



Staff Report 113-18

TO: Mayor and City Council

FROM: Eric Holmes, City Manager

DATE: 7/16/2018

SUBJECT Third Amendment to the Development Agreement with Columbia Waterfront, LLC

Key Points

- Unanticipated issues and prior construction delays are prompting City and Columbia Waterfront, LLC to propose several amendments to the Development Agreement;
- The minimum required density for the project would be reduced by approximately 24% due to a revised determination by the Federal Aviation Administration regarding allowable building heights;
- In addition to three previously approved surface parking lots, Blocks 7 and 10 would be allowed to be developed as interim surface parking to serve the project for up to 12 years, at which time structured parking must be provided;
- Developer agrees to pay for and install three free-standing public restroom units, in locations approved by Developer and City, and the location of a fourth future restroom unit would be selected, in lieu of public restrooms being located in one or more of the private buildings;
- Developer would make annual payments to the City for 12 years for the access project, in lieu of a final lump sum payment of \$4.75 million this fall;
- Developer agrees to pay the City \$3 million toward the waterfront park improvements in three \$1 million installments by 12/21/19, according to a payment schedule outlined by the City;
- A small City-owned tract of land north of Port of Vancouver's Terminal One project would be conveyed to the Developer sooner than originally anticipated, in order to facilitate a subsequent transfer to the Port of Vancouver for development.

Strategic Plan Alignment

Goal 7: Build on our status as the largest city on the Columbia River by strengthening connections to the river and the waterfront.

Goal 7, Objective 7.1: Support redevelopment of the Columbia River waterfront.

Present Situation

The City of Vancouver and Columbia Waterfront, LLC (CWLLC) entered into a Downtown Waterfront Development Agreement dated October 19, 2009, addressing a number of development issues relating to the development of a project known as the Waterfront and to be located on the shoreline of the Columbia River in downtown Vancouver, Washington.

Two separate amendments to the Development Agreement were approved by the City Council, on June 6, 2011 and on August 3, 2015.

Currently the first phase of private construction is underway, including restaurants on Blocks 9 and 11, an office tower and apartment tower on Block 6, and an apartment building on Block 8. A seven acre city park with a cable-stay pier structure over the Columbia River is under construction and should be complete later this summer. Additional blocks are in the conceptual design or permitting phases, and several blocks of surface parking have been completed.

The current set of proposed amendments is intended to address changes to the project that were not anticipated at the time of the initial development agreement or amendments, including:

1. A reduction in the minimum density of the project due to a recent revision to the allowable building heights by the Federal Aviation Administration;
2. Allow for two additional blocks to be developed for interim surface parking spaces, for a total of four surface parking lots, until such time as a permanent parking structure can be built, up to a maximum of 12 years;
3. Replace one or more public restroom facilities that were originally intended to be located in one or more of the private buildings near the park with four individual "Portland-Loo-style" restroom units, three of which will be paid for by CWLLC, and establish the locations and timing of their installation;
4. Spread out developer payments to the City for the access project instead of the currently-required final lump sum payment of \$4.75 million;
5. Formalize prior commitments that CWLLC will pay the City \$3 million toward the completion of the public park, according to an agreed upon schedule;
6. Inclusion of a reference to several changes to the adopted Waterfront Master Plan that were approved by the City on September 27, 2016;
7. Formalize a commitment by both parties to work together to survey property lines and easements in areas where City and CWLLC properties abut, in order to determine any encroachments or conflicts, and agreement to work cooperatively in resolving any such encroachments or conflicts; and
8. Allow for a small tract of city-owned land to be transferred to CWLLC upon completion and acceptance of all Phase 1 road and infrastructure improvements, instead of waiting until the road and infrastructure improvements are completed for the entire project as is stated in the current agreement.

Regarding the change in project density, the Federal Aviation Administration issued a new determination that the heights of the buildings in the Project must be lower than was originally approved, which reduces the potential development of the size of buildings and therefore requires reduction in the average floor area ratios (FAR) of the buildings and the minimum number of residential units. City staff met with the FAA and agree that the revised determination, which is final, does reduce the maximum allowable height of most buildings and therefore minimum required floor area ratios should be decreased proportionately.

More specifically, the existing reference to a required minimum overall FAR of 4.5:1 would be substituted with an FAR of 3.4:1, and would reference a new exhibit to the agreement that lists each block and its associated minimum FAR. The overall minimum density of the project would be decreased by approximately 24 percent. CWLLC indicates that the development will still be able to accommodate up to 2.3 million square feet of buildings, with 2,300 residential units.

Regarding parking lots, the approved master plan contemplates that all off-street parking will be provided in parking structures at full build-out. Until later phases can be built, there is not sufficient density to financially support stand-alone parking structures, so CWLLC has proposed interim surface parking lots, which will be phased out as parking structures are built later.

The change to the number of blocks that may be used for interim surface parking is necessary in order to serve the initial development projects as well as the public who will access the park, until such time as structure parking can be constructed. Previously, City and CWLLC agreed that Blocks 5, 11, and 15 could be developed for surface parking, which would be phased out when structured parking is constructed. CWLLC wishes to increase (by one net block) the number of blocks that are allowed to be developed for surface parking on an interim basis, to include Blocks 5, 7, 10, and 11. Block 15, previously allowed to be developed for surface parking, would be developed instead for the internal park.

Regarding public restrooms, the proposed revisions would amend Section 9.6 of the Agreement regarding responsibilities of both CWLLC and City in regard to the provision of public restrooms. The current agreement would require the public restrooms to be located within one or more of the private buildings, with the Developer to construct the shell space and provide utilities, with the City to fund and complete the interior improvements. As plans have evolved, and as both parties are continuing to discuss the final location of the restrooms, City staff and CWLLC are in agreement that public restrooms could be provided in three or four stand-alone restroom units (in the "Portland Loo" style), which are easier to monitor for safety as well as to maintain.

Regarding the timing of the developer's contribution to the access project, CWLLC requests an amendment to Section 8 of the Second Amendment in order to extend deadline for the Developer's Contribution to the Access Project (to be made in annual installments) by one year as well as to spread out the final lump sum payment over 12 years. Per the current agreement, CWLLC has been making a \$350,000 payment to the City every year, but has a \$4.75 million balance remaining which, per the agreement, is to be paid as a final lump sum. Per the proposed agreement, a new series of annual payments of \$392,307.70 would begin September 1, 2018, and would continue for the next 11 years. This revision would free up funds that could be put to use for more infrastructure and vertical construction to keep the momentum going, and would not have any adverse impact on the City's ability to make payments on any outstanding federal loans for the access project.

Regarding the Developer's contribution to the Waterfront Park, a Memorandum of Understanding between the City and CWLLC dated August 13, 2013 states that the Developer will contribute \$2,000,000 to the City for improvements to the Waterfront Park in exchange for the City constructing the Columbia Way improvements, which would be formalized in the proposed amendment. In addition, the Developer would agree to a \$1,000,000 contribution in exchange for the City constructing the core park improvements. Proposed changes to Section 9 of the Second Amendment are intended to clarify what is included in scope of work that triggers the payments, and extends the timeline for making the phased payments, due to weather-related delays in the

park construction. The final payment by CWLLC toward the park will be made by December 31, 2019.

The City Center Redevelopment Authority held a public meeting to consider the requested revisions to the development agreement at their June 15, 2017 meeting, and unanimously recommended that Council approve the amendment.

Advantage(s)

1. The amendment will acknowledge the revised density goals for the overall project in response to corresponding reductions in allowable building heights imposed by the FAA for much of the project;
2. Allowing the Developer to pay their remaining share of access infrastructure costs through annual installments instead of a final lump sum payment provides needed flexibility to invest in more vertical development in the near term;
3. The amendment will formalize commitments made by the Developer to pay \$3 million toward the City park improvements, in three installments;
4. The amendment will provide specifications for the design, location, and responsibility for funding and installation of three individual restroom units, and the location and design of a fourth future restroom unit.

Disadvantage(s)

1. Allowing two additional blocks to be used for interim surface parking lots results in an inefficient use of land and may delay vertical construction on these blocks; however, more density is needed in order for structured parking to be financially feasible, and ensuring sufficient parking for the first phase of construction is considered essential to the long-term success of the area;
2. The change from a public restroom(s) that is built into one or more buildings to three or four separate restroom units will result in fewer toilets, however the units will be more convenient to the public and easier to maintain and monitor than a more traditional enclosed building.

Budget Impact

None. Allowing the Developer to pay the remaining share of access infrastructure costs through annual installments will not affect the ability of the City to meet its obligations on remaining construction loans. The Developer's contribution to the park improvements has already been accounted for in the budget.

Prior Council Review

Council Workshop held June 11, 2018

Action Requested

On July 16, 2018, following a public hearing, adopt a resolution approving the amendments to the development agreement.

Chad Eiken, Community & Economic Development Director, 487-7882; Julie Hannon, Parks & Recreation Director, 487-8309; Bronson Potter, City Attorney, 487-8500

ATTACHMENTS:

- ▣ Resolution
- ▣ Development Agreement Amendment No. 3
- ▣ CCRA Minutes

7/16/18

RESOLUTION NO. _____

A RESOLUTION of the City Council of the City of Vancouver approving a Third Amendment to the Development Agreement with Columbia Waterfront, LLC for development of the Vancouver Columbia River Waterfront.

WHEREAS, the City of Vancouver and Columbia Waterfront, LLC (CWLLC) entered into a Downtown Waterfront Development Agreement on October 19, 2009, relating to the development of a project known as the Waterfront located on the shoreline of the Columbia River in downtown Vancouver, Washington; and

WHEREAS, such Development Agreement was authorized under RCW 36.70B.170 and VMC 20.250.010; and

WHEREAS, the Development Agreement has been amended twice in 2011 and 2015; and

WHEREAS, the first phase of private construction is underway, including restaurants on Blocks 9 and 11, an office tower and apartment tower on Block 6, an apartment building on Block 8, and a seven acre city park with a cable-stay pier structure over the Columbia; and

WHEREAS, additional blocks are in the conceptual design or permitting phases, and several blocks of surface parking have been completed; and

WHEREAS, the activities of CWLLC have demonstrated a significant commitment to proceeding with development of the Waterfront in an expeditious manner; and

WHEREAS, certain changed circumstances since the execution of the Development Agreement and amendments require revisions to the Agreement; and

RESOLUTION - 1

WHEREAS, those required revisions include: (1) a reduction in minimum density of the project due to a recent Federal Aviation Administration regulatory changes related to maximum building heights, (2) replacement of restroom requirements at the park, (3) spreading out developer payments provided for in the Development Agreement, (4) formalize prior commitments of CWLLC to pay the City \$3.0 million for the completion of a public park, (5) adding references to changes to the Waterfront Master Plan, (6) formalize a commitment to survey property lines, and (7) provide for the transfer of a small tract of city-owned land upon completion Phase I road and infrastructure improvements; and

WHEREAS, Council concludes that the public interest would be served by approval of such Third Amendment.

NOW, THEREFORE,

BE IT RESOLVED BY THE TRANSPORTATION BENEFIT DISTRICT OF THE
CITY OF VANCOUVER:

Section 1. The City Council of the City of Vancouver approves the Third Amendment to the Development Agreement as presented to the Council in the record herein.

Section 2. The City Council authorizes the City Manager to execute such Third Amendment.

DATED this _____ day of _____, 2018.

Anne McEnerney-Ogle, Mayor

Attest:

Natasha Ramras, City Clerk
By: Carrie Lewellen, Deputy City Clerk

Approved as to form:

E. Bronson Potter, City Attorney

RESOLUTION - 3

THIRD AMENDMENT TO DOWNTOWN WATERFRONT DEVELOPMENT AGREEMENT

THIS THIRD AMENDMENT TO DOWNTOWN WATERFRONT DEVELOPMENT AGREEMENT (“**Third Amendment**”) is made and entered into effective July_____, 2018 (“**Effective Date**”), by and between the CITY OF VANCOUVER, a Washington municipal corporation (the “**City**”), and COLUMBIA WATERFRONT LLC, a Washington limited liability company (the “**Developer**”).

RECITALS

A. City and Developer entered into a Downtown Waterfront Development Agreement (“**Agreement**”) dated October 19, 2009, addressing a number of development issues relating to the development of a project known as the Waterfront and to be located on the shoreline of the Columbia River in downtown Vancouver, Washington.

B. On June 6, 2011, City and Developer entered into a First Amendment to the Downtown Waterfront Development Agreement (“**First Amendment**”) making certain changes to the Agreement.

C. On August 3, 2015, City and Developer entered into a Second Amendment to the Downtown Waterfront Development Agreement (“**Second Amendment**”) making certain changes to the Agreement. For the purpose of this Third Amendment, all references to “**Agreement**” shall mean the original Agreement as modified by the First and Second Amendments. Terms using initial capital letters herein that are not otherwise defined shall have the meanings given to them in the Agreement.

D. The Federal Aviation Administration issued its determination that at this time that the heights of the buildings in the Project must be limited which, if unchanged in the future, reduces the potential development of the size of buildings and therefore requires reduction in the average floor area ratios of the buildings and the minimum number of residential units.

E. City and Developer now desire to make further changes and modifications to the Agreement as detailed below. To the extent of an express conflict between the terms and provisions of this Third Amendment and the terms and provisions of the Agreement, the terms and provisions of this Third Amendment shall prevail.

AGREEMENT

NOW, THEREFORE, based upon the foregoing Recitals and the mutual covenants hereinafter set forth, City and Developer agree that the Second Amendment is amended as follows:

1. FAR. Section 4.2.1 of the Agreement is hereby amended by deleting all references to an average FAR of 4.5:1 for the entire Project site and substituting in their places references to an average FAR of 3.4:1 and a replacement Exhibit B2 is attached hereto setting forth the updated FAR Matrix.

Section 4.2.3 of the Agreement is amended to provide that the minimum number of residential units shall be no less than 2,000.

2. Surface Parking. Item 4) of Exhibit I of the Agreement addresses surface parking. On September 27, 2016, the Vancouver Planning Commission approved a request by the Developer to reduce the amount of required underground parking and allow two blocks of temporary surface parking on Blocks 11 and 15 to accommodate parking for the development occurring on Blocks 9 and 12. The Developer no longer wishes to use Block 15 for temporary surface parking. The City hereby approves the use of Blocks 5, 7, 10 and 11 for temporary surface parking as provided by VMC 20.630.080(D)(5). No other Block shall be used for surface parking without the City's approval. The surface parking is needed because the Project is a regional hub with parking needs for the park, the restaurants and the public. The interior landscaping requirements of VMC 20.945.040 are waived for the temporary surface parking; however, all other applicable requirements of VMC 20.945.040 shall apply. The temporary surface parking shall be made available to all members of the public on an equal basis including users of the park except for Block 5 which is subject to reserved parking rights for office tenants between 7:00 a.m. and 5:00 p.m. Monday through Friday for 120 spaces and shall be open to the public at all other times.

The temporary surface parking is authorized to be utilized for a period of six (6) years from the Effective Date of this Third Amendment. The Director of Community and Economic Development shall authorize temporary surface parking for an additional six (6) years if structured parking in the Waterfront is not economically feasible at the end of the first six (6) years based on then current commercial market conditions. If the temporary surface parking continues for more than six (6) years from the Effective Date of this Third Amendment, then the interior landscaping requirements of VMC 20.945.040 shall apply to such surface parking thereafter and Developer or the then current owners of the temporary surface parking Blocks shall have six (6) months thereafter to bring those Blocks into compliance with the interior landscaping requirements of VMC 20.945.040. The temporary surface parking is in all events only authorized to be utilized as temporary surface parking for a period of twelve (12) years from the Effective Date of this Third Amendment (with the second six (6) being subject to approval as detailed above).

A mixed-use project was approved for Block 8 (LUP-62534) on July 14, 2017. The approval required parking spaces to be provided for in the temporary surface parking. Developer provided 10 spaces pursuant to a Parking License Agreement dated September 18, 2017, Recorded October 2, 2017, Recording No. 5448275, AGR Records of Clark County, Washington.

3. Section 3 of the Second Amendment is amended to read as follows:

3. Restrooms, Electrical Building and Exhibit Q. The Second Amendment to the Agreement gave the Developer the option of building shell space for restrooms in one of its buildings or providing stand-alone restrooms. The Developer has chosen to provide stand-alone restrooms. The Developer shall provide and install three "Portland Loo" restrooms at its sole expense. Two of these restrooms shall be installed approximate to the water feature on the location noted as "Site A" on the attached Replacement Exhibit Q. These two restrooms on Site A shall be installed and operational by July 31, 2018. For

these two restrooms, the City shall be responsible for construction of the concrete pads, rough sewer, water and electrical service to the restroom site and the installation of an adjacent seat wall. The Developer shall be responsible for all other costs associated with the purchase, installation and operability of the restrooms.

If the City determines, in its sole discretion, that there is sufficient demand for a third restroom, then a third restroom shall be installed by the Developer within six (6) months of receiving notice from the City for the installation of the third restroom. The third restroom shall be installed at the location noted as “Site B” on the attached Replacement Exhibit Q. With respect to this third restroom, the City shall be responsible for construction of the concrete pad, rough sewer, water and electrical service to the restroom site. The Developer shall provide a utility easement for the benefit of this restroom between Blocks 18 and 20 connecting to Columbia Way as shown on the attached Replacement Exhibit Q and shall be responsible for all other costs associated with the purchase, installation and initial operability of the restroom.

The City shall have the right to install, at its sole expense, a fourth restroom on the location noted as “Site A” on the attached replacement Exhibit Q (for a total of three restrooms at “Site A”). The Developer shall not have any financial obligation for the acquisition or installation of this restroom, its sole obligation being to make the location available for the installation and maintenance of the restroom.

The City shall be responsible for all of the cost of the installation an electrical building that will house all the panels needed for the park, water feature and pier which will be located near the loos at Site A. If Developer elects to make design or aesthetic improvements to the Electrical Building, the Developer shall only pay the added costs to make those design or aesthetic improvements.

All the terms and conditions of Section 9.6 of the Agreement not expressly modified by this Section shall remain in full force and effect.

4. Section 8 of the Second Amendment is amended to read as follows:

8. Developer Contribution. Under Section 7.3.1 of the Agreement, as modified by Section 7.3.1.2 of the First Amendment and Section 8 of the Second Amendment, Developer is required to make a contribution (“**Contribution**”) to the cost of the Access Project and other transportation mitigation measures. City and Developer agree that in lieu of paying as provided in the Agreement, Developer will make these payments as follows:

a. The current balance of the Contribution is Four Million Seven Hundred Fifty Thousand and No/100 Dollars (\$4,750,000.00) after the payment of Three Hundred Fifty Thousand and No/100 Dollars (**\$350,000.00**) made on June 30, 2017.

b. The Contribution shall not bear interest.

c. For the purpose of this Section, “**Commencement of Construction**” has occurred prior to the execution of this Third Amendment.

d. The **\$4,750,000** unpaid balance of the Contribution shall be amortized and paid in equal annual installments of Three Hundred Ninety-Five Thousand Eight Hundred Thirty-Three and 33/100 Dollars (**\$395,833.33**), with the first payment due September 1, 2018, and a like payment due on or before the same day of each of the following eleven (11) calendar years.

e. If the payments have not been made when due then the then-unpaid balance of the Contribution shall be due and payable in full at that time.

5. Section 9 of the Second Amendment is amended to read as follows:

9. Developer’s Contribution to Park. Under Section 9.3 of the Agreement and the August 23, 2013, Memorandum of Understanding (“**MOU**”) between Developer and the City, Developer agreed to dedicate land for the park and make the Core Park Improvements. In addition, in consideration of the City’s construction of Columbia Way, which was the responsibility of Developer, Developer agreed to contribute **\$2,000,000** towards the cost of the improvements to the park.

a. For the purpose of this Section, “**Phase I Work**” means the Phase Work I as set forth in Exhibit R of the Second Amendment with the date changes set forth below. “**Phase II Work**” means the Phase Work II work as set forth in Exhibit R of the Second Amendment with the date changes set forth below. For the purpose of this Section 9, the Phase I Work and the Phase II Work does not include the Columbia River water feature (although such water feature shall eventually be installed) or any planned, designed public art or future art installation or the fishing dock. A map of Phase I Work and Phase II Work is attached as Exhibit R to the Second Amendment.

b. City and Developer now agree that in lieu of Developer making the Core Park Improvements, Developer will make a cash contribution to the park construction in the sum of **\$1,000,000** upon execution of this Third Amendment and City will assume the responsibility for designing and constructing the Core Park Improvements. The date of that first **\$1,000,000** payment is hereinafter referred to as the “**Initial Payment Date**.”

c. City and Developer now agree that Developer will make a second payment of **\$1,000,000** to City on December 31, 2018. City and Developer now agree that Developer will make a third and final payment of **\$1,000,000** to City on December 31, 2019. City and Developer now agree that City shall substantially complete the Phase I Work by August 15, 2018 and Phase II Work by October 31, 2018.

6. Master Plan. The City approved the changes to the Master Plan on September 27, 2016 under City File Number PRJ2008-02040/LUP- 52910 (“**Master Plan Amendments**”) and to the extent of a conflict between the City approved Master Plan Amendments and the Agreement, as amended by this Third Amendment, the Agreement, as amended by this Third Amendment shall

control. In general, the Master Plan Amendments adopted design guidelines, revised the locations and amount of Open Spaces and reduced the amount of total parking shown for the maximum buildout plan of FAR 6.2:1, to delete the number of parking spaces shown under the park and under the streets.

7. Future Survey. Developer and City agree to prepare surveys, or collaborate on a single survey, within one year of the physical completion of the Phase I and II Park Work improvements for the purpose of identifying any public or private improvements that encroach into each other's property and to prepare deeds or easements to resolve such encroachments.

8. Developer Exchange Land. Section 3.2.2 of the Agreement provides for City to convey to Developer the Developer Exchange Land "within sixty (60) days after all rights-of-way within the Developer Exchange Land have been improved with public street improvements which have been completed and accepted by the City." Developer Exchange Land is described in Exhibit H of the Agreement. A replacement Exhibit H is attached to this Third Amendment removing certain public street improvements that must first be improved by Developer as a condition precedent to City's conveyance to Developer of the Developer Exchange Land.

9. Remaining Terms. All of the remaining terms and conditions of the Agreement not expressly amended by the terms of this Third Amendment shall remain in full force and effect.

IN WITNESS WHEREOF, City and Developer executed this Third Amendment with the intent that it be effective as of the Effective Date.

CITY:

CITY OF VANCOUVER, a Washington
municipal corporation

By: _____
Eric Holmes, City Manager

Approved as to form:

By: _____
E. Bronson Potter, City Attorney

Attest:

By: _____
[], City Clerk

DEVELOPER:

COLUMBIA WATERFRONT LLC, a
Washington limited liability company

By: Gramor Columbia Waterfront LLC, a
Washington limited liability company,
its Manager

By: Gramor Investments, Inc., an
Oregon corporation, its Manager

By: _____
Barry A. Cain, President

Exhibit B2

Development Agreement Revised Minimum FAR by Block

March 13, 2017

Block	Revised Reduced Min FAR	Block Size SF	Revised Min Building Area SF
1	3.49	35,770	124,837
2	3.22	35,752	115,251
3	3.20	36,877	118,102
4	3.00	32,229	96,695
5	2.93	45,202	132,451
6	2.82	34,205	96,446
7	2.71	44,315	120,221
8	2.69	48,670	130,726
9	1.14	13,540	15,436
10	4.22	32,288	136,148
11	4.07	54,152	220,566
12	1.62	22,582	36,583
13	3.80	29,183	110,749
14	3.59	28,833	103,368
15	0.00	25,284	0
16	3.27	32,193	105,271
17	3.51	38,722	136,071
18	3.70	56,784	209,955
19	3.60	38,700	139,471
20	3.69	46,187	170,421
21	3.69	36,372	134,087
a	3.19	767,840	2,452,857
b	3.40	706,434	2,400,838

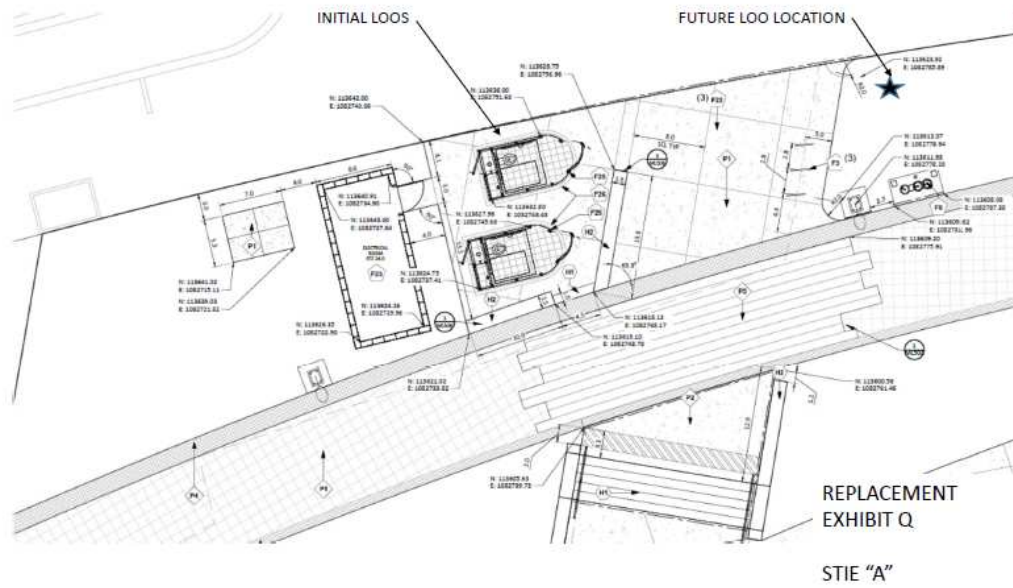
Notes:

a. Totals and FAR with all blocks included

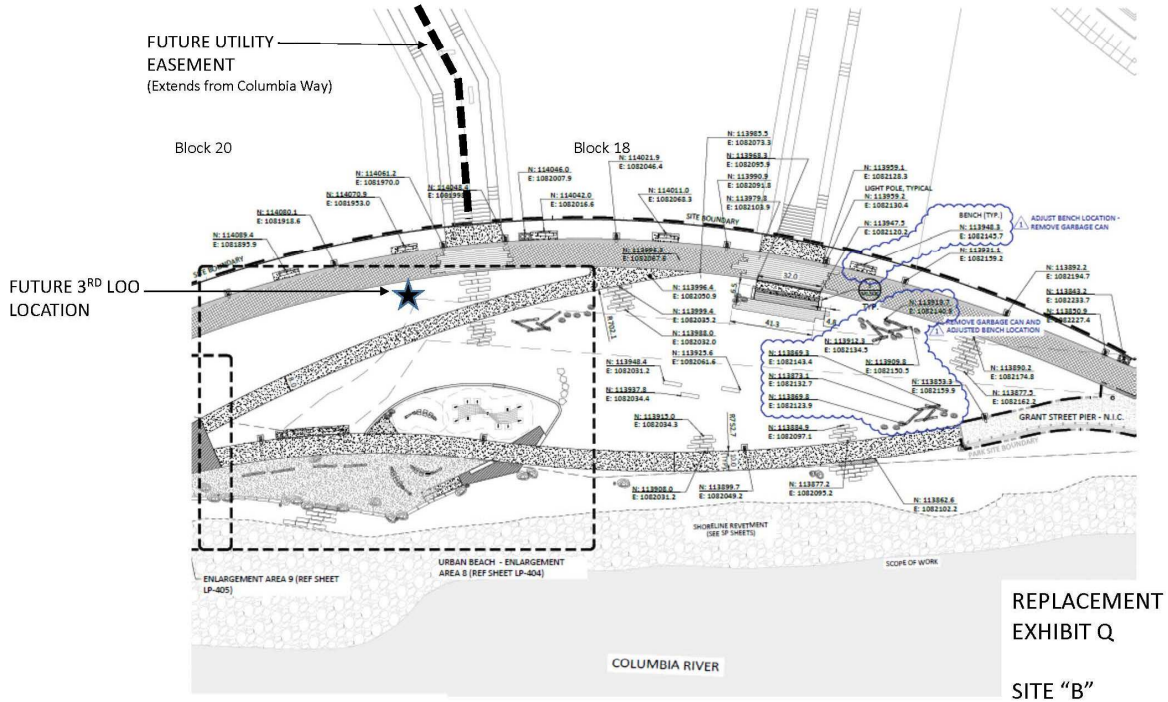
b. Totals and FAR with Blocks 9, 12 and 15 excluded.



Replacement Exhibit Q – Site A



Replacement Exhibit Q – Site B





Richard Keller
President

Marc Fazio
Secretary/Treasurer

Christine Wamsley
Jack Onder
Deborah Ewing
David Copenhaver
Brad Hutton

Staff
Chad Eiken
Teresa Brum
Brent Boger
Rosemary Armour

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City of Vancouver City Center Redevelopment Authority

Meeting Summary/Meeting Minutes

June 15, 2017

11:50 a.m.

Council Chambers, City Hall

ROLL CALL

Present: Brad Hutton, David Copenhaver, Marc Fazio, Jack Onder, Deborah Ewing, Richard Keller

Absent: Christine Wamsley

Staff Present: Brent Boger, Chad Eiken, Greg Turner, Rosemary Armour

APPROVAL OF MINUTES

Motion made by Debi Ewing, seconded by David Copenhaver, and passed unanimously to approve the Minutes for May 18, 2017.

EXECUTIVE DIRECTOR'S REPORT

Development activity updates

Chad Eiken, Director, Community and Economic Development, City, reported on changes and updates on the Development Project List. Please see "CCRA Updated Development Project List" dated June 2017.

Chad gave an update on the Building Height Ordinance that was brought before the board back in March and went before Planning Commission on June 13, 2017, for a Public Hearing. There was very lengthy discussion and public testimony, and in the end there was a split vote to recommend approval of the changes to building heights to City Council. One of the main concerns by three of the planning commission members was doing away with the range of heights as they felt it was too limiting on future development in the downtown. Chad's sense was if the range had been left in and the control over the final building height was given to the local authority then they would have been okay with that.

Richard Keller, President, stated wasn't the whole basis for that, that the FAA decision was what the heights needed to be.

Chad responded that the current Ordinance is based on the heights that FAA would allow or could potentially allow. The concern was raised by the Pearson Aviation Advisory Committee that the FAA doesn't necessarily take all the local conditions into consideration from their desk in Renton when they do their computer modeling, it doesn't always take into consideration the cumulative effect of multiple buildings and it just looks at that particular elevation of the building and whether it meets their criteria.

Richard asked if this is completely separate from the issue with the Gramor Waterfront Group's allowable building heights.

Chad responded that was correct.

Richard asked if this was just building heights in regards to Pearson Airport.

Chad responded yes and also concerns raised by the pilots who use Pearson that their safe space has been narrowed because of the waterfront and that pushes them north of the railroad tracks and the FAA had approved a couple of buildings in that corridor that were taller than what Pearson felt was safe. The proposal is to lower the building heights to a maximum height. The input from this board was to make it as predictable as possible, not only to pilots but also developers, so staff came up with just one number and that's what developments will have to meet.

Board member Jack Onder asked if the three dissenting votes would have preferred to keep the maximum height the same but step it down for certain buildings.

Chad responded that they would have preferred to have an option in that each building could be looked at separately and reviewed by Pearson, as well as staff and the FAA, but to allow for the option of additional height and not just cap it.

Jack asked if they wanted the height to be above the maximum.

Chad clarified that it would be above the base height of a range. The low number in the range is what is allowed as of right; to go higher than that you have to get approval from the FAA and now Pearson and the local authority.

Richard asked what is going to happen.

Chad responded that is a good question. There was testimony from the development community as well as the pilots, both made excellent points and it will be up to council to determine whether the concerns about safety in the near term are more important than the long term growth of the downtown. They may decide to take another look at it when staff opens up the VCCV downtown plan for an update in a couple of years.

Board member David Copenhaver asked what is the zone of influx, is it from the waterfront up to 8th or 9th, or is it the entire city core.

Chad responded the real area of concern is essentially a narrow band north of the tracks, south of city hall, extending from I-5, south of City Hall all the way rounding the corner to the north up to about 9th Street.

David asked if this would not apply to Block 10.

Chad responded that is correct; Block 10 would be out of this area.

Board member Debi Ewing asked how it would impact any submittals or development projects that are in the queue now.

Chad responded that the projects that are in for review right now are currently vested under the current regulations as long as the projects keep moving forward to have a taller building than the new regulations would allow.

Richard asked if this impacts the city owned property south of the hotel.

Chad responded primarily yes.

Richard asked how many stories up those buildings can go, per this discussion.

Chad responded the proposal would be to take allowable range of heights from 100 up to 200 feet and reduce it to a flat number between 80 and 95 feet, so it is a pretty significant decrease in stories. Of all the properties that are affected, the city owned properties are the only ones that see a decrease in that allowed height limit.

Richard asked if you could still go up 10 stories.

Chad responded probably more like 6 or 7 stories.

TOWER MALL ACQUISITION OVERVIEW

Chad stated that the board had probably read about the city's recent acquisition of a portion of Tower Mall, which is located on Mill Plain. This was an opportunity that came up and staff conferred with City Council in executive session about whether to put in a bid. This was listed as a distressed property that was up for auction. Chad explained that he wanted to cover some of the slides that were presented to City Council in executive session so the board understands the background on why the city decided to take advantage of this opportunity.

Tower Mall was built in early 1970 to basically serve the residential community up there. It was the first indoor mall in Vancouver. Not long after this mall was built, Vancouver Mall was built further out and ever since Tower Mall has struggled to get decent tenants and has not been a vibrant center since. 12 acres came up for auction, including the main building associated with the mall; there are a number of outlying parcels, some of which are developed but most are underdeveloped or undeveloped. The previous assessed value was \$10 million and the previous sales price was \$12 million; the city purchased it for \$5 million and it will close in a week or two.

The idea behind this is that this property is located pretty centrally between I-5 and 205 and there are a lot of market forces at play that are resulting in development downtown as well as out on the eastern end of the city. There is really nothing happening in the middle part of the city and Tower Mall is basically surrounded by a number of city owned properties, Blandford Canyon, Cemetery to the east, including a portion that could be redeveloped, Burnt Bridge Creek to the north and then a fire station and water station also to the north. It is in close proximity to the Lower Grand Employment Area, Fourth Plain, and Peace Health and under the school levy there are three new replacement schools within a tenth of a mile, so there is a lot of activity in the nearby area.

Most of the properties are owned by LLCs, so they are investor owned properties and council gave authority to pursue acquisition of any other property that made sense in order to really consolidate the ownership of this mall. The thinking is similar to what the city has done in the Esther Short Redevelopment area where they would control a piece of it but create a plan for a larger area; a sub-area plan with an environmental analysis and market analysis. The board will be asked for their advice on the mix of uses that would make the most sense, but it is really to create an environment that will attract private investment. It is a long-term play that could take years or a decade to

come to fruition, but the city felt that it really couldn't pass this opportunity by and try to make a difference in the central part of the city. A total of 38 acres could be redeveloped and assembled, which is enough to create as much as 25 new city blocks.

Debi asked if the other properties are zoned the same as the compliment ownerships.

Chad responded yes, they are all zoned Community Commercial (CC). Some of the properties to the south have a covenant to prevent any residential housing, but residences are allowed above the ground-floor everywhere else in the CC district.

David asked if there was any preliminary analysis done on what this kind of density would do to the transportation corridor.

Chad responded not at this time. This all came up pretty quickly and they had to react and there was assistance from a qualified appraiser. They didn't give an appraisal but gave a ball park range of what a property in this condition might go for.

Jack asked if there were other bids.

Chad responded that there were others bids, in fact the auction was a failure and the city was the top private bidder. It was an online auction, the owner bided up twice after the city put in their bid because under the conditions of the auction it added more time to the clock and they were hoping somebody else would come in with a higher bid. The city did not bid against the property owner and then the city got a call saying that there was someone on the line who was interested at \$6 million and the city said no. The next morning they called and said that bid had fallen through and so they were willing to talk about the city's bid of \$5 million.

Richard asked what kind of revenue this would generate in its current condition.

Chad responded that there was an analysis of the revenue and it is underperforming right now, but it is about 40 percent leased and it is enough to cover the operations and maintenance.

Richard stated that this location was the center of the universe in World War II with all the war housing and when that was all torn down the Tower Mall showed up and it too was the center of the commercial universe for Vancouver. This seems like a unique opportunity and the challenge Richard had when he heard about it is that the board was not consulted at all and that gets back to the CCRA trying to partner with the city and coming up with priorities of where they should spend their time and money and allocating the resources.

Richard noted that this is unfortunately another example where there is a communication disconnect and the only way that the board is going to get on the same page with the city and be involved in key decisions like this is if they are representing the entire city. There are only so many hours in the day for the board members but maybe it would mean that they are just involved in very large projects that come through. He confessed that he was disappointed that the board was not included in this discussion and believes it is to the city's benefit and the board's benefit if they can have regular discussions and regular input as to what the development priorities for the city ought to be and try and get a handle on what kind of resources may be available and then help to allocate them, because you could take \$5 million and buy a big parcel in downtown Vancouver, or maybe get a location for a performing arts center,

or jump start the public parking facility. He is not saying that this is a bad investment of public funds.

Chad responded that there is a long list of needs.

Richard responded he doesn't believe that the board is part of that discussion and there is a risk of losing board members and interest of the people around the table if they are not included in those discussions.

Chad responded that he understands and stated that this was a very sensitive issue as this is a small community and it was very closely held. Council talked about it in an executive session before they came out to give the city manager the direction to move forward with the purchase. Frankly, there wasn't time and it is really the city manager's call who to include in something like this, but he would be happy to arrange a meeting with the city manager to talk about it; but that was the decision that was made.

David asked where the funds are coming from.

Chad stated that it was from undesignated general funds, as revenues came in higher than projected and budgeted for last year. Some of that undesignated set of funds will be used to do some pre-planning for the new operations center on Fourth Plain. Council felt comfortable spending the remainder of that on this project and they know all of the competing interests to, so they are not looking at this in a vacuum.

CCRA Development Subcommittee Report

Chad stated that the subcommittee met on June 1, 2017, and discussed the item on today's Agenda for Gramor Development, who has requested amendments to the development agreement.

WATERFRONT: DRAFT DEVELOPMENT AGREEMENT AMENDMENT #3

Chad Eiken went over his presentation. Please see "Waterfront Development Agreement – Third Amendment" Staff Report, dated June 15, 2017, and "Waterfront D.A. Proposed Third Amendment" Presentation, dated June 15, 2017.

Chad stated that approximately two months ago, Julie Hannon, Parks and Recreation Director, City, was before the board regarding proposed amendments to the waterfront agreement that the city was requesting, and had to do with the timing on when the city's portion of the park improvements would be constructed and moving those deadlines out, mainly because of the weather this winter that have caused some delays. Gramor also had some requested changes, which are before the board.

Julie Hannon, Parks and Recreation Director, stated that right now they are in a little bit of a flux due to the consistent weather we are having. Up until this week the water level was hovering at about 14; 15 is really flood level. It dropped a bit last week pretty dramatically but it is still at about 12.5. The tricky part is some of the floor of the nearby shore way has shifted with the current rain and fast currents. Last week they completed a survey at the bottom of the shoreline and are still waiting to get the data from that before they can decide if there is a change in how they can stagger and stage the construction. Right now Tapani, who is doing the two sides of the park, the east and west side, are on a suspended contract and are not on the site at all. They have put in all utilities they can and have done all the work they can do. They really need the water to get down to about 9.5 before they can get back on site, so

they are still several weeks away from getting restarted. They are hoping that the survey information will give some alternates of staging the equipment and construction, but they don't have enough information yet to look at any firm deadlines.

Richard asked for purposes of the board making a recommendation to the City Council, this is undecided which is a little odd and asked how they can recommend anything.

Chad responded that staff would really like to get the board's input on the first two items and if the board has input on the others that would be great as well.

Richard asked Julie if the basic point was that they need money from Gramor in time to be able to finish the park.

Julie responded that right now the way the schedule is, or the way it is anticipated moving forward, payments would be set back according to the construction that is in the current schedule, so the timing of getting the money and the construction they don't anticipate that relationship changing. It is just when the dates are going to occur, so it's date certain in the contract, but she does not believe there is any disagreement on either party that the funding will have the same relationship to the contract and one payment will come in and the next payment will come in a year later and then one comes in on final completion. So those relationships will still stay intact, it is just when the first trigger point is and that is what they do not know, which triggers the rest of the payments.

Richard asked if how it works is to get the last payment on final completion.

Julie responded that has worked and that has been the understanding from the beginning.

Richard asked Chad if he could define the board's role with regards to this.

Chad responded that staff would like a recommendation from the Board to move forward with the changes to the agreement, to the extent that if the board wants to narrow that to the two items, that would be fine as well. Staff is comfortable working through the remaining details on the other items.

Matt Grady, Gramor Development, stated he was glad to hear these discussions going on today; he and Chad have been working together and he knew that the FAA description of what has happened and what they are asking for would probably be the most complex piece of information to educate people about, so Matt helped Chad work on some of the slides generated and shown today. The line of thinking from the partnership was that the FAA took a difference change. They extended their permits a second time and lasts for 18 months. The whole development agreement and the whole development plan and everybody's investment strategies were all devoted to assuming that there would be that much density in everything on this project site. There was a change in the way the FAA likes to review their rules and regulations and they came back and determined basically that the 178 feet above sea level was what determines the maximum allowable height, pretty much across the site. This impacts the middle to the western part of the site, which is where there is more density and there is also provisions in the development agreement which state maximum and minimum amounts of square-footage. The partners take on that is even though the FAA has limited a number of the stories, they as developers of the site want to be given the opportunity to build as many dwelling units as they can, so the maximum capacity was

3,300 dwelling units. They could lose 500 dwelling units with this exercise that is going on right now by the FAA, but this project is going to keep on going for many years. After these first six blocks get developed there are 15 more blocks to get developed and they want the ability to capture as much density as they can.

Trends may change and people may want smaller units and therefore they build more units so they can get back close to the 3,300 units, but it is going to be a test of time and there are market shifts which may happen and they want to be prepared as a developer. The city has devoted a huge sum of money for the most robust park ever. The roads are going in now, the lift station, which is almost completed and was built on the assumption of close to the maximum build-out, so they are not going to unwind the new lift station which is ready to go online. They believe it is premature to give up on the ranges of numbers of units which are allowed in a certain section within the development agreement, so today we are talking about what we know.

They know the FAA's stance right now and when they go to renew again maybe there will be another change and somebody says there is something different going on and the interpretation is the same regulations they had in 2009. They also do not know where the bridge is going, that bridge design was designed once already and pretty much ready to go and now it is going to go through another redesign and there is push to actually work on that bridge and that will have a huge impact of patterns coming out of Pearson Airfield. That dice has not been thoroughly cast yet and he believes that it is pretty premature of them to give up on the FAA heights that they know today.

Richard asked if they decided as a group not to go through an appeal process, if there is such a process, with the FAA.

Matt responded that they have conferred with consultants they hired out of Chicago and they have accepted the heights only for those blocks that they are developing right now. The rest of them are held in advance so he can go back to the FAA in Seattle and explain they have another buyer for say block 17 and they want a height certain, so they will accept their height and will go with it right now because the options right now do not say anything, which means that they are subject to the city's heights because you cannot go higher than the range that the city has allocated. So they are holding those in advance right now just to let them sit there, because if they actually make a decision on all the rest of the lots right now then they have tainted their ability to go back to Washington DC in front of a whole new committee and actually petition the FAA, which is going to be the next step. Right now they can hold the decision and not actually cast it to go against the FAA, which takes a process. They think with the test of time they can get the density back up to where the city believes it was going to be even with the reductions in stories.

Richard asked if Matt was okay with this interim approach as amended.

Matt responded that they are.

Board member Brad Hutton asked regarding parking where it indicates that the 15-year period was too long, and would it be temporary standards for 5 to 6 years or is the city asking them to fully improve it.

Chad responded that it would be almost fully improved and the one missing piece would be the internal landscaping that would be required typically, which would not apply.

David asked if the waterfront has the option to charge for that parking or is it just free for the use of the retail and the park.

Matt responded that they will be privately owned and operated, so the waterfront will be charging for parking, commensurate with the same amount of parking fees which will be instituted on the streets.

David commented if you have a 7 F.A.R. and you have so much height and you reduce that to 3.5, theoretically the math for the bulk of the building is the same and if there was any analysis in a previous versus now to meet that F.A.R. Do they become squattier or wider or not as much pin tower, as he thought at some point there was a discussion about more view corridors and the idea was with the higher height, a certain max F.A.R. promoted or allowed the use of pin towers and assumes that this would not because they are maximizing that under a lower F.A.R.

Matt responded to a certain degree, as you are talking about buildings which would still be up 14 stories, and whether somebody can actually come up with a design which still maximizes the density. If you have a hallway and you go double-loaded on both sides and come up with a certain width, then soon it becomes uneconomical to build even at a wider platform because you are trying to get bigger more square footage in a lower elevation. So there comes a point where you have to push and pull both of those factors together.

David asked if that maybe opens up the waterfront to opposition from a shoreline issue who want to argue the fact that now the view corridors have been reduced from earlier designs.

Matt responded that they really haven't got into that type of a discussion as nobody has got that far. People are still gulping at the fact that they got chopped down in elevation that nobody has really thought what a collection of towers look like now that they are squattier and fatter.

Jack commented on David's question and Matt's response that it does limit the options and makes for perhaps a less exciting plan overall.

Matt responded that he would have to agree with that.

Board member Marc Fazio stated he was a little disappointed with the FAA as this development agreement is 10 years old.

Motion by Debi Ewing, seconded by Brad Hutton, and passed unanimously to recommend to City Council the proposed changes to the Waterfront Development Agreement with Columbia Waterfront LLC with regard to surface parking lots and F.A.R.

1505 BUILDING (15TH AND MAIN)

Patrick Tiland, Tiland Schmidt Architects, and Albert Angelo, gave a brief presentation on their project on 15th and Main. Please see "1505 Building Plans" document.

Richard asked if this project would be going in this year or is it a next year deal.

Albert responded that it would be this year.

David asked if the current parking meets all the current codes relative to surface parking.

Chad responded yes it does.

Richard asked how they would accommodate bikes.

Patrick responded that they have a secure bike locker in the garage that will serve 12 bikes.

Albert stated that there will be a shower and some other amenities downstairs that could be used for co-op and they want to make this a spot that is synergistic with the uptown development and other folks on Main Street where you are getting that crossover appeal from either retail or office and biking up to the restaurants. They are flexible and have had a few possible tenants already.

Richard asked what types of retail they hoped to get in there.

Albert responded that right now it is looking more office than retail even on the ground floor. There are some new companies coming in from Portland and others that are on second basis and hopefully coming round for third. It might need more than one-story and if they need the full building and they are able to take it all then they can work around and be flexible.

OVERVIEW OF CITY TO CITY VISIT TO MINNEAPOLIS - ST. PAUL

Chad and Richard showed the board slides from their trip to Minneapolis and St. Paul.

OTHER BUSINESS

There was no other business to be addressed.

EXECUTIVE SESSION (AS NEEDED)

No executive session was needed.

PUBLIC TESTIMONY

Richard opened Public Testimony.

- Todd Boulanger, 215 W. 4th Street. Todd stated he had comments on almost every item. Admin meeting housekeeping; it is tough for the public to follow what goes on in these meetings; for example when the March 16th Minutes aren't on the website, meeting materials aren't put up, the Tower Mall item wasn't on the Agenda; the board members got a handout but the public could not see what was going on.

On the 1505 project per circulation, the west driveway entrance maybe too close to SR 500, especially when the Vine is loading. He is not sure that WSDOT really looked into that driveway when the Vine project went in, so the developer may want to check that.

Richard responded that is beyond the board's scope and suggested Todd put it in writing.

Regarding the waterfront development agreement he concurs and believes that Richard and other board members asked about the message and believes the FAA is being tarred unfairly regarding the building height issue. It is a more complex issue; Pearson Pilots and the market not supporting all of the floors that potentially the developers could build and he believes that is missing in the message.

David asked if he could retrace that statement as he is not following.

Todd responded that he had read in the Columbian, and can only know what he reads at this meeting, that for one of the initial buildings the number of floors was lower than what the FAA would allow. That would mean that it is the financial market that is potentially holding that building to reach the F.A.R. Overall he is saddened that the waterfront is proposing about 2,500 people. It has been sold to the public as being a much larger area given the investment. Specifically on the materials handed out, attachment figure H may need to be rechecked. The short-term F.A.R. may be as low as 2.95 based on figure H, and that was the figure with the additional request for more blocks to be surface parking and that F.A.R. of 2.95 is actually 35 percent lower than the minimum in the 2009 development agreement. Additionally, for the development agreement he would recommend massaging the topic of surface parking and maybe put in language regarding mechanical parking as an additional option versus just another parking lot that could be there 6, 10, 15 years. He supports the city's stance that it should not underwrite private parking, which is important given some of the issues in the past. He supports Marc's comments about Gramor seeking to work with FAA legally on raising the heights and maybe the city should request that the building structural design support the addition of additional floors in the future if the FAA changes its mind as it may.

Richard thanked Todd for his feedback and stated that everybody, including the developer, wants the ability to do taller buildings down the road and he is sure they will fight for that. He suggested Todd put his details in a memo for Chad to review.

Richard closed Public Testimony.

NEXT MEETING

There being no additional business, the meeting adjourned at 1:30 p.m.

The next regular meeting will be held on July 20, 2017, at 11:50 a.m. at City Hall, Council Chambers.

Approved:

Richard Keller, President



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