



MEMORANDUM

DATE: March 21, 2024

TO: City Center Redevelopment Authority Board of Directors

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

RE: Waterfront Gateway Form of Ground Lease & Project Update

CC: Patrick Quinton, Executive Director, CCRA

The purpose of this memorandum is to provide an update on the Waterfront Gateway development and outline the key terms of the proposed form of ground lease that will be presented to you for your review and approval at the City Center Redevelopment Authority (CCRA) Board meeting on March 21, 2024.

Ground Lease

As stated in the Land Disposition and Development Agreement between the City of Vancouver and LPC West dated October 9, 2023 (DDA), each building will sit on its own parcel and all parcels except for the affordable housing parcel will be ground leased. The affordable housing parcel will be conveyed to Lincoln (formerly LPC West) for \$1. The purchase and sale agreement will be brought to the CCRA and City Council for approval separately in Q4 2024. The parties have agreed to a form of ground lease which will be personalized for each transaction based on parcel size, the building use type and development requirements associated with each parcel.

The substantive terms of the ground lease outlined in the DDA have not changed. The key terms 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 be adjusted at the closing dates.
- The rent will reset every 20 years by virtue of an appraisal and multiplying the allocated value of each parcel by 6% cap rate but shall not exceed 10% of the rent from the preceding year.
- Rent will be abated during first 2 years of the lease term during construction and is discounted during years 3-7.
- Lincoln cannot assign the ground lease without the City's consent and without meeting certain conditions of approval (see Section 20.2). However, prior to the issuance of a certificate of occupancy, Lincoln is entitled to assign the lease without the City's consent to (i) an affiliate or (ii) a lender or creditor for security or collateral purposes. Following the issuance of a certificate of occupancy, Lincoln can assign without the City's approval to an affiliate, in connection with a public offering, a merger or a sale to a transferee approved by the City.
- Subleasing space within the buildings is permitted without the City's prior consent.
- Lincoln has a right of first refusal to purchase the property from the City if it chooses to sell to a nonpublic third party. However, this right does not apply to a transfer to a governmental or quasi-governmental entity or a nonprofit entity with substantial real estate operational or ownership experience.
- The public benefits and development and construction requirements in the DDA are carried forward in the ground lease.

The City's environmental consultant prepared a Contaminated Media Management Plan, known in the DDA as the Soil Remediation Plan (the CMMP), which provides recommendations for handling and disposing the mild contamination across the site during construction. The CMMP is under final review and is not included in the attached ground lease. A finalized copy will be inserted in the executed ground leases and can be circulated to the Board but does not require the CCRA's or City Council's approval.

Public Plaza Update

The City and Lincoln hosted an open house and online survey on February 1, 2024, to gather feedback on the conceptual plaza design and what activities and features the community would like to see in the space. 359 online survey responses were received echoing similar comments around creating a flexible space to gather and host pop-up markets, live music, festivals, and events; feature unique art by local artists reflective of Vancouver's history and an accessible space that's easy to navigate multi-modally. The design team is exploring ways to incorporate this feedback into the next design iteration and will present a refined design to the CCRA Board late spring.

Affordable Housing Building Update

In partnership with Lincoln, Colas Development Group, the development arm of Colas Construction, is leading the development of the affordable housing building along with the Native American Youth and Family Center (NAYA). NAYA will provide a resident services program, offering services that cater to the specific needs of the residents and the Native American community.

Additionally, the project has secured funding amounting to almost \$7,500,000 from several sources including the Washington State Housing Trust Fund and Connecting Housing to Infrastructure Program (CHIP). The project team recently applied to the Washington State 4% Low Income Housing Tax Credit (LITHC) program for additional capital. Provided the LITHC funding is awarded, and design and permitting progress on schedule, construction is targeted to commence in Q1 2025.

Next steps

- The ground lease is on City Council's consent agenda on April 8th.
- Purchase and sale agreement approval and conveyance of affordable housing parcel in Q4 2024.
- Lincoln and the City continue to advance the design of the public plaza. A design update will be presented to CCRA late spring.
- Lincoln will continue to advance project planning and design. Refined building designs will be shared in Q3 2024, and estimate construction commencing in Q3 2025.

Requested Action

Recommend that City Council approve the proposed form of ground lease in its substantive form.

Attachments

Form of Ground Lease