1-1-1978

Pioneer Courthouse Square Project Funding

Portland (Or.). Development Commission
Portland (Or.). Bureau of Planning

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CHRONOLOGY

PIONEER: COURTHOUSE SQUARE - HISTORY OF INCREASED VALUE

6-27-78  Dave Hunt left materials on an expanded program and increased costs with H.C.R.S. in Washington, D.C. Bob Ritsch was not available for the scheduled meeting. The materials did not indicate an increase in cost of the land.

7-26-78  Letter Secretary Andrus to Mayor. Acknowledged Hunt's visit and advised processing amendment through Dave Talbot.

10-30-78 Meeting Mike Cook (PDC) and Gary Scott (State Recreation Director). Complete program and project budget were discussed including the proposed land value increase. Scott suggested it might be possible to allow for the donation without an actual offer to May Company.

11-9-78  Meeting - Dave Talbot (State Parks Superintendent), Maurice Lundy (H.C.R.S. Regional Director), Holmes and Cook (PDC) - Air-tel conference room. Expanded Pioneer Square Program including land value increase were discussed.

11-14-78 Meeting - Washington D.C. Mayor, Chris Delaporte (H.C.R.S. Director), Secretary Andrus, Bob Gordon, John Hough. Pre-meeting project status report by Bob Gordon made no mention of the land increase. It was accepted in principal by the Secretary but would have to be reviewed legally.

12-5-78  Letter - Mayor to Dave Talbot. Outlined City's request for project amendment, including an updated value and May Company credit of $840,000.

12-21-78 In house memo - Delaporte to Secretary Andrus. The assistant solicitor approved the proposal to re-option the property but indicated that the propriety may be questioned. Delaporte advised against it.

12-27-78 Telephone conversation - Mike Cook and Gary Scott. Scott advised the Secretary's approval of the project amendment which included allowing the update in value.

12-27-78 Informal meeting - Steve Janik (May Company Counsel) and Dave Hunt. Janik thought May Company would want to avoid a formal offer of the increased value.

12-28-78 Telephone conversation - Mike Cook and Gary Scott. Cook advised that the City would want to avoid making an offer to May Company.

1-2-79  Meeting - Mayor, Glenn Jackson, Dave Talbot, Dave Hunt and Mike Cook. Dave Talbot reviewed the project amendment before signing and forwarding to the regional office. Dave Hunt expressed the City's concern about a formal offer to May Company. Talbot advised handling this as a technical item after the proposal had been submitted and approved.

1-2-79  Letter - Dave Talbot to Maurice Lundy. Forwarded project amendment to region noting partial donation.

1-9-79  Letter - Gary Scott to Mayor. Advised H.C.R.S. approval of extension in deadline to acquire.
1-17-79 Letter - Dave Hunt to Dave Talbot. Forwarded Norville opinion of 1/15/79 which found that an offer was not necessary and that a contribution of the value of the option could be made to the project instead of a donation of land by May Company.

1-17-79 Secretary Andrus approval of amendment as indicated in John Hough's letter of 1/22/79.

1-18-79 Inspector General's report questioning value increase.

1-22-79 John Hough letter to Mayor. Advised Secretary Andrus approval of project amendment, forwarded Inspector General's report and indicated they would work to support the project.

1-22-79 Letter Mayor to John Hough. Forwarded Norville opinion and value increase justification.


1-25-79 Letter Secretary Andrus to Congressional committees. Noted the dropping and re-negotiating of the May Company option at a new value justified by the delay in providing relocation for the existing parking, caused by the delay in completion of the East Garage.
June 21, 1978

The Honorable Cecil D. Andrus
Secretary of the Interior
U. S. Department of the Interior
Washington, DC  20240

Dear Secretary Andrus:

Last fall I visited with you about a number of things, one of which was the Pioneer Square project which would convert the existing Meier & Frank parking lot in downtown Portland to a public square.

The Bureau of Outdoor Recreation is currently committed to support that critical element of our downtown plan in the amount of $1.5 million, with an equal amount of match from the City ($500,000) and private ($1 million) sources. That budget was done four years ago and, at that time, we indicated a desire to try to plan the public square with a major shelter that would make the plaza usable year-round. With the advice and participation of the Citizens Advisory Committee, and a commitment to go out and raise an additional $1.25 million, the budget has been refined, now, to $6.67 million. A number of factors have impacted this, including the feeling that work needs to be done curb-to-curb so the sidewalk improvements have been included in the cost of the development.

In order to make this program work, we will need an additional $1.75 million from federal sources. I am hoping we can persuade you and your staff that a major share of this should come from the Bureau of Outdoor Recreation. We will be approaching the Urban Mass Transit Administration, HUD, and others about the remainder.

On June 26, Dave Hunt, Executive Director of the City of Portland Development Commission, which is responsible for the project, is scheduled to brief
Chris Delaporte on the current plans and funding requirements. I am excited about the prospects for the square, and even a momentary visit to the core of downtown will give one an immediate understanding of how critical this development is to gluing together everything else we've been doing. It sits astride the Transit Mall, next to the Morrison Street Corridor project which may, in fact, accommodate light rail, in front of our newest department store, and behind the restored Federal Pioneer Post Office. We believe the development of the plaza is likely to bring new retailing in, around, and near it. I hope that the development program will be able to be accommodated by the H.C.R.S. funding and regulations.

I look forward to visiting with you soon about this.

Sincerely,

Neil Goldschmidt

NG:cm

cc: Maurice Lundy
    Dave Talbot
    Dave Hunt
    Bill Roberts
Dear Mayor Goldschmidt:

Thank you for your letter of June 21, 1978, indicating the city of Portland's progress on the Courthouse Square project funded with Land and Water Conservation Fund assistance and expressing a need for additional Federal funding to complete the project.

The Heritage Conservation and Recreation Service has advised that on June 26, 1978, they were visited by Mr. Dave Hunt, Executive Director of the city of Portland Development Commission. Mr. Hunt indicated a need for $1,720,000 in Federal assistance to complete the Courthouse Square project.

In Oregon the Fund program is administered by Mr. David G. Talbot, State Parks Superintendent, 525 Trade Street, S.E., Salem, Oregon 97310. Since all requests for Fund assistance must first be reviewed for eligibility and approved by Mr. Talbot, we suggest that you make your needs known to him. On receipt of an application from the State, you may be assured that the Service will give it prompt consideration.

If we can be of further assistance, please let us know.

Sincerely,

[Signature]

Secretary
Portland Development Commission

MEMORANDUM

DATE October 30, 1978

TO: Pioneer Square Funding File

FROM: Mike Cook

SUBJECT: Summary, Meeting with Gary Scott and Ed Marges of State Parks
10/27/78

1. Gary Scott recommended that in preparation for a joint meeting with Doug Bridges, Maurice Lundy and Dave Talbot, the morning of November 9, that we are able to communicate the Mayor's priorities for open space funding. They have been working with Glen Jackson on the issue of Portland priorities and it is felt they would come up from the Mayor and be endorsed by the Governor prior to making any request to the Secretary.

2. They felt that H.C.R.S. might participate in the conservatory and related land purchase if:
   a. The conservatory could be opened to the park - glass doors/gates, etc.
   b. If the tea garden were a concession and not a leased facility.

3. To take advantage of the credit for increased land value of approximately $28/sq. ft. they feel that requirements to offer the appraised value have already been met and that the $10 deposit on the existing option constitutes sufficient evidence of sale at the $62/sq. ft. price. They will contact me with a final determination. This would permit the City to pay option value for the land with the amount over that value taken as a tax loss by May Co. and credit towards the local share accepted by H.C.R.S.

4. The Department of Interior and State Parks will be reluctant to extend the existing grant further due to pressure from Congress to expend appropriated funds and threats to reduce future appropriations.

5. The revised concept should be submitted to their office to be processed thru Dept. of Interior.

MAC: bw
Status of Downtown Development

In the early 1970's Portland's commitment to a central public square bounded by Sixth, Broadway, Morrison and Yamhill stimulated a public and private planning and development effort which has brought about a total renaissance of the downtown.

In addition to the commitment of $1.5 million for acquisition and development from the Department of Interior/BOR/HCRS, public sector participation includes: 1) Restoration of the National Landmark Pioneer Courthouse by the National Park Service, $12 million; 2) The UMTA-funded Transit Mall running 13 blocks through downtown along 5th and 6th Avenues, $16 million; 3) The $10 million revenue bonded East and West garages providing 1300 close-in parking spaces for shoppers; and 4) The waterfront urban renewal project, focused on the development of our mile long waterfront park and covering the eastern half of downtown, $25 million.

These public commitments demonstrated the potential of the Square and convinced a major retailer, J.C. Penney, both to stay downtown and to relocate to a larger facility near the Square and Mall. This initiated a series of retail investments downtown amounting to several millions of dollars, including: 1) Construction of a new $3 million Nordstrom's department store just west of the Square; 2) Remodeling of the vacant Rhodes department store nearby; 3) The $2 million remodeling of the May Company's Meier & Frank department store; 4) Opening of a downtown retail store by The Broadway chain; and 5) Enthusiastic lease-up of approximately 40,000 square feet of prime retail space in the ground floors of the two new garages. The West garage was opened in June, 1978. The East garage is well under construction with completion estimated for July 1979. All these facilities are tied to Morrison Street, slated to become a pedestrian/transit link between the Square and the waterfront project.

Most recently, Pacific First Federal has begun construction of a 19 story office building adjacent to the Square on the south.

The completion of the Transit Mall and the opening of the West garage, to be followed by the East garage, demonstrate Portland's achievements in tackling its air quality problems. Elimination of the parking garage currently occupying the Pioneer Square block is a key element in achieving our air quality goals and further buttressing Portland's reputation as a national leader in meeting its commitments under the Clean Air Act as amended.

Status of Pioneer Square Project

Over the last year the City of Portland has been actively preparing a development program for Pioneer Square which has strong community backing, predicated upon construction beginning upon the opening of the East garage, and upon reasonable expectations for additional financial assistance. We believe the program is consistent with the regulations of the Heritage Conservation and Recreation Service, yet will permit the City to provide sheltered facilities and commercial activities critical to the success of the project.
The key ingredient of continued community support is dependent upon the City's ability to develop Pioneer Square in a manner which is responsive to its highly urban setting and the nature of our weather. The community expects a Square which can be used day and night, rain or shine. The Art Quake Festival, which draws over 400,000 annually to this site and adjacent streets in early September has experienced rain for two years in a row. The community is also hesitant to support a block square expanse of open, uncontrolled space. There is concern that idle space will attract an element of the population which may discourage use of the Square. Portland's most important public space must be developed so as to further enhance the successes already achieved in attracting people back downtown to shop, work and live.

Community expectations for a truly outstanding public square are best illustrated by the recent private donation of $2 million, 1) for a public Conservatory to cover a quarter of the site, and 2) acquisition of the land beneath it. The Conservatory would be an attractive glass and steel structure housing both permanent and seasonal floral displays, a tea garden, and a public information center. The remainder of this site is to be acquired and developed as quality open space at a total cost of $4.5 million. Thus, under the Pioneer Square development program as it is now established, the City of Portland will utilize Department of Interior funds for acquisition and development only of that portion of the Pioneer Square block not containing the sheltered Conservatory and its attendant commercial facilities.

Request for Amendment

A one year extension of the existing grant award is requested to permit acquisition of the site to commence immediately upon scheduled completion of the East garage.

An increase of $735,000 in the amount of the grant award is requested to cover inflation, bringing the total of the Department of Interior/HCRS funds to $2,235,000. This sum will be leveraging a grant of $1.2 million from UMTA and $4.56 in local contributions. Additionally, these additional funds will protect and enhance the Department's existing investment in the Pioneer Courthouse.

Schedule

To meet our projected September 1979 construction date for Pioneer Square resolution of all local and federal funding commitments is required by January 1979. Final design will be determined by competition, advertising for which is to begin in February. The final designer will be selected and construction drawings and bidding will be completed by September 1979. Construction is estimated to take 10 months with July 1980 set for project completion.
December 5, 1978

Mr. Dave Talbot
State Parks Superintendent
525 Trade Street S.E.
Salem, Oregon 97310

Dear Mr. Talbot:

As a follow through to my November 14th discussion with Secretary Andrus I have been advised by Maurice Lundy and Chris Delaporte that more specific documentation is necessary to allow the administrative reviews to begin on our proposal to amend our present funding agreement for Pioneer Courthouse Square (Project 410659). They specifically requested that the following be forwarded to you:

1. A more detailed project description - attached is a copy of the material given to the Secretary on November 14th.

2. An explanation of the delay in exercising the May Company purchase agreement.

3. An explanation of the request for an updated value for 3/4 of the block.

I. Project Description

   Concept

The basic development concept is for an open public square, one quarter of which is enclosed in a glass and steel structure. The enclosure will allow for all-season and all-hour use of the square, which we have always felt is essential to make for a successful overall project. It is being planned as a sheltered garden, or conservatory, which will not only attract more people to the square but will serve as a lush green backdrop for activities in the square itself, including concerts, art displays, public gatherings, and also provide basic services for the square, including public information, restrooms, and food service. Income producing activities will be limited to those which serve the general public using the Square. Income will be used to offset operating costs of the square and the conservatory.
The uses anticipated would be complimentary and secondary to the overall square concept. We felt that there should be no question as to the conformance of the project to HCRS regulations regarding shelter and commercial uses and decided to purchase 1/4 of the block and build the conservatory totally with local dollars so that the 3/4 block open plaza portion of the square can proceed as a public outdoor recreation area.

The Plaza

The Plaza is intended to provide flexibility for a variety of public recreation activities. The basic elements to be provided here include a quality paved surface, good lighting, water feature and open visibility for maximum security. The plaza would allow for seating but would be specifically designed to minimize obstructions in order to encourage pedestrian activity and use by the elderly and handicapped.

The Plaza Improvements Estimate

<table>
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<th>Description</th>
<th>Cost</th>
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<tr>
<td>Demolition and Excavation</td>
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<td>Surface Treatment (paving, planter walls)</td>
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<td>Landscaping</td>
<td>100,000</td>
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<tr>
<td>Water Feature</td>
<td>100,000</td>
</tr>
<tr>
<td>Lighting and accessories</td>
<td>200,000</td>
</tr>
<tr>
<td>Design fees and administration</td>
<td>470,000</td>
</tr>
<tr>
<td></td>
<td>$1,770,000</td>
</tr>
</tbody>
</table>

II. Explanation of delay in exercising May Company Option

Contract documents for the East garage entered into August of 1977, require completion by November 1978. The contractor has fallen behind schedule and is subject to penalties provided in the contract. The basic structure is now completed up to the fourth of 8 floors with completion now scheduled for July, 1979. With completion by August 1st our purchase agreement with May Company would allow possession by September 1st for the start of construction for the square.

Our understanding has been that HCRS' interim use regulations would prohibit the City to purchase the block and be advanced the HCRS share or be reimbursed by HCRS while the interim parking use is still in operation. Our purchase agreement with May Company requires the interim parking use to continue a minimum of 30 days beyond the opening date. To purchase the block by December, 1978
under these conditions would place the City in the position of having to carry the HCRS share for eight months, which we are not in a position to do. If your or HCRS' determinations in this regard would permit the advance or reimbursement of HCRS share for acquisition prior to the termination of the interim parking use we would take immediate steps to exercise our purchase agreement.

III. Explanation of the request for an updated value for the 3/4 block.

To achieve even a basic quality plaza development as described above, costs for improvements have increased substantially since our last estimate. The resultant increase in local share to cover any increase in the project cost would be well beyond what is available and already committed to the project. The updated value would provide the opportunity to cover those cost increases by allowing for an increased donation from May Company. Since the project has not, in effect started, it would be consistent with HCRS policies encouraging land donations and assuring the offering of fair market value, to reappraise the land at this point. At the same time this would allow the city the opportunity to achieve the quality of development appropriate for its center. An estimated current value of $90 per sq. ft. would result in the following project budget for the 3/4 block plaza and make the entire project feasible for the City:

<table>
<thead>
<tr>
<th>Costs:</th>
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<tbody>
<tr>
<td>Improvements</td>
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<tr>
<td>Acquisition</td>
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<tr>
<td>30,000 ft² @ $90/ft²</td>
<td>$2,700,000</td>
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<tr>
<td>TOTAL PROJECT COST</td>
<td>$4,470,000</td>
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<tr>
<td>Resources:</td>
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<tr>
<td>Existing BOR grant</td>
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<tr>
<td>HCRS Grant Increase</td>
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<tr>
<td>Original May Co. Donation</td>
<td>500,000</td>
</tr>
<tr>
<td>Added May Company Land</td>
<td></td>
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<tr>
<td>Donation Credit</td>
<td>840,000</td>
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<tr>
<td>Existing HCD Commitment</td>
<td>500,000</td>
</tr>
<tr>
<td>Other Local Contributions</td>
<td>200,000</td>
</tr>
<tr>
<td>&quot;</td>
<td>195,000</td>
</tr>
<tr>
<td></td>
<td>$4,470,000</td>
</tr>
</tbody>
</table>

We are prepared to undertake the necessary appraisals and await final determination on acquisition procedures for the project. In summary we request the following amendment to our contract:

1. An increase in grant of $735,000;
2. A one year extension in the existing date of acquisition and project completion;
3. Advance payment of HCRS share of acquisition costs to allow cities to exercise purchase agreement prior to
termination of interim use;

4. Authorize acquisition of 3/4 block on the basis of an updated appraisal.

I hope this provides the basic information you require to move the project along. If there is any additional information you require please let me know.

Very truly yours,

Neil Goldschmidt, Mayor

NG/MK/mp

CC: Chris Delaporte, Director Heritage Conservation & Rec. Services
    Washington, D.C. 20240

Maurice Gundy
Regional Director NCRS
Federal Bldg # 990
915 2nd Ave
Seattle, Wa. 98174

John Strong 442-081
Spec. Asst. to Sec. of Interior
Room 3292 915

(206)
MEMORANDUM

DATE December 27, 1978

TO: Pioneer Square Funding File
FROM: MAC
SUBJECT: HCRS Project Approval Notice

Gary Scott this a.m. advised that Secretary Andrus had approved:

1. Update in land value subject to new appraisal.
2. July 79 acquisition deadline
3. July 80 project completion
4. Acquisition reimbursement prior to termination of interim use.

Maurice Lundy advised that John Howell, Assistant to the Secretary had advised the Mayor this a.m. and he had been directed by Chris Delapporte to process the approval prior to January 8th.

MAC:bw

cc: JDH
    RJH
MEMORANDUM

DATE December 28, 1978

TO: Pioneer Courthouse Square File
FROM: Mike Cook
SUBJECT: Gary Scott Summary of H.C.R.S. Approval

1. The option be exercised by June 30, 1979.
2. That the project be completed by June 30, 1980.
3. That the site be reduced to approximately 3/4 of a block.
4. That reimbursement from H.C.R.S. be made prior to the termination of interim use.
5. That the H.C.R.S. contribution be increased by $735,000 to a total grant of $2,235,000.
6. That an updated appraisal would be permitted to allow for an increase land donation as local share.

(1) Income from interim use would be permitted to be used totally as local share instead of reducing the gross project costs.
(2) Final project boundary will not be submitted until the time of taking. (to permit final project description to be determined by competition)
(3) We will have an opportunity to read the final administrative requirements for handling the land donation. Gary Scott believes it should be handled by submitting a letter to May Company requesting their concurrence in proceeding with an updated appraisal and confirming the original option and their net return on the block of $2 million dollars. Whether this would be required to be followed up by an actual offer of the full value is not determined and I have asked that we avoid that requirement if at all possible.

MAC:by 12-28-78
cc: JDH & RJH
Mr. Maurice H. Lundy, Regional Director  
Heritage Conservation and Recreation Service  
Northwest Region  
915 Second Avenue, Rm. 990  
Seattle, Washington 98174

Dear Mr. Lundy:

Re: Pioneer Courthouse Square O.P. 809  
City of Portland - Multnomah County  
HCRS 41-00659

As you outlined the situation by telephone on December 27, 1978, we understand the Secretary of Interior is prepared to take the following actions with regard to the Pioneer Courthouse Square Project, HCRS 41-00659:

1) Extend the project completion date to June 30, 1980;

2) Permit a reduction of the project boundary to approximately a 3/4 - block area;

3) Waive the Interim Nonrecreation Use Policy allowing Portland to receive payment from the Fund for acquisition of the property before the nonrecreation use is officially terminated;

4) Approve a federal assistance increase in the amount of $735,000 from Oregon's regular apportionment; and

5) Allow Portland the opportunity to update the appraisal with the possibility of receiving a partial donation on any increased value. This donation could be used as local share of the project cost.
We are now submitting the required federal forms to initiate amendments to the project. Our proposal for extending the option and project period was forwarded to your office last week, so this transmittal covers only the scope and cost adjustment, and declaration of a possible land donation value. Form RO 184 does not attempt to identify income which may be received from the interim nonrecreation activity, i.e., vehicle parking. We understand it will not be necessary to credit income value in this case. In addition, we have selected not to submit the 6f boundary map pending completion of the reappraisal and detailed description of the actual taking.

Sincerely,

David G. Talbot
State Parks Superintendent

DGT:cm
**FEDERAL ASSISTANCE**

### 7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT

Pioneer Park Courthouse Square

 Amend project to increase cost and reduce acquisition boundary

Neil Goldschmidt, Mayor
City of Portland
City Hall, 1220 S.W., Fourth Avenue
Portland, Oregon 97204

### 10. AREA OF PROJECT IMPACT (Name of city, county, States, etc.)

Portland, Multnomah County, Oregon

### 14. CONGRESSIONAL DISTRICTS OF:

<table>
<thead>
<tr>
<th>A. State</th>
<th>District</th>
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</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

### 19. EXISTING FEDERAL IDENTIFICATION NUMBER

41-00659.2

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*land donation*
AMENDMENT TO PROJECT AGREEMENT

THIS AMENDMENT To Project Agreement No. 41-00659 is hereby made and agreed upon by the United States of America, acting through the Director of the Heritage Conservation and Recreation Service and by the State of Oregon pursuant to the Land and Water Conservation Fund Act of 1965, 78 Stat. 897 (1964).

The State and the United States, in mutual consideration of the promises made herein and in the agreement of which this is an amendment, do promise as follows:

That the above mentioned agreement is amended by adding the following:
Reduce acquisition from full city block to 3/4 of a city block.

Increase funding as follows:

<table>
<thead>
<tr>
<th></th>
<th>Change from</th>
<th>Change to</th>
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<td>Fund Support</td>
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<td>Fund Amount</td>
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<tr>
<td>Assistance this Stage</td>
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<td>$2,235,000</td>
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</table>

Add a water feature to the development scope, provide administrative expense. This project involves a donation of land.
Delete the paragraph in the December 26, 1978 amendment that refers to the City of Portland purchasing the property by June 30, 1979.

In all other respects the agreement of which this is an amendment, and the plans and specifications relevant thereto, shall remain in full force and effect. In witness whereof the parties hereto have executed this amendment as of the date entered below.

THE UNITED STATES OF AMERICA

By ____________________________
                     (Signature)
                     ____________________________
                     (Title)

Heritage Conservation and Recreation Service
United States Department of the Interior

Date ____________________________

HCRS 8-92a

STATE

By ____________________________
                     (Signature)
                     ____________________________
                     (Title)

David G. Talbot
State Parks Superintendent

INT 4769-78
## PART III - BUDGET INFORMATION - CONSTRUCTION

### SECTION A - GENERAL

1. Federal Domestic Assistance Catalog No. .......... 15,400

2. Functional or Other Breakout

### SECTION B - CALCULATION OF FEDERAL GRANT

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<td>3. Land, structures, right-of-way</td>
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<td>2,700,000</td>
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<td>4. Architectural engineering basic fees</td>
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<td>5. Other architectural engineering fees</td>
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<td>6. Project inspection fees</td>
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<td>11. Construction and project improvement</td>
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<td>15. Estimated Income (if applicable)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>16. Net Project Amount (Line 14 minus 15)</td>
<td></td>
<td>4,470,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Less: Ineligible Exclusions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Add Contingencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Total Project Amt. (Excluding Rehabilitation Grants)</td>
<td></td>
<td>4,470,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Federal Share requested of Line 19</td>
<td></td>
<td>2,235,000</td>
<td></td>
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<tr>
<td>21. Add Rehabilitation Grants Requested (100 Percent)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Total Federal grant requested (Lines 20 &amp; 21)</td>
<td></td>
<td>2,235,000</td>
<td></td>
<td></td>
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<tr>
<td>23. Grantee share</td>
<td></td>
<td>2,234,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Other shares</td>
<td></td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. Total project (Lines 22, 23 &amp; 24)</td>
<td></td>
<td>$</td>
<td>$</td>
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**SECTION C – EXCLUSIONS**

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<tr>
<th>Classification</th>
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<th>Excluded from Contingency Provision (2)</th>
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<tbody>
<tr>
<td>a.</td>
<td>$</td>
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<tr>
<td>b.</td>
<td></td>
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</tr>
<tr>
<td>c.</td>
<td></td>
<td></td>
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<tr>
<td>d.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$</td>
<td>$</td>
</tr>
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</table>

**SECTION D – PROPOSED METHOD OF FINANCING NON-FEDERAL SHARE**

27. Grantee Share
   a. Securities
   b. Mortgages
   c. Appropriations (By Applicant) 394,500
   d. Bonds
   e. Tax Levies
   f. Non-Cash 840,000
   g. Other (Explain) 1,000,000
   h. TOTAL – Grantee share 2,234,500

28. Other Shares
   a. State Highway User Fees - Administration Overhead 500
   b. Other
   c. Total Other Shares 500

29. TOTAL $2,235,000

**SECTION E – REMARKS**

f. Non-Cash - estimated land donation valued at $840,000. Actual donation value to be determined by re-appraisal

**g.** HCD & Local cash donations – $1,000,000

Assistance in the amount of $750,000 is from the Secretary’s Contingency Reserve Fund.

PART IV PROGRAM NARRATIVE (Attach – See Instructions)
Mr. Neil Goldschmidt, Mayor
City of Portland
City Hall, 1220 S.W. Fourth Avenue
Portland, OR 97204

Dear Mr. Goldschmidt:

The Heritage Conservation and Recreation Service has approved the amendment to the project agreement for the above-named Land and Water project. A copy of the amendment is enclosed for your information and records.

Very truly yours,

Gary A. Scott
State Recreation Director

GAS:jtc
encls.

cc: CLO - Gary Newbore
Jim Cavanaugh
C.W. Head
**Federal Assistance**

<table>
<thead>
<tr>
<th>3. Type of Action</th>
<th>4. Legal Applicant/Recipient</th>
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<tr>
<td>□ Preapplication</td>
<td>Applicant Name: Oregon State Parks Branch</td>
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<tr>
<td>□ Application</td>
<td>Organization Unit: Oregon State Parks Branch</td>
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<tr>
<td>□ Notification of Intent (Opt)</td>
<td>Street/P.O. Box: 525 Trade Street SE</td>
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<td>□ Report of Federal Action</td>
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<tr>
<td>Leave Blank</td>
<td>Contact Person (Name &amp; Telephone No.): David G. Talbot (503) 378-5019</td>
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7. Title and Description of Applicant's Project

Pioneer Park Courthouse Square
Amend project to set new option date, and extend project period.
Neil Goldschmidt, Mayor
City of Portland
City Hall, 1220 S.W. Fourth Avenue
Portland, OR 97204 (503) 248-4120

13. Proposed Funding

<table>
<thead>
<tr>
<th>14. Congressional Districts of:</th>
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<tr>
<td>□ Federal $ NO .00</td>
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<td>□ State $ NO .00</td>
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<td>□ Local $ NO .00</td>
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<tr>
<td>□ Local CHANGE .00</td>
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<tr>
<td>□ Total $ NO .00</td>
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</table>

20. Federal Agency to Receive Request (Name, City, State, Zip Code): Federal Recreation Service, 915 2nd Avenue Rm 990, Seattle, WA

22. The Applicant Certifies That

a. To the best of my knowledge and belief, the data in this application is true and correct. The document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assumptions if the application is approved.

b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached.

23. Certifying Representative

<table>
<thead>
<tr>
<th>24. Agency Name</th>
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<tbody>
<tr>
<td>Applicant Name: Gary A. Scott</td>
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<tr>
<td>State Recreation Director</td>
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26. Organizational Unit

Heritage Conservation and Recreation Service

28. Federal Agency

A-95 Action

32. Funding

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<th>33. Action Date</th>
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<td>□ Awarded $ .00</td>
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<tr>
<td>□ Rejected $ .00</td>
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<td>□ Returned for Amendment</td>
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<tr>
<td>□ Denied</td>
</tr>
<tr>
<td>□ Referred</td>
</tr>
<tr>
<td>□ Total $ .00</td>
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</tbody>
</table>

35. Contact for Additional Information (Name and Telephone Number): Don Ketter: 206-442-4720
AMENDMENT TO PROJECT AGREEMENT

THIS AMENDMENT To Project Agreement No. 41-00659 is hereby made and agreed upon by the United States of America, acting through the Director of the Heritage Conservation and Recreation Service and by the State of Oregon pursuant to the Land and Water Conservation Fund Act of 1965, 78 Stat. 897 (1964).

The State and the United States, in mutual consideration of the promises made herein and in the agreement of which this is an amendment, do promise as follows:

That the above mentioned agreement is amended by adding the following:

Amend project period
from: 3-28-75 to 6-30-79

to: 3-28-75 to 6-30-80.

The City of Portland will by June 30, 1979 acquire the property as stipulated in the Option Agreement dated June 29, 1977. Reference to exercising the option prior to December 30, 1978 is hereby rescinded. There are no other changes in scope or cost at this time.

In all other respects the agreement of which this is an amendment, and the plans and specifications relevant thereto, shall remain in full force and effect. In witness whereof the parties hereto have executed this amendment as of the date entered below.

THE UNITED STATES OF AMERICA

By

Garth A. Scott

(Name)

State Recreation Director

(Title)

Heritage Conservation and Recreation Service

United States Department of the Interior

Date DEC 2 1978

STATE

Oregon

(State)

Gary A. Scott

(Name)

State Recreation Director

(Title)

INT 4769-78

Sheet 1
January 17, 1979

Mr. David G. Talbot, State Parks Superintendent  
Department of Transportation  
Parks and Recreation Branch  
525 Trade Street S.E.  
Salem, Oregon 97310

Re: Pioneer Courthouse Square O.P. 809  
City of Portland - Multnomah County  
H.C.R.S. Project Amendment 41-00659-2

Dear Dave:

At our January 2nd review of the current amendment we mentioned we would follow through on some specifics regarding the handling for the local contribution resulting from the increase in land value.

The attached opinion of the Portland Development Commission's legal counsel clearly states our position.

Please review the attached material and advise how the processing through H.C.R.S. will be handled and if there is any additional information required.

Yours very truly,

J. David Hunt  
Executive Director

cc: Gary Scott  
Mayor Neil Goldschmidt
Mr. J. David Hunt, Executive Director  
Portland Development Commission  
1500 S.W. First Avenue  
Portland, Oregon 97201  

RE: Purchase of Meier & Frank Parking Garage, Opinion  

Dear Mr. Hunt:  

You have asked our opinion with respect to two issues involved in the purchase of the Meier & Frank Parking Garage by the City of Portland with matching funds from the Department of the Interior. They are:  

1) Whether, if the City has the property reappraised for the purpose of getting increased matching funds under the Land and Water Conservation Fund Act of 1965, must the City also make another offer to purchase at the reappraisal value in order to conform with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; and  

2) Whether the option which the City has on the Meier & Frank Parking Garage is property which will qualify as part of the City's share of funding under the Land and Water Conservation Fund Act of 1965.  

Our understanding of the relevant facts are that the original plans for purchase and development of the area where the Meier & Frank Parking Garage now stands contemplated that the entire project would cost approximately $3 million dollars. Because the Land and Water Conservation Fund Act of 1965 provides for fifty (50%) percent Federal matching funds, the City would have had to provide 1.5 million dollars. The City had the property appraised in conformance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act and made an offer to the May Company, owner of the property. This offer was accepted by the May Company and the result was the execution of an Option to Purchase for $2.5 million dollars, which will run through June 30, 1979. Since that time the estimated total cost of the project which is eligible for matching funds has increased to $7 million dollars and the estimated value of the Meier & Frank Parking Garage has increased to $3.6 million dollars. Therefore, both the amount of matching funds which will be sought has increased, and the Option itself has increased in value to
I. Must The City Make Another Offer?

Section 301 of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 USC §4651, provides in relevant part:

"In order to encourage and expedite the acquisition of real property by agreement with owners, to avoid litigation and relieve congestion in the courts, to assure consistent treatment for owners in the many federal programs, and to promote public confidence in federal land acquisition practices, heads of federal agencies shall, to the greatest extent practicable, be guided by the following policies:

1) The head of a federal agency shall make every reasonable effort to acquire expeditiously real property by negotiation.

2) Real property shall be appraised before the initiation of negotiations and the owner or his designated representative shall be given an opportunity to accompany the appraiser during his inspection of the property.

3) Before the initiation of negotiations for real property, the head of the federal agency concerned shall establish an amount which he believes to be just compensation therefore and shall make a prompt offer to acquire the property for the full amount so established. In no event shall such amount be less than the agency's approved appraisal of the fair market value of such property. . . ."

The requirements of the Act are also imposed on State Agencies, such as the City of Portland, which use federal financial assistance by 42 U.S.C. §4655, which states that:

"When acquiring real property [the State Agency] will be guided, to the greatest extent practical under State law by the land acquisition policies in §4651 of this title. . . ."
In our opinion, the City has fully complied with the statute and regulations. To paraphrase 42 USC §4651(3), before the initiation of negotiations for purchase of the garage block, the City established an amount which it believed to be just compensation for the block and made a prompt offer to acquire the block for the full amount so established. The City's "approved appraisal" of the fair market value of the property was $2.5 million dollars. That was the amount of the City's offer which was accepted by the May Company by their granting the City an Option to purchase at that price.

It would not be inconsistent with the explicit requirements of the Uniform Relocation Assistance Real Property Acquisition Policies Act to allow another appraisal for the purpose of securing additional Land and Water Conservation Fund Act matching funds if the property had increased in value so long as the Uniform Act requirements were met with respect to the first appraisal and offer. Nowhere does the Uniform Relocation Assistance and Real Property Acquisition Act require that a second offer be made if a second appraisal is made for another purpose.

Neither would a second appraisal be inconsistent with the intent of the Uniform Act. The intent of the Act, as stated in Section 301 of the Act, 42 U.S.C. §4651, was to encourage and expedite the acquisition of real property by agreements with owners, which objective has been met because the property was expeditiously acquired; to avoid litigation and relieve congestion in the courts, which has been met because the possibility of litigation has never been present in this case; to assure consistent treatment for owners in the many federal and federally assisted program, which objective has been met through following the required procedures; and to promote public confidence in land acquisition practices, which objective has been met by the amicable agreement of all parties.

Nor would a second appraisal be inconsistent with the intent of Congress. The legislative history of the Act shows that besides the specific reasons which Section 301 of the Act states for establishing a uniform real property acquisitions policy, Congress generally intended that the government agency that acquired property deal fairly with the land owner from whom the property is purchased. In House Report No. 91-1656 on the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 1970[3] U.S.C.C.A.N. 5871, the Committee on Public Works said, with respect to Section 301,

"Items 1, 2 and 3 seek to assure that government agencies will deal fairly with the owners of real property needed for federal

"It is fundamental that all citizens should be dealt with fairly by their government."

This objective has also been met. The present situation can hardly be called one in which the government has taken unfair advantage of a private land holder. The May Company, the owner of the what is probably the most valuable city block in the City of Portland, fully apprised of the situation, after full compliance by the government with the Uniform Act, and without any pressure exerted, executed an option to purchase the block to the City. The May Company contractually assumed the risk that the land might rise in value to the City's benefit. The Uniform Act requires the government to treat land vendors fairly but it does not require the government to bend over backwards to allow land owners to generate profits on their land. See, Washington Metropolitan Transit Authority v. One Parcel of Land in Montgomery County, 548 F.2d 1120 (4th Cir. 1977). Nor should it require the government to permanently bear the risk of market fluctuations in land when it can, as in this case, agree for consideration with another party to bear that risk. If the May Company had thought the government was being unfair, it had the effective opportunity to require the government to subject the land to condemnation.

The Bureau of Outdoor Recreation, (BOR) now the Heritage Conservation and Recreation Service, (HCRS), has established guidelines in its Grants in Aid Series with respect to its uniform property acquisition policies. With respect to appraisals of land which will be purchased through funding from BOR/HCRS, Part 645.1.9b states:

"Except for projects involving donations, the State will have responsibility for reviewing and approving project related appraisals prior to initiation of negotiations . . . . BOR reviews will be limited to spot checking and post audit program reviews. BOR reviews shall include an evaluation of the adequacy of the appraisal in terms of thoroughness, reasonableness, impartiality and conformance to the uniform appraisal standards for federal land acquisition. Where the review results in substantive concerns as to the adequacy of the approved appraisal, the State Liaison Officer will be responsible for providing the BOR with supplemental appraisal
documentation or a new appraisal in accordance with the review findings. The value established by the revised or new appraisal will be used as the basis for determining just compensation and for matching assistance."

This section ties the valuation for determining just compensation with the valuation to be used for matching assistance only where a new appraisal is made because the first appraisal was inadequate. These regulations do not require that the value for determining just compensation must be tied to the value for matching assistance. The original appraisal should be used in this case for acquisition because it was thorough, reasonable and impartial and in conformance with the other standards of the Uniform Act.

Part 645.1.10 of the BOR Grants in Aid Series states in relevant part:

"Only in unusual circumstances will real property be acquired at less than the estimate of fair market value as determined by an approved appraisal. However, if this occurs, there must be evidence that the owner was first provided with an offer to purchase for the full amount established as just compensation. This amount will not be less than the approved appraisal of fair market value."

This section has been complied with because the City effectively acquired the property by execution of the option to the City at the property's fair market value. Further, this Paragraph also does not require using the original appraisal as the estimate of value for matching purposes.

II) Is The Option Property Which Will Qualify For Matching Funds?

Section 6(C) of the Land and Water Conservation Fund Act of 1965, 16 USC §460L-8(C) states:

"Payments to any state shall cover not more than fifty percentum of the cost of planning acquisition or development projects that are undertaken by the State. The remaining share of the cost shall be borne by the State in a manner and with such funds or services as shall be satisfactory to the Secretary. No
payment may be made to any State for or on account of any cost or obligation incurred or any service rendered prior to the date of approval of this Act."

In this case the City is contributing the increased value of the option to the project. We see no reason under the statute that this contribution should not be treated as part of the City's share.

An option to purchase real property is not an interest in land, but is intangible personal property. In Herndon v. Armstrong, 148 Or. 602, 39 P.2d 44 (1934), a suit for specific performance of an option to purchase real property, the Supreme Court of Oregon held that such an option created no interest in real estate. This is the majority rule in the United States. See The Texas Company v. Butler, 198 Or. 368, 373, 256 P.2d 259 (1953). An option is generally considered to be an intangible personal contract right composed of two separate agreements; first, an offer to sell at a specific price; and second, an agreement for consideration to hold the offer open for a specific time. 77 Am.Jur 2d, Vendor and Purchaser §27 and §28. The City is, therefore, contributing the equivalent of 1 million dollars in cash which should, in our opinion, be recognized as a portion of the City's share of the project cost.

Very truly yours,

OLIVER I. NORVILLE,
Legal Counsel,
Portland Development Commission
January 22, 1979

Honorable Neil Goldschmidt
Mayor of Portland
1220 Southwest Fifth Avenue
Portland, Oregon 97204

Dear Mayor Goldschmidt:

On January 17 the Department of the Interior formally agreed to amendments to the project agreement for Pioneer Square. It will be our intention to work with the City to its successful completion of your project. However, a problem has arisen in that the Office of Inspector General, an agent of the Congress in the executive branch, has objected to the amendments in a very emphatic manner. In the closing weeks of the last congressional session, Congress created the Office of Inspector General to serve as a watchdog for abuses in executive agencies. It is my personal opinion that Pioneer Square is in no manner "an abuse." However, the position of the Inspector General has been set forth in a memorandum dated January 18, 1979, and by law the Secretary has seven days to comment on the Inspector General's report and forward it to Congress for review by the appropriate committees.

It will be very important to the success of the project to have your active and direct involvement in this congressional process. I have discussed this with Angus Duncan of your staff and trust that by now he has briefed you on this matter. After you have had time to analyze the contents of the Inspector General's report, I believe it would be appropriate for you and I to have a telephone conversation. Keep in mind that there is very little time in which we are required to respond. I believe it would be helpful to incorporate the City of Portland's comments in the Secretary's response document.

I am sorry to have to inform you of this problem but, at the same time, it is fair to point out once again that the Department has not created this problem — the congressional agent has. As a Department, we intend to fight this action to the best of our ability.

Sincerely,

[Signature]

John D. Bough
Director, Western Field Office
Office of the Secretary

Attachment
Memorandum

To: The Secretary

From: Acting Deputy Inspector General

Subject: Potential Abuse of Granting Authority - Pioneer Courthouse Square (ECRS 41-00659)

Based on our understanding of the facts pertinent to the above project, we see an abuse of granting authority. The purpose of this memorandum is to bring this information to your attention as required by section 5(d) of Public Law 95-452 (the Inspector General Bill).

The above project involves both land acquisition and development cost. Our concern is limited to land acquisition. Specifically, the City of Portland has an existing sales/purchase agreement extending through June 30, 1979, to acquire the land for $62 per square foot. Our understanding is that the City now proposes to increase the land acquisition value to approximately $90 per square foot, to be based on current appraisal. Because of the particular financial arrangements for this project (which involves a substantial donation from the land owner), the increase in land value would not result in any additional cost to the grantee (the owner plans to immediately donate the increased amount back to the City). However, it would increase total project costs by $840,000 and the Federal participation would increase by half of that amount, or $420,000.

Federal Procurement Regulations (FPR 1-15.703-1) state that, to be allowable under a grant program, cost must be necessary and reasonable. We do not see how the Department can accept as "necessary" a value of $90 per square foot when the City has a valid agreement, based on documented appraisals, establishing a value of $62 per square foot. We feel that this position is sound even if the property is acquired after June 30, 1979, because it could have been acquired prior to that date at the lower price. If the Department were to accept the increased valuation, we would be establishing a precedent which could be applied by every unit of state and local government. For example, a unit of local government could transfer title to land which it has owned for years to a third party and then transfer it back at several times its original cost.
We are not attempting to pass judgment on the merits of the proposal. Obviously, the project has merit or it would not have been approved by HCRS. However, the Office of Inspector General must be concerned with the financial aspect of the revised proposal.

Section 5(d) of Public Law 95-452 requires that in cases of serious abuse or deficiencies in administration of the Department the matter shall be reported to you and that you "shall transmit any such report to the appropriate committees or subcommittees of Congress within seven calendar days," together with any comments which you deem appropriate. We consider the approval of a revised project which includes the increase from $62 to $90 per square foot for this project to be a serious abuse or deficiency in administration due to the conflict with FPR 1-15-703-1. Hence, we respectfully request that in accordance with section 5(d) of Public Law 95-452 a copy of this memorandum be submitted to the Congress within 7 days.

We consider the appropriate committees or subcommittees to be the House and Senate Appropriations Committees, the House Interior and Insular Affairs Committee, the Senate Energy and Natural Resources Committee, the House Committee on Government Operations and the Senate Committee on Governmental Affairs.

The attachment presents more particulars on the facts together with an analysis of the financing arrangements.

Attachment

Copy for:
SOL
AS/FW
AS/PBA
Director, HCRS
Regional Director, HCRS, Pacific NW
ES
The Pioneer Square Project was approved on March 28, 1975, with a Federal commitment of $1,500,000 in Land and Water Conservation Fund participation (a $3 million project). It involves the acquisition of a downtown city block. An option to purchase the 40,000 square feet of property for $2,500,000 from May Company was signed on 6/29/77 and will remain valid through 6/30/79. This equates to $62 per square foot. Two appraisals were secured prior to the signing of this option, and both the State and the GSA concluded that the lower of the two appraisals represented fair market value.

The City proposes to reduce the size of the project from 40,000 square feet to 30,000 square feet and to increase the appraisal to current market value, which it estimates to be $90 per square foot. At $62 per square foot a 30,000 square foot acquisition would have cost $1,860,000. At $90 the 30,000 square foot acquisition would cost $2,700,000. Portland proposes that the difference between these two amounts, $840,000, be counted as a contribution by May Company toward the local matching funds in order to generate a larger project. Since the acquisition value of the property would be increased by $840,000, and since the Federal government is providing 50 percent matching funds on this project, the result of this transaction is that we would provide an additional $420,000 from the Land and Water Conservation Fund. The City would not put up any more funds than
originally proposed; its total increase would come from the $840,000 addition in appraised value of the property (which is immediately donated back to it by May Company). Since a valid sales/purchase agreement exists at the $62 per square foot price, the additional costs would have to be considered unnecessary under FPR 1-15.703-1. The enclosed schedule shows how the financing arrangements work, depending on the land value used.
## Analysis of Financial Arrangements

Based on Land Values Used

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### Project Costs

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### To Be Financed By

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<tr>
<td>Local Contributors</td>
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<tr>
<td>State or Local Government</td>
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### Assumption

*Assumption is made that any financing shortfall would be made up by state or local governments. Other options are available such as increased HUD participation or increases from local contributors.*
January 22, 1979

Mr. John Hough  
Special Assistant to the  
Secretary of the Interior  
Department of the Interior  
Seattle, Washington

Dear John:

The Development Commission staff has reviewed the Inspector Generals Report and prepared the attached response.

You know how critical it is for both the City and your Department to follow through on their commitment to provide the final keystone to our downtown effort. If I can be of any help please let me know.

Sincerely,

Neil Goldschmidt

NG/adp
MEMORANDUM

DATE: January 23, 1979
TO: Mayor Goldschmidt
FROM: Michael A. Cook, Project Coordinator
SUBJECT: Pioneer Square - Inspector General's Report

We have reviewed the Inspector General's Report of January 18, 1979 outlining their objection to the increase in land value on the Pioneer Square project. It appears that there are two basic areas on which to focus - need and reasonableness.

1. Need for additional H.C.R.S. support.

The original BOR agreement provided for a first phase development of approximately $500,000. That provided for a marginal improvement in 1975. The $3,000,000 project involved raising only $500,000 locally over and above the existing $1,000,000 May Company HCD commitment. The following factors lead to an increase in local participation to $3,205,000. This was in addition to the $10,000,000 the City had already invested in two downtown parking garages which were required by May Company as a condition of acquisition.

a. Escalation of improvement costs.

The development program prepared over the last three years reflects a strong community desire for quality. It has been felt that a quality square is critical to compliment the square's position as Portland's central plaza, as a fitting forecourt to the Landmark Pioneer Courthouse and as a centerpiece for the Portland Mall. This focus on quality together with 3 years of inflation has escalated project improvement costs from $500,000 to $1,770,000.

b. H.C.R.S. restrictions regarding shelter.

The key ingredient of continued community support is dependent upon the City's ability to develop Pioneer Square in a manner which is responsive to its highly urban setting and the nature of our weather. The Community expects a square which can be used day and night, rain or shine. The Artquake Festival which draws over 400,000 people annually to this site and adjacent streets in early September has experienced rain for two years in a row. The community is also hesitant to support a block square expanse of open, uncontrolled space. There is a concern that idle space will attract an element of the population which may discourage use of the square. Portland's most important public space must be developed so as to further enhance the successes already achieved in attracting people back to the downtown to shop, work and live. Its urban location demands an open space that provides support activities complimentary to the space itself, including sheltered performing areas, display areas, public information and food service to ensure intensive, full use of the square. The key to meeting these needs has been a shelter
which could be enclosed from the weather and provide intensely programmed use. A public conservatory has been recommended as a major element.

H.C.R.S. regulations, however, do not permit department participation in the development of such a facility or even the land for it. As a result the City assumed the burden of funding 100% of acquisition and development of 25% of the block, estimated at $2,020,000.

c. H.C.R.S. limitations on expenditure on sidewalk improvements.

In our existing agreement BOR specifically restricted development to within the property lines. For the square to fully support and tie to its surroundings and to make the most of an open space investment on one of Portland's relatively small 200 X 200 ft. blocks, the bordering sidewalks as a minimum should be treated with the level of quality complimentary to the square itself. The City is working with Tri-Met on an agreement with UMTA for funding support for this improvement which would require another $300,000 in local matching funds.

2. Need for the facility.

In the early 1970's Portland's commitment to a central public square bounded by Sixth, Broadway, Morrison and Yamhill stimulated a public and private planning and development effort which has brought about a total renaissance of the downtown.

In addition to the commitment of $1.5 million for acquisition and development from the Department of Interior/BOR/HCRS, public sector participation includes: 1) Restoration of the National Landmark Pioneer Courthouse by the National Park Service, $1.2 million; 2) The UMTA-funded Transit Mall running 13 blocks through downtown along 5th and 6th Avenues, $16 million; 3) The $10 million revenue bonded East and West garages providing 1300 close-in parking spaces for shoppers; and 4) The waterfront urban renewal project, focused on the development of our mile long waterfront park and covering the eastern half of downtown, $25 million.

These public commitments demonstrated the potential of the Square and convinced a major retailer, J.C. Penney, both to stay downtown and to relocate to a larger facility near the Square and Mall. This initiated a series of retail investments downtown amounting to several millions of dollars, including: 1) Construction of a new $8 million Nordstrom's department store just west of the Square; 2) Remodeling of the vacant Rhodes department store nearby; 3) The $2 million remodeling of the May Company's Meier & Frank department store; 4) Opening of a downtown retail store by the Broadway chain; and
5) Enthusiastic lease-up of approximately 40,000 square feet of prime retail space in the ground floors of the two new garages. The West garage was opened in June, 1978. The East garage is well under construction with completion estimated for July 1979. All these facilities are tied to Morrison Street, slated to become a pedestrian/transit link between the Square and the waterfront project. Most recently, Pacific First Federal has begun construction of a 19 story office building adjacent to the Square on the south.

The completion of the Transit Mall and the opening of the West garage, to be followed by the East garage, demonstrate Portland's achievements in tackling its air quality problems. Elimination of the parking garage currently occupying the Pioneer Square block is a key element in achieving our air quality goals and further buttressing Portland's reputation as a national leader in meeting its commitments under the Clean Air Act as amended.

3. Reasonableness of proposed procedures.

Having developed a proposal which provides a recreation and open space facility appropriate to its location and setting, which follows through on the City's and federal government's commitment to provide a square in this location, and provides the key and final element in our downtown revitalization program which has involved an investment of nearly $100 million public and private dollars over the last five years, we have worked closely with state and federal officials in coming up with a financing package with the Department of Interior to achieve these ends.

Our staff has reviewed values with local realtors and appraisers and compared recent sales, we feel that the $90 is a real figure and will be justified by the required appraisals. This will result in an increase in the value of our option over the past three years and we feel that this a real and reasonable local contribution to the project. Therefore, the $840,000 contribution will be a donation by local government resulting in the following financial arrangement, as opposed to that issued as a part of the Inspector General's report.

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Acquisition</td>
<td>$2,700,000</td>
</tr>
<tr>
<td>Development</td>
<td>1,770,000</td>
</tr>
<tr>
<td>Total</td>
<td>$4,470,000</td>
</tr>
<tr>
<td>LWCF</td>
<td>$2,235,000</td>
</tr>
<tr>
<td>HUD</td>
<td>500,000</td>
</tr>
<tr>
<td>May Company</td>
<td>500,000</td>
</tr>
<tr>
<td>Local Contributors</td>
<td>395,000</td>
</tr>
<tr>
<td>State or Local Government</td>
<td></td>
</tr>
<tr>
<td>Appraisal Increase</td>
<td>840,000</td>
</tr>
<tr>
<td>(shifted from May Co.</td>
<td></td>
</tr>
<tr>
<td>contribution)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$4,470,000</td>
</tr>
</tbody>
</table>
Commission legal counsel has reviewed this procedure in the attached opinion. They find this procedure fully supportable under federal law.

Considering dollars necessary to bring about the entire project the following proportions we believe represent a reasonable contribution to this project on the part of H.C.R.S. and the federal government in general.

<table>
<thead>
<tr>
<th>Amount</th>
<th>H.C.R.S.</th>
<th>UMTA</th>
<th>Pledges</th>
<th>Local Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,235,000</td>
<td>29%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,200,000</td>
<td>16%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,000,000</td>
<td></td>
<td></td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>2,234,000</td>
<td></td>
<td></td>
<td></td>
<td>29% - 55%</td>
</tr>
</tbody>
</table>

MAC:bw
Attachment

cc: RJH
The memorandum to Secretary Andrus from Acting Deputy Inspector General, William L. Kendig, focuses on a narrow aspect of the entire Pioneer Square Park project in downtown Portland. As a result it presents some misleading statements and conclusions. The land acquisition element cannot be dealt with accurately without consideration of the other elements of the Pioneer Square project.

Project approval by the Department of Interior in March, 1975 carried a Federal commitment of $1,500,000 out of the Land and Water Conservation Fund for acquisition and development of an entire downtown block in the City of Portland. The total project cost was $3,000,000, $2,500,000 of which was for acquisition and $500,000 for development. The local match of $1,500,000 consisted of $500,000 from the May Company, $500,000 from local Community Development Block Grant funds, and $500,000 from the downtown business community. Over and above its cash contribution the May Company provided to the City of Portland an option to buy the block on which the project was to be located, and which was being utilized as its parking garage. The option at that time was worth $2,500,000, and was contingent upon certain commitments from the City, the chief of which was completion of two publicly planned and financed downtown parking garages. The delay encountered in the completion of the garages led to the City's inability to exercise its option on the block until the present time.

Meanwhile, the continuing high level of community support for the Pioneer Square project over more than three years centered around a park worthy of the highly urban setting of the Square and responsive to the nature of our weather. The community expects a Square which can be used day and night, rain or shine, exemplified by the recent private donation of funds for a public structure to cover one quarter of the site. HCRS regulations prohibit participation in sheltered facilities. Therefore, we proposed to the Department of Interior the amendments to the project agreement to which the Department formally agreed on January 17, 1979.

The amended project consists of two parts; three quarters of Pioneer Square to be acquired and developed with Land and Water Conservation Fund dollars and with local funds under the laws and regulations governing HCRS. One quarter of Pioneer Square to be acquired and developed exclusively with local public and private funds
at a cost of $7,362,000. Total non-Federal funds proposed to be used on the entire, block square project amount to $4,497,000. Of this, $2,235,000 would be used as local match on the three quarters of the block now comprising the HCRS approved project. The January 17 amended agreement, confined to three quarters of Pioneer Square, calls for a total Land and Water Conservation Fund contribution of $2,235,000, an increase of $735,000, not the $420,000 as maintained in Mr. Kendig's memorandum. Nor does the increase in total project cost amount to $840,000 as stated by Mr. Kendig. The facts are these:

Land acquisition: 1975 40,000 sq. ft.
- total - $2,500,000
- one quarter block - $620,000
total block - $500,000
remaining three quarters - $1,860,000
remaining three quarters - $375,000
Development: 1975
- total block - $500,000
- one quarter block - $125,000
- three quarters of project block - $2,700,000

Land acquisition: 1979 40,000 sq. ft.
- $90 psf
- three quarters of project block - $2,700,000

The cost of the entire Pioneer Square full block project is now $5,907,000. The City and the Department of Interior have agreed that $2,235,000 of that would be provided out of Land and Water Conservation Fund moneys. The original $1,508,000 of DCF moneys would have been matched by the same amount of local private and public funds. The newly established level of $2,235,000 in LWCF funds would leverage $4,497,000 in local private and public funds, of which $2,235,000 would be used as match. Of the close to $4.5 million total $840,000 would represent the increase in the value of the land under option. It should be borne in mind that the promise of the downtown asset of Pioneer Square was highly instrumental in bringing private local public investment into the adjacent downtown area during the intervening 34 years amounting to some $40 million. The City's inability to acquire land earlier and the whole complex of ensuing events sketched above bears no relationship to the fear expressed in Mr. Kendig's memorandum that "a unit of local government could transfer title to land which it has owned for years to a third party and then transfer it back at several times its original cost." We ask only that the real world circumstances surrounding this particular project be considered. In that context the Inspector General's memorandum is narrow in the extreme. An important real world point: Had the City attempted to purchase the property at $62 per square foot any time after March 1975, we would have been forced to pay enormous severance damages due to the adverse impact created by loss of parking space upon the operation of the department store.
Honorable Henry Jackson  
Chairman, Energy and Natural Resources Committee  
4202 Dirksen  
Washington, D. C. 20510

Dear Mr. Chairman:

Section 5(d) of Public Law 95-452 (the Inspector General Bill) requires that I advise you when the Inspector General raises a significant issue relating to the Administration of this Department. Enclosed for your review is a copy of the Acting Deputy Inspector General's report to me of January 18, 1979, concerning the Pioneer Courthouse Square Project in Portland, Oregon (HCRS Project No. 41-00659) and my comments follow.

The Acting Deputy Inspector General's memorandum to me of January 18, 1979, questions the propriety of allowing a recent amendment to the Pioneer Courthouse Square Project (Project Agreement No. 41-00659). The amendment in question was signed by the Oregon State Liaison Officer, Mr. David G. Talbot, acting on behalf of the Governor, and was countersigned on January 17, 1979, by the Director, Heritage Conservation and Recreation Service, acting on my behalf. An objection was raised by the Inspector General to an extension of the project period granted through the amendment which could allow the city of Portland to drop a current option with the May Department Stores Company and, through reappraisal of the property to be acquired, reoption the property at its current fair market value.

Any resultant increase would be allowed as a partial donation toward the Land and Water Conservation Fund assistance being provided for acquisition and development of the property. This is consistent with our policy to allow private donations as all or part of a project sponsor's share if it will be to the benefit of providing public outdoor recreation opportunities.
It is my belief that the Pioneer Square Courthouse project would not become a reality unless action was taken to provide relief to the City of Portland. The loss of this significant recreation opportunity which is an integral part of the overall plans to revitalize downtown Portland would be unreasonable. I believe the essence of my support can be found in Mayor Neil Goldschmidt's December 7, 1978, letter (attached) outlining his reasoning for the requested amendment to Mr. David Talbot.

First, although the original option sets the value of the property as $2,500,000 if acquired prior to June 30, 1979, it further specifies that the city must provide alternate parking before the sale can be consummated. As Mayor Goldschmidt points out, the contractor for the alternate parking has fallen behind schedule and, although subject to penalties, will not complete the structure until November 1979. This would delay possession beyond the original option expiration date of June 30, 1979. It would also place the city in the position of not being able to utilize the land for project purposes. Given this unavoidable delay by the city in meeting its obligation to provide replacement parking, it is reasonable to allow a renegotiation of the option agreement to the benefit of the project.

Second, although a reappraisal of the property for current fair market value could result in an estimated increase of $840,000, the May Company would donate this increase to offset the local matching share. Mayor Goldschmidt reported in his letter to Mr. Talbot that, "... costs for improvements have increased substantially since our last estimate..." The increase exceeds the resources of the city and they would be unable to cover the increase without a partial donation of value from May Company. Again, it is apparent to me that this is the only workable solution to save the project. If this approach is not allowed, the project would doubtless fail and the citizens of Portland would suffer the loss of a needed center city recreation opportunity.

I would expect, of course, that the new appraisal be closely reviewed by the Heritage Conservation and Recreation Service for sufficiency under applicable Federal guidelines. Also, the appraisal would have to take into account the acreage reduction authorized for Fund assistance in the amendment, i.e., 30,000 square feet rather than the original 40,000 square feet.
The amendment also allows an extension of the project completion date and an increase of $750,000 in Federal Assistance from the State's regular fund apportionment to offset increased development costs. These are routine administrative actions.

After a careful review of the changes requested by the Mayor of Portland it appears that this has clearly become a policy call. As such, the key questions are: is it indeed within the prerogative of this Department to make this policy decision, and does it satisfy the legal criteria. My Solicitor advises me that it is legal, and therefore the policy decision was made. I remain convinced that this action is necessary and reasonable for proper and efficient administration of the Grant Program and, in fact, provides the only solution if we are to assist Portland in this worthwhile and needed endeavor.

Sincerely,

[Signature]

SECRETARY

cc: Honorable Sidney R. Yates, III
Honorable Jack Brooks
Honorable Robert C. Byrd
Honorable Abraham Ribicoff
Honorable Morris K. Udall