



Tigard City Center Development Agency

The City of Tigard's Urban Renewal Agency

M E M O R A N D U M

TO: Chair Cook and the Directors of the City Center Development Agency Board
FROM: Sean Farrelly, Redevelopment Project Manager
RE: Burnham/Ash Redevelopment Disposition and Development Agreement
DATE: March 30, 2015

On April 14, 2015 the Board of the CCDA will consider authorizing the Executive Director of the City Center Development Agency to sign a Disposition and Development Agreement (DDA) with developers DIG Tigard LLC and Capstone Greenlight LLC. The DDA will lead to the construction of 157 units of market rate housing and 2,000 square feet of commercial development in two buildings on three contiguous properties currently owned by the City Center Development Agency (currently the sites of the Ash Avenue Public Works Yard and Ash Avenue Dog Park). The construction of this \$26 million, 171,309 square foot development will be an important milestone in the Downtown revitalization efforts that have been underway since 2005.

Plans and Documents That Support New Downtown Housing Development

Encouraging new housing and mixed use development in the Downtown is supported by several City plans and implementing documents:

1. The Tigard Downtown Improvement Plan (TDIP) provides the blueprint for current downtown revitalization efforts. The goal of the plan is for Downtown Tigard “to serve the community’s stated future needs for an active, mixed use ‘urban village.’”

Downtown Housing Development was listed as one of the “catalyst projects” that has the ability to “substantively alter the development environment” in the downtown. As detailed in page 29 of the TDIP:

“The Plan anticipates creating more housing of various types in several locations in Downtown. The intent is to bring more people into Downtown as residents. This will activate the Downtown throughout the day and into the evening. Housing development in the downtown will provide a number of benefits, including increased support for local services such as retail. In addition, residential development can provide a greater number of “eyes on the street”, increasing the perception of security in the district. Residential development in the area is also supportive of transit, and can capitalize on the planned commuter rail line.”

The proposed project at Ash and Burnham would support all of the listed aims of the TDIP Housing catalyst project.

2. The City Center Urban Renewal Plan contains the goals, objects and projects for the revitalization of the urban renewal area. The purpose of this plan is to “use the tools provide by urban renewal to attract private investment and facilitate the Area’s redevelopment.” Goal 5 of the plan is to “Promote high quality development of retail, office and residential uses that support and are supported by public streetscape, transportation, recreation and open space investments.”

The plan specifically authorizes the disposition of property to support the development of housing and mixed use projects in the Area. In addition, planning and development assistance, including grants or loans to support new development, are authorized by the plan. The proposed project is consistent with the City Center Urban Renewal Plan.

3. The proposed project will help implement the Downtown Connectivity Plan. A condition of approval for the project will be the partial construction of a street required by Downtown Connectivity Plan. This street will help reduce block sizes in downtown to encourage pedestrian activity. When completed as neighboring properties redevelop, the street will provide a new multi-modal connection to Hall Blvd.

4. Development Strategy for Downtown Tigard (aka the “Leland Report”) identified the Public Works Yard as a prime spot for housing and recommended making it available for redevelopment.

In addition to these downtown planning and implementation documents, the development of housing on this site also meets the following Tigard Comprehensive Plan Goals:

Economic Development

Goal 9.1 Develop and maintain a strong, diversified, and sustainable local economy

Goal 9.3 Make Tigard a prosperous and desirable place to live and do business

The addition of 157 new households will provide additional potential customers for downtown businesses. The residents activate the area during the day and evenings, helping to create an 18-hour activity area in the Downtown.

Housing

Goal 10.1 Provide opportunities for a variety of housing types to meet the diverse housing needs of current and future City residents.

This goal is supported by the project, as it will provide new apartment units, for which there is a growing demand regionally and locally. The proposed development will include a range of unit sizes, from studios to three-bedroom/two-bathroom units which will provide opportunities for, among others, young people just entering the job market; families; and retirees who wish to “downsize.”

The project’s proximity to the Tigard Transit Center and WES station and the Fanno Creek Trail will be attractive for residents looking for non-automotive transportation options.

Special Planning Areas- Downtown

Goal 15.2 Facilitate the development of an urban village.

The development of an urban village is furthered by this project, which creates high quality new residential and commercial space. New residents will be new potential customers for downtown businesses. This development will likely catalyze new investment in Downtown.

The Tigard Strategic Plan adopted by City Council in 2014 sets forth the vision of Tigard becoming "the most walkable community in the Pacific Northwest where people of all ages and abilities enjoy healthy and interconnected lives."

Goal 2: Ensure development advances the vision includes Objective 1 which is to "make best use of underdeveloped land to increase the value of the city and advance the vision." The project that will result from the DDA will convert the property from low-intensity municipal uses into high- quality housing adjacent to the Fanno Creek Trail and within walking distance to shopping, businesses, and transit in Tigard's town center.

In addition, the Tigard City Council's 2015-17 Goals and Milestones includes Goal #2. "Make Downtown Tigard a Place Where People Want to Be" with the milestone "support residential and mixed use development in walkable and transit-supported areas by completing the Ash Avenue/ Burnham Street Redevelopment project."

Project Components

Metro Community Planning and Development Grant

In September 2013, Tigard was awarded a \$100,000 Community Planning and Development Grant from Metro to fund pre-development work on two sites in the Downtown urban renewal district. The goal of the work was to deliver the first significant new market-rate residential units in downtown. The Development Agency partnered with a local developer, George Diamond Properties, to study two sites in the Downtown for potential redevelopment- the city's Ash Avenue Public Work Yard and Ash Ave Dog Park and a second site on Commercial Street.

The grant funds together with city matching funds paid for a market study, architectural concept drawings, pro forma review, property surveys, appraisals, and environmental studies on the two sites. Development on Site 2 was found not to be currently feasible, while development on Site 1 was found to be promising. An open house with Tigard stakeholders was held in August 2014 to get input on preliminary architectural concepts for the Ash Burnham site.

In October 2014 George Diamond Properties suggested Capstone Partners as a partner in this project. Capstone Partners is an experienced real estate development company who have built significant apartment and mixed use projects such as Cannery Row in Sherwood and Grant Park Village in Portland. The principals of the firm met with the Board of the CCDA on January 13, 2015.

City Center Advisory Commission

The CET grant IGA includes a milestone for the City Center Advisory Commission to recommend criteria for the City Center Development Agency (CCDA) Board/City Council to make decisions regarding the redevelopment of the Public Works Yard. The CCAC recommended the following criteria for a redevelopment project:

1. Is consistent with urban renewal plan
2. Has ultimately positive effect on tax base
3. Maximizes leverage from private and other public sources
4. Promotes high quality, pedestrian friendly urban design and architecture
5. Contributes to placemaking and local identity
6. Promotes transit usage and accessibility
7. Provides increased housing density
8. Provides public amenities, for example, community meeting room, bike and pedestrian connections
9. Accommodates on-site parking
10. Includes a variety of price points and unit sizes
11. Integrates nature into project
12. Promotes sustainability

1-3 were considered mandatory and 4-12 highly desirable.

The CCAC was briefed on the progress of the Ash/Burnham project at several meetings. At their April 8 meeting, the CCAC will receive an update on the project plans including the details of the DDA. They will review the project criteria and consider a formal recommendation of support to the CCDA for their April 14 consideration of the DDA.

Development and Disposition Agreement (DDA)

The DDA spells out the responsibilities for the development team and the Agency in this public private partnership. It details the conditions that must be met before the Agency will convey the property to the developers.

Pro Forma

The project pro forma has been refined by the developer after receiving detailed cost estimates from contractors based on updated architectural drawings. The agency's development advisor, Shiels Obletz Johnsen (SOJ), reviewed the project pro forma assumptions and found them to be reasonably constructed and within the market for interest rates, fees, and returns. The pro forma shows an estimated gap of \$2.5 million, meaning the costs of building the project exceed the amount needed to achieve the developers return on cost of 6.89%.

CCDA Partnership

The CCDA is actively partnering in this project by investing urban renewal funds. The provision of funds will bridge the gap to make the project financial viable. The Agency is authorized by the City

Center Urban Renewal Plan to incentivize new development under Project G.2. “Development Grant/Loan Program.” The CCDA will contribute to the project in the following ways:

- **SDC Contribution**
The Agency will provide a partial payment of the estimated \$2.8 million in System Development Charges (SDC) fees the project will incur. The source of these SDC payments will be the proceeds from the sale of the property. The SDC contribution will be sized based on the value of the property at sale. An updated appraisal is scheduled to be completed on April 2, 2015.
- **Vertical Housing Development Zone**
The Ash/ Burnham project will also apply for a partial 10-year property tax abatement as authorized by the Vertical Housing Development Zone (established by the city of Tigard in 2014). In the event the VHDZ is denied or reduced by the state agency that administers the program, the DDA includes a financial adjustment that would have the CCDA rebate a portion of the property taxes generated by the project, subject to CCDA review of the project’s financial performance. If the project results in a return on cost higher than 7%, the payments will be reduced by a commensurate amount.

The project is expected to generate \$7.8 million in property taxes over 20 years (before deducting the VHDZ 10-year partial tax abatement). Currently, as a publically owned site, the property is assessed no property tax.

- **No Further Action Letter**
The city is in the process of obtaining a No Further Action (NFA) letter from the Department of Environmental Quality (DEQ) for the site. This is a condition of the DDA. The developers will purchase an environmental insurance policy.
- **Ash Avenue Dog Park Relocation**
The Ash Avenue Dog Park will be relocated to a city-owned site on the opposite corner of Burnham and Ash. The equipment at the present dog park will be re-used for the new park. The park is schedule to open in June 2015 prior to the old park closure.
- **Public Works Relocation and Building Demolition**
The Public Works division has been transferring their personnel and equipment to other city facilities and to a new leased site. The CCDA will have the buildings demolished and site cleared in early July.

Public Open House

As called for in the DDA an open house will be held inviting the public to review and provide comments on the current project design and site plans. This workshop will be held on April 22.

Requirements to Close

The following conditions must be met, or waived by the appropriate party, in order to move to closing.

Additional contingencies to be met beyond the standard ones (such as property inspection and clear title) include:

- a. CCDA has removed existing structures on the site.
- b. Developer has received final construction plan approvals and building permits are ready to be issued.
- c. Developer has demonstrated financial feasibility of Project by submitting binding financing commitments and other documentation reasonably demanded by CCDA.
- d. Receipt of no further action letter from DEQ and developer purchase of environmental insurance.
- e. Receipt of BOLI determination concluding that this is not a prevailing wage project.

Closing

When all requirements of the DDA are met, the property will be sold to the developer. The current schedule estimates this happening in mid-September. The DDA commits the developers to commence construction within 30 days of closing.

Schedule

The developers plan on a one year construction period, with leasing to start in fall of 2016.

cc: Marty Wine, CCDA Executive Director
Kenny Asher, Community Development Director
Toby LaFrance, Finance Director
Brian Rager, Public Works Director