



DATE: July 18, 2018
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 18-33
Update on the North District Development Agreement

BRIEF DESCRIPTION OF INFORMATION ITEM

No action is requested; information only.

On June 10, 2015, the Prosper Portland Board of Commissioners (Board), through Resolution No. 7117, authorized the Executive Director to enter into a South Waterfront North District Project Development Agreement (DA) with ZRZ Realty Company (ZRZ) and recommended Portland City Council (City Council) approve the DA. On June 24, 2015, City Council approved the DA through Ordinance No. 187212.

On June 29, 2018, ZRZ and Prosper Portland mutually agreed to terminate the DA. At the July 18, 2018 Prosper Portland Board meeting, staff will provide an update on the feasibility analysis conducted upon completion of the ZRZ master plan; the most recent public investment proposal based on the feasibility analysis; and next steps given the mutual DA termination.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

Prosper Portland entered into the DA to deliver on the agency's 2015-2020 Strategic Plan by supporting growth within one of Portland's most significant employment-based centers which is critical to the city's overall economic prosperity and regional job growth and innovation. With termination of the DA, Prosper Portland and Portland Housing Bureau (PHB) priorities within the North Macadam Urban Renewal Area (URA) will continue to focus on supporting South Waterfront's growth as a regional jobs center through significant transportation, infrastructure, and affordable housing investments.

BACKGROUND AND CONTEXT

The DA formally established Prosper Portland and partner City of Portland (City) bureau actions that would support ZRZ development of 1,500,000 square feet of mixed-use, employment-oriented commercial and residential property in the North Macadam URA with additional development to follow after the expiration of the URA. Prosper Portland's approximately \$23,700,000 investment committed through the DA was based on projected availability of tax increment financing (TIF) and the planned scale of ZRZ private development. The DA defined specific priorities for public investment, including economic development; the buildout of SW Bond Avenue from SW Porter Street to the Central District; the full length of North District greenway improvements; a sequence of parks and open space; and affordable housing.

On February 8, 2017, staff provided the Prosper Portland Board with an update and summary of the private development, public infrastructure, and public-private partnerships included in the DA. ZRZ presented an overview of the master plan including vision, mix of uses, and phasing.

Over the past year and half, City staff and ZRZ have continued to refine development plans and technical analyses towards the implementation of the ZRZ master plan. This work has included approval by City Council of an Inclusionary Housing Policy to help achieve the City's affordable housing objectives; finalization of an open space concept and partnership with Portland Parks Bureau (Parks); an update to the Greenway Master Plan by Parks and related updates to the Design Commission; construction of SW Bond Avenue north of SW Porter Street by the Portland Bureau of Transportation (PBOT); and a joint presentation of a Street Plan Amendment for the North District to the Planning and Sustainability Commission in October 2017.

Based on additional infrastructure and vertical development analysis, in early 2018 Prosper Portland, City bureau partners, and ZRZ entered into negotiations around a joint funding and financing approach in an effort to achieve the vision of the master plan. During negotiations, Prosper Portland and the City proposed investing \$53,000,000 in public funds between now and 2025 when the North Macadam URA is set to expire. This investment represented a significant increase in potential public investment over the 2015 DA. The proposed investment was consistent with the public priorities defined in the DA, and those identified by stakeholders, with the increase in the proposed level of investment driven by refined infrastructure designs and costing, and an agreed-upon per square foot cost for PHB's acquisition of an affordable housing site. Public infrastructure investment was proposed to occur through a combination of TIF together with Parks and PBOT System Development Charges. Just under half of this investment was estimated to be generated by ZRZ development, with approximately \$20,000,000 (net present value) of public revenues generated by ZRZ by 2025 through new property taxes and development fees.

In addition, through the master plan and design refinement work, ZRZ identified an additional approximately \$40,000,000 of infrastructure costs necessary for vertical development and tied to local streets, utilities, and other amenities. These utilities and amenity costs were not contemplated for public investment in the original DA and, given that public resources in the North Macadam URA are finite, the City was not prepared to pay these costs outright. Prosper Portland and City partners offered a loan consideration as part of the proposed joint funding package to help cover ZRZ's initial capital outlays associated with this additional infrastructure cost. Should Prosper Portland have covered these additional costs through an increase in non-set aside TIF, there would be approximately \$5,000,000 to \$10,000,000 remaining for all additional economic development priorities through the life of the URA. Ultimately, staff and ZRZ were unable to come to a mutually-agreeable joint funding and financing plan that accomplished private development needs and the community's long-held public investment priorities outlined in the DA.

Prosper Portland and ZRZ are maintaining open lines of communication and, together with City partners, staff remains supportive of the vision ZRZ's master plan offers for the future of South Waterfront. The immediate next step is for Prosper Portland staff to work with City partners to refine a proposed approach that advances the public priorities defined in the DA and included in the Fiscal Year 2018-2019 Approved North Macadam URA budget. At a high level, staff anticipates focusing on the following efforts:

- Supporting PBOT to pursue SW Bond Avenue full alignment and improvements at the South Portal to sustain Oregon Health Science University's ongoing growth as a regional employer as well as other new development within the district;
- Supporting PHB's efforts that deliver on North Macadam URA affordable housing goals with the initiation of RiverPlace Parcel 3 phase 2 and the identification of an alternative additional affordable housing site within South Waterfront;

- Implementing the full length of Greenway through partnership with Parks and as new development comes online; and
- Focusing investments on real estate and economic development opportunities in other sub-districts within the URA, including in coordination with South Portal and along SW Harbor Avenue/Naito Parkway.

EQUITY IMPACT

Prosper Portland and the City's continuing commitment to the public priorities identified in the DA are critical to supporting growth within one of Portland's most significant employment-based centers; this anticipated growth is crucial to the City's overall economic prosperity and regional job growth and innovation.

ATTACHMENTS

None.