</b>