



STATE OF OREGON

JAN 28 1981

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INTEROFFICE MEMO

TO: Pat Amedeo, Assistant to the
Governor for Natural Resources

DATE: January 27, 1981

FROM: David G. Talbot
State Parks Administrator

FEB 05 1981

Governor Atiyeh

SUBJECT: Pioneer Square

This memo is prepared to bring you and the Governor up to date on this controversial project in Portland.

Please glance over the attached material, which is a summary of the history of the project.

The Feds (Heritage Recreation and Conservation Service, Department of Interior) have always been very firm on the kind of park they would allow. It must be an open space-type area--not an enclosed area, nor a revenue-producing facility (such as underground parking or shops).

Since the inception of the project under the Goldschmidt administration, the City has known this and continued to struggle with this problem, seeking extension after extension. Apparently, the City hoped to somehow change the minds of HCRS officials.

Mayor Ivancie is reflecting the downtown merchants' distaste for "open space" downtown parks, which, they feel, attract "undesirables". The recent media flap represents a decision on the part of Ivancie and the downtown development people to try to somehow get around the Federal policy once again or to somehow get a park that will attract "the right type of people".

The City has purchased the Square (\$2,484,777.50) and has, through our agency, received Federal reimbursement for half. An amount of \$259,937.50 (Federal) remains in their account to go against development costs.

The City has formally agreed (latest Council action on July 30, 1980, Resolution No. 32720) to get on with building the park, including stopping further use of the parking lot as of March 31, 1981, and agreeing to have the parking structure demolished not later than March 31, 1981. If they don't meet that deadline, they are technically in violation of the agreement, which would therefore nullify the project and, in turn, would trigger a section of the parent law on "conversions" of properties purchased under the program. The threat to the City is that they would have to "replace" the park with a "comparable in purpose" park and at today's value--not what the property was worth at the time it was purchased but at today's value, which we understand is somewhere around \$7 million.



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Pat Amedeo
January 27, 1981
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Under this Federal program, the State is the prime sponsor--the Feds don't deal directly with local agencies. The Feds would then come to us rather than the City of Portland to seek return of the money. We, in turn, would have to deal directly with the City on the "conversion" issue. If the City fails to comply, the Feds could withhold all further such funding from Oregon until compliance is secured.

Jim Redden, Jr., is now on Ivancie's staff and is the person with whom I am talking to by phone on this project. I received a verbal request from Ivancie's principal assistant, Jim Kuffner, on January 7 on two items: (1) Extend the agreement six months; and, (2) Allow the parking garage to be used to generate income during that period. I told Mr. Kuffner that I thought an extension might be possible but the parking matter would probably be impossible. I told him if he wanted us to deal with those requests, he should have something to us in writing. To date, we have received no formal request to amend our agreement with the City.

DGT:srm

Attachments

Pioneer Square Courthouse Project
Oregon State Parks Division
June 2, 1980

The State Parks and Recreation Division annually passes approximately \$3 million federal Land and Water Conservation Fund dollars to units of local government. The money is to be utilized by these units of local government for the acquisition and development of outdoor recreation projects. On February 27, 1980, the Portland City Council took actions contrary to the intended use of funds previously allocated to them. Because of this action, State Parks, as the office of the State Liaison Officer, must begin taking steps to seek reimbursement of funds.

On March 28, 1975, the City entered into an agreement with the Federal Heritage Conservation and Recreation Service (HCRS) through the State Parks Division to receive funds to acquire and develop the city block known as the Portland Pioneer Square Project. The site also is referred to as the Meier & Frank parking lot. The basic terms of the project as approved were to acquire the block, demolish the parking garage, and develop an outdoor plaza available for public recreation use by no later than June 30, 1977. Federal funds were set aside at that time in the amount of \$1.5 million. The City's progress was very slow and, on April 20, 1977, the project was amended to specify that the public would be able to use the area for outdoor recreation no later than June 30, 1979. A further extension was granted on December 26, 1978, to require the project to be completed by June 30, 1980.

In March 1979, on behalf of the City, we requested HCRS to waive a portion of their interim-use policy that would allow parking to continue on this site. The HCRS agreed to the waiver with the stipulation that "No nonoutdoor recreation use will be permitted after March 1, 1980, on the property under this agreement. Should any such use occur, the State and City are to promptly agree to repay the United States any funds paid under this agreement, or replace the acquired property . . ."

On June 21, 1979, the City received \$1,240,000 to assist in the acquisition of the block. The waiver agreed to by HCRS allowed for this early payment instead of holding the funds until the recreation benefit was made available.

In November 1979, the City wrote us asking for our consideration of alternatives to the March deadline to cease all parking at this site and the June deadline to have the facility developed. The City suggested four alternatives:

- a. demolish the existing structure, and temporarily fence;
- b. interim-nonparking use of the existing structure by downtown merchants;
- c. demolish, fill, and landscape the block; and
- d. petition HCRS for continued operation of the parking.

At the same time the City informed us that the Portland Development Commission was proceeding with design competition with a schedule to recommend to the City council a final design by June 30, 1980. Of great concern to us and HCRS was the fact that the design criteria put forth by the Portland Development Commission did not limit a designer to work within the HCRS funding regulations; i.e., outdoor recreation uses. The City, having had outdoor recreation funds reserved and actually spent, cannot, through this process, assure that an outdoor recreation benefit will occur. Our response to the City at that time was that they had only three viable alternatives to them:

1. Terminate the parking operations by no later than March 1, 1980, demolish, fill and landscape. This would allow the City to continue with the design competition as planned with an understanding that replacement of the land would be required if a nonoutdoor recreation design were selected. We informed them that a proration of the demolition costs based on the percentages of outdoor recreation land available would be eligible as a project cost but not the temporary landscaping. This option would give the public the benefit of their expenditure at least on a temporary basis.
2. Return the \$1,240,000 and cancel the grant. This would allow the State and HCRS to assign funds where there will be a return to the public and allow the City to move ahead with more design latitude.
3. Replace the entire block with outdoor recreation land open to the public for recreation use as acceptable to the State and HCRS.

Our concern with the time delay associated with the design plan competition was that construction could not be expected until spring of 1981 at the earliest, which means that the area would probably not be opened until sometime in 1982. The result would be that the public would not receive any benefit of the investment until seven years after funds were reserved.

In late January 1980, the City provided us with a series of options to be presented to the City Council for their consideration. The two recommended options were: (1) utilize the facility for self-parking on the top deck and fence the lower level for use for potential City equipment and storage, and (2) use the upper level of the parking lot for open space and fence the lower deck allowing for storage of City equipment. Our response to them, dated February 20, 1980, was that the first option was not consistent with the agreement between them, the State, and HCRS. We advised them that the intent of the grant was for acquisition and development of an outdoor recreation facility. Continued use as a parking facility should not be allowed. We advised them that if the City were to terminate parking on the structure March 1, as discussed in option 5, they would be, in fact, meeting the terms of the agreement. We also advised them that if they wished to make the upper deck available for some sort of interim recreation use, we and HCRS would consider a request for an additional time extension for completion of the project (present project expires June 30, 1980).

On February 27, 1980, the Portland City Council considered the Pioneer Courthouse Square Project and determined that parking would continue to be allowed on the upper deck while the lower deck would be fenced and used for City equipment storage. The City, in taking this action, has ignored our advice and violated the terms of the amended agreement requiring the parking to terminate on March 1.

In March, 1980, representatives of the City met with Ms. Meg McGuire, Assistant Director of the Heritage Conservation and Recreation Service (HCRS) in Washington, D.C. It was our understanding that the City came away from that meeting with the feeling that HCRS had granted another project extension. After several inquiries to HCRS, we have learned that no extension has been granted.

It is our opinion that the State Parks Division and the Heritage Conservation and Recreation Service have an alternative open to them other than to begin taking steps to seek reimbursement of the \$1,240,000 used by the City of Portland for this project.

OREGON STATE PARKS AND RECREATION DIVISION
June 2, 1980

Chronology of Portland's Pioneer Courthouse Square Project

September 1973 to December 1974

State Parks and City of Portland work to develop an application for federal aid.

March 1975

Approval for Contingency Funding by the Secretary of the Interior as follows:

\$ 750,000	- Secretary's Contingency
750,000	- State's share of Land and Water Conservation Funds
1,500,000	- City of Portland's share
<u>\$3,000,000</u>	- Total Project

As approved the project was to acquire the entire block known as the Meier and Frank parking lot.

Approval was for the acquisition and construction of an outdoor plaza available for public recreation use.

Under agreement with the State the City was to complete the project by June 30, 1977.

January to March 1976

Federal agency (HCRS) expression of concern to the State about lack of progress. City advises Parks that project will be completed on time.

July 1976

Performance follow up reveals little progress because of replacement parking negotiations between City and May Company.

September 1976

Performance follow up reveals little progress because of replacement parking negotiations between City and May Company.

March 1977

The State informed the Mayor that the project faced cancellation within three months. The City responded with a proposed purchase agreement and passed a resolution requesting a two-year time extension.

April 1977

HCRS approved time extension request subject to the specification that the public would be able to use the area by June 30, 1979.

June 1977

The City and May Company signed a purchase agreement which included a provision for replacement of parking.

December 1978

The City requested a further time extension. The extension was granted by HCRS--Project deadline: June 30, 1980.

March 1979

The City and State requested HCRS to waive federal interim use policy so that funds can be released. The waiver is granted with the stipulation that: *"No non-outdoor recreation use will be permitted after March 1, 1980, on the property under this agreement. Should any such use occur, the State and City are to promptly agree to repay the United States any funds paid under this agreement, or replace the acquired property . . ."*

June 1979

The City received \$1,240,000 as per the waiver granted in March 1979.

January 1980

The City requested the State consider alternatives to the March parking deadline and the June 30, 1980 project termination date.

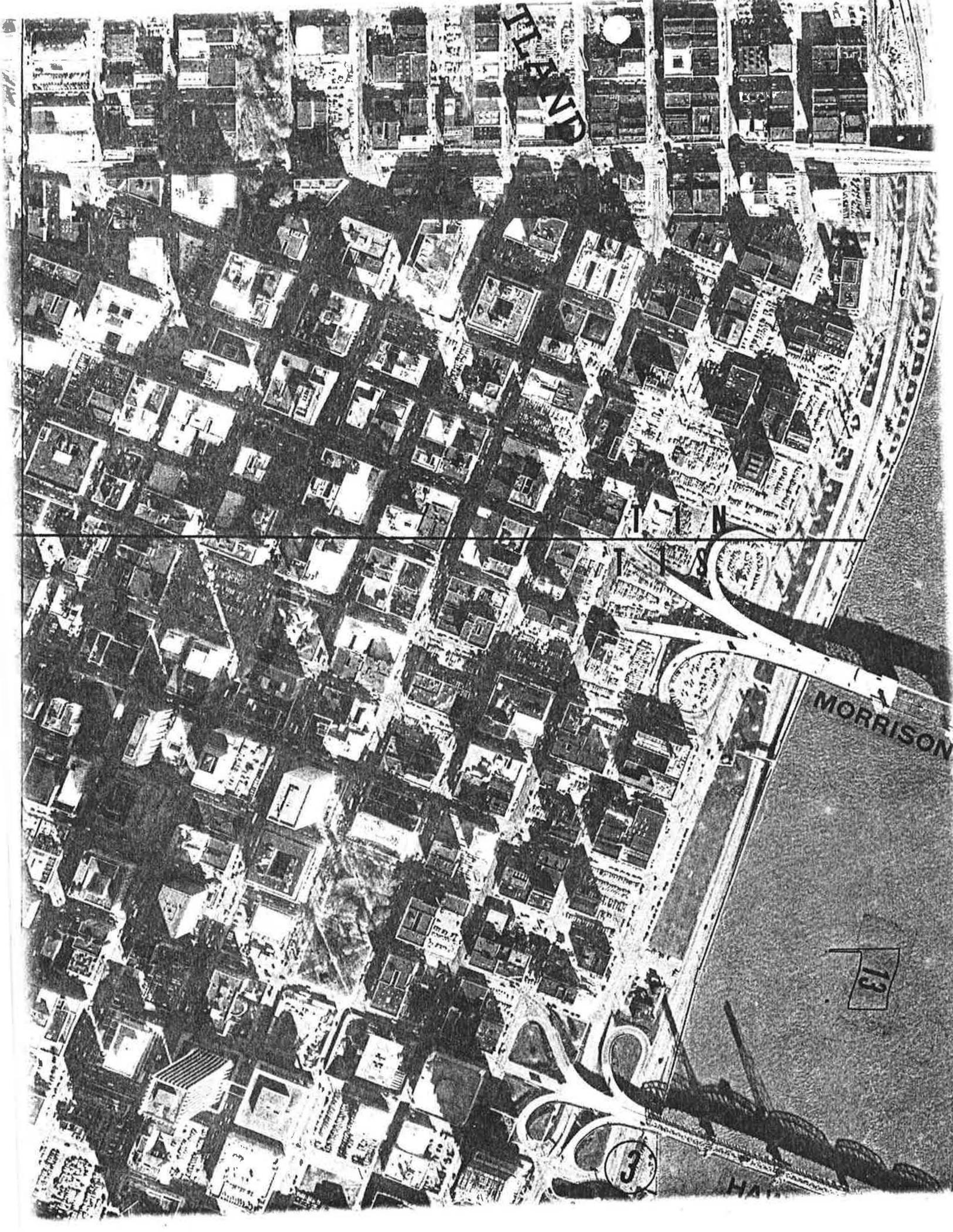
February 1980

State advises City that continuation of parking after March 1, 1980 is a violation of the agreement. State also advises that if project is not completed by June 30 a request for a time extension will be necessary.

City informs State that on March 1, 1980 parking on the lower level will be terminated but allowed to continue as a self park system on the upper level.

Design completion is under way with selection scheduled in August 1980. City expresses intent to, by September 1980, determine whether or not to seek retention of grant. Construction scheduled to begin in Spring 1981 with completion in the fall of 1982.

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