

MINUTES
Troutdale Urban Renewal Agency – Work Session
Troutdale City Hall – Council Chambers
104 SE Kibling Avenue
Troutdale, OR 97060-2099

Tuesday, November 18, 2008

1. ROLL CALL

Chair Thalhofer called the meeting to order at 7:02pm.

PRESENT: Chair Thalhofer, Director Kight, Director Ripma, Director Thomas, Director Canfield, and Director Daoust

ABSENT: Director Kyle (excused)

STAFF: David Nelson, City Administrator; David Ross, City Attorney; Rich Faith, Community Development Director; and Debbie Stickney, City Recorder.

GUESTS: Abe Farkas, Consultant; Tana Canfield; Carl Tebbens and Jean Ice.

2. DISCUSSION: An update on prospective developers of the Riverfront Renewal Site and a discussion about possible incentives.

Rich Faith, Community Development Director, stated several months ago during a Council meeting there was a discussion about where things stood with Cabelas and I think at that time it was established that they are not going to be coming to Troutdale. Staff was directed to work through our consultant (Abe Farkas) to pursue other potential developers. Abe has done that and is here this evening to report to you on his progress. In addition, there was some interest on the part of the Agency and the Council to start looking at potential incentives that could be offered to entice a developer. Abe has compiled a short list of potential incentives that we can review tonight.

Abe Farkas stated I have talked extensively with about twenty-four different firms. I sent all of them the RFQ document so that they could take a look at the site elements, opportunities, and conditions. A number of the companies did come out on their own and tour the site. One firm actually sent an entire team (architect, engineer, transportation person, as well as the two co-presidents) out here. The results are pretty much the same from everyone other than two firms that I have heard from. That result is that they are not interested in going forward in Troutdale at this time. They had different reasons for not going forward. A number of them are due to the economy. Some of them backed out because they have projects that are too challenging at this time. One developer that concentrates on high quality apartments was pretty intrigued by the site. There issue is the environment surrounding the site,

which is primarily the noise. They just didn't think they could get the rents that they need to get with the noise from the freeway and the train. They loved the Sandy River and they saw an opportunity, which is why they came out and visited the site. They like the idea of having to go through the downtown to get to the site and they loved the access road and the idea of a town square. There are three companies that have not rendered a verdict yet.

Director Kight asked did any of them talk about the Outlet Mall; did they consider that a negative?

Abe Farkas replied those who have greater retail capacity would like the Outlet Mall to go away. They did ask if there was a price for it and I gave some of them the contact information for Chelsea. Some of the others thought that going through the Mall was okay except what they would like to see would be an entire retail continuum so that the parking lot would have small retail shops so that the experience that you have is that you are going down through a main street. Another developer's preference was to go through the downtown to get into the site. They thought that was a more pleasing experience.

Director Kight stated did any of the developers mention any incentives that they would like to see?

Abe Farkas replied I did talk about incentives to a number of them and many of them asked for either land write downs or having the city carry the land, basically so they wouldn't have to finance the land upfront. A couple of them talked about phasing the project. Basically all of the land issues on the list came up, including the donation. There were a few that talked about predevelopment loans where the city could participate with them in helping to cover the cost of mostly their out-of-pocket expenses which are largely their design team and environmental work.

Director Ripma asked why hasn't the issue of the sound come up before? I have always thought that would be a problem. There was interest expressed at the beginning by a couple of good quality developers but maybe they weren't residential.

Abe Farkas stated the two developers that did go after this more aggressively, in one case you had a retailer and I don't think the sound is an issue with a retail development. The other developer that came forward was Williams and Dame and they do not build frame construction. They just build steel and concrete so the sound would not be an issue with that type of construction; they are building near the LA freeways. The more recent developer that expressed a concern about the sound does wood frame construction so sound is going to be a challenge for them.

Director Ripma asked is there a creative architectural fix of some kind? We have never discussed this before.

Abe Farkas replied there are actually design solutions such as sound walls that buffer

the noise. I have seen some that are relatively attractive.

Director Ripma stated we may want to add to our list of incentives that the city will work to secure sound walls.

Abe Farkas stated I would be happy to go back to this one company that said that the freeway noise was their primary concern and say to them, what if there was a sound wall there.

The consensus of the Directors was for Abe Farkas to take that back to the developer.

Director Thomas asked one of the things that concerns me with the list of incentives is how the City would pay for some of these things. If we mark down the cost of the land to get the developers in and we were to go by what the Vision Plan calls for, we would be really short on some cash.

Abe Farkas replied that is a trade off. If you were to write down the cost of the land and not recover it at some later point then you are dealing with a lesser resource and that is a real issue. Then you begin to look at other kinds of trade-offs. The third item from the bottom of the list is, commitment of public uses that would be incorporated. That is a trade-off that sometimes developers look at as an intriguing off-set because they don't have to scramble for all of their tenants if the city is willing to become a tenant in the development. Libraries are fairly popular in those types of mixes. City recreational facilities are also popular. Sometimes cities need additional office space.

Director Canfield stated writing down the land value, that is basically lowering the price correct.

Abe Farkas replied yes.

Director Canfield asked what advantages are there for the City if we are receiving less money to pay off our urban renewal bonds?

Abe Farkas replied usually the trade-off there is that you say to the developer okay we will write down the land value but we want you to put up a building that meets more of our aspirations. An example, a developer will come in and say that they are interested in putting up a three-story housing complex with retail and they ask you to write down the land value. The City can counter with agreeing to write down the land value but say that we want the developer to put retail on the ground floor of their three story building. You then get a denser development that is worth more and gives you more tax increment sooner.

Director Canfield stated land donation is off of the table in my opinion. The incentive on the list of commitment of public uses is intriguing. I know we promised not to build any kind of public buildings down there but maybe we should re-think that. That might be a good way to give a no or low risk incentive to a developer. Most of these possible

incentives are intriguing. I would like to see a ballpark dollar amount for these incentives, and we need to talk about the risks. Do you have any other leads that you could talk to in addition to those that you have already contacted?

Abe Farkas replied yes.

Director Daoust asked when you talked to these potential developers did you mention that the City was willing to put in an access road through the Outlet Mall?

Abe Farkas replied yes. A number of them asked how much money that was going to involve because they thought that there were better uses for the money.

Director Daoust stated so if we were to provide that access up front, that would not have made a difference? In talking with Yoshida did that make a difference with him? Is he one of the final three that might show an interest?

Abe Farkas replied no, I think Dave Nelson has been talking with Mr. Yoshida.

Dave Nelson replied he is mildly interested at best. He will be meeting with me again next week.

Director Daoust stated the idea of helping during the start-up period matches our ability to do so. In other words, we have more ability now to assist than we will later looking at our budget over the next five or six years. I have rated each of the incentives from 1 to 5, 1 being low and 5 high. Writing down the land value – 1; carrying the land – 4; leasing the land – not rated; selling and/or leasing land in phases – 3; land donations – 1; pre-development loans – 3; deferral and/or waiver of various permitting fees – 3; commitment of public uses – 4; public sector paying for infrastructure improvements – 4; and public money invested at low interest rates and other supportive terms in private development projects – 3. Could you give a little more information about leasing the land?

Abe Farkas replied the primary benefit to a developer in leasing is they don't have to worry about financing. The way these are often set up is a ground lease for a five year period and then the developer has to purchase the land, and that all depends on how you negotiate it. You can set up a purchase price ahead of time or you can evaluate the entire project in that fifth year or third year, or whatever year you want and then make your sales price based on the value at that time.

Director Thomas stated we are talking about trying to fund things and carrying loans to do this. Out of the 20 acres we only own about 12 acres which means if they want to develop the whole 20 acres we have to buy 8 acres plus punch the hole through the Outlet Mall. How would we fund that? We would have to go out and borrow the money to do this and we have to get enough money back from urban renewal to pay that plus the interest. We should probably consider all of the incentives, except of the land donation, but my concern is how to keep it afloat so that when we move down the road

there is actually something to pay for it.

Abe Farkas stated you have to ask yourselves, what expenditures do you feel are absolutely essential in order to keep this property viable. Do you have to punch the hole through the Outlet Mall? Do you have to secure an option? Those are hard questions to answer. The economy has changed quite a bit since you negotiated the first transaction with Chelsea.

Director Thomas asked does it really matter if the hole is punched through the Outlet Mall and all ready to go or does that really matter as long as the developer knows that the City has a commitment to do that?

Abe Farkas replied as long as they know you have the authority to do it, the commitment is nice but in the end as a city you could secure a hole through there. If you were to pass on the option and then say you need to punch a hole through there two to three years down the road, first you could negotiate with them and then if they didn't accept the negotiations you could use eminent domain.

Chair Thalhofer asked how many of the developers that you talked to were wondering about the City providing that access through the Outlet Mall?

Abe Farkas replied most of them that came out and looked at the site thought there was another way around there so you wouldn't have to incur the expense of that.

Chair Thalhofer stated you mean clear around by the freeway.

Abe Farkas replied yes. Two of them asked if there was an access road close to the railroad or by the freeway. In one case I know they had a different agenda and there thought was instead of spending the \$2.1 million punching a hole through the Mall, you could put that money towards improvements on the site.

Chair Thalhofer stated we should investigate both the north and south side for access to see which one makes the most sense. Maybe we shouldn't spend any money to punch the hole through.

David Ross stated we haven't heard back yet from Chelsea on the \$350,000 2-year extension of the Option Agreement. Is that something that we should be pursuing?

Abe Farkas replied from my professional perspective, if you don't have to shell out \$350,000 and you can lay low, that would be good. I understand how hard you worked to get that Option. I think you need to think carefully about it. You negotiated an option that was based on a value that was appraised two years ago. I understand that they are telling you that retail real estate is not going down in value; that is not exactly accurate.

Director Kight asked if it was you that was writing the check would you go forward with

extending the option?

Abe Farkas replied no.

Director Daoust stated on the other side we have Mr. Yoshida who is waiting for us to do something about that access point. If we do he might be the developer.

Director Kight stated we can still go back to Chelsea and say we want a new appraisal and then we can move forward.

Director Canfield stated the time for Mr. Yoshida to come forward would be now.

Director Thomas stated in the past when we looked at condemnation the cost was potentially more than the price we agreed upon. I am not sure that walking away from the option is a wise choice because we still need to have some sort of way to get an access if we need it. If we don't need it that is one thing but I don't see us being able to develop that land without an access based on the constraints. You can't go to the north because of the ODOT property; the south side has constraints with the railroad. Access under the bridge is a great idea as long as the water levels stay down. We do know that periodically that will be under water. If we let the option expire than we would have to start all over again and if we have a developer that wants to move, it took us a year and a half to negotiate the current option with Chelsea.

Abe Farkas stated it is really a matter of evaluating how much risk you want to take. You asked for my prospective.

David Ross stated the city has the power to use eminent domain to acquire right-of-way for a city street if necessary.

Director Kight asked how long would that process take?

David Ross replied it would probably take at least a year.

Chair Thalhoffer asked what direction do we want to give to staff regarding the Option Agreement with Chelsea?

Director Kight stated I would let the Option expire until we have a developer.

Director Ripma stated it just doesn't turn out to be a big selling point to have it. It is costly. A developer could come in and want the Chelsea site as well and then we wouldn't even need it.

Director Canfield stated maybe it is a good time to relook at the whole thing. Mr. Bruning said we need to decide what we want. Do we want mixed use, big box retail, or commercial. We need to decide exactly what we want.

Chair Thalhofer stated I would like to suggest that staff bring back a recommendation to the Council regarding extending the Option Agreement.

The consensus of the Urban Renewal Agency Directors was for staff to bring back a report on where we are with Chelsea on the extension of the Option Agreement and provide a recommendation to the Council on how to proceed.

Director Daoust stated I think that one of our choices should be condemnation.

The majority of the Directors agreed.

3. ADJOURN

MOTION: Director Ripma moved to adjourn. Seconded by Director Kight and Director Thomas. Motion passed unanimously.

Meeting adjourned at 8:35pm.

Jim Kight, Chair

Approved March 17, 2009

ATTEST:

Debbie Stickney, City Recorder