

April 15, 2016

Hillary Adam
City of Portland Bureau of Development Services
1900 SW 4th Ave., Suite 5000
Portland, OR 97201

RE: LU 15-281248 DZM – Broadway Tower
Revisions to Central City Master Plan (CCMP) application relative to Public Benefit

Dear Hillary:

As you know, the details of our proposal to satisfy the criteria for Public Benefit for our Broadway Tower project have been the focus of considerable efforts by both the City and our project team. Thank you - we greatly appreciate your assistance and support in facilitating these efforts.

In our CCMP application, we proposed two alternate strategies for providing public benefit. The first involved an obligation to construct an affordable housing project on the adjoining ¼ block parcel. The second involved preservation related planning and related improvements to the South Park Blocks. Feedback from the City and from neighbors suggests that both strategies are not only viable but highly desired, caveated only by Parks' desire to delay the South Parks Blocks project until it can free up the necessary resources. We have, therefore, developed a revised proposal that addresses both issues.

We respectfully submit the following for public benefit as a revision to our original CCMP application. The revisions incorporate comments and suggestions received during our March 24, 2016 Design Commission hearing.

BDC SW Broadway LLC ("BDC"), the developer of the project, will do the following for Public Benefit for the Broadway Tower Project:

➤ **Contribute to Portland Parks and construct one block of improvements (Block 11 of South Park Blocks):**

Developer will make a charitable contribution in the amount of \$375,000 on or before June 1, 2017 to Portland Parks Foundation. The contribution will be held by the Foundation for the purpose of funding a master planning effort to commence in FY 17/18 that results in the development of a Masterplan for the South Park Blocks. The Parks Bureau will organize and manage the master planning effort. The master plan will address a variety of issues and concerns but more specifically will include: a vegetation management plan (with special consideration given to the historic trees in the park), restorative improvements to historic elements of the park, replacement of infrastructure, and expanded use of the Park.

Developer will work with Portland Parks to execute a development agreement to incorporate the following terms and conditions:

- Developer donates \$375,000 to Parks Foundation to be used exclusively for funding the South Park Blocks master plan process.
- Parks initiates the master plan process in January, 2018.

- Master plan process takes approximately 1 year to complete and informs scope of improvements for Block 11 of South Park Blocks.
 - Developer adds construction of Block 11 to its contract for construction of the housing project. Contractor builds Block 11 improvements simultaneous to or immediately following completion of the Phase II affordable housing project. Funding sources for the construction of Block 11 improvements shall as stipulated in the development agreement.
 - Developer dedicates Block 11 improvements to Parks.
- **Construct Affordable Housing:** Developer will enter into a Development agreement with Portland Housing Bureau on or before June 30, 2017 for development of an affordable housing project on the Phase II ¼ block parcel under the following terms:
- (1) Construct a minimum 60 unit multi-family housing project with 1/3rd of the units deemed affordable at 80% MFI. (This is 50% higher than the 20% threshold contained in recently passed SB 1533).
 - (2) Affordability to be held for a 40 year period. (Kurt Creager of PHB stated at the March 24th DR meeting that anything of 30 years + is considered long term to Housing Bureau.
 - (3) Proposed affordable housing project is eligible for real estate tax abatement for a ten year period in accordance with Housing Bureau's MULTE program. Project is eligible for similar tax abatements subject to the City's renewal(s) of the program.
 - (4) Annual check in with PHB staff to insure compliance with affordability thresholds.
 - (5) Developer agrees to execute a Type III design review application for the affordable housing project regardless of the outcome of proposed changes to Design Review criteria pending for affordable housing projects in Portland.
 - (6) Developer agrees to secure entitlements and permits for the affordable housing project in advance of obtaining a certificate of occupancy for the Broadway Tower project and, to substantial completion of the affordable housing project by **June 30, 2020**.

In order for the affordable housing project to be economically viable, Developer will need to reduce the value of the land by \$1.4 million. This reduction is only feasible by absorbing this cost into the larger Broadway Tower project enabled by the transfer of additional FAR as described in the CCCMP for Broadway Tower.

The combined out of pocket cost to the developer for the above is \$1,775,000 or \$26.10 per square foot for the additional FAR.

While Title 33 does not provide us with a definition for public benefit, we submit that there are several attributes of our project that deserve strong consideration as contributions and outcomes that have very real and tangible public benefits including:

Description of related public benefits	Estimated value
Removal of contaminated soils: The single most deterring factor in preventing any development activity on this site has been the presence of significant amounts of highly contaminated soil, the result of the land's prior use as a gas and service station from the 1940's through 2006. Approximately 30,000 cubic yards of contaminated soil will be removed from our central city site as a key element of the project.	\$3,388,440
The annual property tax increment that results from 68,000 sf of FAR that is transferred to the project as proposed is:	\$289,000 (per year)
The annual incremental increase in property taxes that will be paid (current vs/ completed Broadway Tower project) is:	\$1,020,000 (per year)
The constructed value of twenty affordable housing assuming 60 unit apartment building with 1/3 rd affordable is:	\$6,500,000
The land value needs to be underwritten by the developer to enable financing for the affordable housing project. The "contributed" reduction from market value of the land is:	\$1,400,000
The total number of new jobs created by the project, including appx. 250 construction jobs during the 2-year construction period is: (source: Wright & Johnson Economic Analysis March 2016)	1,736 total jobs

Thank you again Hillary for your assistance and guidance during this process. As you know, we are anxious to integrate these revisions into our CCMP application and request your assistance in that regard. Please let us know if we can provide additional information or if we can answer any questions in concerning this request.

Sincerely,

GBD ARCHITECTS Incorporated



Phillip M. Beyl, AIA
Director

CC: Brian M. Owendoff - BMO Commercial Real Estate LLC
Attachment: Project Schedule