

AMENDMENTS
12-5-12

| ORDINANCE No.

Approve an Option Agreement among the City of Portland Office of Management and Finance, the Portland Development Commission, and Rip City Management LLC d/b/a Portland Arena Management to transfer certain land and property development rights in the Rose Quarter District, and authorize the establishment of a Rose Quarter Event Parking District as specified. (Ordinance)

The City Council ordains:

Section 1. The Council finds:

1. Future development and redevelopment in the Rose Quarter District will realize the long-anticipated community vision of a pedestrian-oriented, mixed-use district well integrated and connected with the surrounding neighborhood and adjacent Lloyd District, and create jobs.
2. The Portland Development Commission (PDC) is the urban renewal and economic development agency for the City of Portland (City) with broad powers under ORS 457.170 for the planning and implementation of urban renewal projects, including administering the Oregon Convention Center Urban Renewal Plan (the "Plan"), which, in part, encourages efforts to develop the Rose Quarter area pursuant to the Plan.
3. PDC relies heavily on tax increment financing to fund its activities and seeks to diversify its revenue sources to accomplish a broader mission to create one of the world's most desirable and equitable cities by investing in job creation, innovation and economic opportunity throughout Portland. Achieving this mission will require PDC to become more entrepreneurial in nature with more flexible funding and alternative revenue streams.
4. Land ownership and control of development rights is one method to create new revenue options for PDC that are not reliant on tax increment financing or subject to other restrictions and limitations on their use.
5. On August 22, 2012, through Resolution No. 36970, City Council authorized the City's Chief Administrative Officer (CAO) and the Executive Director of PDC to negotiate an agreement formalizing PDC's lead role in the redevelopment of the Rose Quarter.
6. Transfer of real property and development rights in the Rose Quarter to PDC will advance both the development aspirations for the area as described in the Rose Quarter District Plan and Central City 2035 N/NE Quadrant Plan, as well as the desire to establish new funding options for the economic development activities pursued by PDC.
7. Over time, development in the Rose Quarter District will also increase the City's real property tax base, which will enhance General Fund revenue.
8. The following real property parcels, which are described in Exhibit A, have the most development potential in the Rose Quarter:

- a. The Benton Block, a City-owned surface parking lot used for parking, events and VMC event staging;
 - b. The Parking Garage Parcel, which is developed with the City-owned East/West Garages;
 - c. The Wheeler Triangle, a landscaped parcel currently leased to PAM;
 - d. The Phase II Entertainment Complex, a grass landscaped polygon adjacent to the Rose Garden Arena, which is not currently a legal lot; and
 - e. The VMC Parcel, which includes the land occupied by the Veterans Memorial Coliseum and the Plaza, a portion of which is currently leased to PAM.
9. Transfer of land ownership from the City of Portland, by and through the Office of Management and Finance, to the City of Portland, by and through the Portland Development Commission simply transfers management of the land from one agency of the City to another and does not divest the City of the title to that land.
10. The City's Spectator Facilities Fund (SFF) relies primarily on revenues from user fees and parking to cover its committed obligations for bond payments, the repair, maintenance and capital improvement of City-owned facilities and the administration of the fund and facilities. If SFF revenues are insufficient to pay existing legal obligations, other legally available City resources, including the General Fund, would be required to pay these obligations. Mechanisms to compensate the SFF for revenues lost due to development that impacts parking or events can minimize risk to the SFF and therefore the General Fund.
11. Development of land and property in the Rose Quarter should maintain existing City agreements and community benefits.
12. The East/West Garages provide over 1,100 spaces that are critical to the ongoing operations of both the VMC and Rose Garden Arena, and provide revenue to the SFF. In order to ensure continued success in the operation of the VMC and Rose Garden Arena, as well as protect the SFF, Exhibit A requires that 98% of all existing parking in the East/West Garages be maintained during construction and replaced as part of the permanent development.
13. Proximity and price of parking for large event venues can have an impact on event attendance. Some patrons are willing to walk longer distances for less expensive parking, while others are willing to pay higher prices to be closer to the venue.
14. Redevelopment of the Benton Lot may displace existing parking and staging activities and reduce the revenue generated by these activities.
15. Opportunities to create additional revenue as well as parking and staging options exist through (a) metering additional streets in the Lloyd Parking District and increasing parking rates; and (b) managing the parking meters in close proximity to the Rose Quarter for the benefit of Rose Quarter activities, such as the use of parking meter hoods on certain streets to facilitate event staging at Veterans Memorial Coliseum.
16. Likewise, variable pricing of parking is an effective tool to manage parking availability and encourage use of transit, bicycling, and walking. The City's Bureau of Transportation

(PBOT) is successfully using variable meter rates and extended hours of operation for on-street parking meters to effectively manage parking and traffic impacts within the JELD WEN event area.

17. The Bureau of Transportation has a long history of extending on-street parking meter hours in Portland's Lloyd Meter District to support events at the Rose Quarter.
18. The Bureau of Transportation sets rates and extends hours for on-street parking meters during events to protect the availability of parking for neighborhoods and reduce traffic congestion associated with cruising while searching for free or reduced priced parking spaces because the pricing structure reduces the financial incentive to park on-street.
19. Creation of ~~an~~ a Rose Quarter Event Parking District within the existing Lloyd Meter District boundaries in the Rose Quarter area (the "Rose Quarter Event Parking District") will allow PBOT to employ a range of parking pricing strategies ~~to~~ in conjunction with Rose Quarter events to protect neighborhood livability and reduce congestion as well as generate incremental revenues during event times, which may be directed to a reserve fund within the SFF (the "Parking Revenue Reserve") to compensate for lost revenues from development of the Benton Lot.
20. The Lloyd Transportation Management Association is supportive of City efforts to create and manage a Rose Quarter Event Parking District. When the Lloyd Meter District was established, the City agreed to allocate 51% of net meter revenue from the District to support transportation projects and programs that benefit the District as identified by the Lloyd Meter Revenue Allocation Committee.
21. The East and West Rose Quarter Garages provide revenue to the SFF and are heavily relied upon to provide critically needed nearby parking for the Rose Quarter event venues. These Garages have sufficient excess parking capacity during non-event hours, which could be utilized to help support future redevelopment activities in the Rose Quarter district.
22. Subsequent City Council consideration and action to authorize formation of the Rose Quarter Event Parking District will allow appropriate review and provide an opportunity for formal public comment.

NOW, THEREFORE, the Council directs:

- a. The Mayor is authorized to execute an Option Agreement among the City of Portland Office of Management and Finance, the Portland Development Commission and Rip City Management LLC d/b/a Portland Arena Management (PAM) on behalf of the City, by and through the Office of Management and Finance, in substantially similar form to that shown in Exhibit A.
- b. The Director of PBOT is directed to prepare for City Council consideration ~~authorized to establish a Rose Quarter Event Parking District.~~ The Director of PBOT will:
 - i. Propose district, with boundaries to be determined by the Director of PBOT, in consultation with the Lloyd Transportation Management

Association, and PAM and neighborhood associations abutting the northern boundary of the Lloyd Meter District;

- ii. Propose extended meter hours as needed on event days and parking meter rate increases up to \$3.50 per hour during scheduled events that are expected to reach threshold attendance levels, as determined by the Director of PBOT, at any of the venues within the Rose Quarter. Higher rates and extended hours will only apply on event days;
- iii. Include in the proposal the authority for the Director of PBOT, with input from the Lloyd Transportation Management Association, PAM and neighborhood associations abutting the northern boundary of the Lloyd Meter District, to make adjustments to the Event Parking District boundaries, to determine event days, to set threshold attendance levels, and to modify meter hours and rates as necessary to ensure effectiveness of the Rose Quarter Event Parking District; and
- iv. Bring the proposal to City Council no later than December 31, 2013.

~~b. That parking meter hours shall be extended as needed on event days and parking meter rates may be increased up to \$3.50 per hour during scheduled events that are expected to reach threshold attendance levels, as determined by the Director of PBOT, at any of the venues within the Rose Quarter. Higher rates and extended hours will only apply on event days.~~

~~e. That the Director of PBOT is delegated the authority, with input from the Lloyd Transportation Management Association and PAM, to make adjustments to the Event Parking District boundaries, to determine event days, to set threshold attendance levels, and to modify meter hours and rates as necessary to ensure effectiveness of the Rose Quarter Event Parking District.~~

~~e.c. That The Director of PBOT, as soon as is practicable after the establishment of the Rose Quarter Event Parking District and the implementation of event parking rates, shall apply up to \$200,000 of annual revenues arising from such changes to the Parking Revenue Reserve, subject to the following conditions:~~

- i. The term of PBOT's obligation to transfer funds shall not exceed 20 years from the date of the first transfer from PBOT to the Parking Revenue Reserve;
- ii. The annual amount transferred shall be derived solely from the City share of net revenue generated by the Rose Quarter Event Parking District. If the net revenue is less than \$200,000 then the amount transferred shall be the total city share;
- iii. The maximum amount that the Parking Revenue Reserve shall be allowed to reach is \$500,000. If the Parking Revenue Reserve has reached this threshold, PBOT shall not be obligated to make a transfer until and unless the Parking Revenue Reserve drops below \$500,000; and
- iv. If, as determined by the City's Chief Administrative Officer, within 5

years from the adoption of this agreement, and annually thereafter, the Spectator Facilities Fund has established sufficient reserves and is forecast to have adequate resources to meet future obligations, then PBOT's obligation to contribute revenue to the Parking Revenue Reserve shall cease.

f.d. That the Office of Management and Finance and PAM will collaborate to review options for future management of the East and West Rose Quarter Garages, in order to provide a higher level of revenue performance and to support future redevelopment. The Office of Management and Finance will provide a report to City Council detailing the management options and recommendations within 5 years following the adoption of this agreement

Passed by the Council:

Mayor Sam Adams

Prepared by: Peter Parisot

Date Prepared: November 19, 2012

LaVonne Griffin-Valade
Auditor of the City of Portland
By

Deputy

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Betsy Ames	2. Telephone No. 503-823-4269	3. Bureau/Office/Dept. OMF
4a. To be filed (date): November 19, 2012	4b. Calendar (Check One) <div style="display: flex; justify-content: space-around;"> Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/> </div>	5. Date Submitted to Commissioner's office and FPD Budget Analyst: November 19, 2012
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

1) Legislation Title:

Approve an Option Agreement among the City of Portland Office of Management and Finance, the Portland Development Commission, and Rip City Management LLC d/b/a Portland Arena Management to transfer certain land and property development rights in the Rose Quarter District, and authorize the establishment of a Rose Quarter Event Parking District as specified. (Ordinance)

2) Purpose of the Proposed Legislation:

In a separate ordinance, the City Council will consider approving an integrated group of agreements that bring to conclusion a 2-year multi-party negotiation centered on the renovation of the Veterans Memorial Coliseum (VMC).

In addition to approving the VMC Redevelopment Agreement (RDA) and its associated agreements, City Council is also considering in this ordinance, an Option Agreement between the City of Portland by and through the Office of Management and Finance (City), the City of Portland by and through the Portland Development Commission (PDC) and Portland Arena Management (PAM) to transfer certain land and property development rights in the Rose Quarter District. As part of the ordinance, Council is also being asked to authorize the establishment of a Rose Quarter Event Parking District to provide enhanced revenues to offset potential revenue losses of the Spectator Facilities Fund (SFF) from development of some of these parcels.

The Option Agreement allows PDC to take possession and/or control of several parcels of land in the Rose Quarter District through fee title or a lease during a 15 year option period. The parcels include:

- The Benton Block, a City-owned surface parking lot used for parking, events and VMC event staging;
- The Parking Garage Parcel, which is developed with the City-owned East/West Garages;
- The Wheeler Triangle, a landscaped parcel currently leased to PAM;

- The Phase II Entertainment Complex, a grass landscaped polygon adjacent to the Rose Garden Arena, which is not currently a legal lot; and
- The VMC Parcel, which includes the land occupied by the Veterans Memorial Coliseum, and the Plaza, a portion of which is currently leased to PAM.

The terms negotiated in the RDA and its associated documents have increased the potential risk to the Spectator Facilities Fund and the General Fund. The risks associated with the Option Agreement, which has been developed only recently, pose other risks to the revenues that support the SFF; as described below, these can only be roughly estimated at this time. The fiscal impact of the two actions Council may take are described separately but must be considered in the aggregate to understand the potential cumulative impacts on the Spectator Facilities Fund and the General Fund.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input checked="" type="checkbox"/> Central City | | | |
| <input type="checkbox"/> Internal City Government Services | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

See below.

5) Expense: What are the costs to the City related to this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the *level of confidence*.)

Background on the Spectator Facilities Fund

The City aims to maintain an operating reserve for the Spectator Facilities Fund to protect the General Fund from having to cover fund expenses. The Operating Reserve is sized to cover one year of NBA Blazer revenues (approximately \$3.5 million in FY2010-11, the most recently completed full NBA season)) and the City share of PGE Park/JELD-WEN Field debt (\$1.85 million in FY2012-13 and increasing annually through FY2026-27). As has been described in briefings in August, projections have shown that the SFF would drop below the desired Operating Reserve amounts for several years placing a moderate amount of risk on the SFF. During a few critical years (FY 2016-17 and 2017-18) the year-end fund balance was previously projected to drop low enough (under \$2 million) to characterize the risk to the GF as “significant”.

OMF has previously and repeatedly communicated the financial risks inherent in the Spectator Facilities Fund due to factors both within and outside of the City's control. User fees and parking fees generated by Trailblazer attendance are the most significant sources of revenue to the SFF – but are not within the City's control.

Changes since August 2012 in Factors Outside of the City's Control

As noted in the FI&PIS filed with the RDA ordinance, in October 2012 (based on changed assumptions about the VMC deal and assuming “back-to-normal” Trailblazer revenues), OMF projected that a 5-year decrease in Trailblazer revenues of approximately 8.5% would produce a SFF balance of zero or lower, requiring General Fund contributions to maintain the SFF. As a result of the October analysis, and in light of continuing negotiations on the VMC redevelopment that increased pressure on the SFF, OMF communicated at that time that the SFF was at significant risk of losing its “self-supporting” capacity.

In early November, the City received data indicating that Trailblazer season ticket sales and parking revenues through the first few games of the 2012-13 season are both down approximately 15% as compared to prior City expectations. On November 12, the Trailblazers ended a streak of 195 consecutive sold out games, providing further indication of likely decreased near-term revenue potential. As such, OMF has adjusted the SFF projections to reflect current realities including 15% reductions in Trailblazer revenue assumptions for FY2012-13 and a five-year adjustment to return to historical Trailblazer revenue norms thereafter. Under the revised projections, the SFF balance is projected to drop below \$400,000 in FY2016-17, with limited opportunity for slow recovery.

In the event that any of the following events occur over the next seven years, the SFF has a high probability of requiring General Fund support to meet ongoing obligations related to outstanding City debt and operational/capital responsibilities at VMC and JELD-WEN FIELD:

- Reduced Trailblazer revenues (user fees / parking)
- Reduced PWH revenues (user fees / parking)
- Reduced revenues from other Rose Garden Arena/VMC events (user fees / parking)
- Reduced parking revenues (either permanent or temporary) from potential redevelopment around the VMC
- Increased repair/capital requirements (beyond current expectations) at VMC, JELD-WEN Field or City-owned parking garages at the Rose Quarter
- Unforeseen environmental costs or other City expenditures.

Changes since August 2012 as a Result of VMC Negotiations

Many of the changes to the proposed VMC redevelopment and associated agreements since late-August have placed additional strain on the SFF to the point that the current agreement threatens the self-sustaining nature of the fund. A few key elements include:

- Agreements that the City will cover a portion of any annual net operating loss (NOL) as the VMC that are projected to cost the fund up to \$2.0 million in the first 10 years and as much as \$2.5 million in the second 10 years.
- Potential annual loss of revenue to the SFF due to development of the Benton Block estimated at \$180-190,000. PDC is proposing covering a portion of these losses from

revenues that can be generated by establishing an Event Parking District, but it is unclear if these revenues will materialize or be adequate to cover the losses.

- Many aspects of the proposed acquisition of the Parking Garage Parcel have not been fully vetted and the potential impact to the SFF is not calculable at this time.

Without removing some of the obligations on the Spectator Facilities Fund, projections show that there is significant risk that an unexpected reduction in revenue or an unanticipated expenditure could require General Fund revenues to cover SFF shortfalls.

Summary of Financial Impacts of Option Agreement

Benton Block The Benton Block is an integral part of the operations of the VMC and Rose Quarter Arena and provides patron parking, event space, parking for large vehicles (buses and trucks) and staging for VMC events such as concerts. The Benton Block also plays a critical role in the annual Rose Festival Grand Floral Parade, providing space for grandstands, sponsor tents, and chalets as well as media and television broadcast areas. Because of the site elevations and other constrictions, the Benton Block is also essential in allowing the large floats to maneuver from the queuing area on Interstate Avenue, through the VMC and onto NE Broadway Street. In aggregate, the parking and activities/events the Benton Block supports are estimated to generate \$180,000 to \$200,000 annually to the Spectator Facilities Fund. This is in addition to the income these activities and events generate toward the VMC's Net Operating Profits in ticket sales, rental income, concessions, etc.

Parking District The Rose Quarter Event Parking District is intended to provide revenues to cover the potential losses of revenues to the SFF that would occur when the Benton Lot is redeveloped. Based on current projections, the District could generate approximately \$160,000 per year that would be shared 51%/49% between the Lloyd TMA and the Parking Revenue Reserve. The ~\$80,000 would not be sufficient to cover the full amount of potential losses. Both the City and PAM will be involved in discussions surrounding the development of the Benton Lot to try to minimize the impacts on the VMC and RGA operations and minimize the losses.

Upfront costs (~\$310,000 for paystations, signage, and programming) for the Rose Quarter Event Parking District are expected to be covered by the sale of a parcel of land currently under PBOT's control in the Rose Quarter vicinity. Any sale proceeds beyond the amount needed for upfront costs may be used by PBOT to offset obligations for the Parking Revenue Reserve.

The dedication of these enhanced revenues to the Parking Revenue Reserve will help protect the SFF and the GF from impacts of proposed development of properties in the Rose Quarter. If not used for these purposes, PBOT could institute event pricing to accomplish other goals and objectives of the agency.

East/West Garages The East/West Garages provide more than 1,200 parking spaces for patrons at Rose Quarter venues. Together with the Benton Lot, the parking garages at the Rose Quarter generate approximately \$1,300,000 annually in revenue to the SFF. The Option Agreement requires permanent replacement of 98% of the parking spaces in the garages onsite, and

temporary replacement of 98% of the parking spaces within ½ mile during any temporary closure for construction. Revenues from the temporary replacement parking would accrue to the SFF, but could be substantially reduced due to proximity and pricing constraints. If the two garages were closed entirely for a period of a year or more, the SFF could lose over \$500,000 in revenue annually. We do not expect such a closure, however, cannot accurately predict the potential costs without a development proposal.

Environmental Remediation The City would retain responsibility for environmental clean up for these parcels with a limitation placed on how much PDC would have to reimburse out of development and/or sales proceeds. Without certainty around the development proposed or certainty around the potential environmental liabilities over the next fifteen years, the City could be liable for a substantial clean up bill. The SFF or the General Fund would be liable for this cost which could exceed \$100,000, or more.

Sale Proceeds With a few exceptions for reimbursement of environmental clean up costs and demolition and removal costs (for the VMC if removed), all sales proceeds and leasing revenues would be to the benefit of PDC, providing that agency with a stream of revenue for future economic development activities.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*
- **Will positions be created or eliminated in future years as a result of this legislation?**

No change in staffing requirements result from this action.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Any changes required to the budget for implementation of this agreement will be handled in the Winter or Spring BMP Process.

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

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]
PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- ☐ **YES:** Please proceed to Question #9.
☒ **NO:** Please, explain why below; and proceed to Question #10.

No specific public participation was conducted in drafting the Option Agreement.

9) If “YES,” please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

Jack D. Graham, CAO

BUREAU DIRECTOR (Typed name and signature)

EXHIBIT
A

OPTION AGREEMENT (OMF – PDC)

THIS OPTION AGREEMENT (this “Agreement”) is dated as of January __, 2013 (the “Effective Date”), by and among the **CITY OF PORTLAND, OREGON**, a municipal corporation of the State of Oregon, acting by and through its Office of Management and Finance (the “City”), and **CITY OF PORTLAND, OREGON**, a municipal corporation of the State of Oregon, acting by and through the Portland Development Commissions, the duly designated urban renewal agency of the City of Portland, Oregon (“PDC”), and **RIP CITY MANAGEMENT LLC**, a Delaware limited liability company (“PAM”). The City, PDC, and PAM are sometimes individually referred to herein as a “Party” and collectively as the “Parties.”

RECITALS

A. As provided in that certain Letter of Agreement and Binding Term Sheet dated July 18, 2012, the Chief Administrative Officer for the City of Portland and the Executive Director of PDC expressed their intent to establish PDC’s lead role in the redevelopment of the Rose Quarter area in the City of Portland, Oregon. On August 22, 2012, pursuant to Resolution No. 36950, Portland City Council authorized the Chief Administrative Officer to negotiate a separate agreement formalizing the PDC’s lead role in such redevelopment.

B. The City owns fee simple title to various parcels of real property located in or near the Rose Quarter, including parcels commonly referred to as the “East/West Garages” and the “Benton Lot.” The East/West Garages and the Benton Lot have long been integral to the operation of Veterans Memorial Coliseum (“VMC”) and to the health of the Spectator Facilities Fund. Specifically, the East/West Garages and the Benton Lot provide approximately \$1,300,000 of annual revenue to the Spectator Facilities Fund, provide parking in close proximity to the VMC and the Rose Garden Arena, and support the operations of VMC and the Rose Garden Arena.

C. In light of (i) the City’s, PDC’s, and PAM’s desire to redevelop the Rose Quarter and (ii) PDC’s role as the City’s urban renewal and economic development agency, the City desires to grant to PDC and PDC desires to accept from the City certain rights with respect to specified parcels of property in and around the Rose Quarter, all on the terms and conditions set forth in this Agreement.

D. The conveyances of property to be made in accordance with this Agreement are transfers of the administrative and management of City property between City bureaus or agencies in accordance with Chapter 15 of the City Charter.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. **Recitals.** The “Recitals” set forth at the beginning of this Agreement are incorporated into the body of this Agreement, as if fully set forth herein.
2. **Definitions.** Defined terms are identified by initial capital letters. Some defined terms are defined in this Section 2; others are defined in the body of this Agreement.
 - 2.1 “**Agreement**” has the meaning set forth in the introductory paragraph.
 - 2.2 “**City**” has the meaning set forth in the introductory paragraph.
 - 2.3 “**Effective Date**” has the meaning set forth in the introductory paragraph.
 - 2.4 “**Environmental Laws**” means any federal, state, or local laws, rules, or regulations (whether now existing or hereafter enacted or promulgated) and any judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments related to Hazardous Substances.
 - 2.5 “**Exercise Notice**” has the meaning set forth in Section 4.2 below.
 - 2.6 “**Hazardous Substances**” means asbestos, polychlorinated biphenyls and petroleum products, and any other hazardous or toxic materials, wastes, and substances that are defined, determined, or identified as such in any federal, state, or local laws, rules, or regulations (whether now existing or hereafter enacted or promulgated).
 - 2.7 “**Minimum Parking Revenues**” has the meaning set forth in Section 5.4.1 below.
 - 2.8 “**Option Term**” has the meaning set forth in Section 4.1 below.
 - 2.9 “**PAM**” means Rip City Management LLC, a Delaware limited liability company, doing business as Portland Arena Management, formerly known as Portland Arena Management LLC, successor in interest to Oregon Arena Corporation.
 - 2.10 “**Parcel**” means each of the Parking Garage Parcel, Benton Block, Wheeler Triangle, Phase II Entertainment Parcel, and VMC Parcel, each of which is further described in Section 2.14 below.
 - 2.11 “**Parking Garages**” means the east and west public parking garages located on the Parking Garage Parcel provided that the west parking garage also includes a paved surface parking lot.
 - 2.12 “**Party**” and “**Parties**” have the meanings set forth in the introductory paragraph.
 - 2.13 “**PDC**” has the meaning set forth in the introductory paragraph. Solely for purposes of this Agreement, references to PDC shall include any successor to PDC or assignee of PDC’s interests under this Agreement.

2.14 **“Property”** means the parcels of real property within or near the Rose Quarter that are listed below and identified in red on the aerial photograph attached as Exhibit A, together with all improvements thereon and all other rights, hereditaments, and tenements appurtenant to the parcels:

2.14.1 **“Parking Garage Parcel”**: Tax Lot R215950 (approximately 4.56 ac) surface and parking structure, more particularly described on Exhibit A-1. PDC acknowledges and agrees that a portion of the Parking Garage Parcel is currently leased to PAM.

2.14.2 **“Benton Block”**: Tax Lot R156125 (approximately 0.88 ac) surface parking lot, more particularly described on Exhibit A-2.

2.14.3 **“Wheeler Triangle”**: Tax Lot R215953 (approximately 0.32 ac) grass landscape triangle bounded by right of way, more particularly described on Exhibit A-3. PDC acknowledges and agrees that the Wheeler Triangle is currently leased to PAM.;

2.14.4 **“Phase II Entertainment Parcel”**: Tax Lot R182161 (approximately 0.44 ac) grass landscape triangle, more particularly described on Exhibit A-4.

2.14.5 **“VMC Parcel”**: Tax Lot R215949 (approximately 5.59 ac) and that portion of Tax Lot R215945 defined as the Plaza, all as described on the map attached hereto as Exhibit A-5. PDC acknowledges and agrees that a portion of the VMC Parcel is currently leased to PAM.

3. Grant of Option

The City hereby grants to PDC the sole and exclusive option to acquire or lease the Property during the Option Term (the **“Option”**) in the manner stated in this Agreement; *provided however*, that except as modified herein such rights are subject to existing agreements and encumbrances impacting the Property, or any portion thereof, including the rights of PAM under existing leases and other agreements.

4. Option Terms

4.1 **Term.** The term of the Option (the **“Option Term”**) commences on the Effective Date and will continue for a period of fifteen (15) years, automatically terminating on _____, 2028.

4.2 **Exercise of Option.** The Option must be exercised, if at all, by written notice (the **“Exercise Notice”**) given by PDC to the City at any time during the Option Term but not less than sixty (60) days prior to the date on which PDC intends the applicable Parcel or Parcels to be conveyed or a lease to be executed, as applicable, stating that PDC has elected to exercise the Option with respect to the Parcel or Parcels named therein. The Option may be exercised with respect to each Parcel separately. PDC may elect to acquire none of the Parcels, some of the

Parcels, or all of the Parcels. Upon exercise of the Option, PDC will be obligated to accept the selected Parcel from the City, and the City will be obligated to convey or lease (as provided below) the selected Parcel or Parcels to PDC, subject to the terms hereof.

- 4.3 Failure to Exercise Option.** If PDC fails for any reason to exercise the Option during the Option Term with respect to any or all of the Parcels in the manner set forth herein, PDC will have no further rights, claim against or interest in such Parcel or Parcels. If PDC fails to timely exercise its Option rights with respect to any Parcel: (a) this Agreement will automatically terminate and be of no further force or effect with respect to such Parcel or Parcels and except as expressly set forth in this Agreement, the Parties shall have no further liability hereunder; (b) PDC will provide the City with any instruments that the City reasonably deems necessary for the purpose of removing from the public record any cloud on title to the Parcel that is attributable to the grant or existence of the Option; and (c) PDC shall deliver to the City copies of all studies, tests and other work product produced at the request of PDC and related to the Property and the City shall be free to use such work product in connection with the Property.

5. Specific Provisions for Specific Parcels

5.1 Benton Block.

5.1.1 Initial Five-Year Period. In recognition of the integral role that the Benton Block plays in the operation of VMC by providing parking and staging for events at VMC, as well as events that take place on the Benton Block, which generates parking revenue for the City and revenue for VMC events, PDC agrees for a period of five (5) years commencing on the Effective Date not to take any action that will disturb, disrupt or impede any activities by the City or PAM on the Benton Block, and that all revenue generated from activities on the Benton Block during such five (5) year period shall be the sole property of the City. In the event PDC exercises its option to acquire fee title to the Benton Block during such five (5) year period and, chooses to proceed with redevelopment of the Benton Block during such five (5) year period, it will only do so on terms and conditions acceptable to PDC, the City, and PAM as determined in each party's sole discretion.

5.1.2 Parking and Staging. During the initial five (5) year period discussed in Section 5.1.1 above and thereafter, PDC, the City and PAM agree to use good-faith efforts to find alternative parking and staging areas for VMC.

5.1.3 Post-Initial Five-Year Period. So long as PAM has the contractual right to manage and operate the Benton Block, before undertaking a development of the Benton Block, PDC will consult with PAM and the City about the development and its effects on parking at the Benton Block and possible alternative sites, other than the Benton Block, for parking for

large vehicles (e.g., buses and semi-trucks) transporting equipment and people to and from VMC events and staging areas for vehicles loading and unloading in VMC's North Stage Lot. So long as PAM has the contractual right to manage the Benton Block, PDC agrees not to undertake a development of the Benton Block that will materially impair use of the Benton Block for parking or staging for VMC events without the prior written approval of PAM, which PAM agrees not to unreasonably withhold so long as reasonable accommodations are made for parking and staging for VMC events. In addition, if development of the Benton Block will trigger nonconforming upgrades on other City-owned parcels in the Rose Quarter, such development shall require the City's consent to such development, which consent may be withheld in the City's sole and absolute discretion. City consent shall not be required if PDC agrees to perform and pay, or cause another party to perform or pay, for work associated with such nonconforming upgrades.

5.2 Phase II Entertainment Parcel. Notwithstanding anything to the contrary set forth in this Agreement, if PDC exercises its option with respect to the Phase II Entertainment Parcel prior to it becoming a legal lot, the City and PDC shall enter into a ninety-nine (99) year lease of the Phase II Entertainment Parcel, which does not require payment of rent but does require PDC to bear all liability and expenses arising from the Phase II Entertainment Parcel, including without limitation utilities, maintenance, security, and taxes, if any. The lease shall be substantially in the form of the ground lease negotiated in accordance with Section 7.2 below. The lease shall terminate and be of no further force or effect and the City shall convey title to PDC on the terms set forth herein after the Phase II Entertainment Parcel becomes a legal lot.

5.3 VMC Parcel. The option granted herein to PDC to acquire the VMC Parcel shall be subject to the condition precedent that VMC has been demolished and removed from the VMC Parcel. Until such condition precedent has been satisfied, PDC shall have no right to acquire the VMC Parcel. All costs of demolishing and removing the VMC shall be borne by the City; *provided, however*, that any proceeds received by PDC from third parties upon the assignment of PDC's rights hereunder to the VMC Parcel or the sale or lease of the VMC Parcel shall be applied in the following order: (1) first, to reimburse PDC for costs incurred in connection with such disposition of the VMC Parcel, including any redevelopment costs; (2) second, to reimburse the City for all costs incurred in connection with the demolition and removal of VMC; and (3) third, the remainder to PDC.

5.4 Parking Garage Parcel.

5.4.1 Parking Requirements. Any redevelopment for the Parking Garage Parcel shall, when development is complete, have parking stalls in the aggregate in all of the Parking Garages equal to at least ninety-eight

percent (98%) of the parking stalls existing in the Parking Garages on the Effective Date (exclusive of the approximately 30-35 parking spaces on the surface lot located on the Parking Garage Parcel). Because the Parking Garages are used by season ticket holders of the Portland Trailblazers, PDC shall give PAM at least twelve (12) months prior written notice of any temporary closure of the Parking Garages to allow for construction on the Parking Garage Parcel. If access to the Parking Garages will be limited or denied during construction, then at least ninety-eight percent (98%) of the parking stalls existing in the Parking Garages on the Effective Date must be made available during construction of such project within a one-half mile radius of the Rose Quarter for use by patrons attending events and activities at the Rose Garden Arena, the VMC or elsewhere in the Rose Quarter. The costs of operating the replacement parking facility shall be borne by PDC, its successors or assigns. "Net Parking Revenues" shall be calculated by PDC and shall accrue to the benefit of and be paid to the City. PDC shall provide to City copies of its calculations of Net Parking Revenues on a monthly basis. Within sixty (60) days of receipt of PDC's calculation, the City shall have the right to review and comment upon PDC's calculations of Net Parking Revenues. For the purposes of this Agreement, Net Parking Revenues shall mean short term (e.g. hourly/daily) parking revenues collected during days and times when the Parking Garages are open and are collecting fees for parking, except that no parking revenues shall be remitted to the extent that the revenues represent revenues from parking spaces rented in excess of the number of spaces temporarily closed due to construction. The parties acknowledge that additional details may need to be agreed upon in determining the amount of Net Parking Revenues payable and agree to negotiate in good faith with respect to the same.

- 5.4.2 Bonded Debt.** PDC acknowledges that there is unpaid bonded indebtedness that was used to construct the Parking Garages, which indebtedness is scheduled to be retired in 2017. Until such bonds are paid in full, PDC shall take no action which could jeopardize the tax exempt status of such bonds.
- 5.4.3 Ground Lease.** If PDC exercises its option with respect to the Parking Garage Parcel, the City shall retain title to the Parking Garage Parcel and grant PDC a ninety-nine (99) year ground lease. The ground lease shall not require payment of rent and shall be in the form negotiated pursuant to Section 7.2.
- 5.4.4 Reservation of Parking Garage Revenue Rights.** Notwithstanding PDC's exclusive rights contained in this Agreement or in any ground lease to PDC, the City, at all times, reserves and maintains the sole and exclusive right to operate the Parking Garages and receive any and all revenues and other income generated by or otherwise arising out of the operation of the Parking Garages, as such Parking Garages may be

remodeled, reconstructed, or otherwise altered pursuant to this Section 5.4. To accomplish the foregoing, the Parking Garages shall be subleased to the City pursuant to a sublease to be negotiated by the City and PDC on or prior to February 1, 2013. The sublease shall not require the payment of rent by the City to PDC, but may include obligations to pay the costs of (i) utilities and maintenance/repair associated with the Parking Garage (but not increases caused by the development itself), and (ii) (if applicable) taxes caused by the City's use or operation of the Parking Garages but not caused by the nature or ownership of the development.

- 5.5 Replacement of Lost Revenues.** To minimize loss of revenue to the Spectator Facilities Fund from development of the Benton Block and/or the Parking Garage Parcel, the City agrees to: (a) meter the streets shown on Exhibit A-2a by extending the Lloyd Parking District and by increasing parking rates, and to apply up to \$200,000 of annual revenues arising from such changes to the Spectator Facilities Fund; and (b) manage the parking meters in close proximity to the Rose Quarter for the benefit of Rose Quarter activities, such as the use of parking meter hoods on certain streets to facilitate event staging at VMC.

- 5.6 PAM and the City Agreements and Permits.** In addition to any other rights of PAM and the City hereunder, PDC, its successors and assigns must, prior to the commencement of any proposed development on any Parcel, meet with PAM and the City to discuss the nature of the development for the purpose of determining if the proposed development may cause or result in the default by PAM or the City under any agreement or permit (e.g. Transportation Management Plan, Neighborhood Livability Partnership) or cause the violation of or to move out of compliance with any law, ordinance or other governmental requirement in existence on the date of the proposed development. The parties will in good faith attempt to either alter the nature of the project, or amend the agreement or permit, in order to satisfactorily address the default, non-compliance or violation. If no mutually satisfactory solution is found, PDC, its successors and assigns may not proceed with the proposed development if PAM or the City, as applicable, reasonably believes that the development will cause or result in a material default under any currently existing agreement or permit and/or would cause PAM or the City to be in violation or move out of compliance with any law, ordinance or governmental requirement.

6. Closing

- 6.1 Condition to Closing.** Prior to the Closing (defined in Section 6.2 below) of any Parcel, PDC, at its cost and expense, will have taken any and all action necessary to ensure that each such Parcel is a legal lot that can be lawfully transferred by the City to PDC. PDC shall obtain the City's approval as to the size and boundaries of each legal lot, which shall be consistent with the descriptions of the Parcels in

Section 2.17. The City, in its proprietary capacity, shall cooperate with PDC as needed in PDC's efforts to create legal lots.

6.2 Time and Place. Closing of the acquisition of a Parcel (each a "**Closing**" and collectively, the "**Closings**") will occur on a date (each a "**Closing Date**" and collectively, the "**Closing Dates**") selected by PDC, but not fewer than sixty (60) days after the City's receipt of the Exercise Notice. Each Closing will be handled with or without a title company as mutually agreed upon by the City and PDC.

6.3 Closing Obligations. On each Closing Date, the City and PDC will deliver the following documents:

6.3.1 The City will deliver the following:

6.3.1.1 The deed or lease described in Section 7 (and the sublease described in Section 5.3, if applicable), duly executed and acknowledged; and

6.3.1.2 Such other documents that are required of the City to close the conveyance or lease of the applicable Parcel in accordance with this Agreement.

6.3.2 PDC will deliver the following:

6.3.2.1 A signed counterpart of the lease described in Section 7 (and the sublease described in Section 5.3, if applicable), duly executed and acknowledged; and

6.3.2.2 Any other documents that are required of PDC to close the conveyance or lease of the applicable Parcel in accordance with this Agreement.

6.4 Costs. PDC will pay the premium for any title insurance policy that PDC elects to obtain, including endorsements thereto. PDC will pay the fee for recording the deed or lease required by Section 7 or a memorandum thereof.

6.5 Prorations. All items of expense incurred by the City with respect to a Parcel will be prorated as of the applicable Closing Date.

7. Deed or Lease

7.1 At the Closing for each Parcel other than the Parking Garage Parcel, the City will execute, acknowledge, and deliver to PDC a Bargain and Sale Deed, in the form attached hereto as Exhibit D, conveying the applicable Parcel to PDC, subject only to the applicable Permitted Encumbrances.

7.2 At the Closing for the Parking Garage Parcel, the City and PDC shall enter into a ground lease for a term of 99 years with no rental payments owing from PDC to

the City during the lease term. The form of the ground lease shall be negotiated by the parties in good faith and agreed upon on or prior to February 1, 2013.

- 7.3** As used in this Agreement, "Permitted Encumbrances" means all exceptions showing on a title report that are not encumbrances evidencing a monetary obligation of the City or another party, including, without limitation, easements, leases, occupancy and use rights existing as of the Effective Date (including leases and other agreements in favor of PAM whether recorded or not), and institutional controls required as part of any environmental remediation performed or being conducted on any Parcel. On and after the Effective Date, the City shall not encumber the Property, except that the City may enter into agreements that encumber the Property or any portion thereof, so long as any such agreement is terminated by the City prior to the applicable Closing Date, and except for institutional controls and involuntary encumbrances required in connection with any environmental investigation or remediation performed or being conducted on any Parcel.

8. Possession

Except as set forth in this Agreement, any Permitted Encumbrance, and the sublease referenced in Section 5.4.4, PDC shall be entitled to exclusive possession of each Parcel on and after the Closing Date for such Parcel.

9. Access to Property; Due Diligence

- 9.1** Prior to PDC entering onto the Property or any portion thereof, the City and PDC shall have agreed upon a form permit of entry granting PDC and its agents the right to enter onto the Property at any reasonable time between the date that PDC actually intends to acquire or lease a Parcel and the applicable Closing Date for such Parcel for the purpose of making inspections and conducting tests or studies that PDC may deem necessary or appropriate in connection with its acquisition or lease of the Property, as applicable. All due diligence, studies, investigations, reports, and surveys with respect to the Property shall be conducted or obtained by or at the direction of PDC at its cost and expense, and the Property shall be conveyed or leased to PDC in its "AS-IS," "WHERE IS," "WITH ALL FAULTS" condition without representation or warranty from the City except as expressly set forth in Section 10 below. PDC's entry onto any Parcel shall not disrupt or any way impede the events, activities and operations occurring on such Parcel, Rose Garden Arena, VMC, or elsewhere in the Rose Quarter.

- 9.2** In furtherance of the foregoing, the City agrees that PDC and its agents, representatives, contractors and subcontractors may enter upon the Property in order to inspect the Property and to conduct reasonable tests, studies, surveys and investigations; provided, however that PDC shall obtain the City's prior written consent to perform any invasive testing on the Property or any portion thereof, which consent shall not be unreasonably withheld, conditioned, or delayed so long as the same does not occur more than twelve (12) months prior to an anticipated

Closing Date. PDC shall promptly repair any damage to the Property caused by its activities permitted under this section. Such license is granted on the condition that PDC keep the Property free and clear of any mechanics' liens and materialmen's liens arising out of any such activities. The City shall have the right to have a representative accompany PDC and its consultants during their inspections or testing of the Property or any portion thereof. To the extent allowed by the Oregon Constitution and subject to the limitations in favor of PDC under the Oregon Tort Claims Act, PDC shall indemnify, defend and hold harmless the City and its officers, agents and employees against all actual injuries, damages, liabilities and claims, including, without limitation, the City's reasonable attorneys' fees and defense costs (collectively, "**Losses**") to the extent caused by the entry onto the Property by PDC, its agents, representatives, contractors or subcontractors. PDC's agreement of indemnity under this Section 9.2 shall survive the termination of this Agreement and/or the applicable Closings. At any time during which PDC enters the Property, PDC shall maintain general liability insurance with respect to PDC's entry upon the Property with a combined single limit of not less than Two Million Dollars (\$2,000,000), which insurance shall name the City as an additional insured. PDC shall deliver to the City a certificate evidencing that such insurance is in effect prior to entering any portion of the Property.

10. Covenants of the City

10.1 Information. The City agrees to deliver to PDC or otherwise make available for PDC to review and photocopy at PDC's expense, within thirty (30) days after request by PDC, originals, electronic copies, or photocopies of all non-privileged and non-confidential documents regarding the use, ownership, or potential development of the Property that the City possesses, including (without limitation) the following: (a) all surveys, maps, plats, aerial photographs, and other documents of a like nature; (b) all documents pertaining to any litigation, arbitration, or administrative hearing pending before any governmental authority that specifically concerns or affects the Property or any portion of it; (c) any documents pertaining to compliance by the Property with all laws, ordinances, and governmental approvals and decisions that specifically relate to it; (d) any documents pertaining to pending changes in land use designation (comprehensive plan or zoning ordinance) that apply to the Property; (e) all environmental reports and assessments of the Property, including any documents pertaining to the existence of Hazardous Substances in, on, or buried on or beneath the Property, or the emission or release from the Property of Hazardous Substances in violation of Environmental Laws, or the presence of underground storage tanks located at the Property; and (f) all management agreements, lease agreements, maintenance contracts, service agreements, or other contracts of any nature that pertain to, cover, or affect the Property or any part of it.

10.2 Ownership. During the Option Term, the City will not sell or encumber (except with Permitted Encumbrances), the Property or any part of it.

10.3 Environmental Responsibility.

10.3.1 Environmental Costs. To the extent allowed by the Oregon Constitution and the Tort Claims Act, and subject to PDC's Contribution (as defined in Section 10.3.2 below), the City agrees to indemnify, defend, and hold harmless PDC, its officers, agents, and employees against any liabilities and obligations arising from any Hazardous Substances in existence as of the Closing Date, in, on, or affecting all or any portion of the Property or any surrounding areas, including any liability arising from the Portland Harbor Superfund. In the event development of a Parcel by PDC or its assignee or successor in interest requires removal or other remediation of an Environmental Condition, the City shall bear all Remediation Costs associated with such Environmental Condition, other than PDC's Contribution, and shall indemnify and hold harmless PDC against such Remediation Costs; provided that the foregoing shall not prevent the City from seeking to recover such Remediation Costs from other potentially responsible third parties. The foregoing indemnity by the City does not include any responsibility by the City for liability arising from any Hazardous Substances that are first released upon a Parcel on or after the date that PDC or its assignee or successor in interest becomes the owner or lessee of the Parcel. To the extent allowed by the Oregon Constitution and the Tort Claims Act, PDC agrees to indemnify, defend and hold harmless the City, its officers, agents, and employees against any liabilities and obligations arising from any Hazardous Substances released, spilled, stored, or brought upon any Parcel during ownership or lease of any Parcel by PDC.

10.3.2 PDC's Contribution on Disposition of a Parcel. If a Parcel includes an Environmental Condition that must be remediated in connection with development of the Parcel, PDC shall reimburse the City for the Remediation Costs arising in connection with development thereof up to an amount equal to the Net Proceeds of Disposition ("PDC's Contribution").

10.3.3 Remediation Activities. PDC agrees to use reasonable efforts to assure that development of the Property will occur in a manner that minimizes the need for the City to incur Remediation Costs (including negotiating that a transferee of PDC incur all but Incremental Environmental Costs with respect to the development of a Parcel), that remediation efforts will be undertaken in a cost effective manner, and that the risk of claims regarding the Environmental Condition of the Property will be minimized. PDC will consult with the City and obtain input from the City regarding efforts taken to assure that development occurs and to develop the Parcel in a manner that minimizes Remediation Costs and any planned remediation of an Environmental Condition and PDC agrees to make reasonable efforts to incorporate the City's reasonable recommendations with regard thereto.

10.3.4 Phase 2 Environmental Assessments. At any time during the term of this Option, PDC may give notice to the City that PDC is contemplating redevelopment of a Parcel within 18 months. Upon receipt of such notice, PDC and the City shall enter into a Permit of Entry, with terms and conditions consistent with those set forth in Section 9.2 above, which shall permit PDC to enter the Parcel for the purpose of engaging in what is commonly referred to as a Phase 2 Environmental Assessment, including drilling, sampling, and other invasive activities. The City shall be given the right to review and comment on a draft Phase 2 Environmental Assessment before such Assessment is finalized. PDC shall provide the City with a copy of all final reports prepared by PDC or its environmental consultants under this Section 10.3.

10.3.5 Definitions. As used in this Section 10.3 the following terms have the meanings set forth below:

(a) “Environmental Condition” means the existence, as of the date a Parcel is conveyed or leased to PDC, of any Hazardous Substance at, or under, the Parcel that upon development will require environmental investigation, remedial action, and/or engineering and institutional controls established by statute or other regulatory authority, including the Oregon Department of Environmental Quality (“DEQ”).

(b) “Incremental Environmental Costs” mean the incremental environmental costs of development of a Parcel in excess of what would have been necessary if the Parcel were to be developed starting from a clean condition, including but not limited to additional haul costs, disposal costs, soil handling, worker protection, dewatering, and other costs attributed to and necessary to meet soil disposal and cleanup requirements as may be required by the DEQ..

(c) “Net Proceeds of Disposition” means 20% of gross proceeds of the sale of a Parcel received by PDC. If PDC sells a Parcel for less than fair market value, or if PDC enters into a ground lease of the property, the “Net Proceeds of Disposition” shall mean 20% of the gross proceeds of sale that would have been received had the Parcel been sold at fair market value. .

(d) “Remediation Costs” mean the costs to (i) investigate, test and study Environmental Conditions on a Parcel (including a Phase 2 Environmental Assessment); (ii) design, remove, treat, cap or otherwise remediate Environmental Conditions on a Parcel; (iii) obtain any necessary closure report, no further action letter or other documents from DEQ, United States Environmental Protection Agency, or any other government body or agency with jurisdiction over a Parcel; and (iv) any Incremental Environmental Costs.

11. Covenants of PDC

- 11.1 Notice of Planned Development Activities.** Prior to undertaking any physical development at a Parcel, PDC shall reasonably consult with the City and PAM to develop a plan for such Parcel, which shall include a site plan, a statement of proposed uses, and such other matters as reasonably necessary to determine the financial and operational impact on the Rose Quarter of the proposed development, including the Public Benefit Framework developed by PDC in 2010 and attached as Exhibit E and the public objectives and goals set forth in the existing documentation between the City and PAM for the development and operation of the VMC and the Rose Garden Arena. PDC shall provide a draft copy of such development plan to the City and PAM for their review and comments, which comments shall be provided within thirty (30) days after receipt. PDC shall consider the City's and PAM's comments and consult with the City and PAM regarding any concerns or comments. The City's comments on such plan are not made in its regulatory capacity, and nothing in this Agreement shall relieve PDC from complying with any applicable regulatory requirements of the City. Any development of a Parcel shall be subject to PAM's rights, if any, with respect to such Parcel.
- 11.2 Sharing of Consideration.** Consideration received by PDC in exchange for the sale or lease of a Parcel that PDC has acquired pursuant to this Agreement shall be shared with the City to the extent required by Section 5.3 and Section 10.3 above, but in all other instances such consideration shall be the sole property of PDC. PDC may not assign this Agreement without first obtaining the City's consent to such assignment.

12. General Provisions

- 12.1 Recording.** On the Effective Date, the City will execute, acknowledge, and deliver to PDC a Memorandum in the form attached as Exhibit F. The Memorandum, by its terms, shall automatically terminate and be of no further force and effect on the termination of this Agreement, and PDC will execute, acknowledge, and deliver to the City a statutory quitclaim deed releasing any interest in the Property upon such termination.
- 12.2 Exhibits.** The Exhibits to this Agreement referred to in the text and attached hereto are incorporated herein by this reference and made an integral part hereof.
- 12.3 Notices.** A notice or communication under this Agreement by a Party to another Party shall be sufficiently given or delivered if sent with all applicable postage or delivery charges prepaid by: (a) personal delivery; (b) sending a confirmed e-mail copy (either by automatic electronic confirmation or by affidavit of the sender) directed to the e-mail address of the party set forth below; (c) registered or certified U.S. mail, return receipt requested; or (d) delivery service or "overnight delivery" service that provides a written confirmation of delivery, each addressed to a Party as follows:

If to the City: City of Portland
1120 S.W. Fifth Avenue, Room 1204
Portland, Oregon 97204
Attn: Chief Administrative Officer
E-Mail: SpectatorFacilities@portlandoregon.gov
Confirmation No.: 503-823-5288

With a copy to: City of Portland
1221 S.W. Fourth Avenue, Suite 430
Portland, Oregon 97204
Attn: City Attorney
E-Mail: mark.moline@portlandoregon.gov
Confirmation No.: 503-823-3120

And to: Dina Alexander
Radler White Parks & Alexander LLP
111 SW Columbia Street, Suite 1100
Portland, OR 97201
E-Mail: dalexander@radlerwhite.com
Confirmation No.: 971-634-0200

If to PDC: Portland Development Commission
222 NW Fifth Avenue
Portland, Oregon 97209
Attn: Real Estate Manager
Confirmation No.: 503-823-3200

If to PAM: Portland Arena Management
One Center Court, Suite 200
Portland, Oregon 97227
Attn: Gregg Olsen, Executive Vice President
Email: Gregg.olsen@rosequarter.com
Confirmation No.: 503-797-9851

With copies to:

Lane Powell PC
601 SW Second Avenue, Suite 2100
Portland, Oregon 97204
Attn: Mike Silvey
Email: silveym@lanepowell.com
Confirmation No.: 503-778-2195

And

Portland Arena Management
One Center Court, Suite 200
Portland, Oregon 97227
Attn: General Counsel
Email: ben.lauritsen@trailblazers.com
Confirmation No.: 503-234-9291

Each Party may, by notice to the other Party, specify a different address or confirmation number for subsequent notice purposes. Notices may be sent by counsel for a Party. Notices shall be deemed effective on the earlier of actual delivery or refusal of a Party to accept delivery; provided that notices delivered by e-mail shall not be deemed effective unless simultaneously transmitted by another means allowed under this Section 12.3. For a notice to be effective, the copied persons must also be given notice.

- 12.4 Time of Essence.** Time is of the essence of the Parties' respective obligations under this Agreement.
- 12.5 Severability.** If any term or provision of this Agreement or its application to any party or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such term or provision to such party or circumstances other than those as to which it is held invalid or unenforceable shall not be affected, and each term or provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
- 12.6 Binding Effect.** The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.
- 12.7 Captions.** The captions or titles of the sections of this Agreement are intended for ease of reference only and shall have no effect whatsoever on the construction or interpretation of any provision of this Agreement.
- 12.8 Waiver.** Failure of any party at any time to require performance of any provision of this Agreement shall not limit such party's right to enforce such provision, nor shall any waiver of any breach of any provision of this Agreement constitute a waiver of any succeeding breach of such provision or a waiver of such provision itself. Any waiver of any provision of this Agreement shall be effective only if set forth in writing and signed by the party to be bound.
- 12.9 No Third Party Beneficiaries.** The Parties intend that the right, obligations and covenants in this Agreement shall be exclusively enforceable by the Parties. There are no third party beneficiaries to this Agreement.
- 12.10 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and when taken together shall constitute one and the same instrument. For the convenience of the Parties, the execution pages

of any executed counterpart may be detached and reattached to any other executed counterpart to form one or more documents that are fully executed. This Agreement shall not be effective until all Parties have executed this Agreement or a counterpart of this Agreement.

12.11 Execution Authority. This Agreement, any amendment to this Agreement, and all agreements and contracts associated with or ancillary to this Agreement or necessary to effectuate the transactions contemplated by this Agreement, may be executed by (a) the Chief Administrative Officer of the City or his designee on behalf of the City and (b) the Executive Director of PDC or his designee on behalf of PDC.

12.12 Statutory Disclaimer. THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301, AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301, AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

(Remainder of Page Intentionally Left Blank.)

IN WITNESS WHEREOF, PDC and City have executed this Agreement as of the date first set forth above.

PDC:

PORTLAND DEVELOPMENT COMMISSION,
the duly designated urban renewal agency of the
City of Portland, Oregon

By: _____
Name: _____
Its: _____

APPROVED AS TO FORM

General Counsel
Portland Development Commission

City:

CITY OF PORTLAND, OREGON, a municipal
corporation of the State of Oregon

By: _____
Name: _____
Its: _____

APPROVED AS TO FORM

City Attorney
City of Portland

RIP CITY MANAGEMENT LLC,
d/b/a/ Portland Arena Management, a Delaware
limited liability company

By: Arena Acquisition LLC,
an Oregon limited liability company
Its: Sole Member

By: Aegean Corporation,
an Oregon corporation
Its: Manager

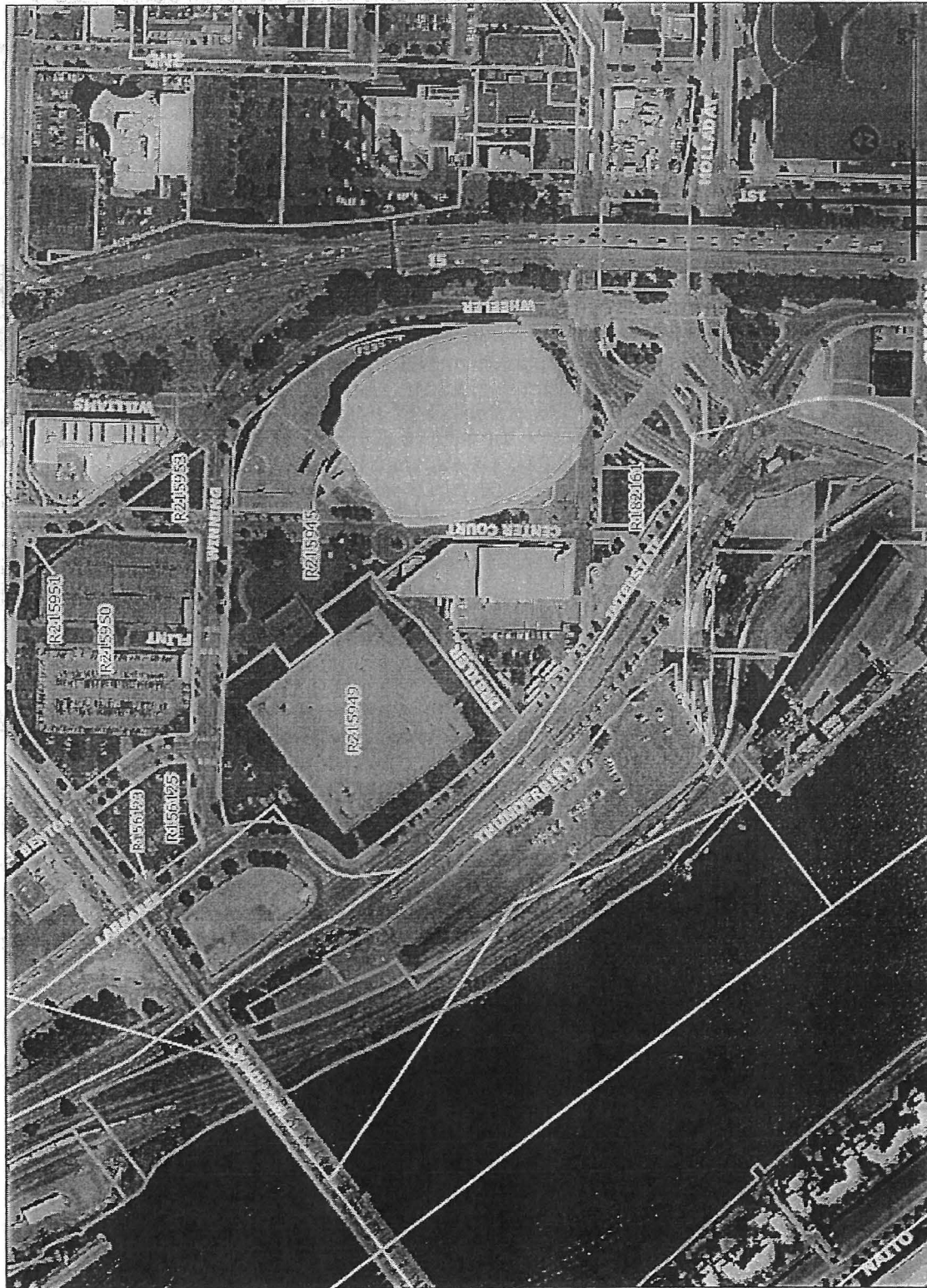
By: _____
Printed Name: Gregg Olson
Its: Executive Vice President/Chief
Financial Officer

Attachments:

Exhibit A—Aerial Photo of Property
Exhibit A-1—Legal Description of Parking Garage Parcel
Exhibit A-2—Legal Description of Benton Block
Exhibit A-2a—Lloyd Parking District
Exhibit A-3—Legal Description of Wheeler Triangle
Exhibit A-4—Legal Description of Phase II Entertainment Parcel
Exhibit A-5—Map of VMC Parcel
Exhibit B—Intentionally Omitted
Exhibit C—Intentionally Omitted
Exhibit D—Form of Deed
Exhibit E-- Public Benefit Framework
Exhibit F—Form of Memorandum of Option Agreement

EXHIBIT A

Property Descriptions



City of Portland, Oregon. The Portland Development Commission cannot accept any responsibility for errors, omissions, or positional inaccuracies, and therefore, there are no warranties in this product. City of Portland, Oregon. The Portland Development Commission cannot accept any responsibility for errors, omissions, or positional inaccuracies, and therefore, there are no warranties in this product.

Exhibit A-1
Legal Description of Parking Garage Parcel

A tract of land situated in the Southeast one-quarter of Section 27, and in the Northeast one-quarter of Section 34, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, County of Multnomah and State of Oregon and more particularly described as follows:

Commencing at a monument at the intersection of the center line of vacated N. Cherry Street and the center line of vacated N. Larabee Avenue; thence North 51°30'58" East along the center line of said N. Cherry Street, a distance of 585.09 feet; thence South 38°29'02" East, a distance of 213.44 feet to the point of beginning for the following described tract; thence North 89 degrees 42'48" West, a distance of 432.09 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, through a central angle of 90°00'00", with a chord that bears North 44°42'48" West, 10.61 feet, an arc distance of 11.78 feet to a point of tangency; thence North 0°17'12" East, a distance of 6.00 feet to a point of curve; thence on the arc of a 180.50 foot radius curve to the left, through a central angle of 38°47'34", with a chord that bears North 19°06'35" West, 119.89 feet, an arc distance of 122.21 feet to a point of tangency; thence North 38°30'22" West, a distance of 153.60 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, through a central angle of 88°29'14", with a chord that bears North 5°44'15" East, 10.47 feet, an arc distance of 11.58 feet to a point of tangency; thence North 49°58'53" East, a distance of 146.64 feet to a point of non-tangency; thence on the arc of a 212.50 foot radius curve to the right, through a central angle of 40°18'19", with a chord that bears North 70°08'02" East, 146.42 feet, an arc distance of 149.49 feet to a point of tangency; thence South 89 degrees 42'48" East, a distance of 141.65 feet to a point of curve; thence on the arc of a 77.50 foot radius curve to the right, through a central angle of 18°22'34", with a chord that bears South 80°31'31" East, 24.75 feet, an arc distance of 24.86 feet to a point of tangency; thence South 71 degrees 20'14" East, a distance of 8.95 feet to a point of curve; thence on the arc of a 102.50 foot radius curve to the left, through a central angle of 18 degrees 22'34", with a chord that bears South 80°31'31" East, 32.73 feet, an arc distance of 32.87 feet to a point of tangency; thence South 89°42'48" East, a distance of 100.00 feet to a point of curve; thence on the arc of a 17.50 foot radius curve to the right, through a central angle of 89°57'16", with a chord that bears South 44°44'10" East, 24.74 feet, an arc distance of 27.48 feet to a point of tangency; thence South 0°14'28" West, a distance of 78.50 feet to a point of curve; thence on the arc of a 109.50 foot radius curve to the left, through a central angle of 38°42'46", with a chord that bears South 19°06'55" East, 72.59 feet, an arc distance of 73.98 feet to a point of tangency; thence South 38°28'18" East, a distance of 8.58 feet to a point of curve; thence on the arc of a 12.50 foot radius curve to the right, through a central angle of 90°00'00", with a chord that bears South 6°31'42" West, 17.68 feet; an arc distance of 19.64 feet to a point of tangency; thence South 51°31'42" West, a distance of 4.18 feet to a point of curve; thence on the arc of a 42.50 foot radius curve to the left, through a central angle of 51 degrees 14'30", with a chord that bears South 25°54'27" West, 36.76 feet, an arc distance of 38.01 feet to a point of tangency; thence South 0°17'12" West, a distance of 158.05 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, through a central angle of 90°00'00", with a chord that bears South 45°17'12" West, 10.61 feet, an arc distance of 11.78 feet to the point of beginning.

Exhibit A-2
Legal Description of Benton Block

A tract of land situated in the Southeast one-quarter of Section 27, and in the Northeast one-quarter of Section 34, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, County of Multnomah and State of Oregon and more particularly described as follows:

Commencing at a monument at the intersection of the center line of vacated N. Cherry Street and the center line of vacated N. Larabee Avenue; thence North $51^{\circ} 30' 58''$ East along the center line of said N. Cherry Street, a distance of 188.95 feet; thence North $38^{\circ} 29' 02''$ West, a distance of 104.73 feet to the point of beginning for the following described tract; thence North $89^{\circ} 42' 48''$ West, a distance of 42.29 feet to a point of curve; thence on the arc of a 285.50 foot radius curve to the left, thru a central angle of $25^{\circ} 01' 49''$, with a chord that bears South $77^{\circ} 46' 17''$ West, 123.73 feet, an arc length of 124.72 feet to a point of non-tangent reverse curve; thence on the arc of a 12.50 foot radius curve to the right, thru a central angle of $70^{\circ} 39' 08''$, with a chord that bears North $79^{\circ} 44' 01''$ West, 14.46 feet, an arc length of 15.41 feet to a point of non-tangency; thence North $38^{\circ} 28' 18''$ West, a distance of 142.09 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, thru a central of $89^{\circ} 57' 56''$, with a chord that tears North $6^{\circ} 30' 40''$ East, 10.60 feet, an arc length of 11.78 feet to a point of tangency; thence North $51^{\circ} 29' 38''$ East, a distance of 179.01 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, thru a central angle of $90^{\circ} 00' 00''$, with a chord that bears South $83^{\circ} 30' 22''$ East, 10.61 feet, an arc length of 11.78 feet to a point of tangency; thence South $38^{\circ} 30' 22''$ East, a distance of 153.54 feet to a point of curve; thence on the arc of a 119.50 foot radius curve to the right, thru a central of $38^{\circ} 47' 34''$, with a chord that bears South $19^{\circ} 06' 35''$ East, 79.37 feet, an arc distance of 80.91 feet to a point of tangency; thence South $0^{\circ} 17' 12''$ West, a distance of 6.00 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, thru a central angle of $90^{\circ} 00' 00''$, with a chord that bears South $45^{\circ} 17' 12''$ West, 10.61 feet, an arc distance of 11.78 feet to the point of beginning.

EXHIBIT A-2a

Lloyd Parking District

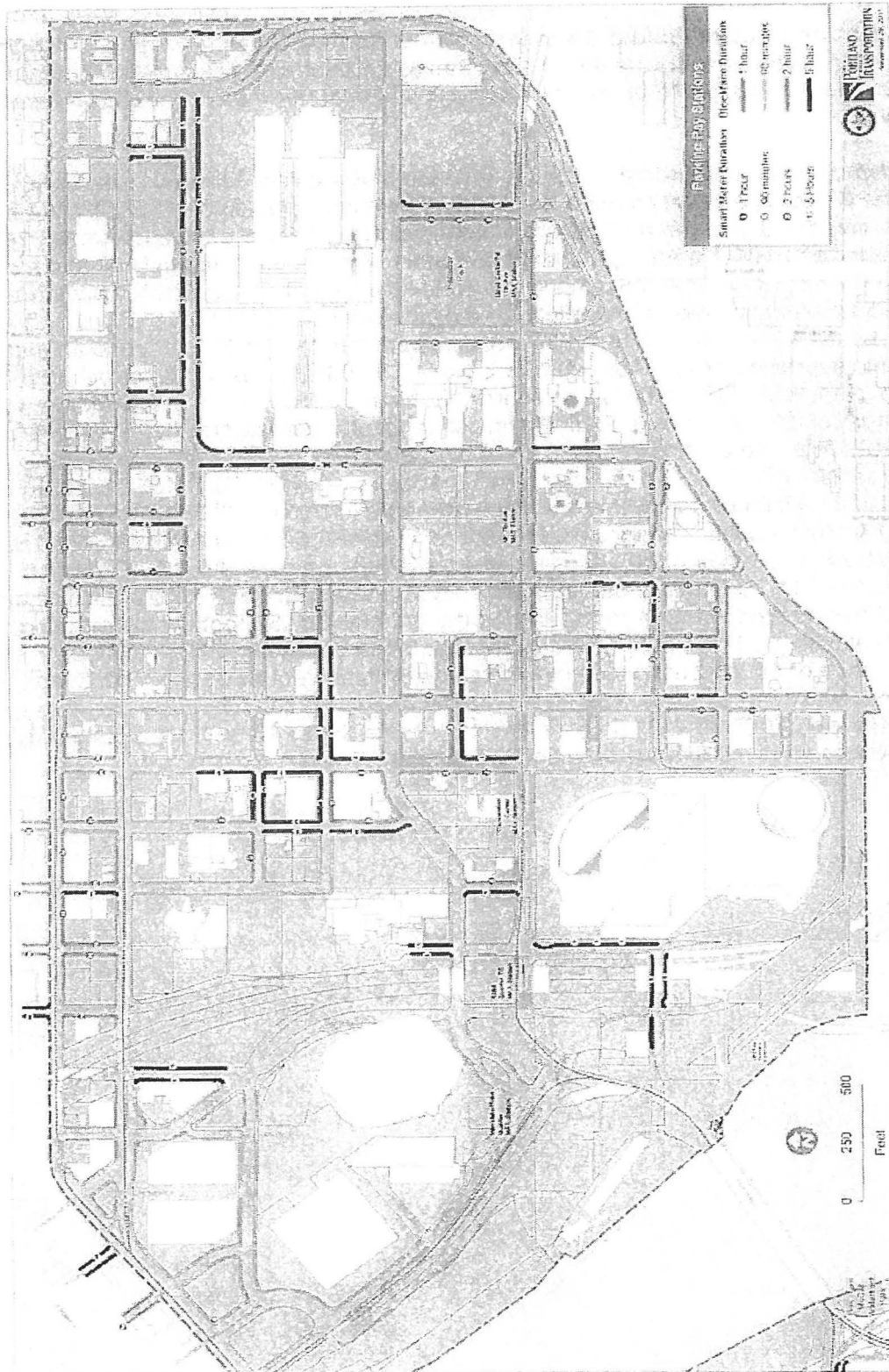


Exhibit A-3
Legal Description of Wheeler Triangle

A tract of land situated in the Northeast one-quarter of Section 34, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, County of Multnomah and State of Oregon and more particularly described as follows:

Commencing at a monument at the intersection of the center line of vacated N. Cherry Street and the center line of vacated N. Larabee Avenue; thence North $51^{\circ} 30' 58''$ East along the center line of said N. Cherry Street, a distance of 631.63 feet; thence South $38^{\circ} 29' 02''$ East, a distance of 255.31 feet to the point of beginning for the following described tract; thence North $0^{\circ} 17' 12''$ East, a distance of 173.01 feet to a point of curve; thence on the arc of a 2.50 feet radius curve to the right, thru a central angle of $141^{\circ} 14' 30''$, with a chord that bears North $70^{\circ} 54' 27''$ East, 4.72 feet, an arc distance of 6.16 feet to a point of tangency; thence South $38^{\circ} 28' 18''$ East, a distance of 217.86 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, thru a central angle of $128^{\circ} 45' 32''$, with a chord that bears South $25^{\circ} 54' 27''$ West, 13.52 feet, an arc distance of 16.85 feet to a point of tangency; thence North $89^{\circ} 42' 48''$ West, a distance of 127.49 feet to a point of curve; thence on the arc of a 7.50 foot radius curve to the right, thru a central angle of $90^{\circ} 00' 00''$, with a chord that bears North $44^{\circ} 42' 48''$ West, 10.61 feet, an arc distance of 11.78 feet to the point of beginning.

Exhibit A-4
Legal Description of Phase II Entertainment Parcel

A tract of land situated in the Northeast quarter of Section 34, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, County of Multnomah and State of Oregon, more particularly described as follows:

Commencing at a monument at the intersection of the center line of vacated N. Cherry Street and the center line of vacated N. Larabee Avenue; thence proceeding South $38^{\circ} 28' 52''$ East along the center line of said Larabee Avenue, 1031.95 feet to the point of beginning for the following described tract; thence North $0^{\circ} 19' 37''$ East, a distance of 100.77 feet; thence South $89^{\circ} 42' 20''$ East, a distance of 128.00 feet; thence South $0^{\circ} 19' 37''$ West, a distance of 170.91 feet to a point of non-tangent curve; thence on the arc of a 300.50 foot radius curve to the left, thru a central angle of $1^{\circ} 40' 57''$ with a chord that bears South $32^{\circ} 07' 22''$ West, 8.82 feet, an arc distance of 8.82 feet to a point of tangency; thence South $31^{\circ} 17' 12''$ West, a distance of 16.80 feet to a point of curve; thence on the arc of a 12.50 foot radius curve to the right, thru a central angle of $89^{\circ} 58' 56''$, with a chord that bears South $76^{\circ} 16' 40''$ West, 17.67 feet, an arc distance of 19.63 feet to a point of compound curve; thence on the arc of a 37.50 foot radius curve to the right, thru a central angle of $20^{\circ} 59' 54''$, with a chord that bears North $48^{\circ} 14' 31''$ West, 13.67 feet, an arc distance of 13.74 feet to a point of tangency; thence North $37^{\circ} 44' 34''$ West, a distance of 59.65 feet to a point of curve; thence on the arc of a 62.50 foot radius curve to the left, thru a central angle of $20^{\circ} 59' 16''$, with a chord that bears North $48^{\circ} 14' 31''$ West, 22.77 feet, an arc distance of 22.89 feet to a point of tangency; thence North $58^{\circ} 43' 52''$ West, a distance of 39.02 feet; thence North $0^{\circ} 19' 37''$ East, a distance of 5.13 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying in N. Interstate Avenue as described in Ordinance No. 175532, recorded May 7, 2001 as Recorder's Fee No. 2001-066348.

Exhibit A-5
Legal Description of VMC Parcel

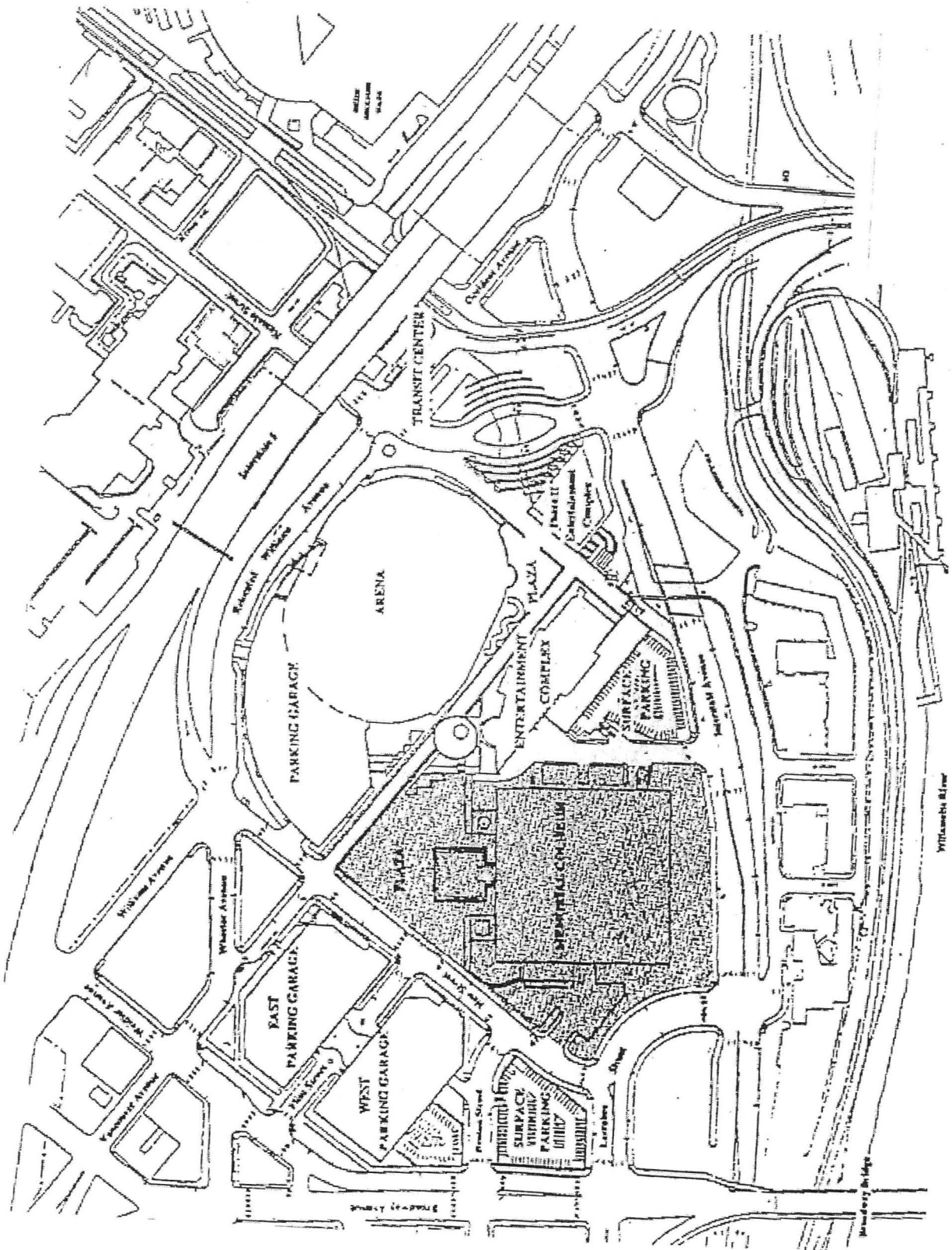


EXHIBIT B
Intentionally Omitted

EXHIBIT C
Intentionally Omitted

EXHIBIT D
Form of Deed

After recording, return to:

Jonathon L. Goodling
Miller Nash LLP
111 S.W. Fifth Avenue, Suite 3400
Portland, Oregon 97204

*Until a change is requested, all tax statements
shall be sent to the following address:*

PORTLAND DEVELOPMENT COMMISSION
as the duly designated Urban Renewal Agency
of the City of Portland
222 N.W. Fifth Avenue
Portland, Oregon 97209
ATTN: Real Estate Manager

BARGAIN AND SALE DEED

The **CITY OF PORTLAND**, a municipal corporation of the State of Oregon, acting by and through the Office of Management and Finance, Grantor, conveys to the **CITY OF PORTLAND**, a municipal corporation of the State of Oregon, acting by and through the **PORTLAND DEVELOPMENT COMMISSION**, as the duly designated Urban Renewal Agency of the City of Portland, Grantee, the real property located in Multnomah County, Oregon, and described on the attached Exhibit A.

The true consideration for this conveyance is value other than monetary consideration.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON

LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

Dated this _____ day of _____, 20__.

CITY OF PORTLAND, a municipal
corporation of the State of Oregon

By: _____
Name: _____
Its: _____

APPROVED AS TO FORM:

City Attorney

State of OREGON

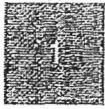
County of _____

This instrument was acknowledged before me on _____, 20__,
by _____ as _____ of
CITY OF PORTLAND, a municipal corporation of the State of Oregon.

Notary Public for the State of Oregon

EXHIBIT A
Legal Description

Exhibit E
Public Benefit Framework



Rose Quarter Community Benefits Subcommittee
Final Recommendations, November 2010

I. Construction/Contracting Returns

1) **Goal for certified Minority- or Women-owned subcontractors**

Businesses owned by historically disadvantaged or underrepresented people, including people of color- and women-owned businesses, make up not less than 20% of all dollars on the project.

2) **Goal for joint ventures with certified Minority- or Women-owned firms**

Incent joint ventures with local minority – or women-owned businesses to make up not less than 35% of the joint venture.

3) **Local contracting**

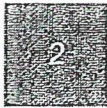
Require meaningful percentage (min. 35%) of contractors to be local, defined as registered within Multnomah, Clackamas, Washington, or Clark County.

4) **Green building requirements**

Adhere to the PDC Green Building Policy.

5) **Local material sourcing**

Require a meaningful percentage of construction materials to be sourced locally.



Rose Quarter Community Benefits Subcommittee Final Recommendations, November 2010

II. Workforce Training & Hiring Returns

6) Goals for apprentices

Adhere to PDC policy requiring 20% of project hours to be worked by apprentices. Implement policy for the purpose of tracking.

Provide resources for the pre-apprenticeship training of prospective workers.

7) Goals for workforce diversity

Establish workforce diversity goals for historically underutilized individuals including women and people of color.

8) Requirement for contractors to be BOLI-registered training agents

Require each prime contractor with a \$200,000 contract or greater and each subcontractor with a \$100,000 contract or greater to be a BOLI registered Training Agent who is registered with a Joint Apprenticeship and Training Committee (JATC) that has been in existence for a minimum of five (5) consecutive years and has produced graduates.

9) Local hire (construction jobs)

Require a meaningful percentage (min. 75%) of workers to be local residents, defined as living within Multnomah, Clackamas, Washington, or Clark County.

10) First-source hire (construction jobs)

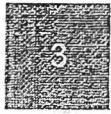
Require a first-source hiring agreement to meet workforce diversity goals. Establish meaningful percentage for residents of the City of Portland.

11) Encourage contractors to hire formerly incarcerated individuals.

12) Encourage contractors to hire veterans.

13) Family-wage/prevaling wage/benefits (construction jobs)

Include prevailing wage/family-wage requirements for construction-related jobs; strive to ensure access to adequate and affordable health insurance for construction-related jobs.



Rose Quarter Community Benefits Subcommittee Final Recommendations, November 2010

III. Local Business Returns

14) Retail/commercial participation goals for local businesses

Set retail/commercial participation goals for local businesses and locally-owned franchises registered in the City of Portland.

15) Local purchasing requirements for larger businesses

Set local purchasing requirements for larger businesses. Guidelines to be negotiated.



Rose Quarter Community Benefits Subcommittee Final Recommendations, November 2010

IV. Economic Returns

16) Financial contributions to the community

Recommend that the developer provide financial contributions to the community beyond their private investment in the development, such as the following:

- Create a local entrepreneur fund for the benefit of M/W/ESB businesses.
- 1% of gross revenue from sales in the new development in the Rose Quarter, including Memorial Coliseum and all Rose Quarter parking, but not including the Rose Garden, will be used to establish a community-based fund with guidelines to be negotiated. Revenues would be dispersed to organizations that submit proposals based on established criteria.
- Charge a \$1.99 service fee on all retail sales in the Rose Quarter including but not limited to the Rose Garden, the Memorial Coliseum, and any other venue in the Rose Quarter in which individual sales are over \$30.00; sporting, concert, and special events tickets would each include a \$1.99 fee. The fee will be used to establish a community-based fund with guidelines to be negotiated. Fees would be dispersed to organizations that submit proposals based on established criteria.

17) Local hire – non-construction jobs (permanent jobs) created by the project

Require a meaningful percentage (min. 35%) of workers hired for permanent jobs created by the project to be local residents, defined as living within a 75-mile radius of the project area.

18) Encourage tenants to hire formerly incarcerated individuals.

19) Encourage tenants to hire veterans.

20) Encourage tenants to hire older adults.

21) Living wage/benefits goal for jobs related to the project (non-construction)

Require living wage/benefits for non-construction jobs created by the project.



Rose Quarter Community Benefits Subcommittee
Final Recommendations, November 2010

V. Sustainability/Non-Economic Returns

22) Funding for public art

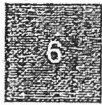
Adhere to the two percent policy of the City of Portland but dedicate 75% of these funds for local artists only.

23) Community use of facilities

Defer to the Eliot Neighborhood Association and recommend that community use of facilities be addressed through a Good Neighbor Agreement.

24) Mitigations beyond those required under state/local law that address parking, traffic, increased pollution, and other environmental impacts

Defer to the Eliot Neighborhood Association and recommend that these issues be addressed through a Good Neighbor Agreement.



Rose Quarter Community Benefits Subcommittee Final Recommendations, November 2010

VI. Additional recommendations

- 25) The subcommittee recommends that the CBA includes reporting requirements and establishes a committee to monitor and enforce the agreement and to maintain a dialogue between the developer and the community.
- 26) The subcommittee recommends that the CBA be referenced in the development agreement between the developer and PDC; the CBA is enforceable between the community and the developer. The City and PDC will continue to evaluate whether making a CBA a condition of land use approval is feasible.

EXHIBIT F
Form of Memorandum of Option Agreement

After recording return to:

Jonathon L. Goodling
Miller Nash LLP
111 S.W. Fifth Avenue, Suite 3400
Portland, Oregon 97204

MEMORANDUM OF OPTION AGREEMENT

The CITY OF PORTLAND, an Oregon municipal corporation, acting by and through the Office of Management and Finance (the “City”), and the CITY OF PORTLAND, an Oregon municipal corporation, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland, Oregon (“PDC”), have entered into an Option Agreement dated _____, 20__ (the “Option Agreement”), wherein the City has granted to PDC the sole and exclusive option to acquire or lease the property described in Exhibit A. The term of the option will expire on _____, 2028.

This Memorandum is being executed and recorded in the Official Records of Multnomah County, Oregon, to give notice of the provisions of the Option Agreement and will not be deemed or construed to define, limit, or modify the Option Agreement in any manner.

Executed as of _____, 2013.

PDC:

PORTLAND DEVELOPMENT COMMISSION,
the duly designated urban renewal agency of the
City of Portland, Oregon

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM

City:

CITY OF PORTLAND, OREGON, a municipal
corporation of the State of Oregon

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM

City Attorney
City of Portland

STATE OF OREGON)
) ss.
County of Multnomah)

 This instrument was acknowledged before me on _____, 2012, by
_____, as _____ of the City of Portland, Oregon, a municipal corporation,
on behalf of said City.

Notary Public for Oregon

STATE OF OREGON)
) ss.
County of Multnomah)

 This instrument was acknowledged before me on _____, 2012, by
_____, as _____ of Portland Development Commission, the urban renewal
agency of the City of Portland, Oregon, on behalf of said agency.

Notary Public for Oregon

**REFERRED TO COMMISSIONER OF
FINANCE AND ADMINISTRATION**

*As Amended
12-5-2012*

ORDINANCE No. _____

Approve an Option Agreement among the City of Portland Office of Management and Finance, the Portland Development Commission, and Rip City Management LLC d/b/a Portland Arena Management to transfer certain land and property development rights in the Rose Quarter District, and authorize the establishment of a Rose Quarter Event Parking District as specified. (Ordinance)

The City Council ordains:

Section 1. The Council finds:

1. Future development and redevelopment in the Rose Quarter District will realize the long-anticipated community vision of a pedestrian-oriented, mixed-use district well integrated and connected with the surrounding neighborhood and adjacent Lloyd District, and create jobs.
2. The Portland Development Commission (PDC) is the urban renewal and economic development agency for the City of Portland (City) with broad powers under ORS 457.170 for the planning and implementation of urban renewal projects, including administering the Oregon Convention Center Urban Renewal Plan (the "Plan"), which, in part, encourages efforts to develop the Rose Quarter area pursuant to the Plan.
3. PDC relies heavily on tax increment financing to fund its activities and seeks to diversify its revenue sources to accomplish a broader mission to create one of the world's most desirable and equitable cities by investing in job creation, innovation and economic opportunity throughout Portland. Achieving this mission will require PDC to become more entrepreneurial in nature with more flexible funding and alternative revenue streams.
4. Land ownership and control of development rights is one method to create new revenue options for PDC that are not reliant on tax increment financing or subject to other restrictions and limitations on their use.
5. On August 22, 2012, through Resolution No. 36970, City Council authorized the City's Chief Administrative Officer (CAO) and the Executive Director of PDC to negotiate an agreement formalizing PDC's lead role in the redevelopment of the Rose Quarter.
6. Transfer of real property and development rights in the Rose Quarter to PDC will advance both the development aspirations for the area as described in the Rose Quarter District Plan and Central City 2035 N/NE Quadrant Plan, as well as the desire to establish new funding options for the economic development activities pursued by PDC.
7. Over time, development in the Rose Quarter District will also increase the City's real property tax base, which will enhance General Fund revenue.
8. The following real property parcels, which are described in Exhibit A, have the most development potential in the Rose Quarter:

- a. The Benton Block, a City-owned surface parking lot used for parking, events and VMC event staging;
 - b. The Parking Garage Parcel, which is developed with the City-owned East/West Garages;
 - c. The Wheeler Triangle, a landscaped parcel currently leased to PAM;
 - d. The Phase II Entertainment Complex, a grass landscaped polygon adjacent to the Rose Garden Arena, which is not currently a legal lot; and
 - e. The VMC Parcel, which includes the land occupied by the Veterans Memorial Coliseum and the Plaza, a portion of which is currently leased to PAM.
9. Transfer of land ownership from the City of Portland, by and through the Office of Management and Finance, to the City of Portland, by and through the Portland Development Commission simply transfers management of the land from one agency of the City to another and does not divest the City of the title to that land.
 10. The City's Spectator Facilities Fund (SFF) relies primarily on revenues from user fees and parking to cover its committed obligations for bond payments, the repair, maintenance and capital improvement of City-owned facilities and the administration of the fund and facilities. If SFF revenues are insufficient to pay existing legal obligations, other legally available City resources, including the General Fund, would be required to pay these obligations. Mechanisms to compensate the SFF for revenues lost due to development that impacts parking or events can minimize risk to the SFF and therefore the General Fund.
 11. Development of land and property in the Rose Quarter should maintain existing City agreements and community benefits.
 12. The East/West Garages provide over 1,100 spaces that are critical to the ongoing operations of both the VMC and Rose Garden Arena, and provide revenue to the SFF. In order to ensure continued success in the operation of the VMC and Rose Garden Arena, as well as protect the SFF, Exhibit A requires that 98% of all existing parking in the East/West Garages be maintained during construction and replaced as part of the permanent development.
 13. Proximity and price of parking for large event venues can have an impact on event attendance. Some patrons are willing to walk longer distances for less expensive parking, while others are willing to pay higher prices to be closer to the venue.
 14. Redevelopment of the Benton Lot may displace existing parking and staging activities and reduce the revenue generated by these activities.
 15. Opportunities to create additional revenue as well as parking and staging options exist through (a) metering additional streets in the Lloyd Parking District and increasing parking rates; and (b) managing the parking meters in close proximity to the Rose Quarter for the benefit of Rose Quarter activities, such as the use of parking meter hoods on certain streets to facilitate event staging at Veterans Memorial Coliseum.
 16. Likewise, variable pricing of parking is an effective tool to manage parking availability and encourage use of transit, bicycling, and walking. The City's Bureau of Transportation

(PBOT) is successfully using variable meter rates and extended hours of operation for on-street parking meters to effectively manage parking and traffic impacts within the JELD WEN event area.

17. The Bureau of Transportation has a long history of extending on-street parking meter hours in Portland's Lloyd Meter District to support events at the Rose Quarter.
18. The Bureau of Transportation sets rates and extends hours for on-street parking meters during events to protect the availability of parking for neighborhoods and reduce traffic congestion associated with cruising while searching for free or reduced priced parking spaces because the pricing structure reduces the financial incentive to park on-street.
19. Creation of a Rose Quarter Event Parking District within the existing Lloyd Meter District boundaries (the "Rose Quarter Event Parking District") will allow PBOT to employ a range of parking pricing strategies in conjunction with Rose Quarter events to protect neighborhood livability and reduce congestion as well as generate incremental revenues during event times, which may be directed to a reserve fund within the SFF (the "Parking Revenue Reserve") to compensate for lost revenues from development of the Benton Lot.
20. The Lloyd Transportation Management Association is supportive of City efforts to create and manage a Rose Quarter Event Parking District. When the Lloyd Meter District was established, the City agreed to allocate 51% of net meter revenue from the District to support transportation projects and programs that benefit the District as identified by the Lloyd Meter Revenue Allocation Committee.
21. The East and West Rose Quarter Garages provide revenue to the SFF and are heavily relied upon to provide critically needed nearby parking for the Rose Quarter event venues. These Garages have sufficient excess parking capacity during non-event hours, which could be utilized to help support future redevelopment activities in the Rose Quarter district.
22. Subsequent City Council consideration and action to authorize formation of the Rose Quarter Event Parking District will allow appropriate review and provide an opportunity for formal public comment.

NOW, THEREFORE, the Council directs:

- a. The Mayor is authorized to execute an Option Agreement among the City of Portland Office of Management and Finance, the Portland Development Commission and Rip City Management LLC d/b/a Portland Arena Management (PAM) on behalf of the City, by and through the Office of Management and Finance, in substantially similar form to that shown in Exhibit A.
- b. The Director of PBOT is directed to prepare for City Council consideration a Rose Quarter Event Parking District. The Director of PBOT will:

- i. Propose district boundaries to be determined in consultation with the Lloyd Transportation Management Association, PAM and neighborhood associations abutting the northern boundary of the Lloyd Meter District;
 - ii. Propose extended meter hours as needed on event days and parking meter rate increases up to \$3.50 per hour during scheduled events that are expected to reach threshold attendance levels, as determined by the Director of PBOT, at any of the venues within the Rose Quarter. Higher rates and extended hours will only apply on event days;
 - iii. Include in the proposal the authority for the Director of PBOT, with input from the Lloyd Transportation Management Association, PAM and neighborhood associations abutting the northern boundary of the Lloyd Meter District, to make adjustments to the Event Parking District boundaries, to determine event days, to set threshold attendance levels, and to modify meter hours and rates as necessary to ensure effectiveness of the Rose Quarter Event Parking District; and
 - iv. Bring the proposal to City Council no later than December 31, 2013.
- c. The Director of PBOT, as soon as is practicable after the establishment of the Rose Quarter Event Parking District and the implementation of event parking rates, shall apply up to \$200,000 of annual revenues arising from such changes to the Parking Revenue Reserve, subject to the following conditions:
 - i. The term of PBOT's obligation to transfer funds shall not exceed 20 years from the date of the first transfer from PBOT to the Parking Revenue Reserve;
 - ii. The annual amount transferred shall be derived solely from the City share of net revenue generated by the Rose Quarter Event Parking District. If the net revenue is less than \$200,000 then the amount transferred shall be the total city share;
 - iii. The maximum amount that the Parking Revenue Reserve shall be allowed to reach is \$500,000. If the Parking Revenue Reserve has reached this threshold, PBOT shall not be obligated to make a transfer until and unless the Parking Revenue Reserve drops below \$500,000; and
 - iv. If, as determined by the City's Chief Administrative Officer, within 5 years from the adoption of this agreement, and annually thereafter, the Spectator Facilities Fund has established sufficient reserves and is forecast to have adequate resources to meet future obligations, then PBOT's obligation to contribute revenue to the Parking Revenue Reserve shall cease.
- d. That the Office of Management and Finance and PAM will collaborate to review options for future management of the East and West Rose Quarter Garages, in order to provide a higher level of revenue performance and to support future redevelopment. The Office of Management and Finance will provide a report to City Council detailing the management options and recommendations within 5 years following the adoption of this agreement

Passed by the Council:

Mayor Sam Adams

Prepared by: Peter Parisot

Date Prepared: November 19, 2012

LaVonne Griffin-Valade
Auditor of the City of Portland
By

Deputy

1360-1368-1482
1500-228

Agenda No.
ORDINANCE NO.
Title

Approve an Option Agreement among the City of Portland Office of Management and Finance, the Portland Development Commission, and Rip City Management LLC d/b/a Portland Arena Management to transfer certain land and property development rights in the Rose Quarter District, and authorize the establishment of a Rose Quarter Event Parking District as specified. (Ordinance)

<p>INTRODUCED BY Commissioner/Auditor: Mayor Sam Adams</p>	<p style="text-align: right; color: blue;">NOV 20 2012</p> <p>CLERK USE: DATE FILED _____</p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard</p>	<p>On behalf of Mayor Adams <i>Peter Parisot</i></p> <p style="text-align: right;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: _____ Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau:</p> <p>Bureau Head:</p> <p>Prepared by: Peter Parisot Date Prepared: Nov 19, 2012</p> <p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>Council Meeting Date November 29, 2012</p> <p><input checked="" type="checkbox"/> City Attorney Approval required for contract, code, easement, franchise, comp plan, charter</p>	<p>ACTION TAKEN:</p> <p>NOV 29 2012 CONTINUED TO DEC 05 2012 10:45 TIME CERTAIN</p> <p>DEC 05 2012 CONTINUED TO DEC 12 2012 9:30 A.M. As Amended</p> <p>DEC 12 2012 Rescheduled to DEC 19 2012 2 P.M.</p> <p>DEC 19 2012 Rescheduled TO MAR 13 2013 2 P.M. TIME CERTAIN</p> <p>MAR 13 2013 REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION</p>

<p>AGENDA 2012</p>
<p>TIME CERTAIN <input checked="" type="checkbox"/></p> <p>Start time: 3:30 PM</p> <p>Total amount of time needed: 90 min (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input type="checkbox"/></p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz	
2. Fish	2. Fish	
3. Saltzman	3. Saltzman	
4. Leonard	4. Leonard	
Adams	Adams	