

IMPACT STATEMENT

Legislation title: Approve the *South Waterfront North District Project Development Agreement* between Portland Development Commission and ZRZ Realty Company and direct the Bureaus of Transportation, Parks & Recreation, Environmental Services, Housing, Planning & Sustainability, and Development Services work with PDC to develop Intergovernmental Agreements to implement public obligations as specified in the development agreement (Ordinance).

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Purpose of proposed legislation and background information:

The *South Waterfront North District Project Development Agreement* (DA) with ZRZ Realty Company (ZRZ) provides a framework for partnership and co-investment between PDC, the City of Portland and ZRZ which, if approved, would leverage private development of approximately 1.5 million square feet over multiple phases and public infrastructure, affordable housing and economic development investments by the City and PDC over a 10-year period.

Total tax increment financing (TIF) investment on currently ZRZ owned property is estimated at \$23.7 million based on projected availability of resources from the amended North Macadam Urban Renewal Area (URA) Plan approved by City Council by Ordinance 7072 on April 1, 2015. With the URA extension and expansion, DA implementation would foster new development and redevelopment furtherance of the North Macadam URA Plan and Portland's Central City and South Waterfront planning goals.

PDC TIF and City investment is contemplated in transportation, infrastructure, greenway, open space, and economic development related improvements as well as Portland Housing Bureau (PHB) investment in affordable housing. Infrastructure investment is phased to occur concurrent with adjacent development, ensuring public investment does not precede private investment and TIF generation, while giving certainty to timing of infrastructure required to unlock additional private development. Public investment projects are those which have long been called for by stakeholders, including the completion of SW Bond Avenue and the South Waterfront Greenway, and advancing affordable housing and park/open space goals by providing the City with the ability to purchase property within the Zidell Yards development for both purposes.

BACKGROUND AND CONTEXT

ZRZ is a major property owner in South Waterfront and the North Macadam URA, controlling approximately 30 acres of undeveloped land (see a map in Attachment A). In aggregate, the ZRZ-controlled properties are the largest section of vacant, developable land in Portland's Central City. The ZRZ development site is also within Portland's Innovation Quadrant, home to major regional higher-education institutions, workforce development providers, and private sector partners and includes the Oregon Health & Science University's (OHSU) Schnitzer campus, where research and investment affiliated with the Knight Challenge is expected to be housed.

Over the past few years, PDC together with various City bureaus, including the Portland Bureau of Transportation, Housing, Environmental Services, Parks & Recreation, Development Services, and Planning and Sustainability, have worked with ZRZ to craft a DA which contemplates multi-year real estate developments or redevelopment projects that are mutually beneficial to the City, PDC, and ZRZ. The area is today largely undeveloped and without certain regional streets and infrastructure needed to support development and further growth of the broader South Waterfront community and OHSU presence. Without the public-private partnership of this DA, which shares costs for regional public infrastructure, it is unknown when or if the 1.5 million square footage of private development would occur on the anticipated timeline.

Attachment B provides a map of project phasing as detailed below and described in full in the DA. The proposed DA adoption makes no changes to specific City policies. The DA adoption does commit to certain City investments or partnerships with ZRZ as follows.

Private Development

- Phase 1 (2015-2019): Private development of at least 440,000 square footage of space anticipated to include three mixed-use, employment-oriented projects and building off of ZRZ's Emery housing project completed in 2013.
- Phase 2 (2019-2024): Private development of at least 1.0 million square footage of space anticipated to include commercial and residential uses that contribute to the City's South Waterfront employment and housing goals.
- Phase 3 (2024+): As part of a broader master concept plan, ZRZ has completed development scenarios for those properties primarily south of the Ross Island Bridge, but it is anticipated to occur in out years and after the last date to issue debt in the North Macadam URA.

Infrastructure

- SW Bond Avenue: SW Bond and SW Moody have long been planned for as the major couplet providing access and capacity within the district, including in the 2009 *North Macadam Transportation Development Strategy* as approved by City Council Resolution No. 36696 in April 2009. PDC with TIF and partial funds from the Portland Bureau of Transportation (PBOT) will fund and PBOT will design and construct Bond Avenue street improvements from SW Porter to SW Grover, built in three segments as triggered by adjacent development. Design and construction is anticipated to occur between 2015 and 2019. Street improvements could include District Energy pipe conveyance system if a District Energy System is initiated by OHSU. If and when ZRZ development reaches 750,000 square feet, the SW Bond Avenue street improvement from SW Grover Street south to SW Gibbs Street will be triggered and SW Bond will be completed at that time.
- Greenway: Design and construction of greenway improvements from Marquam Bridge to the Ross Island Bridge with a connector under the Ross Island Bridge to Moody Avenue will be triggered by ZRZ Phase 2 development of a certain size and proximity to the greenway. At that time, estimated between 2019 and 2022, PDC will fund and ZRZ will design and construction that portion of the greenway with the final design mutually agreed upon by ZRZ, PDC, OHSU, and PP&R.
- Ross Island Bridge Park and Open Space: By October 2018, ZRZ and Portland Parks & Recreation (PP&R) will enter into an Open Space Framework Plan public process that will include identifying a size, location, and conceptual design for the Ross Island Bridge Park and may include greenway

concept design and other open space within the ZRZ property. The Concept Plan process ends with a City option to purchase property. The Option will include a timeline for acquisition, purchase price at market value at time of sale, and a construction schedule. ZRZ may fund construction in exchange for SDC credits as permitted by Code. Based on partnership outcomes, PDC would also commit \$5 million to PP&R as a match for Ross Island Bridge property acquisition.

- Stormwater: With Phase 1, ZRZ will fund, design, and construct a stormwater system for Phase I development projects and SW Bond Avenue located on ZRZ property east of Moody Avenue and west of Bond Avenue. ZRZ and the Bureau of Environmental Services (BES) will partner to explore the potential and feasibility for a District Stormwater System to serve Phase 2 and 3 private development, PHB's project, and public rights-of-way and open space east of Bond Avenue. ZRZ is anticipated to fund a baseline system for those phases of the development, with the City identifying non-rate payer funds for any incremental improvements desired by the City.
- Affordable Housing: ZRZ and PHB will enter into an agreement to provide PHB with an option to purchase property and development rights of at least 180,000 GSF within the Zidell Yards development. A purchase price will be agreed to by July 2016, with an escalation rate increasing the purchase price by the CPI until the option is executed, anticipated to occur by 2021.
- Economic Development: With Phase 1, PDC has reserved \$2.5M for economic development purposes, including the undergrounding of the Pacific Power & Light line and other investments including structured parking. In subsequent phases, such economic development investments are at PDC's discretion based on the availability of additional TIF resources generated by ZRZ related development above and beyond that required for priority public infrastructure investments obligated under the DA. Any economic development investments not made into infrastructure will be subject to PDC's Business Financial Support loan and grant programs and approval procedures, including execution of a community benefit agreement if required by PDC.
- Interim Activation: ZRZ and the City of Portland will review Interim Activation of Phase 2 properties and determine availability to streamline reviews and potential Title 33 allowances for interim/temporary uses.

Public infrastructure and public-private partnerships are anticipated to be implemented via subsequent Intergovernmental Agreements (IGAs) between PDC and the appropriate City of Portland bureaus, including PBOT, PP&R, BES, Bureau of Planning and Sustainability, PHB, and Bureau of Development Services.

Financial and budgetary impacts:

PDC funding of the DA obligations will depend upon the availability of North Macadam URA TIF, which is subject to the successful performance of the amended North Macadam URA as modeled. Financial modeling relies on PSU, OHSU, and ZRZ proceeding according to schedule with the development of projects on their respective properties that will, when finished, be taxable and generate TIF as anticipated. The proposed fiscal year (FY) 2015-2016 budget and five year forecast reflects DA and resulting IGA obligations during that term.

Non-TIF investment by City bureaus currently contemplated under the DA includes:

- SW Bond Street: Transportation System Development Charge funding of \$750,000 for Bond Street. SW Bond is an approved TSDC eligible project and the amount reflects PBOT's identification of available TSDC resources.
- Stormwater: BES would work with PDC and ZRZ to identify and seek non-rate payer funding up to \$3.6M for District Stormwater depending on the outcome of the District Stormwater System partnership.
- Ross Island Bridge Park: PP&R has identified acquisition, design and construction of the park as a priority; funding for the Ross Island Bridge Park would be pursued concurrent with the Open Space Framework Plan partnership with ZRZ.

Community impacts and community involvement:

COMMUNITY AND PUBLIC BENEFIT

The DA incents the redevelopment of 30 acres of private property within the Central City by providing the funding and timeline for public street and greenway improvements that benefit future site development, the South Waterfront neighborhood, the Central City, and the region. More specifically, the DA provides an avenue to the following community and public benefits:

- Expedites **new private development of approximately 1.4 million square feet over the next 10 years** and leverages related TIF generation as a mechanism for funding long called for regional public benefits, from transportation to open space to affordable housing;
- Establishes **funding and timeline commitment for the completion of SW Bond Avenue**, as called for in the 2009 *North Macadam Transportation Development Strategy* approved by City Council Resolution No. 36696 in April 2009. In addition to serving regional and resident access into and out of the district, construction of SW Bond Avenue also supports OHSU's growth and \$1 billion investment tied to the Knight Cancer Challenge initiatives.
- Establishes **funding and timeline commitment for Greenway improvements connecting downtown to the new light rail bridge** in accordance with the *South Waterfront Greenway Development Plan* as accepted by City Council in 2004, and providing assurance to the region and South Waterfront community that this portion of the 40-mile loop trail is completed.
- Provides the City a **mechanism to realize the Ross Island Bridge Park** by establishing the City's right to acquire and develop a neighborhood park to serve the region and the Southwest community.
- Advances the City's North Macadam URA affordable housing goals by **increasing the amount of TIF set aside available for affordable housing funding and providing the City an option to acquire land and development rights for affordable units within Zidell Yards property.**
- **Leverages PDC's policies on private development projects** including Business Equity, Workforce Equity, South Waterfront Apprenticeship Agreement, Green Building, and 2% for Art.

PUBLIC PARTICIPATION AND FEEDBACK

There is strong support for the projects and actions outlined in the DA. For example, the Bond Avenue improvements and the Willamette River Greenway improvements have long been a priority for district

stakeholders and property owners as expressed in prior Urban Renewal Advisory Committee and budget process discussions and testimony.

From June to October 2014, staff worked with a URA Amendment Advisory Committee (Committee) to advise PDC and the City on the proposed package of amendments. Over the course of those meetings, PDC staff presented high-level deal points of the DA to the Committee, which was supportive of the projects prioritized under the DA and a partnership between ZRZ, PDC and the City to expedite development of South Waterfront. In addition, staff presented at various public outreach events between June 2014 and December 2014 including neighborhood associations, business associations, a public open house, and the Portland Planning and Sustainability Commission.

Budgetary Impact Worksheet

Does this action change appropriations?

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount