

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: December 13, 2006

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 06-138
Authorizing Executive Director to Grant Easements Necessary for
Completion of RiverPlace Parcel 1 Project, Pursuant to DDA

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution

ACTION SUMMARY

This Resolution will authorize the Executive Director to grant encroachment easements on PDC-owned properties adjacent to the RiverPlace Parcel 1 redevelopment site, as may be necessary to complete the redevelopment project.

The RiverPlace Parcel 1 redevelopment project is specifically defined in the Second Amended and Restated Agreement for Disposition and Development of Land as amended ("DDA"), approved by Commission in Resolution No. 6018, adopted by the Commission on June 11, 2004 in Resolution No. 6137, adopted by the Commission on June 9, 2004, and as amended in minor amendments authorized by approved terms therein.

The encroachment easements are necessary for the Redeveloper to establish a condominium association for the new development, as is required by the DDA and to close on initial sales of completed residential units.

No further actions are anticipated by the Board.

Completion of the project in accordance with the DDA will result in a completed development of 210 new residential units, a destination restaurant, and a new 100-space visitor parking resource.

This RiverPlace Parcel 1 project is located on SW River Drive between SW Montgomery and SW River Parkway, adjacent to the South Waterfront Park property and Greenway esplanade, on Commission-owned property.

The developer will be closing on the project's first condominium unit sales immediately following approval of the easements. Project completion will occur in phases with final completion scheduled by December 2007.

RELATIONSHIP TO ADOPTED PLANS AND POLICIES

Redevelopment of the Property under the terms and conditions set forth in the DDA is consistent with the North Macadam Urban Renewal Plan and the RiverPlace Development

Strategy, and specifically implements a redevelopment goal of the Commission, first identified by City Council in 1978, to redevelop the South Downtown Waterfront into an active urban mixed-use neighborhood.

Approval of this Resolution will implement activity authorized by the Commission in Resolution No. 6018 adopted by the Commission on June 11, 2004, and in Resolution No. 6137 adopted by the Commission on June 9, 2004.

The requested action is consistent with the PDC Mission & Strategic Plan and the department Business Plan.

The requested action is necessary to implement terms and conditions of the DDA.

PUBLIC BENEFIT

Redevelopment of RiverPlace Parcel 1 by RiverPlace Partners, L.L.C. ("RPP") fulfills objectives of the North Macadam Urban Renewal Plan for removal of blight, redevelopment of the downtown waterfront, and enhancement of property tax resources in the district through redevelopment of formerly-industrial vacant brownfield property acquired by the Commission for redevelopment in 1985. Overall, the project responds to long-standing community requests for additional commercial visitor parking, strengthens the existing residential community with the addition of market rate for-sale housing and provides an important new public attractor use in the form of a destination restaurant to activate the South Waterfront Park and Esplanade.

FINANCIAL IMPACT

The requested action has no impact on PDC budgets.

RISK ASSESSMENT

No significant legal risk to PDC is associated with granting of the easements.

No significant financial risk to PDC is identified with granting of the easements.

No significant operational risk to PDC is identified with granting of the easements.

No significant public trust risk to PDC is identified with granting of the easements.

WORK LOAD IMPACT

Staff resources are available to implement granting of the easements, if approved.

The easements were contemplated as part of the Department Work Plan.

Related to Item 2062

ALTERNATIVE ACTIONS

The Commission could decline to grant the easements. Without the easements, the Redeveloper will not have full legal property control for its development as approved in the DDA, and as necessary to file the condominium documents for the project, which is required for closing on completed residential unit sales.

The Commission staff has considered the grant of licenses in lieu of easements for the encroachments; however, Multnomah County title officials have deemed this unacceptable for purposes of recording the condominium plat.

If the requested action is not approved, PDC may face risk of legal action by redeveloper for failing to grant approvals necessary to complete the project defined in the DDA, which could be expected to result in financial impact to PDC.

PUBLIC PARTICIPATION AND FEEDBACK

All of the components of the Project (its 210 residential units, destination restaurant, and especially the Visitor Parking Component) have received the strongest support from the area business and residents. The North Macadam Urban Renewal Advisory Committee is supportive of this Project.

CONCURRENCE

Staff from the Bureau of Development Services and the Oregon Department of Environmental Quality participated in the development of this project's design to ensure consistency with applicable policies and regulations.

BACKGROUND

In September 1998, pursuant to the RiverPlace Development Strategy, the Commission released a Request for Proposals for a development team to purchase and develop Parcel 1, with 150 residential condominium units and an 80-to-130room hotel. RiverPlace Partners, L.L.C. was selected for the project. In August 1999, the Commission authorized the Executive Director to execute a Disposition and Development Agreement ("DDA") with RiverPlace Partners, L.L.C. ("RPP"), pending the commitment of a hotel partner.

In December 1999, RiverPlace Partners identified Gordon Sondland, with Aspen RiverPlace L.L.C., as the hotel development partner. In spring 2001, Mr. Sondland and Inter-Continental Hotels concluded negotiations on a management agreement for operation of the hotel on the site and architectural design work was begun.

In August 2001, the Commission approved an Amended and Restated Disposition and Development Agreement with RiverPlace Partners, L.L.C. establishing a revised Schedule of Performance that incorporated revised target dates for development activities incorporating responsibilities for both the new hotel developer and RPP. At the Commission Work Session on March 19, 2003, staff presented a status report on the project. The proposed height change necessary for the residential tower

design was not approved by the City. Also, the hotel feasibility study completed in July 2002, pursuant to the development agreement, showed the hotel to be infeasible at that time due to impacts to the travel industry and local hotel sector resulting from events of September 11, 2001. Commission directed staff to pursue renegotiation of the DDA with an alternate development program.

On June 11, 2003, the Commission approved the Second Restated DDA to include a revised scope of development, schedule of performance, and terms of land sale. The scope of development included 210 condominium units with a minimum of 250 associated parking spaces, a destination restaurant on the esplanade of approximately 8,000 square feet, and 100-120 public visitor parking spaces. Construction would last 24-30 months for the project. Terms of the land sale call for a \$3,673,815 land price payable at closing and a \$250,000 earnest money deposit, nonrefundable to the Redeveloper except as under conditions caused by the Agency or a third party.

The DDA's Schedule of Performance set a closing date for the land sale on or before June 30, 2004 following the completion of a number of pre-closing activities. Unusual environmental issues threatened delay of the scheduled closing, resulting in the approval by Commission on June 9, 2004, of Amendment One to the Second Restated DDA, to designate certain pre-closing requirements as post-closing, pre-construction requirements, and so to allow closing on the scheduled date.

The land sale closed as scheduled on June 30, 2004, which allowed the Parcel 1 land to be converted to private taxable status July 1, 2004. Subsequently, the project has completed necessary post-closing, pre-construction requirements to date. Final certificates of completion for project components will be granted in phases, once conditions have been met. Granting of encroachment easements is necessary in order for RPP to satisfy conditions of completion for the project.

ATTACHMENT:

A. URA Fund Summary

CC: C. Twete, Development Director
R. Blakeman, Development Manager
M. Baines, General Counsel
L. Sundstrom, Central Services Director

URA FUND SUMMARY

**Portland Development Commission
 Fund Summary - Includes Forecast Data**

	<i>FY 2005-06 Revised</i>	<i>FY 2006-07 Adopted</i>	<i>FY 2007-08 Forecast</i>	<i>FY 2008-09 Forecast</i>	<i>FY2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>
FUND: North Macadam URA 325						
RESOURCES						
Tax Increment - S-T Debt	0	0	0	156,789	3,094,784	3,496,513
Tax Increment - L-T Debt	23,166,435	28,625,871	11,077,554	17,725,000	4,110,804	0
Grants - Federal Except HCD	214,889	1,248,000	752,000	0	0	0
Reimbursement	1,237,319	542,505	0	0	0	0
Rent and Property Income	57,600	38,400	0	0	0	0
Other Contracts	267,357	274,824	282,504	290,402	298,526	306,880
Interest - City Invest Pool	50,000	50,000	50,000	50,000	50,000	50,000
Real Property Sales	0	0	6,000,000	0	0	0
Beginning Fund Balance	862,358	0	0	0	0	0
TOTAL RESOURCES	25,855,958	30,779,600	18,162,058	18,222,191	7,554,114	3,853,393
REQUIREMENTS						
Project Expenditures (does not include Personal Services or Indirect Cost)						
Development						
10510 - N Mac Implement Coord	6,067	0	0	0	0	0
10511 - N Mac Trans Planning	50,000	400,000	0	0	0	0
10512 - N Mac Dev Agreements	96,517	95,000	95,000	95,000	95,000	95,000
10516 - N Mac Greenway	89,425	150,000	2,750,000	1,100,000	0	0
10521 - N Mac Tram	3,066,346	5,000,000	0	0	0	0
10522 - Brownfield Smart Growth	15,426	0	0	0	0	0
10532 - Cntrl Dist Infrastructure	2,338,562	4,289,000	498,000	913,000	0	0
10536 - Neighborhood Park	8,420,000	200,000	1,800,000	2,000,000	0	0
10537 - Neighborhood Improvements	0	100,000	400,000	78,000	0	0
10538 - OHSU Federal Funding CRs	0	0	1,140,000	1,130,000	1,130,000	0
11060 - RivPl Environ Parc1 & Gen	150,114	53,000	43,000	8,000	2,000	0
11061 - RiverPlace Lot8 Environ	85,000	625,000	0	0	0	0
11062 - RiverPlace Lot8 Parcel Dev	67,000	40,000	0	0	0	0
11063 - RiverPlace Lot 3 ReDev	156,000	10,000	10,000	1,400,000	10,000	0
11069 - RiverPl Dev Parcel1 & Gen	103,500	6,338,000	1,500	1,500	0	0
11072 - Harrison/Star to RiverPl	184,949	0	0	0	0	0
11080 - RiverPlace Property Mgmt	10,000	10,000	10,000	10,000	0	0
11081 - Harbor Naito Plan/Redev	32,486	0	0	0	0	0
Development Total	14,871,392	17,310,000	6,747,500	6,735,500	1,237,000	95,000
Economic Development						
70008 - New Initiative - Jobs	292,000	0	0	0	0	0
70012 - OHSU Commercial Research	3,105,000	195,000	0	0	0	0
70217 - Bioscience Dev Strategy	0	700,000	700,000	700,000	700,000	700,000
Economic Development Total	3,397,000	895,000	700,000	700,000	700,000	700,000
Housing						
10525 - MFH North Macadam	3,000,000	10,000,000	2,041,000	8,000,000	2,700,000	0
37922 - NM/RP Hsg Policy/Planning	0	5,000	0	0	0	0
Housing Total	3,000,000	10,005,000	2,041,000	8,000,000	2,700,000	0
Finance						
57149 - NMAC Debt Mgmt & Finance	24,743	14,362	0	0	0	0
Finance Total	24,743	14,362	0	0	0	0
Total Project Expenditures	21,293,135	28,224,362	9,488,500	15,435,500	4,637,000	795,000
Debt Service - Principal						
Operating Transfers Out	0	0	6,000,000	0	0	0
Personal Services	2,637,692	0	0	0	0	0
Indirect Cost	473,116	688,169	0	0	0	0
TOTAL REQUIREMENTS	25,855,958	30,779,600	15,488,500	15,435,500	4,637,000	795,000