



Date: January 14, 2020
To: City Council
From: Kimberly Branam, Prosper Portland Executive Director
Subject: Update to City Council on the Broadway Corridor

Prosper Portland asks the Portland City Council to receive an update on the Broadway Corridor.

The Broadway Corridor project is a key opportunity to create a vibrant neighborhood that connects the Old Town/Chinatown and Pearl District neighborhoods and advances prosperity by maximizing community benefits and the opportunity for new economic, business, social, and community development opportunities.

The 32-acre Broadway Corridor study area (Study Area) is located in the River District Tax Increment Finance (TIF) District and is generally bounded by NW Glisan Street, NW Lovejoy, NW 9th Avenue, and NW 5th Avenue. The Study Area encompasses several Prosper Portland-owned properties including the 14-acre United States Postal Service Property (USPS Property), Union Station, Block Y, and Block R (see Attachment A).

In 2016, Prosper Portland acquired the USPS Property from the United States Postal Service (USPS), in partnership with the Portland Housing Bureau (PHB). The acquisition and redevelopment of the USPS Property, as called for in the Central City 2035 Plan, offers a once-in-a-generation opportunity for Prosper Portland and the City to meet growth requirements—including private development together with affordable housing, economic development, transportation, and open space goals—on a large, contiguous property in the middle of downtown and adjacent to one of Portland’s regional transit hubs. Development of the USPS Property can absorb a substantial share of the approximately 21,500 new households and 42,500 new jobs projected to be added to the Central City by 2035. At up to four million square feet, the redevelopment of the USPS Property could house approximately 2,400 new households and 4,000 jobs, supported by approximately \$70 million invested in public infrastructure.

Prosper Portland has led the effort to advance the Broadway Corridor project with City partners, community stakeholders, and the development partner Continuum Partners (Continuum). Redevelopment of the Broadway Corridor represents one of Prosper Portland’s most significant opportunities to achieve goals of widely shared prosperity and collaboration with our partners to build an equitable economy. Specifically, planning and development of the Broadway Corridor supports the vision and goals identified by the project’s Steering Committee, including:

- Creating a healthy, vibrant and complete neighborhood serving a diverse mixed-income population;

- Providing access to high quality employment and career pathways through partnerships with large anchor employers as well as small and mid-size businesses;
- Fostering wealth creation and shared prosperity, particularly for people of color, through affordable commercial space, workforce training, and contracting opportunities during construction and ongoing operations; and
- Leveraging partnerships through collaboration with the Portland Housing Bureau (PHB), engagement of the project's Public Partners Technical Team, coordination with potential philanthropic partners, and robust community engagement.

BACKGROUND AND CONTEXT

The Broadway Corridor has been identified as perhaps the most significant redevelopment opportunity within Portland's Central City through multiple Portland City Council (City Council) adopted land use and development plans. The Broadway Corridor Framework Plan (Framework Plan) was adopted by the Prosper Portland Board through Resolution No. 7147 on October 14, 2015 and by City Council through Resolution No. 37165 on November 5, 2015. The objective of the Framework Plan is to provide greater certainty regarding Prosper Portland's and the City's development objectives, desired public investments, and the financial capacity to meet those objectives and investments, with a focus on the USPS Property.

After acquisition of the USPS Property, a replacement facility for the USPS was constructed in the Colwood Industrial Park, and all functions except for the USPS retail facility were relocated by February 2019. As a condition of the acquisition, Prosper Portland is obligated to relocate the remaining USPS retail facility within the vicinity of the future USPS Property redevelopment.

City's Line of Credit: Acknowledging the limits on tax increment funding from the River District TIF District available to purchase the USPS site and follow through on other planned commitments in the district, the City approved an interim line of credit in 2015 to fund infrastructure investments that were originally budgeted using River District TIF. The City and Prosper Portland entered into an intergovernmental agreement in December, 2015 dedicating income from assets held by the River District to pay interest and principal on the line of credit. The agreement states that property sale proceeds from the USPS site would be the first form of principal repayment. The line of credit provided Prosper Portland with \$40 million to draw for projects and established June 30, 2022 as the "sale deadline" to sell property and fully repay the line of credit. The agreement allows for Prosper Portland to request an extension due to market or economic factors. Prosper Portland has drawn \$35 million for projects, with the majority of the funding going towards the Multnomah County Health Building construction. No further draws are planned. Interest is paid by from income generating assets such as Station Place garage in the River District. The line of credit currently has a term date of June 2021 and must be extended or taken out by that date. Based on the timeline of the USPS project, Prosper Portland intends to work with the Office of Management and Finance to extend the line of credit to provide more time to repay the line of credit.

Private Development Partners: A Request for Qualifications (RFQ) was issued on November 8, 2017 to seek a qualified development partner (Developer) to inform development planning and identification of required public benefits. Prosper Portland sought to engage the Developer early in the planning process to ensure an implementable development plan that accommodates the city's growth and delivers robust community benefits.

The preparation of the RFQ and the subsequent evaluation of respondents included extensive stakeholder engagement. Feedback during the RFQ evaluation process, including public polling and input from the Steering Committee and the Evaluation Committee indicated strong support for the selection of Continuum as the preferred developer partner. Continuum demonstrated experience and financial capacity to complete development projects of a comparable scale and scope, as well as experience in contracting and mentoring certified firms, community engagement, commercial tenancing, and integrating sustainable infrastructure in past projects. The Evaluation Committee, Steering Committee attendees at the public forum, and interview panel also noted that Continuum's mission and values most strongly aligned with the vision and goals for the Broadway Corridor.

On April 11, 2018 the Prosper Portland Board authorized the Executive Director to select Continuum as the Preferred Developer Partner to serve as a developer advisor to the development planning process and have exclusive negotiation rights for the redevelopment of the USPS Property (excluding the portion of the property to be controlled by PHB).

The negotiation of a Disposition and Development Agreement (DDA) between Continuum and Prosper Portland is underway. Continuum has expressed interest in the acquisition and redevelopment of the northern half of the USPS Property (located north of a future extension of NW Johnson Street) and is exploring an employment-heavy development program with the potential to recruit and grow anchor employers. Prosper Portland is engaging with Jones Lange LaSalle, Greater Portland Inc and Continuum to inform a strategic recruitment and marketing strategy.

In the future, Prosper Portland will seek competitive proposals for the redevelopment of the remaining parcels on the USPS Property as well as elsewhere within the Broadway Corridor.

PHB Ownership and Affordable Housing Strategy: PHB controls the development rights for approximately 16% of the USPS Property – or slightly less than 630,000 sf of development – for the purpose of delivering a significant number of affordable housing units within future redevelopment. The units will be affordable to residents earning between 0 – 60% AMI, with more specific sub-targets and an implementation strategy to be defined by PHB in accordance with requirement of identified financial resources.

Approximately 75% of PHB's development rights will be utilized to provide affordable housing units via direct investment from PHB (in addition to other traditional affordable housing financing mechanisms). PHB, in partnership with Prosper Portland, has identified a parcel within the USPS Property to be owned by PHB for the delivery of a significant portion of these affordable housing units. The parcel is located in the heart of the district, with direct access to the central open space and primary multi-modal transportation infrastructure to be provided on an extension of NW Johnson.

The remaining 25% of PHB's development rights will be utilized to provide affordable housing units via the Inclusionary Housing Program (in lieu of the program's density bonus incentive). All on-site private residential development will be required to provide 10% of all housing units to be affordable at 60% AMI.

PHB and Prosper Portland have also reached agreement that some portion of the Prosper Portland-owned property located at 1111 NW Naito Parkway may also be made available to PHB at no additional cost for the delivery of affordable housing consistent with PHB's acquisition of development rights. The ultimate configuration of the development parcels within the USPS Property, PHB's preferences for density of affordable housing development, and a yet-to-be defined program for the private development parcels will likely ultimately necessitate the utilization of this property in order to maintain the commitment to the delivery of 630,000 sf of affordable housing.

Healthy Communities Coalition and Community Benefits Agreement: The Healthy Communities Coalition (HCC) is a community coalition of organized labor, environmental groups, and racial and social justice nonprofits. HCC has been a central partner throughout the project, including early discussions regarding the formulation of an engagement strategy, participation on the Steering Committee, participation on the Developer RFQ Evaluation Committee, and most recently in the negotiations of a Community Benefits Agreement (CBA) for the redevelopment of the USPS Property. HCC's representatives at the negotiating table are from Verde, Oregon Tradeswomen, SEIU, Columbia Pacific Building Trades/Operating Engineers, Worksystems Inc, and PNW Regional Council of Carpenters.

The CBA negotiations between Prosper Portland, HCC, and Continuum Partners began in July 2019. The parties anticipate reaching tentative agreement on a term sheet or framework for a CBA by February 2020. HCC and Prosper Portland will be signatories to the CBA, and obligations of private development partners, including Continuum, will be codified in the respective DDAs. In the context of the USPS Property redevelopment, the CBA is anticipated to address the delivery of a more comprehensive suite of community benefits than typical, including benefits specific to:

- Construction Equity
- Operations Phase Job Quality Standards
- Multimodal Transportation
- Mitigations for Impacts to Community
- Business Equity
- Sustainability
- Tenanting
- Affordable Housing
- Oversight

Principles that have emerged over the course of negotiations include:

- A financially viable project must emerge with a community benefits package that delivers equitable outcomes and upholds the parties' values.
- Negotiating a CBA on a public-private partnership is a novel, complex endeavor. Most CBA examples to draw from are rooted in public projects.
- Parties will need to consider what is achievable given staff, financial, and temporal resources available and the limited certainty around what will be built on the site. Certain community benefits can be agreed to while others will require a process in the future for decision making.

Development Planning and USPS Property Master Plan: On April 11, 2018 the Prosper Portland Board through Resolution No. 7267 authorized the Executive Director to enter into a professional services contract with ZGF Architects (ZGF) for the purpose of completing development planning for the Broadway Corridor, including preparation of the code required Central City Master Plan for the USPS Property, which is subject to a Type III Land Use Review approval by the Portland Design Commission.

Development planning activities commenced in June 2018, including extensive engagement of the project's Steering Committee and Public Partners Technical Team, a robust community engagement strategy, and coordination with Continuum and the ZGF-led consultant team. Over the past 20 months, preliminary development concepts have been prepared by the consultant team, tested with project stakeholders, and refined based on input received.

On May 8, 2019 the Prosper Portland Board through Resolution No. 7307 endorsed a Preferred Concept for the Broadway Corridor for further refinement. The Preferred Concept was further refined in consultation with project stakeholders and technical partners. An application for Type III Land Use

Approval of the USPS Property Central City Master Plan was submitted on October 28, 2019 and is currently under review. An initial hearing before Design Commission is scheduled for February 13, 2020. Prosper Portland is seeking final approval of the Master Plan in spring 2020.

The recommended development plan is consistent with the preliminary principles of design for racial and social equity identified by the consultant team in consultation with community stakeholders, which emphasize preferences for:

- Public spaces to “just be” including places to sit that don’t appear to be connected to a building or a business; places for groups to gather; and places that don’t feel like you need a specific purpose, activity or transaction to be there;
- Spaces in buildings and within the public realm to accommodate businesses serving low-income customers, particularly with respect to food and drink, including affordable retail space in buildings and designated spaces for food carts or other street vendors; and
- Avoiding excessive or unnecessary spending on infrastructure that may limit resources available for other community priorities.

Prosper Portland, in partnership with the Bureau of Planning and Sustainability, Portland General Electric, and Northwest Natural Gas are also exploring partnership opportunities for the reduction of carbon emissions from the development and ongoing operations of this future neighborhood.

Site Preparation and Development Phasing: The redevelopment of the USPS Property is anticipated to be phased over an estimated 15-20 year timeframe. Construction on initial development parcels by Continuum and PHB are anticipated to begin in 2021 and complete in 2023.

The USPS Property Master Plan identifies zones of infrastructure necessary to ensure adequate and timely infrastructure for the development of individual parcels within each zone. Prosper Portland and bureau partners are collaborating on identifying the funding, roles and responsibilities for delivery of the infrastructure necessary to support timely redevelopment. These commitments will ultimately be codified in Intergovernmental Agreement(s) (IGAs) between Prosper Portland and the applicable bureau partners, as well as reflected in the DDA between Prosper Portland and Continuum.

Site preparation activities, including abatement and demolition of the main Processing and Distribution Center (P&DC) and the Vehicle Maintenance Facility (VMF), removal and interim configuration of on-site utility infrastructure, and hot spot spoils remediation are also necessary to advance the initial phases of public infrastructure and vertical development. Solicitations for the completion of this work are underway. The timely completion of these site preparation activities is also critical to reducing significant holding costs.

The USPS retail operations currently occupy approximately 16,000 square feet of the ground floor at the southern end of the main P&DC building. Prosper Portland is working to design and construct an interim post office in the ground floor of the adjacent parking structure. When construction of the interim location is complete, abatement and demolition work of the P&DC building can begin in early 2021.

A final relocation of the USPS retail operations to early phases of development elsewhere on the USPS Property will allow for the eventual demolition of the existing parking structure. In the near term, this structure will also serve as an important parking asset, allowing for a reduction in overall parking provided onsite.

Due to the extended timeline for full redevelopment of the USPS Property, Prosper Portland is also exploring interim activation strategies and partnerships. This work is being supported by the ZGF-led

consultant team, including Project for Public Spaces, and will engage local non-profit organizations as advisors and active partners in implementation.

Project Agreements: As referenced above, three key agreements are critical to the redevelopment of the USPS Property. At the briefing on January 30, 2020 Prosper Portland, HCC, Continuum, and bureau partners will provide additional information regarding the terms and consideration for the following:

- Community Benefits Agreement between Prosper Portland and HCC;
- A coordinated investment strategy and associated Intergovernmental Agreements between Prosper Portland and applicable bureau partners (PHB, PBOT, Parks, BES and Water); and
- Disposition and Development Agreement between Prosper Portland and Continuum.

EQUITY IMPACT

Prosper Portland is pursuing planning and redevelopment of the Broadway Corridor with an intentional focus on ensuring all communities have an opportunity to engage in and benefit from its redevelopment. This project approach has been informed by a Racial Equity Impact Assessment, which included an internal audit of past Prosper Portland projects and identified ways to interrupt the status quo to lead to more equitable outcomes.

The Broadway Corridor project team, including staff, consultants, Continuum, and the Steering Committee, are committed to promoting social equity by reducing disparities, extending community benefits, building affordable housing, and improving socio-economic opportunities for underserved and underrepresented people. The project team is also committed to true and authentic community engagement and intentionally involving underserved and underrepresented communities in the decision-making process, design, and build-out of the project.

The Steering Committee is composed of 41 community members who are demographically diverse and represent a broad range of geographic and subject matter expertise and interests. The Steering Committee met 22 times between May 2017 and December 2019, informing the project goals and priorities included in the developer solicitation, the preliminary placemaking vision and concepts, and priorities for a future Community Benefits Agreement.

Lara Media also prepared and helped implement a strategic communication strategy with the goal of 1) creating project awareness, particularly by those who are traditionally disengaged; and 2) authentically engaging this target audience to empower them to share their opinions and actively participate, thereby maximizing the project's community benefit potential.

COMMUNITY PARTICIPATION

A robust engagement strategy has significantly informed the project, including regular meetings of the project's Steering Committee and Public Partners Technical Team, four public open houses and online forums, ten focus groups, six pop-up events, tabling at community events, a dozen stakeholder group presentations, and multiple one-on-one stakeholder interviews. The community engagement efforts have engaged more than 1,000 attendees and resulted in more than 1,000 comments or points of feedback. Just under 50% of the participants identify as a person of color.

Stakeholder and technical partner input have informed the selection of Continuum as the preferred developer partner; the creation, selection and refinement of the development concept; priorities for community benefits to be included in the CBA; and the approach to contracting for the site preparation activities.

BUDGET AND FINANCIAL

At the January 30, 2020 briefing, Prosper Portland will provide an overview of the preliminary funding requirements, financial resources, and potential financial gaps for the delivery of vertical and horizontal development and associated community benefits.

Agenda No.
REPORT
Title

Update to City Council on the Broadway Corridor (Report)

<p>INTRODUCED BY Commissioner/Auditor: Mayor Ted Wheeler</p>	<p>CLERK USE: DATE FILED <u>JAN 21 2020</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance & Administration - Wheeler <i>M</i></p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - <i>Vacant</i></p> <p>Position 3/Affairs - Hardesty</p> <p>Position 4/Safety - Eudaly</p>	<p>Mary Hull Caballero Auditor of the City of Portland</p> <p>By: <i>[Signature]</i> Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: Prosper Portland Bureau Head: Kimberly Branam</p> <p><i>[Signature]</i> Prepared by: Michelle Plambeck Date Prepared: 01/10/2020</p> <p>Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>City Auditor Office Approval: required for Code Ordinances</p> <p>City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan</p> <p>Council Meeting Date 01/30/2020</p>	
<p>ACTION TAKEN:</p> <p>JAN 30 2020 ACCEPTED</p>	

AGENDA

TIME CERTAIN
Start time: 2:00PM

Total amount of time needed: 1 hour
(for presentation, testimony and discussion)

CONSENT

REGULAR
Total amount of time needed: _____
(for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz ✓	
2. <i>Vacant</i>	2. <i>Vacant</i>	
3. Hardesty	3. Hardesty ✓	
4. Eudaly	4. Eudaly ✓	
Wheeler	Wheeler ✓	