DATE: December 8, 2010
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 10-111
Burnside Bridgehead Phase I Implementation – Block 68 (Convention Plaza Building) Predevelopment Loan

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6840

ACTION SUMMARY

This action will authorize an amendment to the predevelopment loan provided to Beam Development (Beam) for predevelopment work associated with the Convention Plaza building located on the Burnside Bridgehead site in the Central Eastside Urban Renewal Area (URA) to increase the principal amount by $256,000, for a total loan amount not to exceed $456,000. Per the Portland Development Commission’s (PDC’s) Financial Assistance Guidelines, loan requests in excess of $200,000 require Board of Commissioners (Board) approval.

The Burnside Bridgehead Framework Plan (Framework Plan) was adopted by the PDC Board in May 2010 (Resolution No. 6800). Per PDC’s Memorandum of Understanding with Beam, in exchange for being PDC’s Strategic Advisor for the Framework Plan without compensation by PDC, it was anticipated that Beam would have the right to exclusive negotiations with PDC to develop a portion of the site that, at a minimum, is equal to up to twenty percent of the site.

In July 2010 Beam declared their interest in the Convention Plaza building and the remainder of Block 68 and Block 69. PDC staff was directed to negotiate with Beam a Disposition and Development Agreement (DDA) for the redevelopment of this portion of the Burnside Bridgehead property. Staff will provide an update on the status of the negotiations at this meeting.

Beam’s intention for the 96,000 SF Convention Plaza building includes the adaptive reuse of the building into workspace for both established and emerging companies on the upper floors, along with retail on the third floor and parking on the first floor. The design approach includes the construction of cost-effective space that can be flexible in its layout in order to accommodate a range of tenant sizes (200 SF to 10,000+ SF).

PDC provided Beam with a predevelopment loan to complete architectural, structural, civil and geotechnical, and landscape due diligence on the project, and included the design of
the Couch Street public right-of-way extension in the Block 68 predevelopment work. Additional predevelopment efforts are needed to advance the DDA negotiations and construction documents. Staff will bring the DDA, including major deal points, project schedule, and remaining due diligence required, before the Board for approval at a subsequent meeting.

PUBLIC BENEFIT

The Framework Plan identifies the retention and renovation of the Convention Plaza building as the initial step in Phase I of the redevelopment of the property. The loan proceeds will fund the architectural, engineering, and environmental costs incurred as part of the design development of the building.

This action will support the following PDC goals:

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

PDC and Beam provided the Burnside Bridgehead Citizen Advisory Committee (CAC) with an update on the Block 68 DDA progress at their October 19, 2010, meeting where the CAC reiterated strong support for the Framework Plan vision and principles, and the retention and renovation of the Convention Plaza building.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The City of Portland’s recently adopted Economic Development Strategy, a Five-Year Plan for Promoting Job Creation and Economic Growth (the Strategy) establishes a set of priorities to guide the City’s job creation work. One component of the Strategy focuses on maintaining a leadership position in sustainability by driving urban innovation in investments in physical place-making. The Strategy identifies the Burnside Bridgehead site as a key catalytic site within the Central City and calls for the creation of a significant mixed-use gateway development at this location.

The Burnside Bridgehead project is also identified in PDC’s Strategic Plan as a project that can deliver key catalytic development projects to meet employment, livability, and investment goals of the Central City and an opportunity to develop new models of urban real estate development to address affordability, sustainability, and market demands.

The renovation of the Convention Plaza building in the adopted Framework Plan is an integral step of the first phase of development for the Burnside Bridgehead site. Therefore, PDC and Beam are completing the due diligence needed to move forward with the renovation of this building.
FINANCIAL IMPACT

The Burnside Bridgehead business line in the Central Eastside URA budget includes $600,000 available for predevelopment efforts associated with the redevelopment of the site.

The predevelopment loan will be repaid from the first construction draw for the project. Per the original $200,000 loan, loan forgiveness would be granted per the following pre-approved criteria: a) the project is unable to proceed due to lack of financing, or b) PDC and Beam mutually agree the project is unfeasible.

The loan proceeds will fund the architectural, engineering, and environmental costs incurred as design development proceeds. It is also important to note that with the Block 68 Convention Plaza project, PDC and Beam are anticipating the design and construction of the Couch Street extension, a public improvement that includes pedestrian and bike access ways from NE Third Avenue to NE Second. The predevelopment loan is also intended to fund the design advancement of this work.

Beam originally requested a zero percent borrower contribution because, per the PDC-Beam Memorandum of Understanding, Beam has participated in the development of the Framework Plan as PDC’s Strategic Advisor in good faith, with no compensation other than the opportunity to propose development on a minimum of 20 percent of the Burnside Bridgehead site. However, it should be noted that predevelopment activities are expected to cost approximately $600,000 by the time the property is anticipated to be conveyed on January 31, 2011, and it is expected that the $144,000 in activity costs remaining after the $456,000 loan is depleted will be completed at Beam’s cost.

<table>
<thead>
<tr>
<th>Loan</th>
<th>Commercial Property Redevelopment Loan: Predevelopment Loan</th>
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<tr>
<td>Borrower</td>
<td>Beam Development</td>
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<tr>
<td>Loan Amount</td>
<td>$456,000 (up from $200,000)</td>
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<td>Purpose</td>
<td>Predevelopment activities</td>
</tr>
<tr>
<td>Loan Fee</td>
<td>None (same as previous)</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>Predevelopment Loan: 0% (same as previous)</td>
</tr>
<tr>
<td>Term</td>
<td>Until January 31, 2011, or upon property conveyance, whichever is sooner.</td>
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RISK ASSESSMENT

The additional predevelopment loan will be unsecured until the project closes, anticipated by January 31, 2011. If the project does not close, PDC is at risk for the repayment of the predevelopment loan. If the project closes, PDC will no longer be exposed to this risk because the predevelopment loan will be fully repaid from the first construction draw for the project.
WORK LOAD IMPACT

This project is incorporated into the work plans of existing PDC staff.

ALTERNATIVE ACTIONS

The Board could choose to not approve the request to increase the predevelopment loan principal amount by $256,000 to a total of $456,000. This would require PDC and Beam to find alternative sources of funding to complete the necessary predevelopment due diligence work, thereby delaying the advancement of the project towards a DDA.

CONCURRENCE

The PDC Loan Committee recommended approval of the total aggregate principal amount of $456,000 subject to Board approval.

BACKGROUND

The site is located at the base of the east end of the Burnside Bridge. The site is 176,215 SF in size and is situated on four-plus city blocks in the Central Eastside URA. The study area is generally bound by NE Martin Luther King Jr. Boulevard to the east, the Burnside Bridge to the south, NE 2nd Avenue to the west, and NE Davis Street and the I-5/I-84 interchange to the north. The site is zoned Central Employment (EXd) and has an allowable height of 200 feet and a maximum Floor Area Ratio (FAR) of 9:1, with an additional 3:1 achievable by meeting bonus requirements.

Block 68 Convention Plaza DDA Negotiation Status

As authorized by the Executive Director, PDC staff are in the process of negotiating with Beam a DDA for the redevelopment of the property. It is anticipated that the DDA will come before the PDC Board for approval in Winter 2011.

Framework Plan

The vision for the Framework Plan is to create a strategic design approach for the development of the Burnside Bridgehead that will catalyze and identify the Central Eastside as an attainable, productive, and sustainable district.

The Framework Plan takes the approach that the goal of development on the site is to be catalytic to incenting and promoting further development in the Central Eastside. The plan recognizes that there is no requirement that a catalyst site be the highest density project in the area, just one of the earlier projects that ties well into the remainder of the area and provides complementary uses. In addition, this approach acknowledges that as the Central Eastside and East Burnside Corridor continue to develop, the Burnside Bridgehead site should provide activities that support ongoing development in the broader district and not detract from the viability of these areas by concentrating too much density into the Bridgehead site.

The adaptive reuse of the Convention Plaza building dovetails with the greater vision articulated in the Framework Plan as follows: the building will be 1) attainable by providing cost effective
workspace; 2) productive in that it will be flexible and ‘wired’ for technology; 3) sustainable by achieving LEED Silver at a minimum in the context of saving an existing building; 4) catalytic because it is a feasible project based on current market conditions that will spur additional redevelopment on the site; and 5) vibrant because it will provide for various uses including workspace and retail space.

ATTACHMENTS:

A. Central Eastside URA Financial Summary
B. Project Summary
## URA FINANCIAL SUMMARY

### Revised Fund Summary - Five-Year Budget Projections

<table>
<thead>
<tr>
<th></th>
<th>Revised FY 09-10</th>
<th>Revised FY 10-11</th>
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### Requirements

#### Program Expenditures

**Business and Industry**

- **Community Economic Development**
  - H70020 Business Finance: 382,500 250,000 87,500 125,000 337,500 125,000
- **General Business Assistance**
  - H70022 Business Retention: 60,000

- **High Growth**
  - H70020 Business Finance: 382,500 250,000 87,500 125,000 337,500 125,000

- **Industry Cluster**
  - H70020 Business Finance: 785,000 500,000 175,000 250,000 675,000 250,000
  - **Business and Industry Total**: 1,590,000 1,000,000 350,000 500,000 1,350,000 500,000

#### Housing

- **Multi-Family - Rental Housing**
  - H80045 Hooper Center: 2,000,000
  - H80046 CEIS Clifford Apartments: 2,300,000 850,000
  - H89030 Affordable Rental Housing: 0
  - **Housing Total**: 4,300,000 850,000 400,000 500,000 900,000

#### Infrastructure

- **Parks**
  - H10048 Eastbank/Asset Transfer: 20,000
  - H10052 Washington Monroe: 0

- **Transportation**
  - H10041 Eastside Streetcar: 0 3,184,000 3,000,000 0 0
  - H10044 Eastside Bumside-Couch: 3,940,748 1,000,000 0 0
  - H10070 Sidewalks/Routes to River: 210,000
  - H13166 Streetcar LID: 0 122,759
  - **Infrastructure Total**: 4,170,748 4,268,759 3,020,000 20,000 1,155,000 20,000

#### Revitalization

- **Community Outreach - Revitalization**
  - H11601 Community Outreach: 11,000

- **Plans and Strategies - Revitalization**
  - H81007 New Strategy: 0 50,000

#### Redevelopment

- **Burnside Bridgehead Redevelopment**
  - H10072: 66,420 2,600,000 3,000,000 0 0
  - H10073 Convention Plaza Interim: 120,364 75,000 0 0 0

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### Financial Summary

#### Revised Fund Summary - Five-Year Budget Projections

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<td><strong>Total Requirements</strong></td>
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<td>2,526,151</td>
<td>4,596,254</td>
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PROJECT SUMMARY

Project Name: Burnside Bridgehead
Description: Mixed-use development
Location: 4.04-acre site at the northeast corner of NE Martin Luther King Jr. Blvd. and E. Burnside St.
URA: Central Eastside
Current Phase: Predevelopment
Next Milestone: Block 68 DDA
Completion Target: 2014
Outcome: Catalytic mixed-use development