REDEVELOPMENT AGENCY REPORT

TO: Jack Hoffman, Chair
Members of the Redevelopment Agency
Alex D. McIntyre, Executive Director

FROM: Jane Blackstone
Economic Development Manager

SUBJECT: North Anchor Feasibility Study Update

DATE: March 23, 2011

ACTION

Review and accept North Anchor Feasibility Study Update and direct staff to proceed with Phase II work plan development and implementation.

INTRODUCTION

On October 5, 2010, Lake Oswego Redevelopment Agency (LORA) staff and the Leland Consulting Group presented the North Anchor Phase 1 Feasibility Study Summary to the LORA Board. In response to earlier Board direction, the study team developed and analyzed the feasibility of a library-based redevelopment project on the “First Street North Anchor” site in the area of First Street and B Avenue in downtown Lake Oswego. The analysis focused on the following questions:

- Does Lake Oswego need a new library? At what size?
- Is the North Anchor site at First Street and B Avenue a feasible development site for a new library, considering library needs, public access, zoning, utilities, traffic impacts, and parking needs?
- Could a North Anchor project also provide housing, parking for other downtown uses, and taxable value?
- Could a library-based development add vitality to the downtown retail core by anchoring the north end of the First Street retail corridor between Lake View Village and B Street?
- What are the costs and financing options for development a library-based project?

The following findings, summarized on Attachment 1, were reported to the LORA Board on October 5, and remain valid:

- Lake Oswego needs a library of approximately 60,000 square feet.
• The North Anchor site appears to be a feasible location for a library-based, mixed-use project.

• A library-based project could include taxable value and serve as a strong anchor to strengthen the First Street retail corridor and add to downtown vitality.

• A combination of funding sources will be needed to develop a library-based, mixed-use North Anchor.

On March 28, staff and the Leland consulting team, including finance consultant Andy Parks, will respond to feedback provided by the LORA Board on October 5, with an update that addresses the following topics:

• Other potential North Anchor development scenarios, including variations on private uses and taxable value, parking quantities, and development footprint.

• Associated cost estimates, public-private cost allocations, and potential funding sources.

• Projected tax increment generation and LORA bonding capacity for each scenario.

• Preliminary development timeline.

BACKGROUND /DISCUSSION

Project Scenarios
The Downtown Lake Oswego North Anchor Phase 1A Feasibility Study Update (Attachment 2) analyzes four development options, with variations to add additional parking to Options A and D. Option A is similar to the concept presented in October, with the exception that housing is included instead of hotel square footage as previously presented. Options B and C are stand-alone library concepts and Option D explores a more aggressive public-private development scenario. A refined concept might combine elements of the four options. Please see Attachment 2 for site/use diagrams for each option.

Option A: Mixed-Use Library Project with Public Parking Garage
North side of B Avenue from State to 1st Street Alley

Option B: Stand-alone Library with Below-Grade Parking
North side of B from State to 1st Street

Option C: Stand-alone Library with Above-Grade Parking
North side of B from State to 1st Street

Option D: Mixed-Use Library Project with Public Parking Garage and First Street Redevelopment
North side of B, excluding State Street and adjoining parcels, including west side of First Street

Cost, Tax Increment, and Debt Capacity Estimates
As part of the March 28 North Anchor Feasibility Update, the Leland team, including a construction cost estimator, prepared updated cost estimates for the concept presented in October as well as preliminary cost estimates for the other options, with a variation to gain understanding of the cost to add additional parking to Option A and D. Financial consultant Andy Parks prepared the estimates of tax increment generated and associated debt capacity, using the modeling scenarios developed for the December 2010 LORA Financial and Debt Capacity Analysis.
<table>
<thead>
<tr>
<th></th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
<th>Option D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library</td>
<td>60,000 SF</td>
<td>60,000 SF</td>
<td>60,000 SF</td>
<td>60,000 SF</td>
</tr>
<tr>
<td>Retail/Restaurant</td>
<td>13,800 SF</td>
<td>3,200 SF</td>
<td>29,500 SF</td>
<td>29,500 SF</td>
</tr>
<tr>
<td>Residential</td>
<td>61,400 SF</td>
<td>94,500 SF</td>
<td>94,500 SF</td>
<td>94,500 SF</td>
</tr>
<tr>
<td><strong>TOTAL SF (net of parking)</strong></td>
<td><strong>135,200 SF</strong></td>
<td><strong>63,200 SF</strong></td>
<td><strong>184,000 SF</strong></td>
<td><strong>184,000 SF</strong></td>
</tr>
<tr>
<td>Parking</td>
<td>200 stalls</td>
<td>180 below grade</td>
<td>96 above grade</td>
<td>323 stalls</td>
</tr>
<tr>
<td>Estimated public cost (current year $)</td>
<td>$37.8 million</td>
<td>$44.0 million</td>
<td>$38.9 million</td>
<td>$41.0 million</td>
</tr>
<tr>
<td>Estimated private cost</td>
<td>$20.7 million</td>
<td>N/A</td>
<td>N/A</td>
<td>$32.7 million</td>
</tr>
<tr>
<td><strong>Estimated TOTAL COST</strong></td>
<td><strong>$58.5 million</strong></td>
<td><strong>$44.0 million</strong></td>
<td><strong>$38.9 million</strong></td>
<td><strong>$73.7 million</strong></td>
</tr>
<tr>
<td>Cost to add additional parking</td>
<td>40 stalls</td>
<td>($22,000)</td>
<td>($22,000)</td>
<td>68 stalls</td>
</tr>
<tr>
<td>Estimated annual tax increment</td>
<td>$199,000</td>
<td>($325,000)</td>
<td>($325,000)</td>
<td>$380,000</td>
</tr>
<tr>
<td>Additional LORA debt capacity under conservative debt capacity scenario*</td>
<td>$2.9 million</td>
<td>($325,000)</td>
<td>($325,000)</td>
<td>$5.7 million</td>
</tr>
</tbody>
</table>

*Updated December 2010 conservative funding scenario -- no growth in taxable value except for North Anchor, 25 year full faith and credit obligation, 1.25 debt coverage ratio, 4.5% interest

**Potential Funding Sources**

Funding for public costs of a library-based North Anchor project, including public parking ($37.8 to $44.0 million in current year dollars, depending on option, or $40.6 to $46.6 million inflation-adjusted), could come from a number of potential sources. The amount of LORA funding shown in the table below is consistent with assumptions in the December 2010 LORA Financial Analysis, but could vary if the City Council and LORA Board determine that greater levels of funding from a general obligation bond or other sources, such as donations, could feasibly cover a greater share of library costs. The next phase of project planning will include development of more detailed financing strategies for project funding.

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>Preliminary Estimated Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>LORA funding ($26 million assumed in 12/10 LORA Financial and Debt Capacity Analysis)</td>
<td>Up to $26.0 million</td>
</tr>
<tr>
<td>Clackamas County Library District Capital Funds</td>
<td>1.0 million</td>
</tr>
<tr>
<td>General Fund Set-aside (for library capital costs)</td>
<td>.9 million</td>
</tr>
<tr>
<td>Endowments and donations (projected)</td>
<td>3.0 million</td>
</tr>
<tr>
<td>Other as needed to fund range of options if LORA funding of $26 million committed, including sale of the existing library property at 4th and D (value not determined) and a general obligation bond issue.</td>
<td>$9.7 – 15.7 million, depending on project cost (sale proceeds and GO Bond combined)</td>
</tr>
<tr>
<td><strong>TOTAL RESOURCES NEEDED FOR PUBLIC COSTS Options A-D; inflation-adjusted</strong></td>
<td><strong>$40.6 – 46.6 million</strong></td>
</tr>
</tbody>
</table>
Development Timeline

2011-2014  Concept plan refinement, public outreach, property acquisition, public-private partnership development, design, funding development (36-40 months)

2014-2016  Construction (20-24 months)

Next Steps
During 2011 goal-setting discussions, the LORA Board identified the North Anchor project as a LORA priority. Specific goals proposed to move the project forward include: to approve a plan for targeted property acquisition by May 31, 2011; and to present a redevelopment concept plan by September 30, 2011. To achieve these proposed goals, next steps are to develop a Phase II work plan and proceed with concept refinement (including additional public outreach), initiation of property acquisition and project partnerships, and financial planning. Staff will provide quarterly reports to the LORA Board and return to the Board as needed for specific authorizations.

ALTERNATIVES & FISCAL IMPACT
The North Anchor Feasibility Study was commissioned to test the premise of a library-based project at First and B. Accordingly, it did not consider alternative locations for a library or alternative uses for the North Anchor site.

Consistent with the assumptions of the December 2010 LORA Financial and Debt Capacity Analysis, in a conservative Full Faith and Credit debt scenario*, and depending on the North Anchor option chosen, LORA would have adequate debt capacity to provide up to $26 million of urban renewal funding for a portion of North Anchor project costs, while retaining the ability to deliver $12-18 million of other high-priority urban renewal projects through FY 2015. Based on preliminary estimates of sources and uses, it appears feasible to consider a lower amount of LORA funding for North Anchor, in order to reserve additional funding for other projects. Additional debt capacity will become available as projected property tax revenues exceed debt coverage ratio requirements from FY 2016 forward, or if taxable value is added to the LORA district.

*Updated December 2010 conservative funding scenario – no growth in taxable value except for North Anchor, 25 year full faith and credit obligation, 1.25 debt coverage ratio, 4.5% interest

RECOMMENDATION
It is recommended that the LORA Board accept the North Anchor Phase 1A Feasibility Study Update findings and direct staff to develop and implement a Phase II work plan, including more detailed project planning and cost estimation, development of private partnerships, initiation of property acquisition, additional public outreach, and more detailed funding strategies.

ATTACHMENTS
2. Lake Oswego Downtown North Anchor: Phase 1-A Feasibility Study Update

Reviewed by:

[Signature]

Alex D. McIntyre
Executive Director

March 28, 2011
Phase I North Anchor Feasibility Study - Summary of October 5, 2010 Report
Supporting reports and documentation can be found under “North Anchor Project” at http://www.ci.oswego.or.us/redevlop/future.htm

Lake Oswego needs a library of approximately 60,000 square feet.
Based on review of library studies prepared over the years since the existing 27,100 SF library opened in 1982, and on updated analysis of current and projected library programming needs, a library of 60,000 SF is recommended to serve the community’s needs now and into the future. The existing library presents operational and programming challenges due to size constraints and condition – inadequate staff and volunteer work space, limited parking, a leaky roof, inadequate space for materials presentation, storage and archiving, and limited capacity to meet demand for computer time and community meetings and programs.

The North Anchor site appears to be a feasible location for a library-based, mixed-use project.
The project site discussed at the October 5, 2010 LORA Board meeting, including parcels at the northwest corner of First and B and the northeast corner between State and First, is large enough to accommodate a 60,000 SF library, along with other public and taxable uses that meet LORA revitalization objectives, including a 200-space parking garage incorporating 32,200 SF of housing and 7,300 SF of retail; a 50,600 SF boutique hotel (or housing) above the library; and an additional 1,500 SF of retail on the library’s ground floor. The project requires site acquisition and assembly, but would not require extraordinary traffic or utility improvements. Based on analysis of new use requirements and downtown parking supply and demand, the project provides adequate shared parking. A comprehensive downtown parking study will be presented to the Council later this fall.

A library-based project could serve as a strong anchor to strengthen the First Street retail corridor and add to downtown vitality.
Research findings indicate that library users combine library visits with shopping. The Lake Oswego Library currently has just over 1,000 visitors a day – traffic that would have convenient access to downtown shopping and dining from the First and B location. New hotel and housing uses would also add to foot traffic for downtown retail and restaurants – and a public parking garage would benefit downtown retailers and drive pedestrian traffic within the retail core.

While a direct catalyst effect is difficult to predict, the Leland consulting team explored the potential for redevelopment of the First Street blocks between A and B Avenues in order to gauge feasibility and future capacity for parking, utilities, and traffic. The team concluded that maximized development of approximately 500,000 SF (in addition to the North Anchor project) is feasible if small parcels can be assembled to allow efficient project design. Parcel assembly is the most significant impediment to redevelopment and may require public subsidy and facilitation.
A combination of funding sources will be needed to develop a library-based, mixed-use North Anchor. Potential funding sources include a combination of public and private sources:

- Urban renewal bond revenues
- Clackamas County Library District revenues
- Endowments and donations
- Sale of existing library property
- General obligation bond proceeds
- Private sources
LAKE OSWEGO DOWNTOWN NORTH ANCHOR: PHASE I-A FEASIBILITY STUDY UPDATE

LELAND CONSULTING GROUP

(DRAFT)

31 March 2011

MEETING AGENDA

1. Overview: Context and Phase I
2. Goals of North Anchor Project
3. Development Scenarios
4. Partnership Opportunities
5. Preliminary Cost and Investment Estimates
6. Estimated Timeline
7. Recommendations and Next Steps
ECONOMIC DEVELOPMENT STRATEGY

Four Collaborative Strategies in the City’s Five-year Plan for Economic Health and Community Vitality

Projects Include:
- Plan and implement North Anchor at 1st & B
- Perform downtown parking analysis and enact potential code changes/ projects
- Facilitate redevelopment of the Wizer block
LAKE OSWEGO NEEDS A NEW LIBRARY

"A Library is an anchor store that won't go out of business, no matter how bad the economy gets. In fact, the worse it gets, the more traffic we see."

James LaRue, Director of the Douglas County Libraries

Why Lake Oswego needs a new library:

• Originally built too small
• Very high visitor count and circulation
• Current challenges with access, parking, roof, space, minimal meeting spaces
• Libraries are on the rise, especially Lake Oswego's
RECAP

- Library is needed
- Library is needed downtown
- Project to serve as a strong anchor
- Library development will not require major traffic infrastructure improvements
- Civil/utilities not a barrier
- Library visitors will spend in downtown
- Help to attract downtown housing and more retail

WHAT WE HEARD

✓ Agreement that current library is too small
✓ Library has seen interest, support from community leaders, stakeholders
✓ Important to consider larger context of city projects and investments
✓ Clarify estimates of public-to-private investment scenarios
✓ Is 200 stalls enough parking?
✓ Ensure that North Anchor is as catalytic as can be for downtown
✓ Ensure that city maximizes its partnerships and investment with private developers
PHASE I

✓ Does Lake Oswego need a new library?
✓ Should the library be located downtown?
✓ What will it cost?
✓ Can Lake Oswego’s library provide a sufficient anchor for the North End?
✓ How can it help revitalize downtown?

PHASE I-A

☐ Synthesize feedback from 5 October presentation

☐ Consider development scenarios that maximize the consider cost implications and maximize the project’s value as an anchor

☐ Refine preliminary cost estimates and public-to-private investment estimates

☐ Establish estimated development timeline assumptions

GOALS OF NORTH ANCHOR PROJECT

Address the community's demand for new, innovative, and exciting components that will draw Lake Oswego residents to the downtown area.

Build upon a strong sense of place and community within the downtown.

Help strengthen the existing streets 1st and 2nd Streets.

Establish a gateway to the future development of the Footfalls project and

Expect to grow business services by offering a high-quality, state-of-the-art library and meeting facilities downtown.
RETAIL REALITIES OF DOWNTOWN LAKE OSWEGO

- Shopping is predominantly concentrated in one block
- Downtown has long blocks
- Dated storefronts
- Downtown is not immediately visible or accessible by a major freeway and does not have the population base to pull strong retail anchors

Focus on:
- Food/restaurants
- Specialty/apparel retail
- Services
- Art and furnishings
PHASE I: DEVELOPMENT PROGRAM
PHASE I: DEVELOPMENT PROGRAM

PHASE I: DEVELOPMENT PROGRAM
PHASE I: DEVELOPMENT PROGRAM
DEVELOPMENT PROGRAM: OPTION A

Block 1:
- Library: two levels, 60,000 Square Feet
- Housing Above the Library: 50,600 square feet, three levels
- Roof Terrace: 11,000 square feet
- Retail: 1,500 square feet

Block 2:
- Townhomes/Flat Housing: 10,800 square feet total, five levels
- Retail: 5,000 square feet (along base)
- Restaurant: 7,300 square feet (along base)
- Parking: 56,000 square feet total (200 stalls)
**Option A**

**Advantages**

- Strong anchor at north end
- Offers mix of uses
- Residential contributes to critical mass for active urban living
- Puts dollars back on the tax rolls
- Activates north end

**Disadvantages**

- Land assembly
- Higher acquisition costs
- Missed opportunity to directly develop block between A and B on First Street
DEVELOPMENT PROGRAM: OPTION B

Block 1:

• Library: 2 Levels, 60,000 sf total
• Underground parking: 60,000 sf total (180 stalls)
• Green Roof (above library): 30,000 sf

OPTION B

Advantages

✓ 60,000 square foot library
✓ Dedicated library parking
✓ No other uses

Disadvantages

× Acquisition of small parcels
× Below grade parking is expensive
× Public parking perceived as library only; will not serve the greater downtown
× No other uses to enhance "anchor" of project
× View North from Millenium Park only shows anchor development on one side of the street
DEVELOPMENT PROGRAM: OPTION C

Block 1:

- Library: 2 Levels, 60,000 sf total
- Above Ground Parking: 32,000 sf total (96 stalls)
- Green Roof (above library): 6,400 sf
- Retail along State Street: 3,200 sf
OPTION C

Advantages
✓ 60,000 square foot library anchor
✓ Above grade parking is less expensive than option B

Disadvantages
✗ Much smaller parking garage, only 96 stalls
✗ Acquisition of small parcels
✗ Public parking perceived as library only; will not serve the greater downtown
✗ No other uses to enhance "anchoring" of project
✗ View North from Millenium Park only shows anchor development on one side of the street
DEVELOPMENT PROGRAM: OPTION D

Blocks 1 and 2:
- Restaurant (along base): 7,300 sf
- Library 2 levels (plus ground level lobby and meeting room): 90,000 sf total
- Housing (above library): 49,500 sf total, 3 levels
- Dedicated parking for housing (one floor above grade/one below grade): 18,800 sf (59 stalls)

Block 3:
- Retail (along base): 11,000 sf
- Public Parking: 76,000 sf total (226 stalls), 3 levels

Block 4:
- Retail (along base): 11,200 sf
- Housing: 45,000 sf total (45 units), 3 levels
- Surface Parking: 45 stalls

OPTION D

Advantages
✓ Reduces land assembly costs
✓ Encourages public-private partnerships and work with private sector developers and users
✓ Strong anchor at north end
✓ Offers mix of uses
✓ Residential contributes to critical mass for active urban living
✓ Puts significant dollars back on the tax rolls
✓ Public garages services downtown business’ needs
✓ Activates north end and blocks in between A and B
✓ Enhances pedestrian interest and activity between Millennium Park and Library

Disadvantages
✗ Public and private partnership may take additional time
COSTS

<table>
<thead>
<tr>
<th>Costs</th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
<th>Option D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Acquisition</td>
<td>$2,706,574</td>
<td>$1,870,758</td>
<td>$1,870,758</td>
<td>$1,716,690</td>
</tr>
<tr>
<td>Site Development</td>
<td>$2,035,469</td>
<td>$1,672,338</td>
<td>$1,672,338</td>
<td>$3,689,606</td>
</tr>
<tr>
<td>Library</td>
<td>$28,350,000</td>
<td>$28,350,000</td>
<td>$28,350,000</td>
<td>$31,185,000</td>
</tr>
<tr>
<td>Public Parking</td>
<td>$5,692,500</td>
<td>$7,245,000</td>
<td>$2,760,000</td>
<td>$6,555,000</td>
</tr>
<tr>
<td>Private Parking</td>
<td></td>
<td></td>
<td>$1,014,300</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>$11,668,750</td>
<td></td>
<td>$17,128,125</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>$284,625</td>
<td></td>
<td>$552,000</td>
<td>$4,212,450</td>
</tr>
<tr>
<td>Restaurant</td>
<td>$1,511,100</td>
<td></td>
<td></td>
<td>$1,511,100</td>
</tr>
<tr>
<td>Rooftop Terrace</td>
<td>$316,250</td>
<td>$862,500</td>
<td></td>
<td>$184,000</td>
</tr>
<tr>
<td>Canopy over 1st Street</td>
<td>$644,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Hard and Soft Costs</td>
<td>$53,209,268</td>
<td>$40,000,596</td>
<td>$35,389,096</td>
<td>$67,012,271</td>
</tr>
<tr>
<td>Contingency (10%)</td>
<td>$5,320,927</td>
<td>$4,000,060</td>
<td>$3,538,910</td>
<td>$6,701,227</td>
</tr>
<tr>
<td>Total Costs</td>
<td>$58,530,195</td>
<td>$44,000,655</td>
<td>$38,928,005</td>
<td>$73,713,488</td>
</tr>
<tr>
<td>Public Cost</td>
<td>$37,811,740</td>
<td>$44,000,655</td>
<td>$38,928,005</td>
<td>$40,970,452</td>
</tr>
<tr>
<td>Private Costs</td>
<td>$20,718,455</td>
<td>$0</td>
<td>$0</td>
<td>$32,743,046</td>
</tr>
</tbody>
</table>

Source: Leland Consulting Group, Architectural Cost Consultants, Myhre Group Architects, City of Lake Oswego

* Since acquisition costs cannot be estimated at this time, for the purposes of this analysis, Leland Consulting Group used Tax Assessed Values.

DEVELOPMENT TIMELINE

- Further planning, design, public discussion, negotiations, and acquisitions: 36-40 months
- Construction: 20-24 months
Option A:
- 66,000 sf (200 stalls) = $5,692,500
- 72,000 sf (240 stalls) = $6,831,000

Option D:
- 76,000 sf (228 stalls) = $6,555,000
- 98,800 sf (296 stalls) = $8,521,500

*Options B and C are not expected to serve as public garages as parking within the library is likely to be perceived as 'Library Only' parking.

POTENTIAL FUNDING SOURCES

- LORA funding
- Clackamas County Library District capital funds
- General obligation bonds
- Hotel/restaurant/housing sources (rent or sale of property in the mixed use project in a public-private partnership)
- Endowments and donations
- Sale of existing library property
- Private funding
RISKS

- Ability to acquire properties at fair market costs
- When will private capital become available for public private investment?
- Overdesigning and driving up costs

OPPORTUNITIES

- Opportunity to anchor north end of downtown
- Potential opportunity to initiate connection north and south ends along first street
- Better serve the public of Lake Oswego with an appropriately sized library
- Leverage private capital with public capital.