

PDC

PORTLAND DEVELOPMENT COMMISSION

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.

Loan	Commercial Property Redevelopment Loan: Predevelopment Loan
Borrower	Beam Development
Loan Amount	\$456,000 (up from \$200,000)
Purpose	Predevelopment activities
Loan Fee	None (same as previous)
Interest Rate	Predevelopment Loan: 0% (same as previous)
Term	Until January 31, 2011, or upon property conveyance, whichever is sooner.

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

Financial Summary

Revised Fund Summary - Five-Year Budget Projections

	Revised FY 2009-10	Revised FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14	Forecast FY 2014-15
Central Eastside URA						
Resources						
Beginning Fund Balance	4,043,315	18,668	31,894	123,962	547,351	109,454
Federal and Other Grants	0	0	0	0	0	0
Fees and Charges	0	0	0	0	0	0
Interest on Investments	33,731	25,000	25,000	25,000	25,000	25,000
Loan Collections	254,757	66,207	66,207	53,268	43,116	40,000
Miscellaneous	0	0	0	0	0	0
Property Income	99,662	2,020,000	3,020,000	20,000	20,000	20,000
Reimbursements	0	0	0	0	0	0
TIF Proceeds	8,793,200	9,780,444	5,619,661	2,303,921	3,954,787	3,885,298
Total Resources	13,224,665	11,910,319	8,762,762	2,526,151	4,590,254	4,079,752
Requirements						
Program Expenditures						
Business and Industry						
Community Economic Development						
H79020 Business Finance	382,500	250,000	87,500	125,000	337,500	125,000
General Business Assistance						
H79022 Business Retention	60,000	0	0	0	0	0
High Growth						
H79020 Business Finance	382,500	250,000	87,500	125,000	337,500	125,000
Industry Cluster						
H79020 Business Finance	765,000	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	0	0	0	0	0
H80046 CES Clifford Apartments Rehab	2,300,000	850,000	0	0	0	0
H89030 Affordable Rental Housing	0	0	400,000	500,000	900,000	0
Housing Total	4,300,000	850,000	400,000	500,000	900,000	0
Infrastructure						
Parks						
H10048 Eastbank/Asset Transfer	20,000	20,000	20,000	20,000	20,000	20,000
H10052 Washington Monroe Redevelopment	0	0	0	0	985,000	0
Transportation						
H10041 Eastside Streetcar	0	3,184,000	3,000,000	0	0	0
H10044 Eastside Burnside-Couch Couplet	3,940,748	1,000,000	0	0	0	0
H10070 Sidewalks/Routes to River	210,000	0	0	0	150,000	0
H13166 Streetcar LID	0	122,759	0	0	0	0
Infrastructure Total	4,170,748	4,326,759	3,020,000	20,000	1,155,000	20,000
Revitalization						
Community Outreach - Revitalization						
H11601 Community Outreach	11,000	11,000	11,000	11,000	11,000	11,000
Plans and Strategies - Revitalization						
H61007 New Strategy	0	50,000	0	0	0	0
Redevelopment						
H10072 Burnside Bridgehead Redevelop	66,420	2,600,000	3,000,000	0	0	0
H10073 Convention Plaza Interim	120,364	75,000	0	0	0	0

Financial Summary

Revised Fund Summary - Five-Year Budget Projections

	Revised FY 2009-10	Revised FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14	Forecast FY 2014-15
Mgmt						
H10074 Burnside Bridgehead Planning	150,000	50,000	0	0	0	0
H27001 Storefront Grants	380,000	200,000	200,000	100,000	100,000	100,000
H28030 Redevelopment Loan Projects	500,000	500,000	200,000	500,000	200,000	200,000
Revitalization Total	1,227,784	3,486,000	3,411,000	611,000	311,000	311,000
Administration						
Executive						
H60041 Eastside Central City Plan	0	50,000	0	0	0	0
Finance						
H98001 Debt Management	18,000	18,000	18,000	18,000	18,000	18,000
Administration Total	18,000	68,000	18,000	18,000	18,000	18,000
Total Program Expenditures	11,306,532	9,730,759	7,199,000	1,649,000	3,734,000	849,000
Personal Services	460,631	390,658	259,164	59,364	134,424	30,564
Transfers - Indirect	1,420,762	1,652,593	993,462	227,562	515,292	117,162
PHB Staff/Admin	18,072	104,415	187,174	42,874	97,084	22,074
Total Fund Expenditures	13,205,997	11,878,425	8,638,800	1,978,800	4,480,800	1,018,800
Contingency	18,668	31,894	123,962	547,351	109,454	3,060,952
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	13,224,665	11,910,319	8,762,762	2,526,151	4,590,254	4,079,752

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

