

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: October 26, 2011

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number 11-69
Authorize the Executive Director to Negotiate and Execute an Agreement regarding the 10th and Yamhill Garage Redevelopment

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6907

ACTION SUMMARY

Resolution # 6907 authorizes Executive Director to negotiate and execute a negative financing agreement with the Bill Naito Company, substantially in accordance with the terms set forth in Exhibit A to the Resolution, that would prohibit PDC from funding any project at the 10th and Yamhill property in the South Parks Urban Renewal Area, that would result in a material reduction in parking availability, until at least two years after a major retail tenant opens for business in the Galleria Building across the street.

The Bill Naito Company is in negotiations with a large format retailer for 80,000 square feet of the Galleria Building. The proposed development of the Galleria Building will invigorate the Downtown Retail Core and will support the goals of the Downtown Retail Strategy endorsed by PDC's Board.

PUBLIC BENEFIT

The following public benefits will be achieved:

1. *Historic Preservation:* The renovation of the Galleria will reinvigorate the building, restoring it back to its original use as an anchor retail building for the Downtown Retail Core.
2. *Downtown Retail Vibrancy:* The new retailer will generate significant foot traffic and create a catalytic effect for desired adjacent retail development. The renovation of the Galleria will also facilitate a synergistic connection between the Downtown Retail Core and the burgeoning West End.
3. *Access:* By locating the new retailer in the retail core, households will have better access to buying goods without needing to travel long distances. The location of this retailer will also serve Central City neighborhoods and reduce vehicle miles traveled.
4. *10th & Yamhill Project.* The redevelopment of the Galleria Building as proposed will ultimately benefit the later redevelopment of the 10th & Yamhill property across the street.

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

The Agreement itself has not been the subject of specific public participation. This project, however, implements the 2009 Portland Downtown Retail Strategy (Strategy), which involved a year-long outreach process to downtown stakeholders. The Downtown Vision Task Force, which is comprised of property owners, retailers, brokers, and other downtown stakeholders, collaboratively developed the Strategy.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

- 2009 Portland Downtown Retail Strategy
 - *Strategy 1.1 Drive private sector investment along Morrison and Yamhill:* A critical component of the Strategy involves focusing investment on the Morrison Yamhill Retail Spine. The Galleria redevelopment project will anchor Morrison Street.
 - *Strategy 1.6 Target key tenants and merchandise categories:* The proposed retailer will generate a high traffic volume and will be a retailer that has been highly desired and recruited for the downtown retail core.
- South Park Blocks Urban Renewal Plan (1985)
 - *Downtown Portland:* Reinforce the downtown's position as the principal commercial, service, cultural, and high density housing center in the city and the region
 - *Historic Preservation:* Identify, preserve, protect, and dramatize historical structures and locations within downtown
 - *Employment and Support Services to Support Housing:* Support activities which provide Area residents new employment opportunities, encouraging downtown living proximity to places of work.
- River District Urban Renewal Plan (1998):
 - *Goal 4:* To enhance the best of what exists
 - *Goal 5:* To strengthen connections between the River District and its neighbors.
 - *Goal 6:* To enhance the economy and functional efficiency of the city.
- Portland Development Commission Strategic Plan (2010)

- *Jobs:* The Central City is the economic and employment core of the region. .
- *Investment:* The Central City is a magnet for ongoing public and private investment to drive employment, enhance quality of life and generate taxes.
- *Great Places:* The Central City is a shining example of walkable urbanism because of the number of unique areas that encourage people to work, play and especially live in the core.

FINANCIAL IMPACT

The proposed resolution would ensure PDC funds allocated for the 10th and Yamhill Redevelopment Project would not be expended until 2015.

RISK ASSESSMENT

The Agreement to be authorized by this action expressly will state that the Bill Naito Company will have no monetary recourse against PDC. This action simply coordinates the timing between the Galleria Building redevelopment and the 10th & Yamhill project. If the Bill Naito Company is unsuccessful in reaching agreement with the potential tenant such that construction of the Galleria does not commence by May 15, 2012, PDC's obligations will terminate.

WORK LOAD IMPACT

Work required of PDC is built into existing staff work plans and no new staff is required.

ALTERNATIVE ACTIONS

The Board could elect to not approve the resolution, in which case the proposed redevelopment of the Galleria Building may not occur.

CONCURRENCE

The Portland Business Alliance and the Downtown Vision Task Force fully supports both the Galleria redevelopment and the redevelopment of the 10th and Yamhill Garage.

BACKGROUND

The health and vibrancy of downtown retail has been a key strategic focus of multiple Central City planning efforts over the decades. As the front door for most visitors to the Portland region, the downtown retail environment signals to visitors the city's quality of life and investment.

The 2009 Portland Downtown Retail Strategy, accepted by Portland City Council in December 2009 and endorsed by the PDC Board in January 2010, provided a strategy for creating and preserving the health of Portland's Downtown Retail Core. Specifically:

- A Downtown Vision Task Force was formed with significant representation from downtown property owners and brokers to establish a single vision and tenancing strategy for the Downtown Retail Core.
- Two signature retail streets (Yamhill and Morrison) were identified based on their existing retail base and redevelopment potential. By creating a clear destination and a compact, high quality shopping environment along these streets, adjacent streets benefit from the foot traffic and exposure that these signature streets bring.
- The Strategy aims to focus resources and efforts on the signature streets and on achieving the downtown retail vision and tenancing strategy. The signature streets are anchored by Pioneer Place on the eastern edge and the 10th and Yamhill Garage and Galleria on the western edge.

Over a century old, the Galleria was home to several department stores and retail venues over the years. The proposed redevelopment of the Galleria will reinvigorate a former historic retail venue and provide a significant anchor to the Downtown Retail Core.

The redevelopment of the 10th and Yamhill Garage has also been a strategic focus for the City of Portland and downtown stakeholders. PDC and the Portland Bureau of Transportation (PBOT) entered into a non-binding Memorandum of Understanding (MOU) for the possible redevelopment of 10th and Yamhill with Carroll Investments on November 3, 2010. While this action will delay the commencement of a major redevelopment project at the site requiring the closure of existing parking, the action will coordinate the two redevelopment projects, creating an environment for a more successful future development of the 10th & Yamhill project. Carroll Investments is aware of and supports the action to be taken by this Resolution.

In order to provide this new tenant with a two year time frame to stabilize operations, this Agreement will enforce a negative financing covenant that will prohibit PDC from funding the redevelopment of the Garage until two years after the retailer has opened. The terms of the agreement are provided as an exhibit to the resolution.

ATTACHMENTS:

- A. URA Financial Summary

URA FINANCIAL SUMMARY

Five-Year Forecast Project Requirements

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
River District URA						
Resources						
Beginning Fund Balance	12,157,166	6,602,768	11,907,767	1,865,107	1,273,770	1,030,000
Interest on Investments	100,000	30,000	100,000	0	0	0
Loan Collections	456,741	450,000	500,000	500,000	500,000	50
Property Income	1,016,000	582,348	582,348	582,347	582,349	58
Reimbursements	125,000	200,000	426,562	200,000	200,000	20
TIF Proceeds	46,523,874	50,450,100	20,314,110	37,024,952	56,327,237	46,300,000
Total Fund Resources	60,378,781	58,315,216	33,830,787	40,172,406	58,883,356	48,610,000
Requirements						
Program Expenditures						
Administration						
Finance Admin						
H98001 Debt Management	70,000	50,000	50,000	50,000	50,000	5
Strategic Planning/Policy & Prgm Dvlpmnt						
H92110 Westside/Central City Study	150,000	0	0	0	0	0
Administration Total	220,000	50,000	50,000	50,000	50,000	5
Business Development						
Business Lending						
H79020 Business Finance	1,250,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000
Cluster Industry Development						
H72026 Cluster Development	0	200,000	0	0	0	0
H79023 Design Forum/PDX	0	1,000,000	0	0	0	0
H79100 Site Recruitment	0	71,250	71,250	71,250	0	0
Business Development Total	1,250,000	3,271,250	2,071,250	2,071,250	2,000,000	2,000
Housing						
PHB Housing						
H12030 Fairfield Apartments	430,000	500,000	0	0	0	0
H32138 Pearl Family Housing	7,000,000	0	0	0	0	0
H37937 RAC - Access Center	10,329,607	16,046,927	0	0	0	0
H37938 Blanchet House Redev	200,000	4,020,700	0	0	0	0
H37940 New Avenues for Youth	9,190	0	0	0	0	0
H80036 Yards at Union Station	0	3,982,438	0	0	0	0
H89030 Affordable Rental Housing	0	1,227,314	0	4,000,000	9,000,000	3,500,000
Housing Total	17,968,797	25,777,379	0	4,000,000	9,000,000	3,500,000
Infrastructure						
Parks						
H13119 Neighborhood Park (The Fields)	400,000	1,550,000	4,130,000	0	0	0
H13120 Neighborhood Park SDC Credit	0	400,000	0	0	0	0
Public Facilities						
H13138 Streetcar LID	0	0	500,000	0	0	0
H60020 Union Station	826,500	1,706,500	5,446,500	6,500	6,500	0
H80034 Community Facilities	78,000	0	0	0	0	0
Transportation						
H11233 Public Site Improvements	177,000	0	0	0	0	0
H13137 Streetcar Loop Project	11,523,396	0	0	0	0	0
Infrastructure Total	13,004,896	3,656,500	10,076,500	6,500	6,500	0
Property Redevelopment						
Commercial Real Estate Lending						
H28030 Redevelopment Loan Projects	3,200,000	2,080,000	3,800,000	3,800,000	4,000,000	4,000
Community Redevelopment Grants						
H27001 Storefront Grants	300,000	300,000	300,000	300,000	300,000	30
H27050 DOS Grants	75,000	75,000	75,000	75,000	75,000	7
Property Redevelopment						

Five-Year Forecast Project Requirements

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
H11244 One Waterfront Place	6,000	7,000	6,000	6,000	6,000	6,000
H12101 Downtown Retail Strategy	450,000	500,000	500,000	250,000	250,000	250,000
H12145 Blocks A&N	20,000	32,300	32,300	32,300	32,300	32,300
H13104 Centennial Mills Redevelopment	569,000	472,000	2,868,000	5,268,000	3,068,000	8,000
H13112 North Pearl District Plan	0	500,000	0	0	0	0
H13115 Station Place Garage/Parcels	378,700	233,147	223,147	223,147	223,147	223,147
H13143 RD Environmental	100,000	65,000	75,000	0	0	0
H22500 Post Office	518,500	420,000	5,000,000	8,000,000	20,000,000	30,000,000
H28032 Vestas	8,100,000	0	0	0	0	0
H60021 10th and Yamhill Redevelopment	250,000	0	0	3,750,000	9,200,000	0
H60027 PNCA	6,000	750,000	0	0	0	0
H60029 Block 25	14,000	0	0	0	0	0
H60031 Block 11	150,000	0	0	0	0	0
H60032 Horse Barn Relocation	0	750,000	1,250,000	0	0	0
H80037 Grove	130,000	2,707,850	0	0	0	0
Property Redevelopment Total	14,267,200	8,892,297	14,129,447	21,704,447	37,164,447	34,894,447
Total Program Expenditures	46,710,893	41,647,426	26,327,197	27,832,197	48,210,947	40,450,947
Personal Services	877,300	1,062,225	1,320,823	3,501,959	1,735,594	1,456,234
Transfers - Indirect	5,498,256	3,204,879	3,633,153	6,840,843	6,653,111	5,582,231
PHB Staff/Admin	689,564	492,919	684,507	723,637	1,253,485	1,051,725
Total Fund Expenditures	53,776,013	46,407,449	31,965,680	38,898,636	57,853,137	48,541,137
Contingency	6,602,768	11,907,767	1,865,107	1,273,770	1,030,219	71,817
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	60,378,781	58,315,216	33,830,787	40,172,406	58,883,356	48,612,954