



STAFF MEMO

TO: CCRA Board of Directors

DATE: September 8, 2023

FROM: Amy Zoltie, Real Estate Project Manager, Economic Prosperity and Housing

SUBJECT: Waterfront Gateway Disposition and Development Agreement

Project History

The Waterfront Gateway site is a 6.4-acre site owned by the City of Vancouver located at the vacant lot south of City Hall and the City Hall parking lot.

In November 2019, the CCRA entered into a Memorandum of Understanding (MOU) with the City of Vancouver authorizing the CCRA to lead the development of the Waterfront Gateway site. At City Council's request, the MOU contains references to workforce development strategies and housing options available to people with a variety of incomes (affordable/income-based, workforce and market rate) as core values to the project.

The project started with community visioning workshops to review, comment, and build upon concepts the project team pulled from successful downtowns and districts around the country. Opportunities were offered online through the project's BeHeard page as well as in person workshops. The community input was consolidated into a list of goals and design considerations that were articulated in the Master Developer Request for Qualifications (RFQ). Key elements of the vision were a mixed-use development with mixed income housing, retail and office; active ground floor uses and outdoor public spaces and amenities to encourage year round activity; a publicly accessible visitor attraction; reinforce pedestrian and bicycle connections to and from the site; and to create a unique district that becomes a destination unto itself. The feedback received from the visioning workshops helped frame the RFQ.

The project was then paused over 2020 and the first quarter of 2021 due to the COVID-19 pandemic. After careful consideration from City staff and the CCRA on timing of RFQ release considering market conditions and the COVID-19 pandemic, the RFQ was issued in March 2021. The RFQ was not to select a site plan proposal but rather a qualified developer to bring skill, knowledge and experience of creating vibrant urban areas and to collaborate with CCRA and the community to refine the site plan.

In November 2021, LPC West, the west coast arm of national real estate firm Lincoln Property Company, was selected as the partner and master developer for planning and developing the Waterfront Gateway site. Thereafter, the CCRA entered into an Exclusive Negotiation

Agreement (ENA) with LPC West that set forth that the parties will collaborate on a master plan for the site and negotiate the terms of a Disposition and Development Agreement (DDA) for the site's development. The ENA was extended several times for multiple reasons including (1) the uncertainties of the global economy and challenged capital markets at the time (2) site plan changes (explained below) and (3) to provide more time for the parties to negotiate the DDA given the two other reasons mentioned.

Following community feedback and LPC West's re-assessment of the site plan, changes were made to the layout of the site which was discussed at the January 2023 CCRA Board meeting. The revised site plan is included in the schematic design drawings attached as an exhibit to the DDA. Based on the site plan revisions, LPC West prepared 100% schematic design plan set which was reviewed by CCRA during the March 2023 board meeting along with the design guidelines prepared by City staff, both of which are attached as exhibits to the DDA.

Disposition and Development Agreement Terms

The proposed development is described as follows:

- 95 unit affordable housing building with 100% of units at or below 60% Area Median Income
- 2 market rate residential buildings with approximately 340 units total
- Approximately 35,000 square feet of ground floor retail
- Approximately 100,000 square feet 8-story cross laminate timber office building
- 510 parking spaces across a 6-story parking garage for private and public parking and underground parking below the market rate apartment building known as Building 1
- Approximately 2 acres of open space

Substantive terms of the DDA are as follows;

- Disposition. The parcels will be ground leased except the affordable housing parcel which will be sold. The ground lease and purchase and sale agreement will be finalized within 90 days of the DDA Effective Date.
- Phasing. The site will be constructed in two phases with all of the buildings except the office building closing and constructed simultaneously (Phase 1). LPC has the option to develop the office parcel on a different timeframe from the rest of the development (Phase 2), which is discussed below.
- Closing. Closing date of Phase 1 must occur no later than 33 months from the DDA Effective Date with 3 months to start construction. Closing date of Phase 2 must occur no later than 36 months after the DDA Effective date, subject to LPC West exercising the office option.
- Office Option. Given the current office financing market conditions, LPC West has a 33 month option from the DDA Effective Date to decide whether to develop an office building or not. The City instructed an independent economic analysis of the office financing market that verified the economic uncertainty of the office financing market that justified this option right. In the event LPC West cannot secure debt and equity financing for the office within the 33 month period, and in this event only, both parties can discuss the option of extending the option period. LPC West has full intention of developing the office building when the office capital markets stabilize.

- Affordable housing Conveyance. The affordable housing parcel is being sold to LPC West for \$1 with a long-term affordability covenant of 50 years recorded against the property. In the event LPC sells the property for profit or fails to commence construction within 90 days of closing, the City has the right to take back the property and the Initial Deposit of \$100,000 will be released to the City and nonrefundable. In this event, LPC West will provide to the City all plans, specifications and documentation related to the affordable housing project.
- Public benefits of the project include
 - Affordable housing with 100% of the units at or below 60% AMI
 - Contracting opportunities for black, indigenous and people of color and women owned subcontractors. Colas Construction, an 100% black owned general contractor is the selected contractor for the project. Targets have been set that a minimum of 20% of subcontractor contracts are awarded to black, minority, women-owned or emerging small businesses and a minimum of 20% of apprentices are hired.
 - 2 acres of open space including public plazas for year-round events. The design of the Block Y plaza and the plaza adjacent to City Hall will be subject to the City’s public design process that involves community input and the review and approval of the Parks and Recreation Advisory Commission. An operations and maintenance agreement will be entered into at a later date that will govern the open space.
 - Green building elements that are equivalent to LEED Gold certification and meet the City’s Interim Green Building Policy.
 - Opportunities for small businesses in Makers Alley. Makers Alley is located on the eastern edge of Building 1, approximately 6,700 square feet. Local, small businesses have a right of first refusal to lease the space and rigorous outreach and marketing plan for local, small businesses will be conducted. The space will be flexibly designed with shared facilities to be more accessible for local, small businesses.
- City Hall Plaza Public Procurement. The construction of the public plaza on City Hall property that is not ground leased to LPC West will be subject to a competitive public bidding process and payment of prevailing wage that the City will lead and manage.
- MFTE. LPC West applied for the market rate 8 year property tax exemption under the previous Multi-Family Tax Exemption Program (MFTE) contributing public benefits that exceed the required \$1,179,250 in the form of enhanced improvements to the public plaza on Block Y. Approval of LPC West’s MFTE application is included in the DDA. Therefore, there will not be a separate approval for the MFTE application.
- CC&Rs. Covenants, conditions, and restrictions will be recorded against the property prior to closing. The CCR&Rs are anticipated to include reciprocal easements across the site, public access easements to privately owned amenities, restricted uses and maintenance provisions.
- Soil Remediation Plan. Both parties acknowledge that as indicated in environmental reports prepared by the City’s and LPC West’s independent environmental consultants, there is mild contamination across the site that requires export. The City has agreed to share 90% of the incremental costs associated with the removal of the contaminated soils but capped at \$2.4M. The City will prepare a contaminated media management plan (Remediation Plan) to document how the soil is to be disposed of. LPC must comply with the Remediation Plan during the construction.

Ground Lease Terms

Substantive elements which will be in a forthcoming ground lease agreement (to be approved separately by City Council) are as follows;

- 50 year term with two 15 year extensions with the buildings and improvements reverting to the City at the end of the lease term.
- Rent is calculated by multiplying the appraised value of the property (using the value set forth in the February 28, 2023 appraisal prepared for the City by Colliers International) by the square footage of each parcel and then multiplying the allocated value of each parcel by 6% cap rate.
- Rent is adjusted annually using Consumer Price Index (CPI) for the Seattle-Tacoma-Bellevue MSA and the CPI is capped at 5.5% with a floor of 2.5%. The rent will reset every 20 years by virtue of an appraisal but shall not exceed 10% of the rent from the preceding year. The rent will be adjusted at the closing dates.
- Rent will be abated during first 2 years of the lease term during construction and is discounted during the first 7 years of the lease term.

Separate approvals that will be needed for the project to move forward include:

- City Council's approval of the ground lease and purchase and sale agreement
- City's regulatory approval of land use/design review, engineering and building permits. CCRA will be given an opportunity to review plan sets prior to regulatory approvals.
- Approval of a code amendment to VMC 20.630.050 for the height limits on Block Y

Community Engagement

Along with the community visioning process conducted in July and September 2019, the City project teams also obtained public input for the project through a multi-prong community and stakeholder outreach and engagement process (July – October 2022 and again in January - February 2023). This work included an interactive open house in September, pop-ups at the Farmers Market, meetings with stakeholders, including the Technical Advisory Committee and online surveys through the City's BeHeard page. LPC West considered and implemented the comments as it refined the design and as mentioned above was what contributed to the site plan changes. The community will be re-engaged again to assist with the design of the public plazas.

Attached to this memo is the DDA in its final form. Typographical edits and other non-substantive changes may be made to this version between now and when the document is brought to City Council.

ENA Extension

The ENA period expires on September 30, 2023. To allow time for City Council to vote on the DDA staff request CCRA to approve an extension to the ENA to October 30, 2023.

Next steps:

- City Council public hearing on October 9th to vote on DDA
- Ground lease and purchase and sale agreement approval early 2024
- LPC West advance planning and design of the project

Actions Requested:

1. Recommend to City Council that CCRA Board approve the proposed DDA in its substantive form.
2. Extend ENA period to October 31, 2023

Attachments:

1. Land Disposition and Development Agreement by and between the City of Vancouver and LPC West
2. Fifth Amendment to Exclusive Negotiation Agreement