

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Work Session: East Broadway Development Update

Meeting Date: February 13, 2006
Department: Planning and Development
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Agenda Item Number: B
Staff Contact: Nan Laurence
Contact Telephone Number: 682-5340

ISSUE STATEMENT

This work session will provide information on the Whole Foods Development Project. The council is asked to provide direction to the City Manager to begin negotiation of 1) a land transaction with the Shedd Institute for the Arts; and 2) a development agreement and other related legal documents between the City, Broadway High Associates (representing the G Group) and Gerding/Edlen Developers (GED) specifying the terms of the development and the City's participation. This is the first of two work sessions anticipated for this project.

BACKGROUND

The Downtown Plan promotes a vision for a strong, active, distinctive urban center, and collaborative public/private projects. The proposed Whole Foods Development Project is a significant step towards implementation of that vision. The proposed project addresses the City's commitment to working with private developers and using economic tools such as parking to leverage desired development. This proposal will contribute to the revitalization of the east end of downtown and the Courthouse District. The proposal will also add to the character and activity along Broadway and 8th Avenue, both identified as Great Streets in the Downtown Plan. The project will result in a new downtown destination and additional parking in a key location to stimulate future investment.

The Whole Foods Development Project will occupy the entire block bounded by High and Mill Streets, 8th Avenue and Broadway (Attachment A provides a project location diagram.) There are three main elements of the project: land assembly, development plan, and project costs. These elements are discussed below. Based on council action, these will become the basis of a development agreement between the City, GED and Broadway High Associates and a land transaction between the City and the Shedd Institute for the Arts.

Land Assembly

Currently, the property proposed for this project is in three separate ownerships: The Shedd Institute for the Arts, the G Group, and the Oregon Central Credit Union. Gerding/Edlen Developers, working under the direction of the G Group, negotiated a letter of intent with the credit union to participate in the project. The G Group has proposed that the City engage in a land transaction to exchange property owned by the City immediately across High Street with the

Shedd property. After the Shedd property is under City ownership, it will become the general location for a publicly financed public garage and associated commercial space.

In anticipation of this land transaction, City staff contracted for two separate appraisals of the City-owned property and the Shedd property, both of which are 25,600 square feet. The first appraisal determined a value of \$38/square foot for the Shedd property and \$39/square foot for the City property. The second appraisal determined a value of \$33.50/square foot for both the Shedd property and the City property.

Development Plan

The G Group is proposing to build a grocery store structure for Whole Foods, a multi-level parking garage for the City, and ground floor commercial space for Oregon Central Credit Union (see Attachment B: Conceptual Development Site Plan). Including the land, the value of the proposed development is approximately \$28,000,000. The major components of the project are described below.

A. Whole Foods Grocery Store

Whole Foods Grocery Store, a natural and organic foods supermarket, will be the major anchor tenant of this development. The grocery store has been designed to provide a pedestrian-friendly, inviting streetscape along Broadway, High and Mill Streets. The design will contribute to the desired high quality urban environment, with a tall first floor, minimum setbacks, significant proportion of display windows and major entrances at Broadway and Mill and Broadway and High (see Attachment C: Conceptual Elevation of Whole Foods). The store will occupy 52,000 square feet, and employ approximately 250 employees. Two levels of parking will be constructed above the store, providing an estimated 240 spaces for Whole Foods customers. The G Group has secured a lease with Whole Foods, which is dependent on the City's participation in the development project.

Whole Foods is known for its high quality products as well as its commitment to sustainability and environmental stewardship. It is the largest corporate user of renewable energy in the United States, specifically through the purchase of wind energy credits. Whole Foods is listed as #15 on Fortune Magazine's list of the 100 best companies to work for. As a downtown and regional destination, Whole Foods has been credited with providing the catalyst for revitalization of urban areas, including the Pearl District in Portland.

B. Public Parking Garage and Optional Commercial Space

The public parking garage will provide spaces to support the Federal Courthouse and adjacent uses, including any future City Hall renovation or replacement. The public parking garage is also intended to encourage further redevelopment of nearby properties in the east end of downtown. The need for parking in this area is discussed in Attachment D: Parking Study Summary. Based on the parking study, there is projected to be a deficit of 500 spaces, after redevelopment of the Whole Foods site and nearby surface lots. The Whole Foods Development Project would contribute more than 400 spaces.

There are four options for configuration of the public parking garage, as follows:

Option	Description	Estimated Parking Spaces	Commercial Space at 8th and High	Estimated Cost of Garage
1	Smaller Garage	192	No	\$4,810,000
2	Smaller Garage with Added Commercial Space	186	Yes	\$5,180,000
3	Larger Garage	266	No	\$6,320,000
4	Larger Garage with Added Commercial Space	260	Yes	\$6,700,000

Staff recommends Option 4. This option includes a larger garage which would provide greater efficiencies and more encouragement for future development envisioned in this area of downtown. This option also includes commercial space at the corner of 8th Avenue and High Street, to support desired pedestrian activity along 8th Avenue, Eugene’s Great Civic Street.

C. Credit Union

The G Group has secured a letter of intent from the Oregon Central Credit Union to participate in the development project. The credit union will occupy approximately 5,000 square feet of privately-owned commercial space. This space will be on the ground floor of the public parking garage, at the corner of 8th Avenue and Mill Street, and will be in addition to any publicly owned commercial space on the northwest corner of the garage at 8th Avenue and High Street. The credit union will employ an estimated six people. The design of the credit union will include a drive-through.

Project Costs

The total cost for public participation in this project is estimated to range between \$6.1 and \$8.1 million, depending on the size and configuration of the garage. This includes the cost of purchasing the garage and additional costs for the City’s project-related expenses, such as legal fees, debt service reserves, utilities, project management, and 1% for art. This amount is in addition to the value of the land upon which the parking garage will be built.

Riverfront Urban Renewal District funds are the primary source of financing for this project. Based on the final design and configuration of the garage, the total costs will determine the details of the financing strategy. If the larger garage with ground floor commercial space is determined to be the preferred option, funding sources in addition to urban renewal funds will be required. Attachment E presents the estimated costs and the financing strategy for the project.

Due to the possibility of urban renewal expenditures, the Eugene Redevelopment Advisory Committee (ERAC) reviewed the Whole Foods Development Concept on December 15, 2005, and January 18, 2006. ERAC members acknowledged the need for a parking structure in this location, and voted to support the use of urban renewal funds for that purpose. ERAC members also supported the inclusion of publicly owned commercial space in the northwest corner of the City’s parking structure.

Financial and/or Resource Considerations

The Whole Foods Development Project involves significant financial and resource considerations. The project requires the use of public land and dollars to construct a public garage as a key component of the full block redevelopment project.

The use of Riverfront Urban Renewal District funds to build parking is permitted, as described in Section 600A.6 of the Riverfront Urban Renewal Plan:

6. Public Parking and Public Transportation Facilities

The Agency is authorized to participate in funding the acquisition and construction and enhancement of public parking and public transportation facilities within the renewal area. The precise location and type of facilities will be decided after further study.

Timing

In order to meet the current timeline of opening the grocery store, credit union and parking garage in the summer of 2007, City Council direction to the City Manager to begin negotiating the terms of the development and the land transaction is requested at this meeting. The final terms of the land transaction, the development agreement and related legal documents, as well as the financing strategy will be presented to the council for review and approval at the second work session for this project, scheduled for February 22, 2006.

RELATED CITY POLICIES

This project addresses implementation strategies and policies from the Downtown Plan, Growth Management Policies, and Goals and Objectives from the Riverfront Urban Renewal District Plan. This project does not directly address or affect council goals or priorities.

The Downtown Plan policies emphasize downtown Eugene as a strong regional center and a diverse, dense, economically strong urban center. Relevant Downtown Plan policies include:

- Downtown development shall support the urban qualities of density, vitality, livability and diversity to create a downtown, urban environment.
- Actively pursue public/private development opportunities to achieve the vision for an active, vital, growing downtown.
- Facilitate dense development in the Courthouse area and other sites between the core of downtown and the river.

The following project is listed in the Downtown Plan as an example of a possible action to address the Implementation Strategies in the plan:

- Construct a new parking garage to support the east side of downtown and the new Courthouse district.

Relevant Growth Management Policies include the following:

- Policy 1 Support the existing Eugene Urban Growth Boundary by taking actions to increase density and use existing vacant land and under-used land within the boundary more efficiently.
- Policy 2 Encourage in-fill, mixed-use, redevelopment, and higher density development.
- Policy 3 Encourage a mix of businesses and residential uses downtown using incentives and zoning.

The Goals and Objectives of the Riverfront Urban Renewal District Plan list the following applicable goal:

4. To stimulate development activity and amenities near the new federal courthouse.

COUNCIL OPTIONS

City Council options include:

1. Direct the City Manager to negotiate a land transaction, development agreement and related legal documents for the Whole Foods Development Project with public garage development Option 4;
2. Direct the City Manager to negotiate a land transaction, development agreement and related legal documents for the Whole Foods Development Project with a different public garage development option; or
3. Decline to support the project at this time.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends moving forward with negotiations for the land transaction, development agreement and related legal documents for the Whole Foods Development Project based on public garage development Option 4.

SUGGESTED MOTIONS

1. Move to direct the City Manager to negotiate a land transaction between property owned by the City and property owned by the Shedd Institute for the Arts, LLC for the purpose of participating in the Whole Foods Development Project, and to bring back final terms for council approval.
2. Move to direct the City Manager to negotiate a development agreement and related legal documents with Broadway High Associates and Gerding/Edlen Developers for the Whole Foods Development Project, based on the public garage development Option 4, and to bring back final terms for council approval.

ATTACHMENTS

Please refer to the attachments provided with the February 8, 2006, work session agenda.

FOR MORE INFORMATION

Staff Contact: Nan Laurence
Telephone: 682-5340
Staff E-Mail: nan.laurence@ci.eugene.or.us