

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

2:30
~~3:00~~

Presentation Date: December 9, 2014 **Approx Start Time:** ~~3:00~~ p.m.

Approx Length: 30 Minutes

Presentation Title: Discussion Regarding Eagle Landing Development

Department: Transportation and Development, Development Agency

Presenters: Barb Cartmill, Dan Johnson, Chris Storey

Other Invitees: Nate Boderman

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Direction on proposed Eagle Landing transactions.

EXECUTIVE SUMMARY:

Staff from the Department of Transportation and Development representing both Clackamas County ("County") and the Development Agency ("Agency") has held several meetings with the Eagle Landing development team of Veritas LLC and New Hope Church (together, "Developer") at their request. In those meetings and as an outgrowth of executive session discussions with the Board regarding the same, a proposed term sheet (the "Term Sheet") has been developed that reflects a possible deal between the County, the Agency, and the Developer regarding the Eagle Landing development. That term sheet is attached for Board consideration, as signed by Developer.

The Term Sheet covers two primary areas. The first is for the extension of Transportation System Development Charges ("SDC") rate reduction per Board Resolution 2012-121 (attached), and the second is the transfer of certain real property on which the Eagle Landing development would like to take place. These terms reflect certain discussions held by prior iterations of the Board regarding Eagle Landing going back as far as 1996. However, the only binding commitment regarding Eagle Landing at this time is with respect to the reduction of Transportation SDCs as set forth in Resolution 2012-121. The key points of the two issues are summarized below:

- i. Transportation SDC Rate Reduction Agreement Extension. The County, through DTD, is currently subject to a resolution that reduced transportation SDC rates at their 1996 level through December 31, 2014 for certain qualifying developments, and under which Eagle Landing qualifies. The term sheet extends the time allowed for receipt of the reduced SDC rates conditioned on achieving certain milestones of

construction and development. The conditions include a 2 million square foot project, of which no more than 750,000 square feet of taxable development could qualify for the reduced rate, if a building permit is secured and maintained within 3 years of approval of a qualifying master plan for the development.

The City of Happy Valley holds a similar interest in the transportation SDC collection in this particular area as the proposed development is located in a joint SDC collection district. The City did provide concurrence on the prior terms set forth in Resolution 2012-121 and has provided correspondence dated December 2, 2014 (attached) relating to these revised terms under consideration.

- II. Steven's Orchard Property. The Agency purchased the Steven's Orchard Property to support the creation of SE Bob Schumacher Road. It currently holds apartments operated by the Agency. Developer desires conveyance of this parcel, which they deemed "essential" for the development. The Term Sheet calls for Developer to pay full market price for the Steven's Orchard Property of \$2.4 million into escrow. Developer then has 4 years from the date of approval of the Master Plan to construct 560,000 square feet of taxable development and receive a Certificate of Occupancy for the same. If that condition is met, the purchase price will be returned to Developer. If it is not, the purchase price will transfer to the Agency as an at-market sale.

Please see the attached Term Sheet for additional details.

FINANCIAL IMPLICATIONS (current year and ongoing):

County/City Joint TSDC Area: If conditions for transportation SDC rate reduction are met, the County/City Joint TSDC area will be collecting an estimated \$2 million in revenue and foregoing possible additional revenue estimated at \$7 million.

Agency: If conditions for release of the escrow are met, Agency will convey a parcel worth \$2.4 million to Developer at no cost. If conditions are not met, Agency will receive full market price for the parcel. Encouraging economic development is consistent with the Agency's objectives for this Plan Area. If conveyance of the site results in development occurring, the anticipated increased assessed value, and therefore county property tax revenues, is estimated to be:

- \$844,312 for 560,000 sq. ft. of construction
- \$1,130,775 for 750,000 sq. ft. of construction

- \$1,507,700 for 1 million sq. ft. of construction
- \$3,015,400 for 2 million sq. ft. of construction

These estimates are per year going forward and are not inclusive of the benefits of increased job creation.

LEGAL/POLICY REQUIREMENTS:

To implement the proposed Term Sheet, the following actions would need to occur:

- Board passage of a Resolution implementing the SDC rate reduction
- City of Happy Valley concurrence regarding the SDC rate reduction resolution
- Negotiation of a Disposition and Development Agreement regarding the Steven's Orchard Property between the Developers and the Agency

PUBLIC/GOVERNMENTAL PARTICIPATION:

Multiple Board executive session discussions. Prior public actions include passage of Resolution 2012-121.

OPTIONS:

- Direct Staff to proceed with preparing materials consistent with the Term Sheet for consideration at a business meeting.
- Direct Staff to renegotiate certain terms of the Term Sheet as indicated at the work session.
- Direct Staff to terminate discussions with the Developer and take no further action.

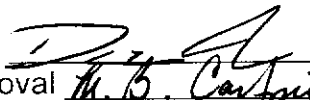
RECOMMENDATION:

Direct Staff to proceed with preparing materials consistent with the Term Sheet for consideration at a business meeting.

ATTACHMENTS:

Term Sheet as signed by Developer
Resolution 2012-121
City of Happy Valley letter dated December 2, 2014

SUBMITTED BY:

Division Director/Head Approval 
Department Director/Head Approval M. B. Campbell 12-3-14
County Administrator Approval _____

For information on this issue or copies of attachments, please contact
Dan Johnson @ 503-742-4325

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF CLACKAMAS COUNTY, STATE OF OREGON**

FILED

DEC 27 2012

**Sherry Hall
Clackamas County Clerk**

A RESOLUTION OF THE CLACKAMAS
COUNTY BOARD OF COUNTY
COMMISSIONERS AS TO TRANSPORTATION
SYSTEM DEVELOPMENT CHARGES FOR
CERTAIN CLASSES OF DEVELOPMENT

RESOLUTION NO. 2012 - 121
(page 1 of 2)

WHEREAS, it has been demonstrated that certain types of mixed use development can create jobs, promote property values, and increase livability;

WHEREAS, certain types of mixed use development are able to achieve these goals in a manner compatible with applicable zoning standards and transportation system requirements;

WHEREAS, the type of development, its location, scale, and other considerations are important in determining the amount of Transportation System Development Charges;

NOW, THEREFORE; BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS THAT:

Section 1: Pursuant to Section 11.03.010(B) of the Clackamas County Code, the Board declares that it will choose to impose a Transportation System Development Charge that is less than the maximum allowed by law on certain classes of development in order to promote important public policy considerations.

Section 2: That in order to qualify for the modification for certain classes of development types set out in Section 1 the development must meet all the following characteristics:

A. The development must be in the Transportation System Development Charge area jointly administered by the County and the City of Happy Valley;

B. The project must consist entirely of new development, no part of which was completed or under construction prior to January 1, 2013;

C. The total area of the new development must equal or exceed two million square feet;

D. The new development must be of mixed use involving components of office, retail, and housing and related uses, with not less than 600,000 square feet of office, 400,000 square feet of retail, and 600 housing units; and

E. The new development must result in an annual average property tax revenue at build out of at least four million dollars.

Section 3: Development meeting each and every one of the requirements set out above shall be able to claim a modification in the Transportation System Development Charge for the first 750,000 square feet of development.

304 756

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF CLACKAMAS COUNTY, STATE OF OREGON**

A RESOLUTION OF THE CLACKAMAS
COUNTY BOARD OF COUNTY
COMMISSIONERS AS TO TRANSPORTATION
SYSTEM DEVELOPMENT CHARGES FOR
CERTAIN CLASSES OF DEVELOPMENT

RESOLUTION NO. 2012 - 121
(page 2 of 2)

Section 4: The ability to claim this modification of the Transportation System Development Charge shall last no longer than two years from the effective date of this Resolution. If a developer has received permit approval and commenced construction of a minimum of 200,000 square feet of the office or retail components of the project, the modification may be automatically extended one additional calendar year. Additional extensions may proceed in calendar year increments for subsequent permits granted and commencement of new construction for each additional increment of 200,000 square feet of mixed use development, up to 750,000 square feet of new development.

No extension shall be granted for any period beyond four years from the date of concurrence by the City of Happy Valley on any modification to the Transportation System Development Charge.

Section 5: Upon the satisfaction of Sections 1 through 4 above the Transportation System Development Charge that would otherwise be imposed by Chapter 11.03 of the Clackamas County Code shall be reduced to the charge set out in the attached table (Exhibit A).

Section 6: Effective Date. The modification to the Transportation System Development Charge set out in this Resolution shall become effective upon concurrence by the City of Happy Valley, and shall have a duration no longer than the four years set out in Section 4 above.

DATED this 20th day of December, 2012.

CLACKAMAS COUNTY BOARD OF COMMISSIONERS



Chair


Recording Secretary

304 757

Exhibit A

2012 - 121

CLACKAMAS COUNTY
TRANSPORTATION SYSTEMS DEVELOPMENT CHARGE PROGRAM

ITE LAND USE CODE/CATEGORY	ITE TRIP RATE	COST PER ITE TRIP	SDC AMOUNT
RESIDENTIAL			
210 Single Family Detached	9.55	\$133.40	\$1,273.98 /unit
220 Multi Family Attached	6.47	\$133.40	\$863.11 /unit
230 Residential Condominium	5.86	\$133.40	\$781.73 /unit
240 Manufactured Housing	4.81	\$133.40	\$641.66 /unit
260 Recreational Home/Condo	3.16	\$133.40	\$421.55 /unit
INSTITUTIONAL			
030 Truck Terminals	9.86	\$141.38	\$1,394.00 /T.G.S.F.*
410 Park	7.58	\$147.57	\$1,118.59 /prkg sp
416 RV Park	74.38	\$147.57	\$10,976.32 /acre
420 Marina	2.96	\$147.57	\$436.81 /berth
430 Golf Course	37.59	\$147.57	\$5,547.19 /hole
443 Movie Theater	1.76	\$147.57	\$259.72 /seat
492 Racquet Club	17.14	\$147.57	\$2,529.36 /T.G.S.F.
501 Military Base	1.78	\$141.38	\$251.66 /employee
510 Preschool	4.65	\$53.23	\$247.50 /student
520 Elementary School	1.09	\$53.23	\$58.02 /student
530 High School	1.38	\$53.23	\$73.45 /student
540 Junior/Community College	1.33	\$99.58	\$132.44 /student
550 University	2.37	\$99.58	\$236.01 /student
560 Church	9.32	\$147.57	\$1,375.36 /T.G.S.F.
565 Day Care Center	4.65	\$53.23	\$247.50 /student
590 Library	45.50	\$147.57	\$6,714.47 /T.G.S.F.
610 Hospital	16.78	\$141.38	\$2,372.35 /T.G.S.F.
620 Nursing Home	2.60	\$141.38	\$367.59 /bed
652 Elderly Assisted Living	2.15	\$133.40	\$286.81 /unit
BUSINESS & COMMERCIAL			
310 Hotel/Motel	8.70	\$84.48	\$734.96 /unit
812 Bldg Materials/Lumber	30.56	\$55.14	\$1,685.23 /T.G.S.F.
814 Specialty Retail Center	40.67	\$55.14	\$2,242.75 /T.G.L.S.F.**
815 Discount Stores	57.06	\$55.14	\$3,146.57 /T.G.L.S.F.
816 Hardware/Paint Stores	51.29	\$55.14	\$2,828.38 /T.G.S.F.
817 Nursery-Retail	36.08	\$55.14	\$1,989.63 /T.G.S.F.
820 Shopping Center under 50,000 gsf	167.59	\$55.14	\$9,241.74 /T.G.L.S.F.
821 Shopping Center 50,000 - 99,999 gsf	91.65	\$52.89	\$4,847.52 /T.G.L.S.F.
822 Shopping Center 100,000 - 199,999 gsf	70.67	\$66.40	\$4,692.58 /T.G.L.S.F.
823 Shopping Center 200,000 - 299,999 gsf	54.50	\$67.53	\$3,680.27 /T.G.L.S.F.
924 Shopping Center 300,000 - 499,999 gsf	46.81	\$74.28	\$3,476.94 /T.G.L.S.F.

* Thousand Gross Square Feet

** Thousand Gross Leasable Square Feet

ITE LAND USE CODE/CATEGORY	ITE TRIP RATE	COST PER ITE TRIP	SDC AMOUNT
BUSINESS & COMMERCIAL CONT.			
825 Shopping Center 400,000 - 499,999 gsf	42.02	\$76.14	\$3,199.20 /T.G.L.S.F.
826 Shopping Center 500,000-599,999 gsf	38.65	\$86.66	\$3,349.44 /T.G.L.S.F.
827 Shopping Center 1,000,000 - 1,200,000 sf	32.09	\$75.40	\$2,419.73 /T.G.L.S.F.
828 Shopping Center Over 1,200,000 gsf	30.69	\$68.64	\$2,106.70 /T.G.L.S.F.
831 Quality Restaurant	95.99	\$72.19	\$6,929.21 /T.G.S.F.
832 High Turnover, Sit-Down Restaurant	177.87	\$36.02	\$6,407.30 /T.G.S.F.
833 Fast Food Restaurant	786.22	\$18.01	\$14,156.76 /T.G.S.F.
841 New Car Sales	47.91	\$55.14	\$2,641.99 /T.G.S.F.
844 Service Station	174.71	\$43.50	\$7,599.89 /fuel position
850 Supermarket	125.50	\$54.02	\$6,779.30 /T.G.S.F.
851 Convenience Market	737.99	\$16.16	\$11,925.03 /T.G.S.F.
870 Apparel	3.33	\$55.14	\$183.63 /T.G.S.F.
890 Furniture Store	4.34	\$55.14	\$239.33 /T.G.S.F.
911 Bank/Savings: Walk-In	140.61	\$95.66	\$13,451.28 /T.G.S.F.
912 Bank/Savings: Drive-In	265.21	\$95.66	\$25,370.98 /T.G.S.F.
OFFICE			
630 Clinic	23.79	\$141.38	\$3,363.41 /T.G.S.F.
711 General Office Under 100,000 gsf	16.58	\$141.38	\$2,344.07 /T.G.S.F.
712 General Office 100,000 - 199,999 gsf	14.03	\$141.38	\$1,983.55 /T.G.S.F.
713 General Office 200,000 gsf and over	11.85	\$141.38	\$1,675.35 /T.G.S.F.
720 Medical Office Bldg	34.17	\$141.38	\$4,830.93 /T.G.S.F.
730 Government Office Bldg	68.93	\$141.38	\$9,745.28 /T.G.S.F.
731 State DMV Office	166.02	\$141.38	\$23,471.80 /T.G.S.F.
732 U.S. Post Office	87.12	\$141.38	\$12,316.97 /T.G.S.F.
760 Research Center	7.70	\$141.38	\$1,088.62 /T.G.S.F.
770 Business Park	14.37	\$141.38	\$2,031.62 /T.G.S.F.
INDUSTRIAL			
110 General Light Industrial	6.97	\$141.38	\$985.41 /T.G.S.F.
120 General Heavy Industrial	1.50	\$141.38	\$212.07 /T.G.S.F.
130 Industrial Park	6.97	\$141.38	\$985.41 /T.G.S.F.
140 Manufacturing	3.85	\$141.38	\$544.31 /T.G.S.F.
150 Warehouse	4.88	\$141.38	\$689.93 /T.G.S.F.
151 Mini-Warehouse	2.61	\$141.38	\$369.00 /T.G.S.F.
170 Utilities	1.06	\$141.38	\$149.86 /employee
860 Wholesale	6.73	\$141.38	\$951.48 /T.G.S.F.

EAGLE LANDING – CLACKAMAS COUNTY
PROPOSED TERM SHEET

The transactions contemplated by this term sheet are subject to the approval of the Clackamas County Board of County Commissioners, the City Council of the City of Happy Valley as applicable, the negotiation and execution of mutually satisfactory definitive agreements among the parties, and obtaining all required other approvals. This term sheet does not constitute a firm offer.

The parties have discussed two distinct possible agreements pertaining to Transportation system development charges (“TSDCs”) charged by Clackamas County (“County”) and certain real property owned by the Clackamas County Development Agency (“Agency”) adjacent to the church property, which currently contains an apartment complex (“Steven’s Orchard Property”). Representatives of Veritas LLC and New Hope Community Church (collectively, “Developer”) presented an agreement which contained terms relating to those possible agreements, which were discussed with the Board of County Commissioners, both as the governing body of the County and of the Agency. This counter-proposal reflects those deliberations.

• **TSDC Rate Reduction**

Currently, Developer has the right to pay less than market rate for transportation SDCs pursuant to Resolution 2012-121, which expires in December 2014. Developer has requested an extension of this arrangement. The County is willing to consider a modified extension on the following terms and conditions:

- Any agreement modifying the TSDCs must receive concurrence by the City of Happy Valley.
- Development must be in the Transportation System Development Charge Area jointly administered by the County and the City of Happy Valley.
- The project must consist entirely of new development, no part of which was completed or under construction prior to January 1, 2013.
- The Master Plan shall include a total area equal or exceeding two million square feet.
- The new development must be a mix of uses involving components of office, retail, and housing and related uses, with not less than 600,000 square feet of office, 400,000 square feet of retail, and 600 housing units.
- Developer must file a qualifying Master Plan by April 15, 2015 and secure Master Plan approval by the local regulatory agencies within one (1) year of the date of the execution of the TSDC waiver resolution extension; *provided, however, that if*

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a party other than Developer appeals the Master Plan, the deadline shall be extended by the lesser of (i) an additional 18 months or (ii) resolution of the appeal.

- Development meeting each and every one of the requirements set out above shall be able to claim a modification in the Transportation System Development Charge for a minimum of 560,000 square feet and a maximum of 750,000 square feet of building development included in Phase 1 of the approved Master Plan that is taxable and eligible upon completion to be added to the Clackamas County Assessor's rolls.
- Use of this TSDC modification shall not be in combination with any other form of credit for demolition of existing structures. Use of these demolition credits can be reserved for future phases or for use on non-taxable development included in Phase 1 of the approved Master Plan.
- The ability to claim this modification is limited to a term of three years from the date of the approved Master Plan.
- Benefits assigned through this resolution shall be in a form of a reduction of the TSDC collection at the time of Building Permit issuance. Assessment shall be consistent with those rates in effect in 1996 as identified in Exhibit A of Resolution 2012-121.
- Application of these adjusted rates shall be limited to individual building permits for taxable construction. Failure to secure or advance completion of a building permit where the aforementioned rate reductions have been applied shall result in a loss of the credits for the associated square footage. More than one building may proceed concurrently with the other building permits and qualify for the rate reduction.

- **Acquisition of Steven's Orchard Property**

Developer has requested the Agency transfer ownership of the Steven's Orchard Property to Developer without consideration. In support of economic development in a Plan area, the Agency is willing to consider conveying the Steven's Orchard Property on the following terms and conditions:

- Developer deposits into escrow \$2,400,000 representing the purchase price for the Property ("Purchase Price").
- At the time of deposit of the Purchase Price, Agency shall convey a Bargain and

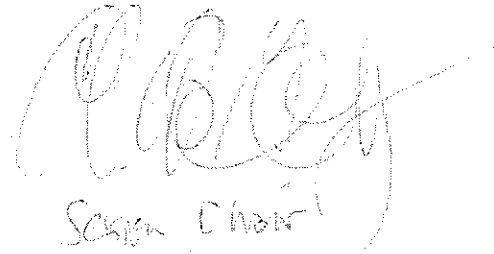
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Sale Deed to Developer for the Property.

- Developer shall pay all escrow, closing and recording costs separate from the Purchase Price. To the extent Developer desires title insurance, Developer shall be solely responsible for such expense.
- If all the conditions for release set forth below are met, the Purchase Price shall be released from escrow to Developer. The conditions for release are:
 - Developer shall file the Master Plan for the Eagle Landing development by April 15, 2015 and secure Master Plan approval within one (1) year of the date of execution of the Purchase and Sale agreement regarding the Steven's Orchard Property; *provided, however*, that if a party other than Developer appeals the Master Plan, the deadline shall be extended by the lesser of (i) an additional 18 months or (ii) resolution of the appeal.
 - Agency receives evidence, satisfactory to it in its sole and absolute discretion, that Developer has received final certificates of occupancy for at least 560,000 square feet of taxable building development added to the Clackamas County Assessor's rolls.
 - The certificate of occupancy for such taxable building development must be received by the Agency no later than four years after the date of the approved Master Plan.
- Failure to meet any of the conditions of release set forth in #4 above shall result in the immediate release of the Purchase Price from escrow to Agency.
- Agency alone shall make the determination regarding whether or not the conditions of release have been met and the escrow agent shall be instructed to accept direction only from Agency.
- If the Purchase Price is conveyed to the Developer due to meeting the conditions set forth in #4 above, the interest that accrues on the Purchase Price during its time in escrow shall be distributed to the Agency to mitigate expenses incurred in support of this transaction.
- During a 90 day period starting upon the execution of a definitive agreement, Developer may enter onto the Property at mutually agreeable times to conduct environmental due diligence on the Property. If Developer discovers and wishes to

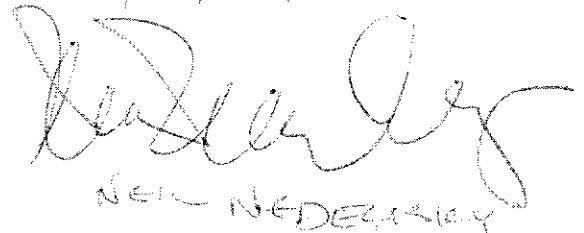
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raise an issue, it must deliver in writing its concern and supporting documentation. After such delivery, the parties shall have 60 days to negotiate the impact, of any, of such issue on the proposed transaction. If the parties cannot reach a mutually agreeable resolution prior to the end of the 60 days, either party may terminate the agreement to proceed. If no issues are raised and/or resolved satisfactorily during the 60 day negotiation window, the Stephen's Orchard Property will be transferred as-is with a release from and no representations or warranties regarding environmental issues.



Stephen Choi

11/26/2014



Ben Nedezari

11/26/14

Mayor
Honorable Lori DeRemer

City Manager
Jason A. Tuck



December 2, 2014

John Ludlow, Chair
Board of County Commissioners

RE: Eagle Landing

Dear Chair Ludlow and Commissioners:

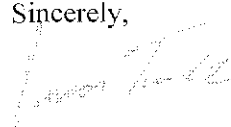
The City and County have jointly been working on the Eagle Landing project for many years now. The project has sat on top of the City's priority list due to the economic development potential it has for the City and the County. The project is split by jurisdiction with the eastern portion in the City and the western portion in unincorporated County but is covered, as you know, by the Joint Transportation System Development Charge (TSDC) agreement between the City and County. The City had previously concurred with the TSDC reduction for the project that is set to expire at the end of this year. County staff has shared the draft Term Sheet with City staff as it requires the City's concurrence again. Historically Happy Valley has generated half or more of the total TSDC's generated in the Joint Area and therefore we have great interest in the subject.

Transition of property within the urban area from County to City has been a discussion over a number of years. Interests are spelled out in the current Urban Services and Urban Growth Management Agreements between the City and County. Based on the fundamental concepts of these agreements and a mutual understanding that there is a desire for the County to transition out of the business of providing urban services, the City would request terms of the agreement include a requirement for a delayed annexation agreement.

I have had the opportunity to discuss the term sheet with the Council and they are in agreement with the general form and terms of the agreement with one modification. The City is requesting a delayed annexation agreement be required and written into the terms. The details of the agreement can be developed after this term sheet is authorized. Concurrence from the City, County, and Developer on the annexation agreement must be reached prior to concurrence from the City on the identified TSDC reductions.

We appreciate the County's willingness to partner with the City on this project which will generate significant economic development.

Sincerely,


Jason A. Tuck, City Manager
City of Happy Valley

16000 SE Misty Drive, Happy Valley, Oregon 97086-4288
Telephone: (503) 783-3800 Fax: (503) 658-5174
happyvalleyor.gov