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190862

Ordinance

Authorize Intergovernmental Agreement between Prosper Portland and Portland Bureau of Transportation to design and construct the NW Johnson, NW Kearney, and NW Park Avenue sidewalk, street, stormwater, sanitary sewer and water main improvements, and necessary off-site traffic mitigation improvements to facilitate future development of the Broadway Corridor

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. The acquisition and redevelopment of the former United States Postal Service property (the "Property") at 715 NW Hoyt Street in the River District Urban Renewal Area ("River District") has long been envisioned by the general public, elected officials, and adopted land use and development plans as one of the most significant redevelopment sites in Portland's central city.
2. The Property is within the Broadway Corridor Study Area, an approximately 32-acre area within the River District that is generally bounded by NW Glisan Street, NW Lovejoy Street, NW 9th Avenue, and NW 5th Avenue (the "Broadway Corridor").
3. The Broadway Corridor Framework Plan (the "Framework Plan"), adopted by City Council through Resolution No. 37165 on November 5, 2015, established the City's objectives for redevelopment of the Property, including key infrastructure and open space requirements, affordable housing requirements, and modifications to zoning to accommodate the envisioned high-density, mixed-use and mixed-income development.
4. Prosper Portland is the City of Portland's duly authorized economic development and urban redevelopment and renewal agency.

Introduced by

[Mayor Ted Wheeler](#)

Bureau

[Prosper Portland](#)

Contact

Justin Douglas

Governance, Learning and
Outcomes Manager

✉ douglasj@prosperportland.us

Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

June 8, 2022

Accordingly, Prosper Portland has authority to acquire and dispose of real property for redevelopment in accordance with ORS 457 and the City's Charter, including entering into disposition and development agreements.

5. The City of Portland incurred indebtedness to facilitate the acquisition of the Property and certain other activities in the River District, the proceeds of which were made available to Prosper Portland pursuant to an Intergovernmental Agreement between the Office of Management and Finance ("OMF"), Bureau of Revenue and Financial Services and Prosper Portland dated December 21, 2015 (the "River District Funding IGA"). The River District Funding IGA was originally authorized by City Council Ordinance No. 187434, enacted November 5, 2015. The Portland Housing Bureau ("PHB") also contributed funding for the acquisition of the Property and jointly acquired rights to the Property with Prosper Portland.
6. Extensive engagement of diverse stakeholders, including guidance from the Broadway Corridor Steering Committee, Public Partners Technical Team and the broader community through a combination of open houses, pop-up events, online forums, and focus groups has informed all aspects of the development of the Broadway Corridor, including its vision and guiding principles; the preferred development concept and code-required Master Plan; and priorities for community benefits.
7. Preliminary concepts for the development of the Property were prepared by the consultant team, tested with stakeholders, and refined based on input received, resulting in a preferred concept that serves as the foundation for the required Central City Master Plan for the Property (the "Master Plan"). The Master Plan sets forth public infrastructure and open space requirements. Hearings before the Portland Design Commission were held on February 13, 2020, August 13, 2020 and August 20, 2020. The Master Plan was approved by the Portland Design Commission on August 20, 2020.
8. In 2017, the Healthy Communities Coalition, a consortium of environmental, labor, and racial justice-focused community organizations ("HCC"), informed Prosper Portland of its request to engage in community benefits negotiations to ensure future development delivers equitable benefits and to establish accountability mechanisms to historically impacted communities. The negotiations began in August 2019 and included HCC, Prosper Portland, PHB, Continuum Partners, and various City bureau representatives, among others. Prosper Portland, PHB, HCC and Continuum reached agreement in principle on terms and condition for a Community Benefits Agreement ("CBA Term Sheet"). Due to Continuum's departure, the CBA Term Sheet has not been executed, and the parties intend to reengage once a new developer partner has been secured.

9. On September 16, 2020, City Council approved Ordinance No. 190146 authorizing and directing various actions related to redevelopment of the Property, including approval of a funding and finance plan that calls for City and Prosper Portland funding and financing of infrastructure and other site preparation needs associated with the successful future development of the Broadway Corridor (the “Funding and Finance Plan”); the finalization of various Intergovernmental Agreements (IGAs) necessary for the development of the Property in accordance with the Master Plan and the Funding and Finance Plan; and the voluntary application of the City’s Community Benefits Agreement (CBA) Policy to the publicly procured and led projects to be contemplated within the IGAs and in accordance with the CBA Term Sheet.
10. On October 28, 2020, the City Council approved Ordinance No. 190180 creating a local improvement district (LID) to construct the NW Johnson, NW Kearney, and NW Park Avenue sidewalk, street, stormwater, sanitary sewer and water main improvements on the Property, and necessary off-site traffic mitigation improvements, as called for the in Funding and Finance Plan.
11. The Bureau of Environmental Services (“BES”), Portland Water Bureau (“PWB”), Portland Bureau of Transportation (“PBOT”), and Portland Parks and Recreation (“PPR”) have participated in the negotiation and drafting of the intergovernmental agreements with Prosper Portland for certain necessary public infrastructure improvements (“Broadway Corridor Public Infrastructure”) substantially consistent with the directives in Ordinance No. 190146, the Master Plan, and the Funding and Finance Plan and are returning to City Council to seek authorization to execute the intergovernmental agreements.
12. The Portland Bureau of Transportation has allocated \$4,600,000 in Transportation System Development Charge revenue to match the contribution of the Local Improvement District. The remainder of the \$14,200,000 of Transportation System Development Charge revenue will be allocated at a future date.
13. On Wednesday April 20, 2022, Council adopted Ordinance No. 190783, which authorized the phase out of Community Benefits Agreements (CBAs) and the implementation of the Regional Workforce Equity Agreement (“RWEA”) and updates to the City’s subcontractor equity program for future City projects.
14. The cooperation and participation of the City of Portland, including without limitation, BES, PWB, PBOT, PPR, PHB, and OMF and Prosper Portland is vital to the successful future development of the Broadway Corridor in a manner consistent with the Master Plan and the Funding and Finance Plan.

15. The future development of the Broadway Corridor is an historic opportunity to add jobs, affordable housing, multi-modal transportation infrastructure, and parks to Portland's central city in an equitable and sustainable manner. Given the intensity of the planned commercial and residential development, additional transportation and park capacity will be needed to serve the area, which will be accomplished in part through System Development Charge contributions, as well as additional utility infrastructure capacity.
16. City Council continues to support the development of the Broadway Corridor including but not limited to carrying out the actions directed in Ordinance 190146. By this Ordinance, City Council intends to further direct and facilitate the cooperation and participation of the Bureaus to implement the matters described herein.

NOW, THEREFORE, the Council directs:

- A. The Director of Transportation is authorized to execute an intergovernmental agreement with Prosper Portland substantially as attached hereto as Exhibit A.
- B. Prior to issuing a Notice to Proceed for construction of the first phase of work, or prior to issuing debt for this construction, PBOT and Prosper Portland will return to City Council to seek authorization to amend the LID Financing Plan as needed to reflect then-current construction cost estimates and any new funding sources or uses.
- C. All the documentation described in Directives A. and B. above shall be in a form approved by City legal counsel to the extent a document is to be signed by one or more City bureaus.

Documents and Exhibits

 [Exhibit A](#) (4.74 Mb)

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
June 8, 2022

Auditor of the City of Portland
Mary Hull Caballero

Impact Statement

Purpose of Proposed Legislation and Background Information

The actions by the Portland City Council will authorize three Intergovernmental Agreements (IGAs) necessary to further the redevelopment of the Prosper Portland and City owned property located at 715 NW Hoyt Street (Property). The three IGAs are between Prosper Portland and the following City bureaus:

- Portland Bureau of Transportation (PBOT): design and construction of extensions of NW Kearney Street, NW Johnson Street, and NW Park Avenue including public utilities and off-site traffic mitigation improvements
- Bureau of Environmental Services (BES) and Portland Water Bureau (PWB): design and construction of off-site water, sanitary and storm sewer utilities largely within NW 9th Avenue; and
- Portland Parks and Recreation (PPR) and PBOT: conceptual design of the park and Green Loop within the Property; and design and construction of the park and certain Green Loop improvements south of NW Johnson Street.

The approximately 13.5-acre former United States Postal Service (USPS) property is located at the heart of the 32-acre Broadway Corridor study area (Broadway Corridor) generally bounded by NW Glisan Street, NW Lovejoy Street, NW 9th Avenue, and NW 5th Avenue. The Broadway Corridor encompasses several additional properties also owned by Prosper including Union Station, Block Y, and Block R.

Prior City Council actions pertaining to the Property and the IGAs contemplated here within include:

- Approval of Resolution No. 37165, adopting the Broadway Corridor Framework Plan as the guiding document for future development of properties located in the Broadway Corridor, including the Property.
- Approval of Ordinance No. 187434, authorizing an IGA to provide a line of credit, thereby making resources available for the acquisition of the Property (the River District Funding IGA).
- Approval of Ordinance No. 190146 authorizing and directing various actions related to redevelopment of the Property, including the finalization of the IGAs referenced above in accordance with the approved funding and finance plan (Investment Strategy) and including voluntary application of the City's Community Benefits Agreement (CBA) Policy to the projects.
- Approval of Ordinance No. 190180 creating a local improvement district to construct the NW Johnson, NW Kearney, and NW Park Avenue, sidewalk, stormwater, sanitary sewer and water main improvements, and necessary off-site traffic mitigation improvements.

Prosper Portland acquired the Property in 2016, on behalf of the City and in partnership with PHB. Acquisition and redevelopment of the Property, as called for in multiple City Council-adopted land use and development plans including most recently the Central City 2035 Plan, offers a once-in-a-generation opportunity for Prosper Portland and the City to meet growth requirements through the development of four million square feet of new economic, business, social and community development opportunities. Redevelopment of the Property could house approximately 2,400 new households and 4,000 jobs, which represents approximately 10 percent of the growth projected to be added to the Central City by 2035, on a large, contiguous property in the middle of downtown and adjacent to one of Portland's regional transit hubs.

If approved, the IGAs will represent significant progress towards facilitating redevelopment of the Property in alignment with the vision of a diverse, vibrant, sustainable, mixed-use, urban development that fosters culture, social equity, and inclusion in a genuinely transparent and equitable way.

The public infrastructure contemplated within the IGAs, as well as the following development planning and site preparation activities led by Prosper Portland, are the critical path to making parcels available for affordable housing and private development by 2026:

- Master Plan (completed): An extensive multi-year stakeholder engagement effort informed the required Central City Master Plan for the Property (Master Plan), which was approved via a Type III Land Use Review approval by the Portland Design Commission on August 20, 2020. The infrastructure requirements set forth in the Master Plan have informed the scope and schedule of the work contemplated within the three IGAs.
- Site Preparation (underway): Prosper Portland has relocated the USPS Retail Facility to a newly constructed interim location within the ground floor of the adjacent parking structure, thereby vacating the main Processing & Distribution Center (P&DC) for demolition. The abatement and demolition of a vehicle maintenance facility and remediation of adjacent hot spot soils within the northern portion of the property has also been completed. Currently, two Guaranteed Maximum Price contracts are being negotiated for the demolition of the P&DC and adjacent sitework including removal of an electrical utility vault, hot spot soils remediation, and reconfiguration of driveway access for the public parking structure and trucks serving the USPS Retail Facility.

Financial and Budgetary Impacts

The accompanying Ordinance seeks City Council's approval of three IGAs, in accordance with City Council's directive in Ordinance No. 190146 adopted in September 2020 to prepare the agreements in alignment with the approved Investment Strategy. The Investment Strategy, and thus the IGAs, includes the following financial obligations:

- Prosper Portland / PBOT IGA (ROW): Commits \$4,600,000 in PBOT System Development Charge (SDC) revenues matched with a \$23,000,000 Local Improvement District (LID) for the construction of new right-of-way and traffic mitigation improvements. Prosper Portland is also remediating hot spot soils and providing right-of-way dedications and use of the Property for construction staging at no cost. The scope of work contemplated in the Prosper Portland/PBOT IGA will occur in two phases funded over the next 10 years.

The Prosper Portland/PBOT IGA contemplates an allocation of potential cost overruns, whether due to unforeseen project conditions (such as greater than anticipated contaminated media remediation costs), interest rates and/or other market conditions that may vary over the next ten years. PBOT will not bear additional costs related to financing and/or contaminated media remediation but will bear a proportionate share of other potential cost overruns. The remaining cost overruns will be borne by the LID and/or Prosper Portland.

Prosper Portland, as the current majority owner of property within the LID, is assessed for approximately 74% of the LID repayment (to the extent parcels have not been sold to private developers at the time payments become due, estimated to be 2032). An additional 9% is assessed to a future parcel within the Property controlled by PHB, and the remaining 17% is assessed to a privately-owned parcel.

In the unlikely event much of the property within the LID remains in Prosper Portland's ownership by 2032 and Prosper Portland's financial resources are insufficient to cover the associated LID payments, the PBOT / Prosper Portland IGA addresses the conditions by which the parties may reallocate PBOT funds up to the amounts set forth in the Investment Strategy. If these mechanisms are still insufficient, as with all LIDs, there is potential risk to the LID Fund (and ultimately the General Fund) if Prosper Portland and/or other assessed property owners default on the LID payments.

In order to mitigate this risk, Prosper Portland and PBOT are continuing efforts to further quantify, and potentially reduce, the cost of the transportation improvements. In accordance with the directive set forth in the accompanying Ordinance, the parties commit to return to City Council with an update and any necessary revisions to the Investment Strategy, LID financing plan, and PBOT/Prosper Portland IGA. This update will be informed by the following efforts currently underway:

- PBOT is progressing construction documents, evaluating potential scope revisions, and obtaining updated construction costs.
- PBOT and the Office of Management and Finance (OMF) are collaborating on an interim line of credit necessary for the

financing for the LID. This includes updating interest cost assumptions and discussions between Prosper Portland, PBOT, and OMF regarding responsibility for making the semi-annual interest payments (different than previously contemplated in the formation of the LID). Prosper Portland is prepared to pay the annual interest costs on the LID if the parties discuss and agree that it would be beneficial for the financial status of the project. As applicable, the parties will also identify mechanisms for Prosper Portland to be reimbursed for rolling interest expenses being accrued on behalf of other property owners subject to the LID.

- PBOT and Prosper Portland are jointly seeking \$15,000,000 in federal RAISE grant funds, and if successful, the parties will amend the PBOT/Prosper Portland IGA to proportionally reduce the SDC and LID obligations. Grant awards are to be announced in August 2022.
- Prosper Portland / BES / PWB IGA (9th Avenue Utilities): Commits \$7,000,000 from BES and \$800,000 from PWB for the design and construction to upgrade and install utilities primarily in NW 9th Avenue to service the development of the Property. BES and PWB are also responsible for any cost overruns for their project, except those arising from the Prosper and/or PBOT delays.
- Prosper Portland / PPR / PBOT IGA (Open Space and Green Loop): Commits \$11,400,000 in PPR SDC revenues, \$9,700,000 in PBOT SDC revenues, and \$100,000 from Prosper Portland to the design and construction of the open space and certain portions of the Green Loop within the public realm. Prosper Portland is also responsible for hot spot soils remediation prior to transferring ownership of the future open space parcel to PPR at no cost. PPR is anticipated to begin design work in the near term in coordination with design of an adjacent North Park Block parcel to the south. Additional near-term analysis will consider design as well as operations and maintenance models for the Green Loop given it crosses both public and private parcels. Within the Investment Strategy, Prosper Portland separately carries an obligation for \$15,500,000 to be invested in certain portions of the Green Loop to be constructed within and in conjunction with private development. The parties are proportionally responsible for cost overruns attributable to the elements of work they are funding.

Prosper Portland and PPR have also identified an opportunity to address a portion of PPR's open space site preparation work during the upcoming demolition work led by Prosper Portland. This scope of work includes backfilling the portion of the future open space to be located within the footprint of the existing USPS building to specifications provided by PPR to meet future clean zone requirements. This partnership is believed to provide cost savings to PPR and reduce risk of unknown site conditions in the future. The incremental cost of this work, above the scope of work to be funded

by Prosper Portland, is estimated at \$1,700,000, including an owner's contingency. These costs are included in the original open space cost estimates included in the Investment Strategy and does not increase PPR's financial investment in the project. Additional details regarding the scope of work are included in Exhibit D to the IGA. The demolition work, including the PPR-funding open space site preparation is anticipated to commence in summer 2022 and complete in late 2023.

Development of the Property as envisioned requires substantial public and private investment commitments. Significant expenses unique to the Property compared to most other Central City development opportunities include:

- Infrastructure needs due to the large scale of the site and lack of an existing street grid and utility system required to support future residents and businesses;
- Extension of two park blocks and the Green Loop including a 30-foot elevation change across public and private property to connect the North Park Blocks to the Broadway Bridge;
- Demolition costs to prepare the site for development including the remediation of hot spot soils;
- United States Postal Service (USPS) Retail Facility relocation obligations included as a condition of Prosper Portland's acquisition from USPS; and
- Commitment to the City's Community Benefit Agreement policy plus the anticipated negotiation of a Community Benefit Agreement (CBA) outside of the public or private sector's conventional means.

It is anticipated that development partners will need to secure approximately \$1,000,000,000 in outside capital to deliver on redevelopment of the Property over the next 20 years. Capital investors on projects of this size (in the hundreds of millions of dollars) are seeking competitive real estate investment opportunities nationally and internationally and require market competitive investment and return opportunities to agree to fund the development.

As such, Prosper Portland and bureau partners prepared the City Council-approved Investment Strategy, to reasonably balance stewardship of public investment with private investment obligations and maintain market competitiveness. The Investment Strategy was informed by cost estimates based on preliminary engineering plans and informed by a third-party cost estimator with review and revision by bureau staff. Further cost estimates will be prepared as the projects progress, and prior to City Council's authorization of construction contracts.

The public investments contemplated within the IGAs will result in numerous benefits, including:

- Investment in local economy: leveraging significant public and private investment into the local economy resulting in quality

construction and permanent employment opportunities;

- Smart growth: facilitating high-density transit-oriented sustainable development that can accommodate up to 10 percent of the growth anticipated to occur in the Central City by 2035;
- Public infrastructure: providing new open space, utility, and multimodal transportation infrastructure;
- Quality jobs: voluntarily applying the City's Community Benefits Policy to ensure equitable contracting and employment opportunities within the aggregated \$54.5 million in public contracting for site preparation and public infrastructure; and
- Public revenue: resulting in land sales revenues and an estimated \$84 million in additional City revenue including:
 - System development charge fees (over 14 years, 2024 – 2038, and dependent on final development program):
 - o PWB SDCs - \$0.5 million
 - o BES SDCs - \$7.5 million
 - o PBOT SDCs - \$14.0 million
 - o PPR SDCs - \$13.0 million
 - Property Taxes to General Fund (over twenty years, 2026 – 2046) - \$49 million

Community Impacts and Community Involvement

The Property is located immediately adjacent to Union Station, and connects the Pearl District, Old Town Chinatown, and the Lloyd District neighborhoods. From 1964-2019, the Property was home to the main US Postal Service processing facility for all of Oregon and southwestern Washington, and previously as a rail yard for Union Station. The Property and adjacent blocks also have a longer history as a Native American center of commerce and a landing port for new Portlanders.

When Prosper Portland acquired the Property per the direction of City Council and various City plans, staff set out to approach this project differently than past major development opportunities that Prosper Portland and the City have been involved with. This included engagement of diverse stakeholders through a Steering Committee and a community engagement process very early in the process, and a commitment to engaging in negotiation of a CBA. This robust engagement strategy included the following over the course of two years:

- Regular meetings of the Broadway Corridor Steering Committee and Public Partners Technical Team
- Five open houses
- Six pop-up events throughout the City of Portland
- Four online forums to solicit input from community members not able to join in person
- Ten focus groups with low-income residents of the surrounding area, individuals with disabilities, faith leaders, the Chinese-American community and the Japanese-American community.

Through this engagement, more than 1,000 people provided meaningful input that has informed all aspects of the project, including the selection of a preferred developer partner (no longer engaged in the project), the Master Plan development concept, and priorities for community benefits. This stakeholder engagement informed and solidified commitments to promoting social equity by extending community benefits, building affordable housing, and improving socio-economic opportunities for underserved and underrepresented people.

Prosper Portland has also engaged with the Healthy Communities Coalition (HCC) in the negotiation of a CBA term sheet to be applicable to public and private aspects of development (Broadway Corridor CBA). Due to the departure of the development partner, the term sheet has not been executed, and the parties intend to revisit the Broadway Corridor CBA once a new developer partner has been secured. However, Prosper Portland and the City bureaus are honoring the spirit of the negotiations and voluntarily applying the City's CBA Policy to the site preparation and infrastructure projects procured by the public sector, which was included in the term sheet for the broader Broadway Corridor CBA. Benefits of applying the City's CBA Policy to the publicly procured site preparation and infrastructure work include:

- An estimated \$54.5 million in construction contracting opportunities will be governed by contracting goals for the utilization of minority-owned, women-owned, and disadvantaged enterprise businesses;
- Workforce diversity goals and recruitment and retention strategies are intended to support Black, Indigenous, and people of color, as well as women in the construction trades; and
- Mechanisms for compliance, oversight, reporting, enforcement, and remedies will be utilized to ensure transparency and compliance with the City CBA Policy.

Lastly, the proposed actions are necessary for implementation of the Master Plan. The Portland Design Commission's approval contemplated criteria to ensure the proposed redevelopment:

- Has a strong orientation towards transit and multimodal transportation;
- Creates a safe and vibrant public realm;
- Has adequate utility and transportation infrastructure including mitigation of traffic impacts; and
- Positively responds to the surrounding urban form.

100% Renewable Goal

The redevelopment of the Property, enabled by the infrastructure contemplated within the IGAs, will further the City's climate action and resilience objectives through high environmental standards in project design, construction and development. The following steps have been taken in furtherance of this goal:

- Reduce reliance on single-occupancy vehicles. Increased multimodal access and connected active transportation route options will contribute to reducing reliance on single-occupancy vehicles. The extensions of NW Kearney Street, NW Johnson Street, and NW Park Avenue and construction of a major section of the Green Loop as required by the USPS Master Plan, will provide a linear open space that prioritizes pedestrian and bicyclist travel. The Transportation Demand Management (TDM) plan required by the USPS Master Plan is intended for all land uses and is designed to encourage more efficient use of the existing transportation system, encourage use of transportation modes other than single occupancy vehicles (SOVs), and move in the direction of conforming with the City's long-term mode split goals, which are established by the 2035 Transportation System Plan as well as the overriding 2035 Central City Plan.
- Promote net zero carbon. The upfront installation of electric infrastructure as part of the street infrastructure (subject to securing necessary funding), along with technical assistance to support building engineering, will promote an all-electric energy district (with exception for commercial cooking) with the goal of using 100% renewables. This investment, along with a requirement for all new development to achieve LEED Gold standards or better, increases the district's potential to achieve carbon neutrality in alignment with the City's Climate Action Plan.
- Increase tree canopy and green space. The 14-acre Property is currently comprised of concrete industrial buildings and paved surface for parking and loading. Redevelopment of the site includes an estimated 75 new street trees to be planted with the street improvements, dedication of 20% of site as open space, and green roof requirements, which will likely increase habitat availability, carbon sequestration, shading/temperature regulation, recreation use, and amenity value.
- Improve air quality. Air quality measurements were taken prior to USPS ceasing operations at the Broadway Site. While the air quality was within EPA limits, air quality improvements are anticipated, due largely to the reduction in industrial truck traffic, which will benefit vulnerable populations present within the impacted area.

Budget Office Financial Impact Analysis

The actions by the Portland City Council will authorize three Intergovernmental Agreements (IGAs) necessary to further the redevelopment of the Prosper Portland and City owned property located at 715 NW Hoyt Street (Property). Redevelopment of the Property could house approximately 2,400 new households and 4,000 jobs, which represents approximately 10% of the growth projected to be added to the Central City by 2035, on a large, contiguous property in the middle of downtown and adjacent to one of Portland's regional transit hubs.

The accompanying Ordinances seek City Council's approval of the three IGAs, in accordance with City Council's directive in Ordinance No. 190146 adopted in September 2020 to prepare the agreements in alignment with the approved Investment Strategy. The Investment Strategy, and thus the IGAs, includes the following financial obligations:

1) Prosper Portland / Portland Bureau of Transportation (PBOT) IGA (ROW): Commits \$4,600,000 in PBOT System Development Charge (SDC) revenues matched with a \$23,000,000 Local Improvement District (LID) for the construction of new right-of-way and traffic mitigation improvements. Prosper Portland is also remediating hot spot soils and providing right-of-way dedications and use of the Property for construction staging at no cost. The scope of work contemplated in the Prosper Portland/PBOT IGA will occur in two phases funded over the next 10 years.

The Prosper Portland/PBOT IGA contemplates an allocation of potential cost overruns, whether due to unforeseen project conditions, interest rates and/or other market conditions that may vary over the next ten years. PBOT will not bear additional costs related to financing and/or contaminated media remediation but will bear a proportionate share of other potential cost overruns. The remaining cost overruns will be borne by the LID and/or Prosper Portland.

Prosper Portland, as the current majority owner of property within the LID, is assessed for approximately 74% of the LID repayment (to the extent parcels have not been sold to private developers at the time payments become due, estimated to be 2032). An additional 9% is assessed to a future parcel within the Property controlled by the Portland Housing Bureau, and the remaining 17% is assessed to a privately-owned parcel.

In the event that much of the property within the LID remains in Prosper Portland's ownership by 2032 and Prosper Portland's financial resources are insufficient to cover the associated LID payments, the PBOT / Prosper Portland IGA addresses the conditions by which the parties may reallocate PBOT funds up to the amounts set forth in the Investment Strategy. If these mechanisms are still insufficient, as with all LIDs, there is potential risk to the LID Fund (and ultimately the General Fund) if Prosper Portland and/or other assessed property owners default on the LID payments.

In order to mitigate this risk, Prosper Portland and PBOT are continuing efforts to further quantify, and potentially reduce, the cost of the transportation improvements. In accordance with the directive set forth in the accompanying Ordinances, the parties commit to return to City Council with an update and any necessary revisions to the Investment Strategy, LID financing plan, and PBOT/Prosper Portland IGA. This update will be informed by the following efforts currently underway:

1. PBOT is progressing construction documents, evaluating potential scope revisions, and obtaining updated construction costs.

2. PBOT and the Office of Management and Finance (OMF) are collaborating on an interim line of credit necessary for the financing for the LID. This includes updating interest cost assumptions and discussions between Prosper Portland, PBOT, the City Budget Office, and OMF regarding responsibility for making the semi-annual interest payments (different than previously contemplated in the formation of the LID). Prosper Portland is prepared to pay the annual interest costs on the LID if the parties discuss and agree that it would be beneficial for the financial status of the project. As applicable, the parties, will also identify mechanisms for Prosper Portland to be reimbursed for rolling interest expenses being accrued on behalf of other property owners subject to the LID.
3. PBOT and Prosper Portland are jointly seeking \$15,000,000 in federal RAISE grant funds, and if successful, the parties will amend the PBOT/Prosper Portland IGA to proportionally reduce the SDC and LID obligations. Grant awards are to be announced in August 2022.

2) Prosper Portland / Bureau of Environmental Services (BES) / Portland Water Bureau (PWB) IGA (9th Avenue Utilities): Commits \$7,000,000 from BES and \$800,000 from PWB for the design and construction to upgrade and install utilities primarily in NW 9th Avenue to service the development of the Property. BES and PWB are also responsible for any cost overruns for their project, except those arising from the Prosper and/or PBOT delays.

3) Prosper Portland / Portland Parks & Recreation (PPR) / PBOT IGA (Open Space and Green Loop): Commits \$11,400,000 in PPR SDC revenues, \$9,700,000 in PBOT SDC revenues, and \$100,000 from Prosper Portland to the design and construction of the open space and certain portions of the Green Loop within the public realm. Prosper Portland is also responsible for hot spot soils remediation prior to transferring ownership of the future open space parcel to PPR at no cost. Within the Investment Strategy, Prosper Portland separately carries an obligation for \$15,500,000 to be invested in certain portions of the Green Loop to be constructed within and in conjunction with private development. The parties are proportionally responsible for cost overruns attributable to the elements of work they are funding.

Prosper Portland and PPR have also identified an opportunity to address a portion of PPR's open space site preparation work during the upcoming demolition work led by Prosper Portland. This scope of work includes backfilling the portion of the future open space to be located within the footprint of the existing USPS building to specifications provided by PPR to meet future clean zone requirements. This partnership is believed to provide cost savings to PPR and reduce risk of unknown site conditions in the future. The incremental cost of this work, above the scope of work to be funded by Prosper Portland, is estimated at \$1,700,000, including an owner's contingency. These costs are included in the original open space

cost estimates included in the Investment Strategy and does not increase PPR's financial investment in the project.

Development of the Property as envisioned requires substantial public and private investment commitments, and there are significant expenses unique to the Property compared to most other Central City development opportunities. It is anticipated that development partners will need to secure approximately \$1.0 billion in outside capital to deliver on redevelopment of the Property over the next 20 years. As such, Prosper Portland and bureau partners prepared the City Council-approved Investment Strategy, to reasonably balance stewardship of public investment with private investment obligations and maintain market competitiveness. The Investment Strategy was informed by cost estimates based on preliminary engineering plans and informed by a third-party cost estimator with review and revision by bureau staff. Further cost estimates will be prepared as the projects progress, and prior to City Council's authorization of construction contracts.

Prior to Ordinance 190146 (September 23, 2020), the River District Funding IGA anticipated that the \$35 million line of credit (LOC) provided by the City (and backed by the General Fund) to make resources available for acquisition of the Property would be repaid by June 2022. The Ordinance specified that Prosper will repay the General Fund from land sale proceeds with up to \$15 million of the debt to be forgiven (resulting in a \$15 million General Fund subsidy). The financial resources contemplated in the Investment Strategy to be invested by Prosper in infrastructure and community benefits will be generated through land sales on the Property and existing tax increment financing. Prosper's ability to fulfill these obligations necessitated restructuring the LOC repayment obligation due to the timing of when the investments and repayment of the LOC are contemplated, and the estimated land value and timing of land sales. The original Investment Strategy proposed repayment of the LOC will occur via General Fund revenues and/or excess land sale proceeds. The indebtedness of Prosper was restructured such that Prosper's repayment of the City would be affected from identified land disposition proceeds to the extent such proceeds exceed certain negotiated thresholds, with up to \$15.0 million of the remaining balance to be forgiven.

Prosper Portland estimates that the public investments contemplated within the IGAs will result in increased public revenue as a result of land sales revenues and as a result of increased property tax revenue, as follows:

- Prosper estimates that the IGAs will result in increased system development charge fees (over 14 years, 2024 – 2038, and dependent on final development program) as follows:
 - PWB SDCs - \$0.5 million
 - BES SDCs - \$7.5 million

- PBOT SDCs - \$14.0 million
- PPR SDCs - \$13.0 million
- Prosper also estimates that the project will also increase property tax receipts to the City's General Fund (over twenty years, 2026 – 2046) of \$49 million. CBO notes that this \$49 million estimate is an increase from the status quo, which is no development. Absent this City-led project, one could presume that another development would take place, but we do not have an estimate of potential property tax receipts from an alternative scenario.

Agenda Items

467 Time Certain in June 1-2, 2022 Council Agenda

Passed to second reading

Passed to second reading June 8, 2022 at 9:30 a.m.

500 Regular Agenda in June 8, 2022 Council Agenda

Passed

Commissioner Dan Ryan Yea

Commissioner Jo Ann Hardesty Absent

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Mayor Ted Wheeler Yea