

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: May 14, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-56
Disposition of a Subsurface Permanent tunnel Easement to the Bureau of Environmental Services for the Eastside Combined Sewer Overflow Project at the Burnside Bridgehead Site

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6577

ACTION SUMMARY

This Report accompanies a Resolution seeking authority to grant a subsurface permanent tunnel easement through PDC-owned property located at 123 NE 3rd Avenue, Block 67, of the Burnside Bridgehead site, to the City of Portland, Bureau of Environmental Services (BES) for construction, operation, and maintenance of the Eastside Combine Sewer Overflow (CSO) pipeline.

The subsurface easement area, running through the southwest corner of Block 67 (see Attachment B) on the Burnside Bridgehead site, will allow a tunnel to be dug for the CSO project. The tunnel will be approximately one hundred (100) feet below ground and allows load bearing improvements within thirty-nine (39) feet and non-load bearing improvements within twenty-six (26) feet of the crown of the tunnel.

As consideration for the granting of this easement, BES will pay PDC \$36,600.

PUBLIC BENEFIT

The subsurface easement area will allow BES to dig a tunnel for the CSO project. The tunnel will allow the BES to construct, operate, and maintain the CSO pipeline, which will serve Portland's eastside communities.

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 Burnside Bridgehead Citizen Advisory Committee (CAC), which is charged with overseeing the planning work for the Burnside Bridgehead project, was briefed on all pre-development items and fully supports PDC's action to complete the pre-development work to render the site "shovel ready".

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Resolution is consistent with and supports PDC's ability to implement the Eastbank at Burnside: Lower East Burnside Redevelopment Plan, through the development of the Burnside Bridgehead project and helps implement the City of Portland's plans and policies to reduce combined sewer overflows into the Willamette River.

FINANCIAL IMPACT

The CSO tunnel will be approximately one hundred (100) feet below ground and allows load bearing improvements within thirty-nine (39) feet and non-load bearing improvements within twenty-six (26) feet of the crown of the tunnel. The Burnside Bridgehead project is envisioned as a high-density, mixed used project. The restrictions on improvements surrounding the tunnel, on Block 67, may add cost to the design, engineering and construction of the Burnside Bridgehead project; however, with careful planning during design, these project costs can be minimized.

The easement valuation was based on an analysis of a PDC appraisal and an internal BES appraisal, and on April 25, 2008, the PDC Investment Committee reviewed and supported the granting of this permanent subsurface easement to BES.

RISK ASSESSMENT

The redevelopment of the Burnside Bridgehead project on Block 67 will need to be designed, engineered and constructed based on the restrictions associated with the tunnel, which may alter the development program or add additional costs to the project.

WORK LOAD IMPACT

Staff resources are available and programmed to support the proposed action.

ALTERNATIVE ACTIONS

The CSO project's final design and engineering does not have an alternative route for the CSO pipeline, therefore no other locations can be considered. If the Commission did not authorize the granting of an easement for the CSO tunnel, the City could proceed with acquiring the property through an eminent domain action. The CSO project will benefit Portland's eastside communities, so it is in our and the communities' best interest to collaborate with BES and make the project successful.

CONCURRENCE

The Burnside Bridgehead Project continues to be strongly supported by the Central Eastside (CES) Urban Renewal Advisory Committee, the Central Eastside Industrial Council, the CAC, and PDC's interdepartmental CES Urban Renewal Area (URA) Team. The CAC, who is charged with overseeing the planning work for the Burnside Bridgehead project, was briefed on all pre-development items and fully supports PDC actions.

PDC staff has worked with BES for the last 18 months to negotiate the terms and conditions for the CSO easement. BES has agreed to accept the subsurface permanent tunnel easement for the construction, operation and maintenance of CSO pipeline and compensate PDC for the easement at \$36,600.

BACKGROUND

On August 16, 2004, PDC issued Request for Developer Proposals #04-05 for the Burnside Bridgehead Mixed Use Redevelopment Project (RFP). The RFP elicited responses from three teams: Gerding/Edlen Development, Beam Development, and Opus Northwest, LLC (Opus). On April 27, 2005, the PDC Board of Commissioners (Board) selected Opus as the preferred developer for the Burnside Bridgehead.

The Convention Plaza property was acquired on May 11, 2006, to be included in the Burnside Bridgehead project site. The purchase of this property was essential to develop a project consistent with the objectives outlined in the RFP for the Burnside Bridgehead Project and the development proposal submitted by Opus and ultimately selected by the Board.

PDC staff and Opus have worked together for over 20 months on a series of pre-development projects that are necessary to prepare the site for redevelopment. These projects include the successful rezoning of the site from General Industrial (IG1) to Central Employment (EXd), the removal of railroad easements, the completion of tenant lease renegotiation and relocation of all tenants at the Convention Plaza building, the dedication of portions of the site to the City of Portland to preserve the popular Burnside Skate Board Park, the execution of a Good Neighbor Agreement between PDC and the Burnside Skate Board Park to ensure a productive working relationship during all phase of redevelopment, and the development of a environmental mitigation and demolition plan with expected completion of all tasks in Fall of 2008.

On February 27, 2008, PDC staff briefed the PDC Board on the status of the Bridgehead project. Staff's briefing and recommendations were based on information obtained about the declining real estate market and its impact on Opus's ability to move forward with redevelopment of the property.

Following the February 27, 2008 Board briefing, PDC and Opus mutually agreed to not extend the MOU allowing it to expire on February 29, 2008. PDC staff continues to work with the Board on next steps, to keep the CAC informed, continue to work on the implementation of the Eastside Burnside-Couch Couplet and the Portland Streetcar, and to work on predevelopment tasks including the disposition of the CSO easement to BES.

ATTACHMENTS:

- A. Central Eastside URA FY 2007/08 Financial Summary
- B. Burnside Bridgehead Project Summary

CC: L. Bowers, Interim Development Department Director
S. Bruce Allen, Sr. Development Manager
T. Lam, Project Coordinator
D. Elott, Interim General Counsel
J. Jackley, Executive Operations Manager

CES URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

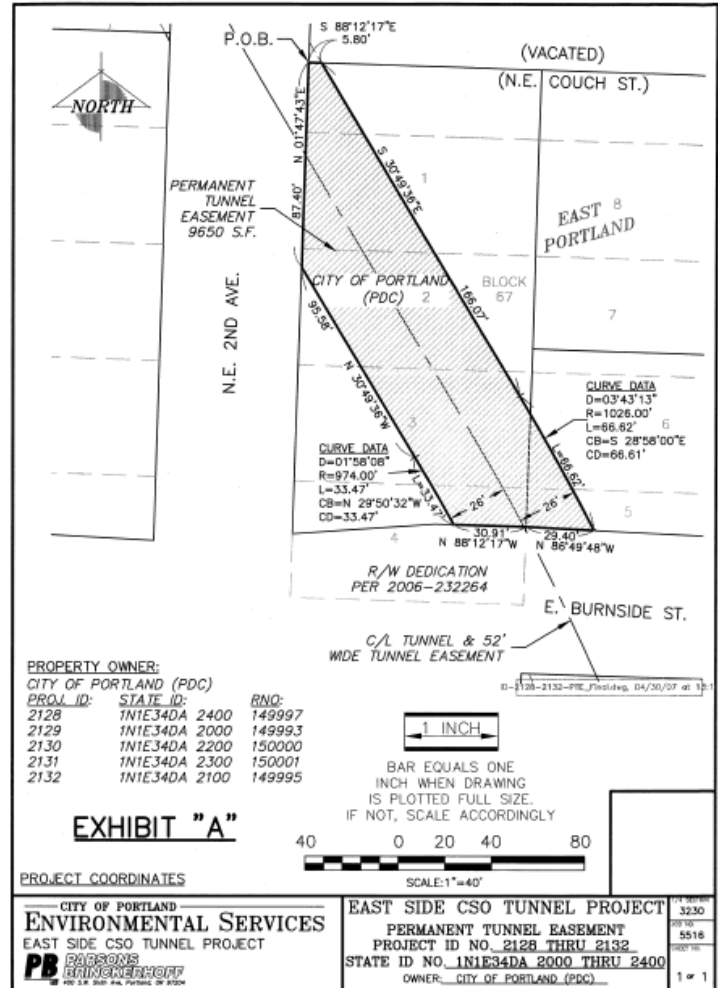
	Revised FY 2007-08	FY 2008-09 Proposed	FY 2009-10 Forecast	FY 2010-11 Forecast	FY 2011-12 Forecast	FY 2012-13 Forecast
Central Eastside URA						
Resources						
Beginning Fund Balance	2,078,427	750,455	134,359	-9,133,751	-14,546,073	-15,556,309
Interest - City Invest Pool	25,000	0	0	0	0	0
Loans - Interest Earned	0	67,827	65,050	59,065	56,500	44,915
Loans - Principal Collection	53,206	70,813	65,050	59,065	56,500	44,915
Real Property Sales	0	7,000,000	0	0	0	0
Tax Increment - L-T Debt	6,670,000	5,984,010	774,225	1,703,295	1,749,763	1,645,481
Tax Increment - S-T Debt	3,119,817	2,770,828	3,172,220	2,947,446	3,096,898	3,233,248
Total Fund Resources	11,946,450	16,643,933	4,210,904	-4,364,880	-9,586,412	-10,587,750
Requirements						
Project Expenditures (does not include Personal Services or Indirect Cost)						
Development						
10041 - CES Streetcar Construction	0	0	3,184,000	3,000,000	0	0
10044 - CES Burns/Couch Couplet	497,757	3,630,000	6,020,000	0	0	0
10048 - Eastbank Park/Holman Bldg	42,836	0	0	0	0	0
10052 - Washington Monroe	3,815,000	0	0	0	0	985,000
10060 - CES Redevel Loan Fnd (Seismic)	300,000	300,000	300,000	300,000	300,000	600,000
10070 - Sidewlk/Rtes to River Plan/Des	75,000	125,000	0	250,000	325,000	0
10071 - Burnside Bridgehead - Reloc	1,325,000	0	0	0	0	0
10072 - Burnside Bridgehead: Developme	210,000	6,400,000	0	0	0	0
Development Total	6,265,593	10,455,000	9,504,000	3,550,000	625,000	1,585,000
Economic Development						
10021 - CES Storefront Grants	93,339	0	0	0	0	0
10023 - CES Industrial Storefronts	50,000	100,000	100,000	100,000	100,000	100,000
70017 - CES Business Finance	2,600,000	1,427,644	1,000,000	1,000,000	1,000,000	1,000,000
70247 - CES Business Retention	50,000	150,000	50,000	50,000	50,000	50,000
Economic Development Total	2,793,339	1,677,644	1,150,000	1,150,000	1,150,000	1,150,000
Housing						
33423 - CES Aff Homeownership	100,000	0	0	1,750,000	0	0
80021 - CES Workforce Rental Housing	0	0	500,000	0	1,250,000	0
80028 - CES Aff Rental Housing	35,000	2,500,000	500,000	0	1,100,000	0
80045 - Hooper Center	0	0	0	2,000,000	0	0
Housing Total	135,000	2,500,000	1,000,000	3,750,000	2,350,000	0
Central Services						
59187 - CES Debt Management	9,195	9,655	10,137	10,644	11,176	0
Central Services Total	9,195	9,655	10,137	10,644	11,176	0
Total Project Expenditures	9,203,127	14,642,299	11,664,137	8,460,644	4,136,176	2,735,000
Indirect Cost	1,992,878	1,867,275	1,660,519	1,743,544	1,830,721	500,000
Total Fund Expenditures	11,196,005	16,509,574	13,324,656	10,204,188	5,966,897	3,235,000
Contingency	750,445	134,359	0	0	0	0
Ending Fund Balance	0	0	-9,113,752	-14,569,068	-15,553,309	-13,822,750
Total Requirements	11,946,450	16,643,933	4,210,904	-4,364,880	-9,586,412	-10,587,750

PROJECT SUMMARY

Project Name: Burnside Bridgehead
Description: Eastside Combined Sewer Overflow (CSO) easement
Location: Subsurface permanent tunnel easement running through the southwest corner of Block 67
URA: Central Eastside
Current Phase: Planning and Preliminary Design
Site/Project Map:



Map of Burnside Bridgehead site



Map of proposed CSO Easement