DATE: May 14, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-56
Disposition of a Subsurface Permanent tunnel Easement to the Bureau of Environmental Services for the Eastside Combined Sewer Overflow Project at the Burnside Bridgehead Site

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6577

ACTION SUMMARY

This Report accompanies a Resolution seeking authority to grant a subsurface permanent tunnel easement through PDC-owned property located at 123 NE 3rd Avenue, Block 67, of the Burnside Bridgehead site, to the City of Portland, Bureau of Environmental Services (BES) for construction, operation, and maintenance of the Eastside Combine Sewer Overflow (CSO) pipeline.

The subsurface easement area, running through the southwest corner of Block 67 (see Attachment B) on the Burnside Bridgehead site, will allow a tunnel to be dug for the CSO project. The tunnel will be approximately one hundred (100) feet below ground and allows load bearing improvements within thirty-nine (39) feet and non-load bearing improvements within twenty-six (26) feet of the crown of the tunnel.

As consideration for the granting of this easement, BES will pay PDC $36,600.

PUBLIC BENEFIT

The subsurface easement area will allow BES to dig a tunnel for the CSO project. The tunnel will allow the BES to construct, operate, and maintain the CSO pipeline, which will serve Portland’s eastside communities.

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

The Burnside Bridgehead Citizen Advisory Committee (CAC), which is charged with overseeing the planning work for the Burnside Bridgehead project, was briefed on all pre-development items and fully supports PDC’s action to complete the pre-development work to render the site “shovel ready”.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Resolution is consistent with and supports PDC’s ability to implement the Eastbank at Burnside: Lower East Burnside Redevelopment Plan, through the development of the Burnside Bridgehead project and helps implement the City of Portland’s plans and policies to reduce combined sewer overflows into the Willamette River.

FINANCIAL IMPACT

The CSO tunnel will be approximately one hundred (100) feet below ground and allows load bearing improvements within thirty-nine (39) feet and non-load bearing improvements within twenty-six (26) feet of the crown of the tunnel. The Burnside Bridgehead project is envisioned as a high-density, mixed used project. The restrictions on improvements surrounding the tunnel, on Block 67, may add cost to the design, engineering and construction of the Burnside Bridgehead project; however, with careful planning during design, these project costs can be minimized.

The easement valuation was based on an analysis of a PDC appraisal and an internal BES appraisal, and on April 25, 2008, the PDC Investment Committee reviewed and supported the granting of this permanent subsurface easement to BES.

RISK ASSESSMENT

The redevelopment of the Burnside Bridgehead project on Block 67 will need to be designed, engineered and constructed based on the restrictions associated with the tunnel, which may alter the development program or add additional costs to the project.

WORK LOAD IMPACT

Staff resources are available and programmed to support the proposed action.

ALTERNATIVE ACTIONS

The CSO project’s final design and engineering does not have an alternative route for the CSO pipeline, therefore no other locations can be considered. If the Commission did not authorized the granting of an easement for the CSO tunnel, the City could proceed with acquiring the property through an eminent domain action. The CSO project will benefit Portland’s eastside communities, so it is in our and the communities’ best interest to collaborate with BES and make the project successful.
CONCURRENCE

The Burnside Bridgehead Project continues to be strongly supported by the Central Eastside (CES) Urban Renewal Advisory Committee, the Central Eastside Industrial Council, the CAC, and PDC’s interdepartmental CES Urban Renewal Area (URA) Team. The CAC, who is charged with overseeing the planning work for the Burnside Bridgehead project, was briefed on all pre-development items and fully supports PDC actions.

PDC staff has worked with BES for the last 18 months to negotiate the terms and conditions for the CSO easement. BES has agreed to accept the subsurface permanent tunnel easement for the construction, operation and maintenance of CSO pipeline and compensate PDC for the easement at $36,600.

BACKGROUND

On August 16, 2004, PDC issued Request for Developer Proposals #04-05 for the Burnside Bridgehead Mixed Use Redevelopment Project (RFP). The RFP elicited responses from three teams: Gerding/Edlen Development, Beam Development, and Opus Northwest, LLC (Opus). On April 27, 2005, the PDC Board of Commissioners (Board) selected Opus as the preferred developer for the Burnside Bridgehead.

The Convention Plaza property was acquired on May 11, 2006, to be included in the Burnside Bridgehead project site. The purchase of this property was essential to develop a project consistent with the objectives outlined in the RFP for the Burnside Bridgehead Project and the development proposal submitted by Opus and ultimately selected by the Board.

PDC staff and Opus have worked together for over 20 months on a series of pre-development projects that are necessary to prepare the site for redevelopment. These projects include the successful rezoning of the site from General Industrial (IG1) to Central Employment (EXd), the removal of railroad easements, the completion of tenant lease renegotiation and relocation of all tenants at the Convention Plaza building, the dedication of portions of the site to the City of Portland to preserve the popular Burnside Skate Board Park, the execution of a Good Neighbor Agreement between PDC and the Burnside Skate Board Park to ensure a productive working relationship during all phase of redevelopment, and the development of a environmental mitigation and demolition plan with expected completion of all tasks in Fall of 2008.

On February 27, 2008, PDC staff briefed the PDC Board on the status of the Bridgehead project. Staff’s briefing and recommendations were based on information obtained about the declining real estate market and its impact on Opus’s ability to move forward with redevelopment of the property.

Following the February 27, 2008 Board briefing, PDC and Opus mutually agreed to not extend the MOU allowing it to expire on February 29, 2008. PDC staff continues to work with the Board on next steps, to keep the CAC informed, continue to work on the implementation of the Eastside Burnside-Couch Couplet and the Portland Streetcar, and to work on predevelopment tasks including the disposition of the CSO easement to BES.
ATTACHMENTS:
   A. Central Eastside URA FY 2007/08 Financial Summary
   B. Burnside Bridgehead Project Summary

CC:  L. Bowers, Interim Development Department Director
     S. Bruce Allen, Sr. Development Manager
     T. Lam, Project Coordinator
     D. Elott, Interim General Counsel
     J. Jackley, Executive Operations Manager
## CES URA Financial Summary

### Fund Summary - Five-Year Budget Projections

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>2,078,427</td>
<td>750,465</td>
<td>134.356</td>
<td>-9,133,751</td>
<td>-14,546,073</td>
<td>-15,556,309</td>
</tr>
<tr>
<td>Interest - City Invest Pool</td>
<td>25,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loans - Interest Earned</td>
<td>0</td>
<td>67,827</td>
<td>85,050</td>
<td>59,085</td>
<td>56,600</td>
<td>44,915</td>
</tr>
<tr>
<td>Loans - Principal Collection</td>
<td>53,209</td>
<td>70,113</td>
<td>65,050</td>
<td>59,085</td>
<td>56,600</td>
<td>44,915</td>
</tr>
<tr>
<td>Real Property Sales</td>
<td>0</td>
<td>7,000,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tax Increment - LT Debt</td>
<td>6,670,000</td>
<td>5,994,010</td>
<td>774,225</td>
<td>1,708,295</td>
<td>1,749,783</td>
<td>1,546,461</td>
</tr>
<tr>
<td><strong>Total Fund Resources</strong></td>
<td>11,559,640</td>
<td>16,543,933</td>
<td>4,210,344</td>
<td>4,364,880</td>
<td>4,586,412</td>
<td>4,587,150</td>
</tr>
</tbody>
</table>

### Requirements

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

**Development**
- 10041 - CES Streetcar Construction: 0, 0, 3,164,000, 3,000,000, 0, 0
- 10044 - CES Burnt/Couch Couple: 497,757, 3,030,000, 6,020,000, 0, 0, 0
- 10048 - Eastbank Park/AdMix Build: 42,320, 0, 0, 0, 0, 0
- 10052 - Washington Monroe: 3,915,000, 0, 0, 0, 0, 0
- 10060 - CES Redevel Loan Fund (Seismic): 300,000, 300,000, 300,000, 300,000, 600,000
- 10070 - Sidewalks/Rt5 to River Plan/Des: 75,000, 125,000, 0, 250,000, 326,000, 0
- 10071 - Burnside Bridgehead - Relo: 1,326,000, 0, 0, 0, 0, 0
- 10072 - Burnside Bridgehead: Develop: 210,000, 6,400,000, 0, 0, 0, 0

**Development Total**: 9,239,933, 10,455,090, 5,504,000, 625,000, 1,585,000

#### Economic Development
- 10021 - CES Storefront Grants: 93,338, 0, 0, 0, 0, 0
- 10023 - CES Industrial Shelters: 50,000, 100,000, 100,000, 100,000, 100,000, 100,000
- 70017 - CES Business Finance: 2,000,000, 1,427,944, 1,000,000, 1,000,000, 1,000,000, 1,000,000
- 70047 - CES Business Retention: 50,000, 150,000, 50,000, 50,000, 50,000, 50,000

**Economic Development Total**: 2,793,338, 1,677,644, 1,150,000, 1,150,000, 1,150,000, 1,150,000

#### Housing
- 33423 - CES Aff Homeownership: 100,000, 0, 0, 1,750,000, 0, 0
- 30021 - CES Workforce Rental Housing: 0, 0, 500,000, 0, 1,250,000, 0
- 30028 - CES Aff Rental Housing: 35,000, 2,500,000, 500,000, 0, 1,100,000, 0
- 50040 - Hooper Center: 0, 0, 0, 2,000,000, 0, 0

**Housing Total**: 135,080, 2,500,000, 1,600,000, 3,750,800, 2,350,000, 0

#### Central Services
- 50167 - CES Debt Management: 0, 100, 0, 10,137, 9,644, 11,170, 0

**Central Services Total**: 0, 100, 0, 10,137, 9,644, 11,170, 0

#### Project Expenditures
- 9,203,127, 14,642,239, 11,664,137, 8,450,644, 4,136,176, 2,735,000

#### Indirect Cost
- 1,992,376, 1,973,275, 1,950,519, 1,740,544, 1,920,721, 500,000

#### Total Fund Expenditures
- 11,195,503, 16,615,514, 13,614,656, 10,190,190, 9,386,897, 3,235,000

#### Contingency
- 750,445, 134,359, 0, 0, 0, 0

#### Ending Fund Balance
- 0, 0, -211,752, -14,560,968, -15,553,300, -13,327,750

**Total Requirements**: 11,946,450, 16,643,933, 4,210,304, -4,356,880, -9,586,412, -10,587,750
PROJECT SUMMARY

Project Name: Burnside Bridgehead

Description: Eastside Combined Sewer Overflow (CSO) easement

Location: Subsurface permanent tunnel easement running through the southwest corner of Block 67

URA: Central Eastside

Current Phase: Planning and Preliminary Design

Site/Project Map:

Map of Burnside Bridgehead site
Map of proposed CSO Easement