

Eric E. Parsons  
Commission Chair

**DATE:** April 13, 2006

Douglas C. Blomgren  
Commissioner

**TO:** Mayor Potter  
Commissioner Adams  
Commissioner Leonard  
Commissioner Saltzman  
Commissioner Sten

Bertha Ferrán  
Commissioner

Sal Kadri  
Commissioner

**COPY:** Chair Parsons  
Commissioner Blomgren  
Commissioner Ferran  
Commissioner Kadri  
Commissioner Rosenbaum  
Mr. Jim van Dyke, Deputy City Attorney

Mark Rosenbaum  
Commissioner

Tom Potter  
Mayor

**FROM:** Bruce A. Warner

Bruce A. Warner  
Executive Director

**SUBJECT:** Report to Portland City Council: Portland Development  
Commission Resolution/Proposed 8<sup>th</sup> Amendment to South Waterfront  
Central District Development Agreement

In a public meeting April 11, 2006, the Portland Development Commission (PDC) voted unanimously in favor of Resolution # 6348. This Resolution directs me to enter into negotiations for an 8<sup>th</sup> Amendment to the South Waterfront Central District Development Agreement between PDC, Oregon Health and Science University and North Macadam Investors, LLC., according to the terms set out in the Resolution.

These documents were provided to you initially April 12, 2006; however, are being included again for easy reference (please refer to Enclosures 1 through 4).

Thank you for allowing me to review the substantive details of this 8<sup>th</sup> Amendment during the April 12 City Council meeting.

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tag

- Enclosures – 1) PDC Resolution #6348, as adopted;  
2) PDC staff report provided to PDC in advance of public meeting;  
3) The 8-page agreement negotiated among the parties specifying the material terms of an 8<sup>th</sup> Amendment; and  
4) A 2-page summary of the above agreement.



# PDC

## PORTLAND DEVELOPMENT COMMISSION

### Report to the Board of Commissioners

Report No. 06-38

Date: April 11, 2006

**THROUGH:** Bruce A. Warner, Executive Director  
Cheryl Twete, Development Department Director  
Bob Alexander, Special Project Director

**FROM:** Larry Brown, Senior Development Manager

**SUBJECT:** Authority to Execute Amendment 8 to South Waterfront Central District Project Development Agreement

#### **EXECUTIVE SUMMARY**

#### **BOARD ACTION REQUESTED**

- × Approve Resolution
- × Accept Report

#### **SUMMARY**

The requested Board action authorizes the Executive Director to enter into an Eighth Amendment (Eighth Amendment) to the South Waterfront Central District Project Development Agreement (DA) executed August 22, 2003 and subsequently amended by the Portland Development Commission (PDC), Oregon Health and Science University (OHSU), North Macadam Investors, LLC (NMI), River Campus Investors, LLC (RCI), and Block 39, LLC (DA Parties).

As described in the Background section of this Report, the Eighth Amendment will include revisions to the DA Funding and Financing Plan and Project Schedule which continue our joint work with the DA partners, and specify, among other things, new project expenditures in the areas of Affordable Housing, Transportation – Aerial Tram and Street Car, Neighborhood Park and Greenway and Bio-Science Industry Development. Funding of the projects as proposed will satisfy the entire remaining funding obligations of PDC under the DA.

In addition, PDC staff is working to secure funding for additional projects in the Urban Renewal Area. These are also described in the Background section of this report.

#### **RELATIONSHIP TO PLANS**

The proposed action is consistent with the North Macadam Urban Renewal Plan and South Waterfront Plan.

## **PUBLIC BENEFIT**

Public benefits include:

- Full funding to allow the Portland Office of Transportation to complete construction of the Portland Aerial Tram.
- Full funding for the acquisition of 3-5 development sites capable of supporting up to 1,000 future affordable housing units and the construction of the first 200-unit affordable housing project.
- Full funding for the design and construction of the Central District Greenway and final Neighborhood Park improvements.
- Full funding for a joint initiative with OHSU to recruit and develop the Bio-Science industry in the North Macadam Urban Renewal Area (Urban Renewal Area).
- Reduced financial risk to the City and Commission from the provision of a Gap Payment Obligation guarantee by NMI of tax increment financing for most Eighth Amendment projects.

## **FINANCIAL IMPACT/FEASIBILITY**

The Eighth Amendment will significantly increase PDC's financial commitment to the South Waterfront Central District Project (Central District Project) and the Urban Renewal Area. It will also revise the projected timing of project expenditures and development activity for both the private and public partners. It is also expected that the Urban Renewal Area expenditures that are currently proposed for FY 2006-07 will be modified and increased to provide resources for accelerated activity in property acquisition and project design and construction. These changes will be summarized and included in the Approved Budget to be presented to the PDC Board of Commissioners (Board) on May 10, 2006. The Office of Management and Finance (OMF) has worked with PDC staff and the development partners in the development of the proposed Eighth Amendment. OMF will be requested to provide resources (likely in the form of General Fund-secured lines of credit) to fund the projects and programs identified in the Eighth Amendment in advance of generation of North Macadam Urban Renewal Area tax increment debt capacity. \$34.7 million of this additional funding commitment will be secured by gap payment obligations with the development agreement partners. This additional gap payment obligation is in addition to gap payment obligations that are currently in place for the existing \$30.8 million in funding obligations identified in the 7th Amendment to the DA.

## **WORK LOAD IMPACT**

The proposed acceleration of a number of development initiatives as a result of the approval of an Eighth Amendment will increase workloads and demands upon staff resources.

## **ALTERNATIVE ACTIONS**

No alternatives are proposed.

## **IMPLICATIONS IF NO ACTION TAKEN**

The Eighth Amendment responds to the Portland City Council's direction to PDC to negotiate with the DA partners to resolve funding issues of several public priorities as detailed in the Council letters dated December 2, 2005 and the Eighth Amendment implements this negotiated response and has the agreement of the DA parties. Cumulatively, these letters requested that PDC develop a financing strategy for the full funding of:

- The Portland Aerial Tram Project
- The Portland Streetcar extension to Lowell
- The design and construction of the South Waterfront Neighborhood Park and Central District Greenway projects
- The construction of the first 200-unit affordable housing project

Additionally, an acquisition strategy for obtaining control of two additional affordable housing sites was requested.

The provisions of the Eighth Amendment will make it possible to meet or exceed these requests.

The Eighth Amendment will establish contractual commitments of OHSU, NMI and PDC to provide an additional \$9.5 million, \$2.5 million, and \$5 million, respectively, to fund projected shortfalls in the City's Aerial Tram Project which is now under construction. Failure to execute an Eighth Amendment as proposed will result in an unfunded project and increased financial risks for the City.

Failure to execute an Eighth Amendment as proposed will also result in a delay in the development of affordable housing, parks, greenway and economic development initiatives until additional tax increment financing capacity is developed in the Urban Renewal Area.

## **PUBLIC PARTICIPATION AND FEEDBACK**

Staff have worked with the North Macadam Urban Renewal Advisory Committee (URAC) and its Budget Subcommittee on the project funding assumptions underlying the Eighth Amendment proposals since January 2006. The Budget Committee has provided input on the project funding assumptions and the full URAC will be asked to provide its comments at its special meeting on April 11, 2006.

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**CONCURRENCE**

PDC’s Housing, Economic Development, Finance and Executive Departments, as well as the Portland Office of Transportation (PDOT) and OMF, are participating in the development of the proposed Eighth Amendment.

**INTERNAL REVIEW**

	By:	Comment:
<input type="checkbox"/> Finance	_____	_____
<input type="checkbox"/> Legal	_____	_____
<input type="checkbox"/> Policy	_____	_____

**BACKGROUND**

Following Portland Development Commission and City Council approvals in July and August 2003, the Portland Development Commission, Oregon Health and Science University, North Macadam Investors LLC, River Campus Investors LLC and Block 39 LLC (DA Parties) entered into the South Waterfront Central District Project Development Agreement (DA) on August 22, 2003, and have executed seven amendments to date.

The Eighth Amendment proposed for Commission approval will include the following key provisions as more fully described in Exhibit A of the Resolution:

- Funding for major projects and programs described in the urban renewal plan and illustrated in Table 1 and summarized below:
  - a. Portland Tram Financing: OHSU and NMI have agreed to provide \$12.0 million and PDC will agree to provide \$5 million tax increment financing (TIF) to fully fund the aerial tram project budget. The total Tram budget will increase from \$40 million to \$57 million with a lump sum for construction.
  - b. Portland Streetcar Funding: PDOT has agreed to provide \$1.0 million toward the Lowell Extension of the Streetcar and has applied for \$2.1 million from the Oregon Department of Transportation (ODOT) Connect Oregon Grant Program.
  - c. Neighborhood Park: PDC will allocate \$4 million of TIF to the design and construction of the final permanent improvements for the Neighborhood Park.
  - d. South Waterfront Greenway: PDC will allocate \$4 million of TIF for design and construction of permanent improvements for the Central District Greenway. Portland Parks and Recreation will commit \$2 million of Parks system development charge proceeds from payments

received from new projects in the Urban Renewal Area. Portland Parks and Recreation will commit MTIP grant proceeds if received.

- e. Affordable Housing: The Eighth Amendment provides for PDC full funding of \$18.7 million of TIF (with an additional \$4 million currently available) for the first 200 unit affordable housing project and acquisition of 3-5 affordable housing sites. NMI has been designated as the future owner/developer of the Block 49 Affordable Housing Project
  - f. Economic Development: The Eighth Amendment provides for PDC funding of \$3.5 million of TIF for a Bio-Science Industry Development initiative in partnership with OHSU.
  - g. Transportation Infrastructure Contingency: The Eighth Amendment provides for PDC funding of \$3 million a transportation infrastructure contingency to cover unanticipated shortfalls in transportation projects.
- Non-Project related provision related to the implementation of key provisions of the agreement.
    - a. Local Improvement District Financing: The City will agree to reduce the bump rate on local improvement district (LID) assessment contracts from 1.25% to 0.25%. This reduced bump rate will apply to all future assessment contracts for LIDs throughout the City and is not specific to the Tram LID.
    - b. LID Financing Flexibility: The City will allow financing flexibility for LID liabilities from one parcel to another within an LID provided that the granting and receiving properties are under the same ownership and that certain underwriting standards are met.
    - c. OHSU Taxable Development: PDC will provide an amount equal to 50 percent of the TIF proceeds from actual taxable value of future OHSU development to be applied toward the construction of the Block 33 Parking Garage.
    - d. NMI Gap Payment Obligations: NMI will commit to gap payment obligations from scheduled development sufficient to support City's tax increment financing investments equal to \$34.7 million.
    - e. Project Schedule: The Eighth Amendment's Exhibit J will include adjustments to project completion dates to reflect the agreed upon project development timelines for the above projects and programs. Several projects will be expedited and others kept as close as possible to project schedules.

In addition to the Eighth Amendment, urban renewal funding will also be proposed for additional activities after further discussions with stakeholders. Additional project activities are expected to include:

- Acquisition of land owned by PDOT and ODOT to be used for affordable housing and mixed use development and associated predevelopment.
- Funding for strategic opportunities outside of the South Waterfront Central District, for example future development agreements.

PDC is currently in discussions with the Office of Management and Finance to determine the timing and amount of URA funding commitments for additional project activities relative to the availability of tax increment revenues in the North Macadam URA.

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#### **BOARD ACTION TAKEN**

**Table 1**  
**Eighth Amendment Financing**  
**Summary**  
**(In Millions)**

PROJECT/PROGRAM						GAP PAYMENT COMMITMENT
	PPR	PDOT	TIF	OHSU/ NMI *	TOTAL	
Portland Aerial Tram			\$5.00	\$12.00	\$17.00	Yes
Portland Streetcar		\$3.10			\$3.10	No
Neighborhood Park Final Improvements			\$4.00		\$4.00	Yes
Greenway Design and Development	\$2.00		\$4.00		\$6.00	Yes
Affordable Housing Acquisition and Development			\$18.70		\$18.70	Yes
Economic Development: Bio- Science			\$3.50		\$3.50	No
Transportation Infrastructure Contingency			\$3.00		\$3.00	Yes
<b>Subtotal</b>	\$2.00	\$3.10	\$38.20	\$12.00	\$55.30	

\* Tram contributions are \$9.5 from OHSU and \$2.5 from NMI.

**Definitions**

PPR: Portland Parks & Recreation  
 PDOT: Portland Office of Transportation  
 PDC: Portland Development Commission  
 OHSU: Oregon Health & Science University  
 NMI: North Macadam Investors  
 Gap Payment Obligation: NMI guarantee of Tax  
 Increment Financing

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**PORTLAND DEVELOPMENT COMMISSION**  
**Portland, Oregon**

**RESOLUTION NO. 6348**

**AUTHORIZING THE EXECUTIVE DIRECTOR TO  
EXECUTE THE EIGHTH AMENDMENT TO THE SOUTH  
WATERFRONT CENTRAL DISTRICT PROJECT  
DEVELOPMENT AGREEMENT IN THE NORTH  
MACADAM URBAN RENEWAL AREA**

**WHEREAS**, on July 9, 2003, and August 13, 2003, the Portland Development Commission (PDC) Board of Commissioners (Board) held two public hearings regarding PDC Resolution Nos. 6029 and 6041 involving extensive public testimony on the South Waterfront redevelopment project and authorized the Executive Director to execute the South Waterfront Central District Project Development Agreement (Development Agreement) dated August 22, 2003, by and among the Commission, Oregon Health and Science University, North Macadam Investors, LLC, River Campus Investors, LLC, and Block 39, LLC (Development Agreement Parties); and

**WHEREAS**, on August 14, 2003, the Portland City Council accepted the Development Agreement and directed Office of Management and Finance, Bureau of Environmental Services, Portland Office of Transportation, and Portland Parks and Recreation to develop Inter-Agency Agreements (IAAs) with PDC to implement the public obligations in the Development Agreement; and

**WHEREAS**, the Commission recognized that it would be necessary over time to amend the Development Agreement, which was originally approved in August 2003, because of changing conditions and opportunities affecting this complex and substantial project; and

**WHEREAS**, the Development Agreement has been amended by the First Amendment dated February 18, 2004, the Second Amendment dated April 1, 2004, the Third Amendment dated June 25, 2004, the Fourth Amendment dated October 29, 2004, the Fifth Amendment dated November 24, 2004, the Sixth Amendment dated December 17, 2004, the Seventh Amendment dated June 8, 2005; and

**WHEREAS**, the Development Agreement Parties desire to execute an Eighth Amendment to the South Waterfront Central District Project Development Agreement that will substantially conform with the negotiated terms set forth in Exhibit A to implement an agreement among the Development Agreement Parties regarding changes, including, but not limited to, the funding and financing for the South Waterfront Central District's transportation, affordable housing, parks and greenway, economic development programs, overall project schedule and land acquisition and development activities; now, therefore, be it

**RESOLVED** that the Board authorizes the Executive Director to complete final negotiations of an Eighth Amendment to the South Waterfront Central District Project Development Agreement (Eighth Amendment) which substantially conforms to the provisions of Exhibit A and this Resolution; and be it

**FURTHER RESOLVED**, that the Executive Director is authorized to execute the Eighth Amendment following City Council acceptance of the Eighth Amendment and approval of any implementing Inter-Agency Agreements that may be required; and be it

**FURTHER RESOLVED**, that the Board recommends to the Portland City Council the acceptance of the terms of the proposed Eighth Amendment as described in this resolution; and be it

**FURTHER RESOLVED**, that this resolution shall become effective immediately upon its adoption.

**ADOPTED by the Commission April 11, 2006.**

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Eric E. Parsons, Chair

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Douglas C. Blomgren, Secretary

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## **South Waterfront Public Projects Funding Proposal**

**April 11, 2006**

The following is a funding package that (1) increases the total Tram financing from \$40 million to \$57 million and (2) provides additional funding for the balance of the Phase 1, Tier 1 and Tier 2 Public Projects to be completed under the South Waterfront Central District Project Development Agreement (as amended, the "DA"). The public funding as proposed below will be deemed to satisfy all of the public funding obligations set forth in the DA not already funded. This funding proposal is subject to approval by the Portland Development Commission ("PDC") board, City Council, OHSU's Board of Directors, and NMI's investors. Terms used in this proposal, but not defined in the proposal, shall have the meanings set forth in the DA.

### **I. \$18.7 million tax increment financing ("TIF") for Affordable Housing, guaranteed by an NMI gap payment obligation**

- A. \$18.7 million in additional TIF funding over the next 5 years to fully fund completion of the Tier 1 Affordable Housing obligation, including structural enhancements for OHSU's proposed Parking Garage on Block 33. This sum, together with \$7 million in TIF already committed, is intended to also fund the acquisition of Block 33, Block 49 and other sites in the North Macadam Urban Renewal District ("URA") for future affordable housing development.
- B. NMI will sell Block 49 to PDC on the following terms:
  - 1. \$5 million cash sale. PDC will receive a credit against the purchase price for Tram and Streetcar local improvement districts ("LIDs") assessed against the site in the amount of approximately \$495,000. NMI will bond around any improvements that are not complete at closing.
  - 2. The sale will close following the vacation of Lowell Street but not later than November 30, 2006. It is a condition of the sale that the Lowell Street vacation is complete.
  - 3. Consistent with NMI's sales of land in the Project Area to affiliated vertical entities and to third parties, PDC will be responsible for any and all environmental clean up of the site. The site is enrolled in DEQ's independent cleanup pathway program. It is NMI's understanding that the most significant environmental issues on the Old Spaghetti Factory ("OSF") site impact Block 46, not Block 49. It is a condition of the sale that, after PDC's due diligence review, PDC has approved the environmental condition of Block 49.

4. NMI or Williams & Dame Development, Inc. will be the sole source owner and developer of the affordable housing project on Block 49.
  5. Following construction, NMI or an affiliated entity will own: (a) 50 parking spaces identified for office use and for use by OSF; (b) all of the ground floor not associated with the residential components of the building; and (c) all office space (collectively, the "Non-Residential Components"). The Non-Residential Components of the project will be separate and distinct from the affordable housing components for financing and other purposes. There will be no allocation of land costs associated with the transfer of the Non-Residential Components to NMI or its affiliate. Each of the parking, retail and office components will consist of one or more condominium units, which units may be sold or otherwise transferred by the owner to third parties.
  6. Based on the development potential of the site, NMI will receive credit for 275 Affordable Apartments. These credits may be used by NMI anywhere in the URA.
- C. NMI will sell NMI's position in Block 33 to PDC on the following terms:
1. PDC buys NMI's position in Block 33 for \$3 million with no credits against the purchase price. The sale will close by November 30, 2006 and will satisfy all of NMI's for-rent affordable housing obligations in the Project Area (400 Affordable Apartments). NMI will retain the obligation to build 30 Affordable Condominiums in the Project Area.
  2. PDC will cause development of only Affordable Housing on Block 33.
  3. NMI will transfer to Block 33 135,000 square feet of FAR at no additional cost. Such FAR may only be used on Block 33.
  4. PDC will assume and pay, when due, the supplemental payment required to be paid to OHSU under the Block 33 Purchase and Sale Agreement.
  5. NMI will relinquish its right of first refusal to be developer of Affordable Housing on Block 33. However, NMI may submit a proposal to any request for proposal ("RFP") on the same terms as any other prospective developer.
  6. Neither the sale of NMI's position in Block 33 to PDC nor any other provision of this section I.C. will diminish OHSU's rights nor increase its obligations under the Development Agreement or the Block 33 Purchase and Sale Agreement, including without limitation, OHSU's right of first refusal relating to air rights development under the Block 33 Purchase and Sale Agreement.

**II. \$17 million from project partners for revised Tram construction costs**  
**--\$5.0 million from PDC, TIF, guaranteed by gap payment obligation**  
**--\$2.5 million NMI funds**  
**--\$9.5 million OHSU funds**

- A. NMI will provide an additional \$2.5 million to partially fund the projected Tram construction shortfall. NMI will fund its additional contribution through a special transportation LID assessed against Block 23. In addition, subject to underwriting requirements, NMI may be allowed alternate financing of its current LID obligations subject to meeting underwriting requirements.
- B. OHSU will provide an additional \$9.5 million to partially fund the projected construction shortfall. OHSU will have the flexibility to fund its additional \$9.5 million contribution, from any or all or a mix of the following sources, to be determined by OHSU: (a) additional cash contributions; (b) assumption of additional LID obligations; (c) a transfer from OHSU of up to \$2.25 million of savings realized from a reduced interest rate on OHSU's LID assessments; and (d) a transfer of OHSU's federal funding credits owed by PDC to OHSU.
- C. The \$5.0 million from PDC, \$2.5 million from NMI and the \$9.5 million from OHSU, together with an existing \$40 million of Tram financing set forth in the DA, increases the total construction funding package for the Tram to \$57 million.
- D. The City shall reduce the LID charge known as the "bump rate" to .25 percent for governmental participants in the LIDs for the Streetcar extension to Gibbs Street and from Gibbs Street to Lowell Street, and the Tram. If for any reason the City does not so reduce the bump rate in the contracts for these LIDs, OHSU shall be entitled to recover an amount equal to any bump rate interest expense in excess of .25 percent.
- E. OHSU has applied for and obtained some SDC transportation credits in accordance with current code. Notwithstanding OHSU's ability to obtain SDC credits under existing law, OHSU agrees that it will not seek credits for its investment in the Tram in excess of \$4.3 million. The credit shall be used by OHSU in accordance with applicable law.
- F. If, within the ten years after the City grants OHSU the SDC transportation credits described in E. above:
1. the City changes or interprets applicable law, code, rules or regulations resulting in OHSU's inability to receive or use the full value of the transportation SDC credits ("City Action"), then PDC will purchase any SDC credits then held by OHSU for the market value of the credits prior to the City Action;
  2. changes to State or Federal law result in decreased value of the SDC credits ("State or Federal Action"), the parties will negotiate in good faith

a reasonable solution that, to the greatest extent possible, holds OHSU harmless from such State or Federal Action.

In the event that PDC and OHSU disagree on the market value of the credits PDC may purchase in the case of a City Action, or fail to reach a negotiated solution in the case of Federal or State Action, such disputes may be resolved using the dispute resolution mechanism in Section 19 of the Development Agreement.

- G. The City, through the Office of Management and Finance, agrees to cause the first LID payment for the Tram to occur no earlier than July 1, 2007 (2007-2008 fiscal year.)
- H. PDC agrees to allow OHSU to use the TIF Investment Funds for funding the Tram shortfall and/or the Block 33 Parking Garage.
- I. The parties will establish an oversight committee, or such other mechanism as the parties may agree to, for the purpose of monitoring the Tram project's progress and costs, and approving future proposals for use of Project funds not committed in the current schedule of costs, and the contingency funds. PDC's proposal for the oversight committee is shown in Exhibit A.
- J. The parties agree that OHSU has provided the additional funding that the City has requested of it and that all parties believe this new funding proposal for the Tram will be sufficient to complete the project. OHSU agrees that it will consider additional contributions only in the event of an unforeseeable catastrophic event or act of God.

**III. \$3 million TIF to fund transportation projects, guaranteed by an NMI gap payment obligation**

PDC will fund a transportation infrastructure fund of \$3 million to be used to cover anticipated and unanticipated shortfalls in transportation projects.

**IV. OHSU Block 33 Parking Garage**

PDC is willing to commit to additional public investment in the Project Area infrastructure, including the OHSU Block 33 Parking Garage, if OHSU develops taxable projects that will produce TIF. If OHSU elects to develop a taxable project and to guaranty 50% of the taxable revenue to be created with a Gap Payment obligation, then 50% of any such TIF generated will be used to partially defray OHSU's share of the costs of constructing the podium that supports the affordable housing towers. The other 50% of the funds will be used by PDC for other purposes in PDC's discretion.

**V. \$4.0 million TIF for Greenway, guaranteed by an NMI gap payment obligation**

- A. Use of funds and design/construction of Final Greenway Improvements to be in accordance with the schedule attached hereto as Exhibit B.

- B. \$2 million of additional funding will be sought from Portland Parks and Recreation. To assist with this funding need, NMI and its affiliates will agree to purchase \$3 million of Parks SDCs between March 1, 2006 and March 1, 2009.
- C. Any funds received from the Metropolitan Transportation Improvement Program for the Greenway trail will reduce NMI's Phase 2 Gap Obligation.

**VI. \$4 million TIF for Neighborhood Park, guaranteed by an NMI gap payment obligation**

Use of funds and design/ construction of the final improvements for the Neighborhood Park to be accelerated in accordance with the schedule attached hereto as Exhibit B.

**VII. Streetcar**

All components of NMI's offer are conditioned upon the City executing a contract for the extension of the Streetcar to Lowell by August 1, 2006. The LID contracts for the Streetcar to Lowell Street will include a provision that the obligation to pay the LID assessment on a property may be reallocated to a different property, within the LID, subject to property value underwriting, environmental assessments, and other terms acceptable to the City.

**VIII. \$3.5 million TIF for Economic Development: Bio Science Initiative**

- A. PDC agrees to provide a total of \$3.5 million for bio-science industry development in the URA for activities necessary to achieve the industry development objectives of the North Macadam Urban Renewal Plan. These funds will be available to, but not exclusively dedicated to, joint PDC/OHSU projects. Funds will be available annually in the amount of \$700,000 over a five year period as follows:
  - 1. \$1.5 million shall be allocated to recruitment activities for the bio-science industry development in the URA as follows:
    - (a) Reinstitution of a position jointly funded by OHSU and PDC at OHSU focusing on bio-science industry recruitment and development;
    - (b) Funding PDC-OHSU partnerships to facilitate and encourage the creation of start-up companies based on OHSU research;
    - (c) Funding bio-science recruitment activities by PDC and OHSU staff; and
    - (d) Other programs mutually agreed upon by PDC and OHSU.
  - 2. \$2 million shall be invested in tenant improvements within the URA which augment and enhance bio-technology research facilities as agreed upon by OHSU and PDC. Consistent with Section 11 of the DA, the

intent of these funds is to encourage additional private and public bio-science business growth in the URA.

3. The specific allocation of these bio-science funds will be set out in an intergovernmental agreement (“IGA”) between PDC and OHSU. Funds that are not utilized in one year will carry over into future years until spent. The IGA will contain commercially reasonable dispute resolution provisions to address the parties inability to agree upon the use of such funds. OHSU suggests a dispute resolution provision similar in structure to the oversight committee proposed by PDC for the Tram, with final binding decisions to be made by a three-person committee consisting of: (i) the PDC Executive Director; (ii) the OHSU Vice President of Research; and (iii) the then-current Chairman of the Oregon Bio-Science Association or such third party jointly selected by OHSU and PDC.

#### **IX. NMI Gap Payment Obligation**

- A. This proposal results in the acceleration of both public and private projects in the Project Area. PDC will estimate the Target RMV required to cover debt service on Phase 1 and the proposed Phase 2 TIF investment taking into account the effects of assessment and underwriting factors. The structure of NMI’s Gap Payment obligations for Phase 1 and Phase 2 Projects is subject to NMI’s approval of PDC’s Target RMV analysis. Development Agreement revisions will be made to reflect the recalculated aggregated Phase 1 Gap Payment obligations. All other provisions regarding Phase 1 Gap Payment obligations, including the termination of NMI’s Gap Payment obligations for the first two Phase 1 condominium projects, shall not be modified.
- B. Consistent with Section 7 of the DA, NMI/OHSU will identify and make a scheduled commitment for taxable projects in addition to the NMI/OHSU Phase 1 Contingent Projects that will generate Tax Increment Revenue sufficient to pay the debt service on the additional TIF borrowing committed in this proposal (the “Phase 2 Gap Obligation”). The Phase 2 Gap Obligation (the annual measure) will be calculated in the same manner as for the Phase 1 Gap obligation (i.e., based on a comparison of the Tax Increment Revenue actually generated and the Tax Increment Revenue estimated to be generated).
- C. Any excess taxable, non-abated, real market value generated in the Project Area, or by NMI or its affiliates within the South Waterfront Plan Area but outside the Project Area on Phase 1 Projects, or on Block 39, or any portion of the foregoing, shall be carried forward to Phase 2 as a credit against Phase 2 Target RMV.
- D. All of Section 18 will apply to the newly Scheduled Contingent projects.

#### **X. Additional Conditions to Agreement to Funding Proposal**

- A. The parties shall revise and update the Project Schedule, Exhibit J, as part of an eighth amendment to the DA.



- B. PDC agrees to the proposed exchange of OHSU's interest in Block 23 for Block 31 in the Project Area. Upon such exchange, Block 23 will be deemed NMI Land under the DA, and Block 31 will be deemed OHSU Land under the DA.

**XI. \$52.2 million Total Funding Package**

- A. \$34.7 million of TIF secured by Phase 2 project construction, guaranteed by an NMI gap payment obligation;
- B. \$3.5 million of TIF not secured by an NMI gap payment obligation;
- C. \$9.5 million from OHSU to fund construction of the Tram;
- D. \$2.5 million from NMI to fund construction of the Tram; and
- E. \$2 million from Parks for the Greenway, guaranteed by NMI's willingness to purchase \$3 million of Parks SDCs between March 1, 2006 and March 1, 2009.

ACCEPTED AND ACKNOWLEDGED:

PDC: PORTLAND DEVELOPMENT COMMISSION

By:   
Bruce Warner, Executive Director

OHSU: OREGON HEALTH AND SCIENCE  
UNIVERSITY, a public corporation of the State of  
Oregon

By:   
Peter O. Kohler, President

RCI: RIVER CAMPUS INVESTORS, INC., an Oregon  
limited liability company

By: Williams & Dame Development, Inc., an  
Oregon corporation, Manager

By:   
T.B. Dame, President

NMI: NORTH MACADAM INVESTORS, LLC, an  
Oregon limited liability company

By: Williams & Dame Development, Inc., an  
Oregon corporation, Manager

By:   
T.B. Dame, President

BLOCK 39: BLOCK 39, LLC, an Oregon limited liability  
company

By: Williams & Dame Development, Inc., an  
Oregon corporation, Manager

By:   
T.B. Dame, President

**EXHIBIT A**

<b>Group</b>	<b>OHSU</b>	<b>City</b>	<b>PDC</b>
<b>Oversight</b>	Keith Thomson Dr. Kohler	Mayor Potter Commissioner Adams	PDC Commissioners
<b>Leadership</b>	Steve Stadum	Sue Keil	Bruce Warner
<b>Steering</b>	Mark Williams	Don Gardner	Larry Brown

**Responsibilities:**

<b>Oversight</b> – Convene now to initiate and charge the groups below, meet as necessary.
<b>Leadership</b> – Meet Quarterly, resolve cost and responsibility issues, track risk issues.
<b>Steering</b> – Monthly review of project schedule, budget compliance, recommend budget changes.

**EXHIBIT B**

<b>Project/ Program</b>	<b>Proposed New Funding Agreement (\$M)</b>	<b>Schedule for New TIF Funding Draws (\$M)</b>				<b>Explanation / Rationale</b>	<b>DA Commitment</b>
		<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>		
Neighborhood Park Final Improvements	\$4.0	\$0.20	\$1.80	\$2.00		Fund design and construction of permanent Neighborhood Park improvements.	Phase 1, Tier 2
Greenway Development	\$4.0	\$0.15	\$2.75	\$1.10 <sup>1</sup>		Accelerate capital improvements following Greenway Implementation Strategy. Park SDCs to fund an additional \$2.00 million in FY 08-09.	Phase 1, Tier 1

<sup>1</sup> Additional funds from Parks. Any MTIP funds received for the Greenway will reduce NMI's Phase 2 GAP Obligation, April 11, 2006