



PROSPER
PORTLAND
Building an Equitable Economy

DATE: April 11, 2018
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 18-12

Authorizing an Intergovernmental Agreement with the City of Portland Office of Management and Finance to Accept Conveyance of the 0.62 acre Block 25 Property in the River District Urban Renewal Area

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7269

This action by the Prosper Portland Board of Commissioners (Board) will authorize the executive director to execute an Intergovernmental Agreement (IGA) with the City of Portland (City) Office of Management and Finance (OMF) to accept conveyance of a 0.62 acre Block 25 Property (Property) located in the River District Urban Renewal Area (URA) bounded by NW Flanders Street to the south, NW 4th Avenue to the west, NW Glisan Street to the north, and NW 3rd Avenue to the east (see Attachment A). If approved, this action will grant Prosper Portland ownership and control of the Property in order to engage the community to determine a development process and program for the Property that is consistent with the Old Town/Chinatown Five-Year Action Plan.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action meets multiple Prosper Portland Strategic Plan objectives, including creating healthy, complete neighborhoods; strengthening partnerships with public and non-profit partners to deliver on community priorities and assisting with meeting the goals of the agency's Financial Sustainability Plan through a redevelopment and investment strategy.

BACKGROUND AND CONTEXT

The Property is currently a 116-space surface parking lot owned by the City and leased to the Northwest Natural Gas Company (NWNNG) for weekday employee parking. This ownership and lease structure is directly tied to the development of the Lan Su Chinese Garden (Chinese Garden), which is located on the block to the southeast of the Property across NW Flanders Street.

Known as the Portland Classical Chinese Garden when it opened in 2000, the Chinese Garden is a full city block walled garden influenced by many of the famous classical gardens in Portland's sister city of Suzhou, China, attracting approximately 150,000 visitors annually. The Chinese Garden is owned by the City Bureau of Parks and Recreation, and the City contracts with Lan Su Chinese Garden, a non-profit organization, to operate and maintain the Chinese Garden.

Planning for development of the Chinese Garden began in the 1980s and was implemented through a series of Portland City Council actions and related agreements in the mid-and late-1990s, including:

- Portland City Council Ordinance 168588 (March 8, 1995) approved the execution of an Option to Lease Real Property from NWNG for 99 years at the site of the Chinese Garden for the purpose of constructing the Chinese Garden. The agreement establishes a condition precedent to exercising the lease and commencing construction for any NWNG parking spaces displaced by the Chinese Garden to be replaced by the City;
- Prosper Portland and the City Bureau of General Services entered into an Agreement for Acquisition of Classical Chinese Garden Replacement Parking (January 16, 1998), defining roles and responsibilities in acquiring the Property for the primary purpose of making it available as replacement parking for NWNG; and
- Portland City Council Ordinance 172122 (April 1, 1998) authorized negotiations and condemnation proceedings in the event negotiations failed to acquire the Property. In addition to accomplishing the objectives of the Chinese Garden, the ordinance states acquisition of the Property "...will also afford the City a major redevelopment opportunity in the future which will greatly benefit the neighborhood."

The City subsequently initiated condemnation proceedings in 1998 and took title to the Property in 1999 after payment of the \$1,400,000 purchase price, authorized by Portland City Council Ordinance 173240 (April 14, 1999), to the owners as compensation for the Property as a settlement of litigation captioned as City of Portland v. Summit Properties, et al. Prosper Portland paid \$937,000 of the purchase price from the Downtown Waterfront URA, and the Lan Su Chinese Garden paid the balance.

After acquiring the Property, the City entered into a *Parking Agreement for Part of Block 25, Couch's Addition* (Parking Agreement) with NWNG for the purpose of providing 130 spaces of replacement parking on the Property for those parking spaces displaced by the Chinese Garden. Key terms of the Parking Agreement include:

- NWNG is provided exclusive use of the Property for parking during business hours;
- The City is permitted to operate and charge a fee for public parking on the Property at all other times;
- The City must deposit the net amount of public parking fees collected by the City into an interest-bearing escrow account for the benefit of the Chinese Garden, but this deposited amount is not to exceed \$3,000 per quarter;
- NWNG shall have primary responsibility for maintenance of the Property. If repairs beyond normal maintenance are required, the City and NWNG shall share equally in the cost of completing such repairs; and
- Termination occurs on the date that is 60 days after the office building commonly known as One Pacific Square, located at 220 NW 2nd Avenue, or other office building within the Old Town/Chinatown neighborhood is no longer the location at which the greatest number of NWNG employees work at one location in the Portland metropolitan area.

Recognizing the need to identify resources to invest in Old Town/Chinatown, the Prosper Portland Board (through Resolution Nos. 6584 and 6586 on May 14, 2008) and City Council (through Ordinances 181969 and 181972 on June 25, 2008) adopted the Twenty-Eighth Amendment to the Downtown Waterfront URA and the Fourth Amendment to the River District URA, transferring approximately 47 acres (including the Property) from the Downtown Waterfront URA to the River District URA.

Currently, the Office of Management and Finance (which encompasses the Bureau of General Services, now known as City Facilities Services) controls the Property, and the Portland Bureau of Transportation (PBOT) provides certain management services on OMF's behalf, including operating weekday evening

and weekend public parking. The Property's public parking supports the nearby Entertainment District where several streets are converted to pedestrian-only on Friday and Saturday nights, limiting the availability of on-street parking.

In late 2017, NWNNG announced plans to relocate its headquarters from the Old Town/Chinatown neighborhood by mid-2020 such that the Parking Agreement and the obligation to use the Property exclusively for surface parking will expire. Shortly thereafter, Prosper Portland confirmed NWNNG's commitment to relocate and initiated discussions with OMF regarding the title transfer to position the Property for redevelopment upon termination of the Parking Agreement and to further the community's goals outlined in the 2014 City Council-accepted Old Town/Chinatown Five-Year Action Plan. The resulting IGA that is the subject of this report includes the following key terms:

- OMF to transfer title through Quit Claim Deed to Prosper Portland at no cost to Prosper Portland;
- Transfer of title is deemed satisfaction of the Bureau of General Services (BGS) responsibility from the January 16, 1998 Agreement to "...reimburse (Prosper Portland) any funds it contributed to the acquisition" of the Property; and
- OMF assigns to Prosper Portland the Parking Agreement.

The IGA requires approval by both the Prosper Portland Board and the Portland City Council, which is expected to consider approval of the IGA on April 25, 2018.

EQUITY IMPACT

Portland's Old Town/Chinatown neighborhood was predominantly settled by Japanese and Chinese immigrants from the late 1800s through the early to mid-1900s and has historically been both culturally diverse and economically disadvantaged. In recent decades, the neighborhood has had a high concentration of social service providers serving homeless individuals and those with addiction and mental health issues. Through this action, Prosper Portland will take title to and control of the Property which will set the stage to pursue redevelopment that meets Old Town/Chinatown Five-Year Action Plan priorities, including directing revitalization, investment, wealth creation opportunities, and business growth to the neighborhood. Consistent with Prosper Portland's Social Equity Policy, redevelopment efforts will be evaluated from an equity perspective to: (1) answer "who benefits?"; (2) ensure that existing disparities are explicitly addressed; and (3) mitigate unintended consequences.

As an initial step, it is important to recognize that while acquisition of the Property was important to the development of the Chinese Garden, the Property was acquired through condemnation proceedings from Summit Properties, a company that was owned and operated by a Japanese-American individual. Acknowledging this fact is an opportunity to revisit and reflect on the City's and Prosper Portland's history of displacement, especially of people and communities of color. The Property is within the New Chinatown/Japantown Historic District, which was placed on the National Register of Historic Places in 1989. With Prosper Portland financial support, the Portland City Council adopted new design guidelines for the New Chinatown/Japantown Historic District on September 28, 2017 as approval criteria for any additions, alterations, or new construction projects in Portland's only designated historic district significant for ethnic history. Redevelopment of the Property will need to comply with these design guidelines.

As part of future community outreach and participation, Prosper Portland staff will coordinate with the Japanese-American community and other Old Town/Chinatown historic and cultural communities and

stakeholders regarding the condemnation process and identify any inequities and disparities that may have arisen from that process that could be addressed through future redevelopment efforts.

COMMUNITY PARTICIPATION AND FEEDBACK

The Old Town/Chinatown Five-Year Action Plan, accepted by Portland City Council on August 6, 2014, established a strategic approach to revitalizing Old Town/Chinatown including promoting development of Prosper Portland-controlled properties and attracting new neighborhood investment. Prosper Portland has worked with the Old Town/Chinatown Community Association and other partners to advance these goals, including redevelopment of the Society Hotel and construction of 38 Davis; activation of the Old Town Loft commercial space; grants to support small businesses, historic, and seismic renovation, and cultural organizations; and a major renovation of and addition to the Grove Hotel. The transfer of ownership and control of the Property from the City to Prosper Portland will further enable Prosper Portland to position the Property for development following the expiration of the Parking Agreement and advance the goals in the Old Town/Chinatown Five-Year Action Plan.

Prosper Portland staff has discussed the transfer of ownership and control of the Property from the City to Prosper Portland with stakeholders including the Old Town/Chinatown Community Association, NWNG, Blanchet House, and the Chinese Garden. Stakeholder response has been supportive of Prosper Portland's efforts to pursue redevelopment of the Property consistent with the Old Town/Chinatown Five-Year Action Plan. Should the Prosper Portland Board and City Council approve the IGA, Prosper Portland staff will continue to engage stakeholders to prepare a redevelopment strategy by the end of 2019.

BUDGET AND FINANCIAL INFORMATION

The Property will be conveyed by the City at no cost to Prosper Portland. This conveyance will be deemed satisfaction of the former Bureau of General Services' (BGS) responsibility from the January 16, 1998 Agreement to "...reimburse (Prosper Portland) any funds it contributed to the acquisition" of the Property. After conveyance and until NWNG vacates its offices in Old Town/Chinatown, Prosper Portland anticipates operating weekday evening and weekend public parking on the Property in accordance with the Parking Agreement. After the Parking Agreement terminates and until redevelopment occurs, Prosper Portland anticipates operating the surface lot for public parking using a third-party contractor.

Costs associated with this holding plan include: (1) repairs and maintenance (to be coordinated with NWNG during the term of the Parking Agreement), anticipated to not exceed \$10,000 per year; (2) parking operations costs to be partially or wholly offset by parking revenues, with any net costs not anticipated to exceed \$10,000 per year; and (3) preparing a redevelopment strategy including due diligence research, public outreach, and concept planning. Over the past three full fiscal years, PBOT reports having collected the following revenues from the public parking operations: fiscal year (FY) 2014/15 – \$44,939; FY 2015/16 - \$42,538; and FY 2016/17 - \$25,415. Costs associated with preparing a redevelopment strategy have not yet been determined.

At the time the FY 2017/18 Prosper Portland Revised Budget (Revised 1 Budget) was adopted, the specific timing of the conveyance and the ongoing operations and maintenance costs were not known. Therefore, the Revised Budget does not specifically account for these expenditures. The FY 2017-18 Revised 2 Budget (Resolution No. 7270) adds a placeholder property management budget of \$10,000 in revenue and expenditures for the remainder of this fiscal year. Upon receipt of title, staff will record the property in the Business Management Fund with a corresponding interfund payable to the Downtown Waterfront URA Fund for the original amount expended by Downtown Waterfront.

Upon sale of the asset, the Downtown Waterfront URA Fund will be reimbursed for this amount (\$937,000). This accounting is consistent with prior practice for transferring assets between funds based on geographical changes in URA boundaries or for the purchase of assets by a non-tax increment resource. The FY 2018/19 Requested Budget and Five-Year forecast does not include any estimate for sale of the asset at this time.

RISK ASSESSMENT

The risks of approving this action include:

- NWNG may not relocate outside of the Old Town/Chinatown neighborhood, in which case the Parking Agreement will not be terminated and the parking operations will continue. This risk is mitigated by the fact that NWNG has stated it has signed a lease to occupy a new building which is under construction and is anticipated to be completed by late 2019.
- The Property has environmental contamination and a high groundwater table which increases costs of excavation and development as part of a redevelopment plan. The obligation to remediate the environmental contamination will be triggered at the time the Property is redeveloped. This risk is mitigated by the value of the Property, which is anticipated to far exceed these potential costs. Additionally, Prosper Portland will be able to conduct additional environmental studies prior to offering the property and direct redevelopment plans so as to minimize associated incremental costs.
- Based on most recent revenue information provided by PBOT, Prosper Portland may operate the weekday night and weekend public parking at a financial loss, currently estimated to not exceed \$10,000 per year. This will be mitigated by contracting with a new parking operator who will identify physical and operational improvements, such as improving the surface, striping, signage, marketing, and pricing, in order to increase revenues and net income.

ATTACHMENTS

- A. Project Summary
- B. River District URA Financial Summary

PROJECT SUMMARY

- Project Name:** Block 25
- Description:** 0.62-acre parcel with 116 surface parking spaces
- Location:** Bounded by NW 4th Avenue, NW Glisan Street, NW 3rd Avenue, and NW Flanders Street
- URA:** River District
- Current Phase:** Acquisition
- Next Milestone:** Approval of IGA by City Council, Closing/Conveyance
- Completion Target:** April 2018
- Outcome:** Conveyance of the Block 25 Property from the City of Portland Office of Management and Finance to Prosper Portland will enable Prosper Portland prepare a development strategy in anticipation of Northwest Natural Gas Company's relocation from the neighborhood by mid-2020.



URA Financial Summary

**Financial Summary
 Five-Year Forecast**

River District URA Fund	Revised 1 FY 2017-18	Requested FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21	Forecast FY 2021-22	Forecast FY 2022-23
Resources						
Beginning Fund Balance	32,879,165	43,935,571	27,232,409	19,042,126	9,933,737	4,651,944
Revenue						
Fees and Charges	7,812	6,002	3,380	3,578	3,616	2,110
Grants - Federal except HCD	1,458,266	-	-	-	-	-
Interest on Investments	887,206	562,174	227,014	227,014	227,014	227,014
Loan Collections	690,305	436,981	452,629	479,258	484,220	505,802
TIF - Short Term Debt	24,975,000	27,972,000	12,987,000	11,140,985	-	-
Other Debt	0	11,700,000	-	-	-	-
Rent and Property Income	2,290,790	2,279,390	2,245,190	2,245,190	2,245,190	2,466,015
Reimbursements	226,000	136,000	100,000	100,000	100,000	-
Transfers In	0	-	39,900,000	-	-	-
Total Revenue	30,535,379	43,092,547	56,915,213	14,196,026	3,060,040	3,200,942
Total Resources	63,414,544	87,028,118	83,147,623	33,238,152	12,993,777	7,852,885
Requirements						
Administration						
A00025-Debt Management-RVD	639,372	1,033,098	36,523,319	33,098	33,098	33,098
Administration Total	639,372	1,033,098	36,523,319	33,098	33,098	33,098
Traded Sector						
A00110-Business Development-RVD	50,000	50,000	-	-	-	-
Community Economic Development						
A00084-OT/CT Action Plan-RVD	65,000	65,000	-	-	-	-
Economic Development Total	115,000	115,000	-	-	-	-
Housing						
A00166-Affordable Housing-RVD	11,292,850	8,949,097	2,333,710	5,642,199	511,411	-
Housing Total	11,292,850	8,949,097	2,333,710	5,642,199	511,411	-
Infrastructure						
Public Facilities						
A00483-Union Station Grant-RVD	1,822,833	-	3,500,000	-	-	-
Infrastructure Total	1,822,833	-	3,500,000	-	-	-
Property Redevelopment						
Real Estate						
A00278-4th and Burnside-RVD	18,800	6,000	10,000	10,000	10,000	-
A00285-Block Y-RVD	25,249	36,145	36,145	36,145	36,145	55,996
A00286-Union Station-RVD	1,025,984	1,016,902	1,016,902	1,016,902	1,016,902	1,416,707
A00288-Centennial Mills-RVD	1,173,657	48,239	48,239	48,239	48,239	48,239
A00289-Station Place Lot 5-RVD	565,212	-	-	-	-	-
A00290-Station Place Prkng-RVD	563,527	385,283	385,283	385,283	385,283	317,724
A00291-Block R-RVD	164,800	86,510	11,510	11,510	11,510	1,710
A00292-One Waterfront North-RVD	8,200	8,200	8,200	8,200	8,200	8,200
A00293-Old Fire Station Mgmt-RVD	702,466	18,000	18,000	18,000	18,000	-
A00295-Real Estate Mgmt-RVD	0	-	-	-	-	10,250
Redevelopment Strategy						
A00276-Post Office-RVD	166,634	7,970,000	14,385,000	10,186,000	386,000	386,000
A00279-Broadway Corridor-RVD	600,000	725,000	-	-	-	-
A00280-10th & Yamhill Redev-RVD	5,000,000	-	-	-	-	-
A00284-Multnomah County-RVD	0	9,500,000	-	-	-	-
A00517-OT/CT Investment & Parking-RVD	16,004,000	22,675,882	-	-	-	-
Redevelopment Grants						
A00390-CLG-General-RVD	100,000	100,000	100,000	100,000	-	-
A00497-Prosperity Investment Program (PIP) Grant-RVD	450,000	450,000	450,000	450,000	450,000	-
Property Redevelopment Total	26,568,429	43,026,162	16,469,280	12,269,280	2,369,280	2,243,826
Total Program Expenditures	40,438,484	53,123,357	58,825,309	17,944,577	2,913,789	2,276,924
Personnel Services	792,363	1,013,546	615,487	627,111	636,485	645,647
Total Fund Expenditures	41,230,847	54,136,903	59,441,796	18,571,688	3,550,274	2,922,572
Intertund Transfers - Indirect Charges	4,589,152	5,658,807	4,663,701	4,732,728	4,791,560	4,921,132
Contingency	17,594,545	27,232,409	19,042,126	9,933,737	4,651,944	9,182
Total Fund Requirements	63,414,544	87,028,118	83,147,623	33,238,152	12,993,777	7,852,885