

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** February 13, 2008

**TO:** Board of Commissioners

**FROM:** Bruce A. Warner, Executive Director

**SUBJECT:** Report Number 08-16  
Amendment Number 4 to the Disposition and Development Agreement with Soneed, LLC for Station Place Lot 2 in the River District Urban Renewal Area

### **EXECUTIVE SUMMARY**

#### **BOARD ACTION REQUESTED**

Adopt Resolution No. 6555

#### **ACTION SUMMARY**

This action will amend the Disposition and Development Agreement for Lot 2 – Station Place Redevelopment dated February 9, 2006 (the DDA) between Portland Development Commission (PDC) and Soneed, LLC (Soneed), an Oregon limited liability company, by extending the Final Termination Date five months to May 15, 2008, extending the Schedule of Performance, amending the representations and warranties to include the existing pilings on the lot, and allowing for the creation of an account whereby PDC can reimburse Soneed for incidental costs associated with the identified, existing pilings and associated structures embedded in the lot. This account will be in the amount of twenty thousand dollars (\$20,000) and will include a contingency of approximately five thousand dollars (\$5,000). This will allow the Ziba Design Headquarters project to continue to move forward. A revised Schedule of Performance is attached as Attachment C. Reasons for the extension and modification of the DDA are:

- Soneed needs to meet the conditions precedent to conveyance, specifically section 1.5.4 (b) of the DDA requiring a commitment letter for construction financing.
- Closing was scheduled for December 14, 2007; Soneed was unable to close and a Notice of Termination was sent on December 18, 2007. This granted Soneed a sixty-day period to fulfill the condition, allowing until February 16, 2008, when the DDA will automatically terminate.
- Without further action by the PDC Board of Commissioners (Board), the DDA will automatically terminate on February 16, 2008.
- This amendment allows for PDC to include the identified, existing pilings and associated structures in the representations and warranties.
- This amendment allows for PDC to create an account through which Soneed can be reimbursed for incremental costs associated with an identified pre-existing condition on the property.

## **PUBLIC BENEFIT**

The additional time will enable Soneed to secure construction and permanent financing and enable the DDA to be fully implemented. Creation of the account will allow for PDC to fulfill their obligations as seller of this lot. Significant public benefits will result from the successful implementation of the project including the following:

- Retention of an internationally acclaimed design firm's office headquarters and of nearly 100 highly skilled, creative jobs for the River District Urban Renewal Area (URA) with an estimated 30 - 50 additional new hires.
- Redevelopment of a blighted, vacant lot (Lot 2) at Station Place.
- Creation of approximately \$15 million in new private investment generating property tax revenues to support future URA goals.

### **This action will support the following PDC goals:**

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

## **PUBLIC PARTICIPATION AND FEEDBACK**

The Pearl District Neighborhood Association supports more employment opportunities in the neighborhood to balance the residential growth. In September 2007, Soneed representatives and its architects attended a Pearl District Neighborhood Association meeting and received positive feedback on the proposed design. In addition, Soneed has undertaken the Design Advice Review (DAR) process with the City Design Commission on September 28, 2006, to obtain feedback early on in the development review process. Based on the input of the Design Commission at the DAR, Soneed engaged Holst Architecture to revision the building adding an additional floor and with a change of the exterior skin. On October 4, 2007, the Bureau of Development Services, Land Use Division rendered their final decision by the Design Commission approving a new three story mixed-use building for Ziba's World Headquarters.

There is strong support from the Pearl District Business Association and Neighborhood Association to keep Ziba in the area.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

Soneed's proposed use of the property for Ziba Design's international headquarters is fully consistent with the adopted River District Development Plan and River District Urban Renewal Plan. Furthermore, recent goals and objectives of the Pearl District Development Plan include the need to attract new employment opportunities to support the dramatic population growth in the URA. Ziba is one of Portland's leading creative industries with high quality jobs providing high wages to its employees.

## **FINANCIAL IMPACT**

There is no financial impact to PDC resulting from the extension of the Schedule of Performance. Ziba has increased employment by forty employees since 2005. Ziba has been approved for funding under PDC's Quality Jobs Program and Economic Opportunity Fund in the amount of \$700,000. Funds have been identified in the River District budget to support these programs on line item 70003. The FY 2006-07 Approved Budget and Forecast for the River District URA is attached as a Financial Summary (Attachment B).

## **RISK ASSESSMENT**

If the DDA is not extended, and it automatically terminates, PDC will no longer be able to retain the interest of Ziba in developing the site into their international headquarters. This would be a substantial loss to the Economic Development Department's creative service target industry, the River District URA and the City of Portland as a whole. Additionally, PDC would therefore continue to carry the land until new alternatives for the site were developed and evaluated.

## **WORK LOAD IMPACT**

The River District anticipates requesting an additional staff member to assist with growing work load demands. In the interim, we have brought a temporary staff person on board to help accommodate the River District work load. As a result, there are currently staff resources in the Development, Economic Development, Real Estate and Legal Departments to complete the proposed amendment.

## **ALTERNATIVE ACTIONS**

PDC could decide not to amend the DDA, which will result in the termination of the DDA. PDC will have the following options if the DDA is terminated:

- Remarket the site for sale and development by a new commercial user;
- Develop the site on a speculative basis and seek a new user; or
- Issue a Request for Qualifications for potential other uses.

## **CONCURRENCE**

PDC's Development, Legal, Finance and Economic Development Departments support the extension of the DDA.

## **BACKGROUND**

The Station Place commercial space is one component of a mixed-use development in the River District URA. It is located on the southeast corner of NW 9<sup>th</sup> Avenue and Marshall Street. The land was acquired by PDC as part of the original Union Station purchase in 1987.

The Station Place project has been an ongoing, multi-phase project for more than five years. The site, a seven-acre tract of land owned by PDC, until recently, was unsuitable for development. From 1990 to 2001, the site was the home of the City's Mounted Horse Patrol facility, which was relocated to the Centennial Mills property to allow for this development. The demolition of the Lovejoy ramp and construction of a new, at-grade street was completed in 1999. The environmental investigations for the site were completed and the utilities and roads to service the new development were built in 2003. The Station Place site, much like the rest of the Union Station property, is a brownfield site under the oversight of the Oregon Department of Environmental Quality.

On July 13, 2005, the Board authorized the Executive Director to enter into negotiations for the DDA with Soneed in order to allow it to construct Ziba's new international headquarters on the site and eliminate REACH's obligation to develop a retail use on the site (Resolution No. 6276).

In February 2006, the Board authorized execution of the DDA with Soneed, which included an extension of the Schedule of Performance for closing from March 1, 2006, to September 15, 2006 (Resolution No. 6326).

On August 24, 2006, the Executive Director executed Amendment Number One, extending the Schedule of Performance 60 days to November 15, 2006, to allow Soneed time to develop a new performance schedule due to the re-design of the building. On November 8, 2006, the Board authorized an Amendment Number Two to the DDA extending the Schedule of Performance by seven months to June 15, 2007 (Resolution No. 6410). On April 25, 2007, the Board authorized an Amendment Number Three to the DDA extending the Schedule of Performance six months to December 15, 2007, and eliminating the requirement of the parties to construct the pedestrian bridge connection between the REACH residential tower and the Station Place Garage (Resolution No. 6475).

While the DDA does not require Soneed to meet PDC's Green Building Policy, Soneed is designing their building to meet, at a minimum, a Leadership in Energy and Environmental Design (LEED) Silver rating and striving to reach LEED Gold. Soneed and their contractor have met with PDC to explain per Section 5.2 Public Contracting Matters of the DDA, PDC's Work Force Training and Hiring Requirements and how Soneed and their contractor will implement PDC's Good Faith Efforts Program.

PDC staff have been meeting weekly with Soneed representatives in order to assist with project implementation. Soneed has completed all of the actions required per the DDA with the exception of obtaining a Commitment Letter from Umpqua Bank for construction and permanent financing.

To date Soneed and PDC have recorded the Memorandum of Disposition and Development Agreement, renegotiated and recorded easements, and resolved all outstanding title issues, and are otherwise prepared to close.

**ATTACHMENTS:**

- A. River District URA Fund Summary
- B. Project Summary
- C. Revised Schedule of Performance

**CC:** C. Twete, Director of Development  
S. Shain, Development Manager, Development Department  
M. Baines, General Counsel  
J. Jackley, Executive Operations Manager

## URA FINANCIAL SUMMARY

### Financial Summary

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

	FY 2006-07 Revised Budget	FY 2007-08 Adopted Budget	FY 2008-09 Forecast	FY 2009-10 Forecast	FY 2010-11 Forecast	FY 2011-12 Forecast
<b>River District URA</b>						
<b>Resources</b>						
Beginning Fund Balance	1,755,241	425,973	16,251,236	6,166,308	2,079,112	7,318,398
Interest - City Invest Pool	154,000	300,000	485,000	500,000	550,000	450,000
Loans - Interest Earned	187,014	285,000	335,000	385,000	335,000	335,000
Loans - Principal Collection	187,013	300,000	350,000	400,000	350,000	350,000
<b>Real Property Sales</b>	<b>0</b>	<b>2,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Reimbursement	200,000	200,000	200,000	200,000	200,000	200,000
Rent and Property Income	0	0	0	200,000	200,000	200,000
Tax Increment - L-T Debt	9,000,000	15,139,473	11,082,000	17,401,000	10,206,999	0
Tax Increment - S-T Debt	10,132,289	11,277,252	12,243,031	13,615,506	14,302,205	4,475,066
<b>Total Fund Resources</b>	<b>21,615,557</b>	<b>29,927,698</b>	<b>40,946,267</b>	<b>38,867,814</b>	<b>28,223,316</b>	<b>13,328,466</b>

#### Requirements

Project Expenditures (does not include Personal Services or Indirect Cost)

##### Development

10225 - RD Retail Loan Program	404,000	200,000	200,000	200,000	200,000	200,000
10227 - RD Historic Preservation	75,000	75,000	75,000	0	0	0
10234 - RD Park Ave Redev	150,000	100,000	1,000,000	0	0	0
11032 - RD Light Rail	1,750,000	0	0	0	0	0
11263 - RD Public Site Imprv	350,000	250,000	125,000	125,000	125,000	125,000
11264 - RD Burns/Couch Trans	575,000	500,000	2,370,000	1,425,000	0	0
13104 - RD Centennial Mill	500,000	800,000	1,500,000	2,000,000	0	0
13112 - RD North Pearl Planning	275,000	100,000	0	0	0	0
13113 - RD One Waterfront	250,000	250,000	100,000	8,000,000	0	0
13115 - RD Station Place Redev	100,000	50,000	15,000	0	0	0
13116 - RD Predevelopment	150,000	0	0	0	0	0
13117 - RD Dev Loan Program	750,000	500,000	500,000	750,000	750,000	750,000
13119 - RD Neighborhood Park	420,000	500,000	3,825,000	0	0	0
13135 - RD Seismic Loans	93,337	350,000	500,000	1,000,000	1,000,000	1,000,000
13136 - RD DOS Program	0	100,000	100,000	100,000	100,000	100,000
13137 - RD Eastside Streetcar Connect	0	0	2,500,000	0	0	0
13138 - RD Post Office	0	500,000	1,750,000	6,500,000	6,500,000	0
13142 - RD Project Management	5,000	0	0	0	0	0
13143 - RD Environmental	200,000	125,000	125,000	125,000	125,000	125,000
13144 - RD Pedestrian Bridge	0	150,000	0	0	0	0
60005 - RD Transit Mall Redev	0	1,000,000	1,000,000	0	0	0
60006 - RD Burns/Couch Streetcar	0	0	0	250,000	0	0
60017 - RD Signage & Lighting	0	88,000	88,000	0	0	0
<b>Development Total</b>	<b>6,047,337</b>	<b>5,638,000</b>	<b>15,573,000</b>	<b>20,475,000</b>	<b>8,800,000</b>	<b>2,300,000</b>

##### Economic Development

13088 - RD Storefront Grants	297,317	300,000	330,000	363,000	399,300	439,230
<b>70003 - RD Business Finance Tools</b>	<b>3,305,000</b>	<b>2,673,000</b>	<b>2,200,000</b>	<b>2,420,000</b>	<b>2,662,000</b>	<b>2,928,200</b>
70013 - RD Business Retention	241,300	100,000	110,000	121,000	133,100	146,410
70303 - RD Transit Mall Asst	350,000	0	0	0	0	0
<b>Economic Development Total</b>	<b>4,193,617</b>	<b>3,073,000</b>	<b>2,640,000</b>	<b>2,904,000</b>	<b>3,194,400</b>	<b>3,513,840</b>

##### Housing

13145 - RD Station Place REACH	2,000,000	0	0	0	0	0
13146 - RD Block 14 Affordable Hsg	30,437	0	0	0	0	0
13148 - RD Crane Building	344,849	0	0	0	0	0
32129 - RD Rental/Preservation	4,050,480	78,138	4,050,480	0	0	0
37923 - RD Hsg Policy/Planning	5,000	10,000	10,000	10,000	10,000	10,000
37926 - RD Affordable Housing	0	0	0	8,825,000	2,150,000	4,150,000
37927 - RD Station Place - Lot 5	0	1,500,000	8,500,000	0	0	0

	<i>FY 2006-07 Revised Budget</i>	<i>FY 2007-08 Adopted Budget</i>	<i>FY 2008-09 Forecast</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>
<b>River District URA</b>						
60014 - RD Affordable Homeownership	0	0	0	0	3,000,000	0
60015 - RD Community Facilities	0	600,000	600,000	0	0	0
Housing Total	6,430,766	2,188,138	13,160,480	9,835,000	5,160,000	4,160,000
<b>Central Services</b>						
59156 - RD Debt Management	0	50,000	50,000	50,000	50,000	50,000
60002 - RD Westside/Central City	0	202,209	0	0	0	0
Central Services Total	0	252,209	50,000	50,000	50,000	50,000
<b>Finance</b>						
57156 - RD Debt Mgmt & Finance	122,419	0	0	0	0	0
Finance Total	122,419	0	0	0	0	0
<b>Total Project Expenditures</b>	<b>16,794,139</b>	<b>11,151,347</b>	<b>31,423,480</b>	<b>33,264,000</b>	<b>17,204,400</b>	<b>10,023,840</b>
Personal Services	0	31,791	0	0	0	0
Indirect Cost	3,044,425	2,493,724	3,356,479	3,524,302	3,700,518	3,885,543
<b>Total Fund Expenditures</b>	<b>19,838,564</b>	<b>13,676,862</b>	<b>34,779,959</b>	<b>36,788,302</b>	<b>20,904,918</b>	<b>13,909,383</b>
Contingency	1,776,993	1,200,000	3,000,000	2,079,512	789,000	432
Ending Fund Balance	0	15,050,836	3,166,308	0	6,529,398	-581,349
<b>Total Requirements</b>	<b>21,615,557</b>	<b>29,927,698</b>	<b>40,946,267</b>	<b>38,867,814</b>	<b>28,223,316</b>	<b>13,328,466</b>

### PROJECT SUMMARY

**Project Name:** DDA with Soneed LLC at Station Place Lot 2  
**Description:** Ziba International Headquarters  
**Location:** NW 9<sup>th</sup> Avenue and NW Marshall  
**URA:** River District  
**Current Phase:** Conveyance of Property  
**Next Milestone:** Convey Property  
**Completion Target:** May 15, 2008, or sooner  
**Outcome:** Construct office  
**Site/Project Map:** See next page



**STATION PLACE LOT 2 SITE MAP**



**REVISED SCHEDULE OF PERFORMANCE**

Close Escrow of Sale and Convey Lot 2 to Developer	No Later Than May 15, 2008
Developer Commences Construction of Improvements on Lot 2	No Later Than June 15, 2008
Developer Completes Construction on Lot 2	No Later Than September 15, 2009