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 Project Update

DATE: September 22, 2011

ACTION

No action is required. This agenda item is intended for information and discussion purposes.

INTRODUCTION

The LORA Board has authorized staff to proceed with property acquisition and planning for the “First Street North Anchor” project, identified as Project H in the 2004 East End Redevelopment Plan. This report provides an overview of milestones completed, current project activities, and next steps.

BACKGROUND

Since the summer of 2010, the Lake Oswego Redevelopment Agency has taken a number of steps to plan for redevelopment of the “First Street North Anchor” site in the vicinity of 1st and B in downtown Lake Oswego.

Milestones include:

**October 2010**  
Phase 1 Feasibility Study report finds that First and B is a feasible location for a library-based mixed-use project, and that such a project would address the need for a new library, increase taxable value in the downtown and serve as a strong anchor to strengthen the First Street retail corridor and add to downtown vitality. The study identifies potential funding sources including LORA tax increment financing, a voter-approved library G.O. bond, Clackamas County Library District capital funds, the General Fund set-aside for library capital costs, endowments and donations, sale of the existing library property, and private development partnership.

**March 2011**  
LORA Board adopts 2011 goals to develop a North Anchor property acquisition strategy and refine a concept plan.
March 2011  LORA Board receives Phase 1A report outlining additional project concepts, cost estimates, and potential funding sources, and directs staff to proceed with Phase 2 work program toward development of a project with a 60,000 square foot library, public parking, and taxable private development.

May 2011  LORA Board adopts a North Anchor Property Acquisition Plan and directs staff to proceed with site assembly.

June 2011  LORA Board authorizes terms of initial property acquisition, a lease with option to purchase 500 1st Street.

July 2011  LORA Board meets with Library Advisory Board and Friends of the Library to review North Anchor project status and work plan.

UPDATE

Since the July 25, 2011 LORA Board meeting, staff has focused on the following project activities:

1. **Lease-Purchase Option Agreement for 500 1st Street**
   On August 15, 2011, LORA executed a lease agreement and option to purchase with 500 1st Street LLC. The terms of the agreement and option are consistent with the LORA Board’s June 20, 2011 authorization: a two-year lease at $11,750 per month, with an option to purchase the property at any point during the lease term for $2,350,000. The agreement also includes a contingency period for review of survey and environmental condition, which will expire September 21, 2011. Engineering reviewed the title report and physically inspected the property, and found no encroachments on the property. To complete the environmental review, LORA retained Kleinfelder to complete a Phase I Environmental Site Assessment (ESA). Draft ESA findings indicate the need for pre-demolition testing for asbestos-containing materials, lead-based paint, and mercury vapor that are typically found in buildings of similar age to the commercial building on the 500 1st Street site. The draft ESA also identified the possibility that underground storage tanks (USTs) for home heating oil associated with previous residential uses might be located on the site. Kleinfelder followed up with a magnetometer survey that did not find physical evidence of USTs.

2. **Property Acquisition**
   Staff contacted the owners or agents of the remaining properties identified for acquisition in the May 2011 North Anchor Property Acquisition Plan: 530 1st Street, 545 1st Street, 525 1st Street, 41 B Avenue and 27 B Avenue/540 State Street. Staff has not yet made formal offers, pending review and finalization of draft appraisals by Integra Realty Resources, and LORA Board authorization of specific terms. A LORA Board Executive Session to discuss real estate matters is scheduled for September 26th.

3. **Task Force Formation**
   With the help of Library Director Bill Baars, staff is forming a task force to advise staff on North Anchor Project development, including concept plan refinement and project financing. The work of the task force will likely begin in October when site assembly has progressed.

   The task force will include at-large citizen members; members with expertise in library facility planning, real estate, design and finance; and members who will represent the Library Advisory Board, Friends of the Library, First Addition Neighborhood, Evergreen Neighborhood, downtown business, the Chamber
of Commerce, Lake Oswego School District, Lake Oswego Heritage Council, and arts community. Other interested citizens will be welcome to attend task force meetings.

**NEXT STEPS**

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<thead>
<tr>
<th>Task</th>
<th>Timeframe</th>
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<tbody>
<tr>
<td>Site assembly</td>
<td>September 2011 – February 2012</td>
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<tr>
<td>Concept plan refinement and development of financing plan with Task Force input</td>
<td>October 2011 – April 2012</td>
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<td>LORA Board approval of concept and financing plans</td>
<td>May 2012</td>
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<td>Library bond campaign, if a library bond is part of the financing plan</td>
<td>Approximately 6 months leading up to election</td>
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<td>Developer selection and design development</td>
<td>14-18 months</td>
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<td>Construction</td>
<td>16-18 months</td>
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Reviewed by:

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Department Director

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Alex D. McIntyre
Executive Director