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191389

Ordinance

Authorize an Intergovernmental Agreement between Prosper Portland and Portland Housing Bureau for the purpose of facilitating the development of affordable housing within the Broadway Corridor

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. The acquisition and redevelopment of the former United States Postal Service property (the "Property") at 715 NW Hoyt Street in the River District Urban Renewal Area ("River District") has long been envisioned by the general public, elected officials, and adopted land use and development plans as one of the most significant redevelopment sites in Portland's central city.
2. The Property is within the Broadway Corridor Study Area, an approximately 32-acre area within the River District that is generally bounded by NW Glisan Street, NW Lovejoy Street, NW 9th Avenue, and NW 5th Avenue (the "Broadway Corridor").
3. The Broadway Corridor Framework Plan (the "Framework Plan") was adopted by City Council through Resolution No. 37165 on November 5, 2015 and established the City's objectives for redevelopment of the Property including key infrastructure and open space requirements, affordable housing requirements, and modifications to zoning to accommodate the envisioned high-density mixed-use and mixed-income development.
4. Prosper Portland is the City of Portland's duly authorized economic development and urban redevelopment and renewal agency. Accordingly, Prosper Portland has authority to acquire and dispose of real property for redevelopment in accordance with ORS 457 and the Charter, including entering into disposition and development agreements.

Introduced by

[Mayor Ted Wheeler](#);
[Commissioner Carmen Rubio](#)

Bureau

[Housing Bureau](#); [Management and Finance](#); [Prosper Portland](#)

Contact

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date
July 26, 2023

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


and the parties intend to revisit negotiations once a new developer partner has been secured.

10. On September 23, 2020 City Council approved Ordinance No. 190146 authorizing and directing various actions related to redevelopment of the Property, including approval of a funding and finance plan that calls for City and Prosper Portland funding and financing of infrastructure and other site preparation needs associated with the successful development of the Broadway Corridor (“Funding and Finance Plan”); the finalization of various Intergovernmental Agreements (IGAs) necessary for the development of the Property in accordance with the Master Plan and the Funding and Finance Plan; and the voluntary application of the City’s Community Benefits Agreement (CBA) Policy to the publicly procured and led projects to be contemplated within the IGAs and in accordance with the CBA Term Sheet.
11. On October 28, 2020 City Council approved Ordinance No. 190180 creating a local improvement district (LID) to construct the NW Johnson Street, NW Kearney Street, and NW Park Avenue street, sidewalk, stormwater, sanitary sewer and water main improvements, and necessary off-site traffic mitigation improvements, as called for the in Funding and Finance Plan.
12. PHB and Prosper Portland have participated in the negotiation and drafting of an intergovernmental agreement (“IGA”) for the delivery of affordable housing units, substantially consistent with the directives in Ordinance 190146, the Master Plan, and the Funding and Finance Plan and are returning to City Council to seek authorization of the intergovernmental agreement.
13. The IGA defines the terms of ownership and utilization of development rights within the Property, as well as the potential utilization of certain other property owned by Prosper Portland within the Broadway Corridor, for the purpose of delivering affordable housing units.
14. The cooperation and participation of PHB and Prosper Portland is vital to the successful development of the Broadway Corridor in a manner consistent with the Master Plan and the Funding and Finance Plan, and represents a historic opportunity to add jobs, affordable housing, multi-modal transportation infrastructure, and parks to Portland’s central city in an equitable and sustainable manner.
15. City Council continues to support the development of the Broadway Corridor including but not limited to carrying out the actions directed in Ordinance 190146. By this Ordinance, City Council intends to further direct and facilitate the cooperation and participation of PHB to implement the matters described herein.

NOW, THEREFORE, the Council directs:

- A. The Director of PHB is authorized to execute an intergovernmental agreement with Prosper Portland substantially as attached hereto as Exhibit A.
- B. All the documentation described in Directive A. above shall be in a form approved by City legal counsel to the extent a document is to be signed by one or more City bureaus.

Documents and Exhibits

 [Exhibit A \(https://www.portland.gov/sites/default/files/council-documents/2023/final_phb-prosper-broadway-corridor-iga_july-2023.pdf\)](https://www.portland.gov/sites/default/files/council-documents/2023/final_phb-prosper-broadway-corridor-iga_july-2023.pdf) 226.78 KB

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

Passed by Council
July 26, 2023

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

These actions by the Portland City Council will authorize two Intergovernmental Agreements (IGAs) necessary to further the redevelopment of the former United States Postal Service (USPS) property acquired by Prosper Portland and Portland Housing Bureau (PHB) and located at 715 NW Hoyt Street (Property). The two IGAs are between Prosper Portland and the following City bureaus:

- Office of Management & Finance (OMF): amend and restate the River District Urban Renewal Area Support IGA to establish the repayment terms and restructure the indebtedness of Prosper Portland thereunder including \$15,000,000 of the remaining balance to be paid via the General Fund; and obligate and establish the terms of Prosper Portland's payment of interim interest costs and related long-term bond debt service of the bonds to be issued for the Local Improvement District necessary for the construction of critical street infrastructure at the Property; and
- Portland Housing Bureau (PHB): enter into an IGA that defines the terms of ownership and utilization of the development rights acquired by PHB deliver on the affordable housing goals for the

redevelopment, consistent with PHB's contribution to the acquisition of the Property.

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

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

- Approval of Resolution No. 37165, adopting the Broadway Corridor Framework Plan as the guiding document for future development of properties located in the Broadway Corridor, including the Property.
- Approval of Ordinance No. 187434, authorizing an IGA to provide interim financing for River District public improvement projects, thereby making resources available for the acquisition of the Property (the River District Funding IGA).
- Approval of Ordinance No. 190146 authorizing and directing various actions related to redevelopment of the Property, including the finalization of the IGAs referenced above in accordance with the approved funding and finance plan (Investment Strategy).
- Approval of Ordinance No. 190180 creating a local improvement district to construct the NW Johnson Street, NW Kearney Street, and NW Park Avenue street, sidewalk, stormwater, sanitary sewer and water main improvements, and necessary off-site traffic mitigation improvements.
- Approval of Ordinance Nos. 190862, 190863, and 190864 authorizing Intergovernmental Agreements with Portland Bureau of Transportation, Portland Bureau of Environmental Services and Portland Parks and Recreation for the design and construction of public infrastructure and open space (Infrastructure IGAs).

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

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

The partnerships and obligations contemplated within the IGAs, as well as the following development planning and site preparation activities led by Prosper Portland, are the critical path to making parcels available for affordable housing and private development by 2025:

- **Master Plan (completed):** An extensive multi-year stakeholder engagement effort informed the required Central City Master Plan for the Property (Master Plan), which was approved via a Type III Land Use Review approval by the Portland Design Commission on August 20, 2020. The infrastructure requirements set forth in the Master Plan have informed the public-private Investment Strategy and development capacity of the Property.
- **Site Preparation (underway):** Prosper Portland has relocated the USPS Retail Facility to an interim location within the ground floor of the adjacent parking structure and reconfigured driveway access for truck loading; abated and demolished a vehicle maintenance facility and electrical utility vault; and remediated various hot spot soils. Demolition of the main Processing & Distribution Center (P&DC) is currently underway and expected to be completed by December 2023 – making way for the construction of new streets and utilities through the site in 2024.

Financial and Budgetary Impacts

The accompanying Ordinances seek City Council's approval of two IGAs in accordance with City Council's directive in September 2020 to prepare the agreements in alignment with the approved Investment Strategy and PHB's contribution of acquisition funds.

The Prosper Portland / PHB IGA will define the terms of ownership and utilization of the development rights acquired by PHB deliver on the affordable housing goals for the redevelopment, consistent with PHB's contribution to the acquisition of the Property. PHB, in partnership with Prosper Portland, has committed to the delivery of 720 affordable housing units at or below 60 percent area median income (60% AMI) via direct investment by PHB as well as Inclusionary Housing.

PHB contributed sixteen percent (16%) of the purchase price, which was based on the amount of floor area ratio (FAR) originally estimated to be required to construct 720 affordable units, or approximately 30 percent (30%) of the units estimated to be built on the Property. PHB used River District Tax Increment Finance resources dedicated to support the TIF Set-Aside Policy for the acquisition, which targets rental housing at 60% AMI. Via this investment, PHB controls 650,277 square feet of FAR on the

Property, which is sixteen percent (16%) of the total FAR that is available on the USPS Property under the USPS Master Plan.

Subsequent to this investment and acquisition, the City adopted City Code Chapters 30.01.120, 30.01.140, 30.01.160, and 33.120.211 regarding Inclusionary Housing and FAR bonus requirements, including related administrative rules (Inclusionary Housing). Additionally, the required Master Plan caps development density on the Property, thereby limiting the ability of developers of the Property to obtain bonus FAR when complying with the City's Inclusionary Housing Laws.

As such, PHB and Prosper Portland have recalibrated how to utilize available resources to maintain their commitment to a significant delivery of affordable housing units over the course of redevelopment of the Property.

PHB and Prosper Portland have identified two half-block parcels to be owned by PHB for the direct delivery of affordable housing units, with options to revisit this site selection in certain circumstances. And in future Disposition and Development Agreement(s), Prosper Portland will also require private residential development to comply with the Inclusionary Housing option that provides 10 percent of units at 60% AMI. PHB and Prosper Portland will make available an equivalent "bonus" amount of FAR to the developer, recognizing that the USPS Master Plan caps development density so additional FAR provided to a private developer in this case, must be deducted from elsewhere on the USPS Property.

The IGA further contemplates that Prosper Portland will make available a parcel under its ownership at 945-1111 NW Naito Parkway (1WF) to PHB at no cost in the event that development of the Property underperforms on the delivery of the affordable housing goals for the purpose of additional affordable housing development or private market-rate development with Inclusionary Housing units.

PHB has identified Metro Housing Bonds and River District TIF housing set-aside as resources for a first phase of affordable housing development, and additional resources may be identified, as needed, by PHB to subsidize the construction of the affordable units on the parcel to be owned by PHB.

The IGA also indicates the intent of the parties to participate in negotiations for community benefits associated with the development of the Broadway Corridor Site, including affordable housing.

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

- Infrastructure needs due to the large scale of the site and lack of an existing street grid and utility system required to support future residents and businesses;

- Extension of two park blocks and the Green Loop including a 30-foot elevation change across public and private property to connect the North Park Blocks to the Broadway Bridge;
- Demolition costs to prepare the site for development including the remediation of hot spot soils;
- United States Postal Service (USPS) Retail Facility relocation obligations included as a condition of Prosper Portland's Purchase and Sale Agreement with USPS; and
- Anticipated Community Benefit Agreement (CBA) commitments outside the public or private sector's conventional means.

It is anticipated that development partners will need to secure approximately \$1,000,000,000 in outside capital to deliver on redevelopment of the Property over the next 20 years. Capital investors on projects of this size (in the hundreds of millions of dollars) are seeking competitive real estate investment opportunities nationally and internationally and require market competitive investment and return opportunities to agree to fund the development. As such, Prosper Portland and bureau partners prepared the City Council-approved Investment Strategy, to reasonably balance stewardship of public investment with private investment obligations and maintain market competitiveness.

The public investments and resources contemplated within the two IGAs along with the previously authorized Infrastructure IGAs will result in numerous benefits, including:

- Investment in local economy: leveraging significant public and private investment into the local economy resulting in quality construction and permanent employment opportunities;
- Smart growth: facilitating mixed-income transit-oriented sustainable development in the heart of the Central City including an estimated 720 units of new affordable housing serving Portlanders earning up to 60% AMI;
- Public infrastructure: providing new open space, utility, and multimodal transportation infrastructure;
- Quality jobs: voluntarily applying the City's Community Benefits Policy, and subsequent Regional Workforce Equity Policy, to ensure equitable contracting and employment opportunities within the aggregated \$54.5 million in public contracting for site preparation and public infrastructure; and
- Public revenue: resulting in land sales revenues and an estimated \$84 million in additional City revenue including:
 - System development charge fees (over 14 years, 2024 – 2038):
 - PWB SDCs - \$0.5 million

- BES SDCs - \$7.5 million
- PBOT SDCs - \$14.0 million
- PPR SDCs - \$13.0 million
- Property Taxes to General Fund (over twenty years, 2026 – 2046) - \$49 million

Community Impacts and Community Involvement

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

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

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

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

Prosper Portland and PHB also engaged with the Healthy Communities Coalition (HCC) in the negotiation of a CBA term sheet to be applicable to public and private aspects of development (Broadway Corridor CBA). Due to the departure of the development partner, a final Broadway Corridor CBA has not been negotiated and executed, and the parties intend to revisit the Broadway Corridor CBA once a new developer partner has been secured. However, Prosper Portland and the City bureaus are honoring the spirit of the negotiations and voluntarily applying the City's CBA Policy / Regional Workforce Equity Policy to the site preparation and infrastructure projects procured by the public sector, as agreed to in the term sheet for the broader Broadway Corridor CBA.

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

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

100% Renewable Goal

The redevelopment of the Property, in accordance with the Master Plan and Investment Strategy, will further the City's climate action and resilience objectives through high environmental standards in project design, construction and development. The following steps have been taken in furtherance of this goal:

- Reduce reliance on single-occupancy vehicles. Increased multimodal access and connected active transportation route options will contribute to reducing reliance on single-occupancy vehicles. The extensions of NW Kearney Street, NW Johnson Street, and NW Park Avenue and construction of a major section of the Green Loop as required by the USPS Master Plan, will provide a linear open space that prioritizes pedestrian and bicyclist travel. The Transportation Demand Management (TDM) plan required by the USPS Master Plan is intended for all land uses and is designed to encourage more efficient use of the existing transportation system, encourage use of transportation modes other than single occupancy vehicles (SOVs), and move in the direction of conforming with the City's long-term mode split goals, which are established by the 2035 Transportation System Plan as well as the overriding 2035 Central City Plan.
- Promote net zero carbon. The upfront installation of electric infrastructure as part of the street infrastructure (subject to securing

necessary funding), along with technical assistance to support building engineering, will promote an all-electric energy district (with exception for commercial cooking) with the goal of using 100% renewables. This investment, along with a requirement for all new development to achieve LEED Gold standards or better, increases the district's potential to achieve carbon neutrality in alignment with the City's Climate Action Plan.

- Increase tree canopy and green space. The 14-acre Property was most recently comprised of concrete industrial buildings and paved surface for parking and loading. Redevelopment of the site includes an estimated 75 new street trees to be planted with the street improvements, dedication of 20% of site as open space, and green roof requirements, which will likely increase habitat availability, carbon sequestration, shading/temperature regulation, recreation use, and amenity value.
- Improve air quality. Air quality measurements were taken prior to USPS ceasing operations at the Broadway Site. While the air quality was within EPA limits, air quality improvements are anticipated, due largely to the reduction in industrial truck traffic, which will benefit vulnerable populations present within the impacted area.

Agenda Items

597 Time Certain in [July 19, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/7/19)
(<https://www.portland.gov/council/agenda/2023/7/19>)

Passed to second reading

Passed to second reading July 26, 2023 at 9:30 a.m.

628 Regular Agenda in [July 26, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/7/26)
(<https://www.portland.gov/council/agenda/2023/7/26>)

Passed

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Commissioner Dan Ryan Yea

Commissioner Carmen Rubio Yea

Mayor Ted Wheeler Absent