

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: September 24, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-116
Adoption of the North Old Town/Chinatown Redevelopment Strategy

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6637

ACTION SUMMARY

The accompanying resolution adopts the *North Old Town/Chinatown Redevelopment Strategy (N OT/CT Strategy)*. At the heart of the *N OT/CT Strategy* Study Area (see Attachment B), is Block 25, portions of which are independently owned by the Portland Development Commission (1/4 block), the Blanchet House (1/16 block), and the City of Portland (remainder of block). The *N OT/CT Strategy* was initiated by the Portland Development Commission (PDC) in 2006 due to the interest of the Blanchet House (a social services provider) to build new facilities on the block, and the interest of community stakeholders and adjacent property owners to look at the Blanchet House proposal within the context of the surrounding development opportunities and priorities. Part way through the *N OT/CT Strategy* process, the City also had an increasing interest to site the Resource Access Center in the Study Area.

The Study Area, located at the northern gateway to the Old Town/Chinatown district, provides for substantial development potential that is critical to shaping the future character of the district. The primary objective of the *N OT/CT Strategy*, prepared by DAO Architecture with substantial public input, was to define a development vision and implementation strategy for public and private investment in the area. Preparation of the *N OT/CT Strategy* included the generation of a range of redevelopment scenarios, the preparation of a financial market analysis, the compilation of relevant urban design principles and case studies, and the definition of an implementation strategy.

Public input regarding the *N OT/CT Strategy* informed the siting decisions for the Blanchet House and Resource Access Center made by the PDC Board in February 2008. The *N OT/CT Strategy* was subsequently completed incorporating these decisions. The following are the other key recommendations of the *N OT/CT Strategy*:

- *Uses:* A number of community priorities are identified, many of which are elaborated in the Public Participation section of this report. Generally, an emphasis is placed on creating a dense mix of uses to help activate the street-level, create a critical mass of residents and visitors, and maintain a desired balance of cultural and economic diversity.

- *Scale:* The *N OT/CT Strategy* acknowledges the need to balance the area's substantial development rights with the surrounding context, desire for a critical mass in the area, and market realities including absorption risk. As a result, the key sites are likely to either be build out in single-phased lower-density projects, or incrementally at higher densities. The *N OT/CT Strategy* provides development scenarios for both options.
- *Timing:* Substantial development in the area is not likely to occur in the immediate future due to market conditions; however, a number of interim steps are identified (and further discussed in the Work Load Impact portion of this report) to facilitate future success.

PUBLIC BENEFIT

Adoption of the *N OT/CT Strategy* will provide an approved development framework and series of implementation actions to guide public and private efforts and investments in the redevelopment of North Old Town/Chinatown.

The development scenarios depicted in the *N OT/CT Strategy* provide for a range of uses and densities. At maximum build-out, redevelopment in the area could result in over 1,000,000 sf of new construction, including over 800 mixed income residential units, 60,000 sf of retail space, and 400,000 sf of office space. The *N OT/CT Strategy* provides recommended urban design principles, community objectives, economic insights, and relative case studies to guide this substantial transformation of the Study Area. The strategy also acknowledges historic building considerations and desired public amenities.

Also of benefit are the *N OT/CT Strategy's* recommended implementation actions. Current market conditions in Old Town/Chinatown, and budgetary circumstances in the River District Urban Renewal Area, do not make development in the area readily feasible. However, this is anticipated to change in the future, and the Strategy includes a number of actions to be taken – by both PDC and a number of other partners – to facilitate the implementation of the *N OT/CT Strategy* vision in the future. The implementation plan will serve as a roadmap for staff and the community over the coming years.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

Seven meetings of the Stakeholder Advisory Committee (SAC), a two-day public design charrette, and a public open house have been conducted to inform the preparation of the *N OT/CT Strategy*. The consultant team working on the *N OT/CT Strategy* has conducted over 40 stakeholder interviews, and project briefings have been provided at meetings of the Old Town/Chinatown Neighborhood Association and Visions Committee, the Asian-American Business Association, and the Chinese Scientists, Engineers, and Professionals Association. PDC also hosted booths at the last two Chinese New Year Celebrations and Autumn Moon Festivals.

The wide range of participation and input was used in shaping the development scenarios and implementation strategy, including:

- Create a vibrant, mixed-use, 24 hour/7day a week neighborhood rooted in a rich historical past:
 - Enliven the street level
 - Create a northern gateway
 - Address lack of critical mass of supportive ethnic businesses surrounding Chinese Garden
 - Develop workforce housing
 - Address lack of area residents with discretionary income
 - Address perception of danger and drugs
 - Address cleanliness issue, loitering and queuing
 - Build potential for private investments - local and foreign

- Top Priorities for new business ventures and investment in the Study Area:
 - High end, well-run Asian restaurant with private banquet room space
 - Boutique-type hotel with meeting spaces
 - Small business spaces and enhancements for current businesses
 - Market / Grocery
 - Community / cultural center
 - Parking
 - Destination open spaces and/or natural spaces

As previously noted, the *N OT/CT Strategy* influenced, and was also impacted by, the siting of the Resource Access Center and new facilities for the Blanchet House. In mid-2007, the Strategy process paused while discussions were held regarding the siting of these two facilities in the area. Block 25 was initially identified as the preferred location, however in February 2008 after a lengthy site search and much public input, the PDC Board sited the Blanchet House on Block 25 and the Resource Access Center on Block U (located approximately three blocks to the west). The *N OT/CT Strategy* was subsequently completed, taking into account this new information.

It should also be noted that both the previous Blanchet House siting decision, as well as the development scenarios depicted in the *N OT/CT Strategy*, assume the demolition of certain historic structures. The Blanchet House building and the Dirty Duck building (identified as the new site for the Blanchet House) located on Block 25, and the Fish Company Building located on Block 26, are listed as contributing structures within the New Chinatown/Japantown Historic District. Demolition of these structures is necessary to achieve the uses, densities, and economics desired by the community stakeholders. This balance between preservation and evolution of the district was discussed and supported by the SAC and the vast majority of other interested parties. Ultimately, demolition of these structures is subject to a Type IV land use decision by City Council. The *N OT/CT Strategy* also proposes a range of uses for the historic fire station located on Block A&N, and prioritizes full or partial preservation, to the extent feasible, over demolition. This structure is classified as a local landmark (rather than a contributing structure) and therefore City Council has the authority to delay, but not deny, applications for demolition.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The *N OT/CT Strategy* builds upon the recommendations of numerous previously completed plans, including:

- Central City Plan, 1988
- Old Town/Chinatown Vision Plan, 1997
- Old Town/Chinatown Development Plan, 1999
- Old Town/Chinatown 3rd & 4th Avenue Streetscape Plan, 2002
- Old Town/Chinatown Vision/Development Plan Update, 2003

FINANCIAL IMPACT

There is no financial impact associated with the adoption of the *N OT/CT Strategy*. The subject properties are located in the contested area of River District Urban Renewal Area, with the exception of Block 24 (which is located in the Downtown Waterfront Urban Renewal Area). PDC investment in the redevelopment of these properties is subject to budget availability. There is currently no budget earmarked for these purposes in either urban renewal area, but could be in future budget years.

Implementation of the *N OT/CT Strategy* through future development in the area, particularly Block 25, will likely require substantial public investment. Pro formas prepared in March 2007, based on the proposed development scenarios, showed gaps ranging from \$12 - 20 million for Block 25. This is in part due to an obligation to replace the existing 130 parking spaces used by NW Natural at no expense, in exchange for use of the land that is home to the Portland Classical Chinese Garden. Balancing the substantial development rights allowed on the blocks with the risk of over-saturation of the market is also a consideration. For these reasons, development in the area is likely to occur in phases.

RISK ASSESSMENT

There are no financial or legal obligations associated with the adoption of the *N OT/CT Strategy*. Adoption of the Strategy does however signal PDC's intention to implement the Strategy to the extent feasible, and failure to do so could break public trust.

WORK LOAD IMPACT

The adoption of the *N OT/CT Strategy* does not have any immediate impacts on staff workload. The strategy does however include a number of near-term implementation items that will require staff assignment. These include:

- Continued collaboration with stakeholders through existing and to-be created forums.
- Explore additional financial incentives for the implementation of mixed-income, mixed-use projects including workforce housing and/or innovative housing types.

- Transfer the City owned portion of Block 25 to PDC for the purposes of facilitating future development.
- Complete due diligence on the historic fire station located on Block A&N to better inform the feasibility of preservation and reuse of the site, and explore developer interest.
- Complete due diligence on the feasibility of gateway improvements and/or a public plaza at the NW 3rd & Glisan intersection.

ALTERNATIVE ACTIONS

The PDC Board may elect to not adopt the *N OT/CT Strategy*, or may direct staff to make modifications or provide additional information. Failure to adopt the *N OT/CT Strategy*, or the proposal of modifications substantially in opposition to public input, could send a negative message to stakeholders. Minor modifications and/or clarifications can be made but may cost additional consultant fees.

CONCURRENCE

The *N OT/CT Strategy* was prepared with the participation of a 17-member Stakeholder Advisory Committee, as well as members of the Old Town/Chinatown Visions Committee and Neighborhood Association, and other interested parties. Representatives of the Bureau of Planning and the Office of Transportation participated in the design charrette and development of the strategy. The participants broadly support the strategy.

BACKGROUND

The *N OT/CT Strategy* was developed with the participation of a Stakeholder Advisory Committee (consisting of area business owners, property owners, residents, social service providers, and members of the Asian community), and was also informed by over 40 stakeholder interviews (including experienced area developers) and input from other interested parties. The *N Strategy* documents the following major components to inform the future redevelopment of the properties within the Study Area:

- Community outreach to engage a wide range of people, and develop partnerships and relationships, to carry through identified priority actions;
- A stakeholder design charrette where participants envisioned and generated redevelopment scenarios;
- A financial market analysis of existing economic conditions and a conceptual financial analysis of the generated redevelopment scenarios;
- Refinement of the development scenarios showing a spectrum of options for uses, densities, open space opportunities, and ground floor urban design principles and strategies for the primary opportunity blocks; and
- An implementation strategy outlining specific actions to guide public and private investment and lead to revitalization of key parcels and improved amenities in the area.

The N OT/CT Study Area consists of the following sites, which were emphasized to varying degrees, depending on their ownership, size and status:

- *Block 25* consists of parcels independently owned by PDC, the City, and the Blanchet House. In February 2008, the PDC Board elected to site the new Blanchet House facility at the current location of the Dirty Duck building, owned by PDC.
- *Block A&N* is owned by PDC and home to the historic fire station.
- *Block 24* is owned by NW Natural rate-payers and utilized for NW Natural parking and storage. Based on conversations with representatives of NW Natural, redevelopment of this block is not anticipated in the near future. Long term plans include the potential development of headquarter offices for NW Natural, potentially with additional uses.
- *Block 26*, with the exception of the Royal Palm Hotel, is controlled by a single owner. The owner is interested in redevelopment of the block, though a timeline has not been defined. All development scenarios retain the Royal Palm Hotel in place.
- *Block O*, including the East of Pearl project currently under construction on the southern half of the block, was not directly considered in the development scenarios. The Study was cognizant of the East of Pearl project, however, the northern portion of the block was not incorporated as it was previously considered for incorporation into the East of Pearl project.
- *Block P* was assessed as a potential location for the Blanchet House and/or the Resource Access Center, however, these plans did not materialize for a variety of reasons.

Specifically, the *N OT/CT Strategy* included the completion of conceptual development programs and accompanying preliminary pro formas for Blocks 24, 25 and 26. The Strategy also explored a spectrum of development scenarios for Block A&N. Uses considered for the Study Area include a mix of housing types and affordability, office space, a cultural and/or community center, hotel, and retail/commercial space of varying sizes including an Asian grocer. The Strategy also discussed the creation of gateway elements and a public plaza at the NW 3rd & Glisan intersection.

As previously mentioned, redevelopment in the area may not be immediate. However, a number of steps can be taken to set the stage for success in the future. Many development initiatives are currently underway in Old Town/Chinatown and pursuit and support of these opportunities helps facilitate future development. Additionally, a number of recommended implementation actions in the strategy help further important partnerships and due diligence.

ATTACHMENTS:

- A. River District Urban Renewal Area Financial Summary
- B. Study Area Map

CC: L. Bowers, Interim Development Director
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J. Jackley, Director of Business and Community Relations

URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	<i>Revised FY 2007-08</i>	<i>FY 2008-09 Proposed</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>	<i>FY 2012-13 Forecast</i>
River District URA						
Resources						
Beginning Fund Balance	10,316,420	7,528,942	1,105,393	5,705,529	3,281,769	5,054,390
Interest - City Invest Pool	300,000	50,000	50,000	50,000	50,000	50,000
Loans - Interest Earned	285,000	335,000	335,000	335,000	335,000	335,000
Loans - Principal Collection	300,000	290,000	290,000	290,000	290,000	290,000
Real Property Sales	1,500,000	1,000,000	0	0	0	0
Reimbursement	200,000	125,000	125,000	125,000	125,000	0
Rent and Property Income	0	0	200,000	200,000	200,000	200,000
Tax Increment - L-T Debt	0	23,889,583	30,975,913	18,478,370	24,262,385	27,346,355
Tax Increment - S-T Debt	10,112,492	15,437,684	12,891,901	13,215,548	14,627,908	10,139,049
Total Fund Resources	23,013,912	48,656,209	45,973,207	38,399,447	43,172,062	43,414,794

Requirements

Project Expenditures (does not include Personal Services or Indirect Cost)

Development

10225 - RD Retail Loan Program	200,000	750,000	750,000	750,000	750,000	515,000
10226 - Meier&Frank Redevelopment	3,000,000	0	0	0	0	0
10227 - RD Historic Preservation	75,000	0	0	0	0	0
10234 - RD Park Ave Redev	100,000	0	0	0	0	0
11263 - RD Public Site Imprv	250,000	0	0	0	0	0
11264 - RD Burns/Couch Trans	500,000	0	0	0	0	0
13104 - RD Centennial Mill	800,000	1,650,000	4,500,000	4,000,000	0	0
13112 - RD North Pearl Planning	200,000	0	0	0	0	0
13113 - RD One Waterfront	500,000	8,000,000	0	0	0	0
13115 - RD Station Place Redev	50,000	0	0	0	0	0
13117 - RD Dev Loan Program	500,000	0	0	0	0	0
13119 - RD Neighborhood Park	500,000	3,500,000	1,500,000	0	0	0
13135 - RD Seismic Loans	350,000	0	0	0	0	0
13136 - RD DOS Program	100,000	0	0	0	0	0
13137 - RD Eastside Streetcar Connect	0	0	0	0	0	17,000,000
13138 - RD Post Office	2,750,000	1,250,000	2,000,000	2,000,000	25,500,000	0
13143 - RD Environmental	125,000	0	0	0	0	0
13144 - RD Pedestrian Bridge	150,000	0	0	0	0	0
60005 - RD Transit Mall Redev	500,000	0	0	0	0	0
60017 - RD Signage & Lighting	88,000	0	0	0	0	0
60020 - Union Station Mgt & Crit Impr	0	2,150,000	3,150,000	2,500,000	0	0
60021 - RD 10th & Yamhill	0	8,000,000	0	0	0	0
60024 - RD Multnomah County	0	0	0	0	0	10,000,000
60026 - RD Satellite Districts	0	0	0	0	500,000	4,500,000
Development Total	10,738,000	25,300,000	11,900,000	9,250,000	26,750,000	32,015,000

Economic Development

13088 - RD Storefront Grants	401,499	150,000	150,000	150,000	150,000	150,000
70003 - RD Business Finance Tools	2,673,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
70013 - RD Business Retention	107,000	0	0	0	0	0
70753 - RD Target Industry Devel	0	0	0	2,000,000	3,000,000	3,000,000
Economic Development Total	3,181,499	1,250,000	1,250,000	3,250,000	4,250,000	4,250,000

Housing

32129 - RD Rental/Preservation	128,143	7,000,000	3,750,000	0	0	0
37923 - RD Hsg Policy/Planning	10,000	0	0	0	0	0
37926 - RD HSP Affordable Rental Hsg	0	500,000	0	0	1,000,000	0
37927 - RD Station Place - Lot 5	250,000	0	0	0	0	0
37935 - Yards at Union Station	0	3,700,000	0	0	0	0
37937 - Access Center/Aff Hsg	0	750,000	10,250,000	17,000,000	0	0

Financial Summary

Fund Summary - Five-Year Budget Projections

	<i>Revised FY 2007-08</i>	<i>FY 2008-09 Proposed</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>	<i>FY 2012-13 Forecast</i>
River District URA						
37938 - Blanchet House Redev	0	1,000,000	1,000,000	0	0	0
37939 - Fairfield Preservation	0	0	0	0	500,000	0
37940 - New Avenues For Youth	0	1,200,000	0	0	0	0
60014 - RD Affordable Homeownership	500,000	0	6,500,000	0	0	0
60015 - RD Community Facilities	600,000	0	0	0	0	0
Housing Total	1,488,143	14,150,000	21,500,000	17,000,000	1,500,000	0
Central Services						
59156 - RD Debt Management	50,000	50,000	50,000	50,000	50,000	50,000
Central Services Total	50,000	50,000	50,000	50,000	50,000	50,000
Executive						
60002 - RD Westside/Central City	202,209	200,000	0	0	0	0
Executive Total	202,209	200,000	0	0	0	0
Total Project Expenditures	15,659,851	40,950,000	34,700,000	29,550,000	32,550,000	36,315,000
Personal Services	31,791	0	0	0	0	0
Indirect Cost	2,499,164	6,600,816	5,567,672	5,567,672	5,567,672	5,567,672
Total Fund Expenditures	18,190,806	47,550,816	40,267,672	35,117,672	38,117,672	41,882,672
Contingency	1,200,000	1,105,393	5,705,535	3,281,775	5,054,390	1,532,122
Ending Fund Balance	3,623,106	0	0	0	0	0
Total Requirements	23,013,912	48,656,209	45,973,207	38,399,447	43,172,062	43,414,794

Study Area

