



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Steve Newcomb, Environmental Services Manager  
DATE: September 23, 2013  
SUBJECT: Request for Qualifications on Land Disposition  
OBJECTIVE: Board Action

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## Summary

Although Management generally does not need Board authorization to issue RFPs/RFIs/RFQS, we believed it was important to request the Board's direction and approval on this matter due to its high public visibility and importance to EWEB and our community. Management requests Board input and consent to initiate a "Request for Qualifications" (RFQ) and "Request for Information" (RFI) (RFQ/I) process to solicit interest from master developers to submit for evaluation their experience, financial capacity, and approach to redeveloping the EWEB riverfront property in accordance with the master plan. This is in direct contrast to a Request for Proposals (RFP) that would be oriented toward a specific transaction (e.g. sale of parcel XYZ)

## Background

In anticipation of City Council approval of the riverfront land use package, in June, ECONorthwest was selected through a competitive process to assist EWEB in developing a preferred property disposition approach. The goal was to develop a path forward that was most likely to result in viable property transactions that comport with the approved master plan and other EWEB objectives.

To determine an appropriate strategy, ECONorthwest first interviewed Board members to better understand each member's goals, preferences and expectations, including the Board's role in the disposition process. These interviews were summarized and collated so that, in combination with discussions with potential developers and the firm's own experience, a recommendation could be presented.

In preparation for the interviews, ECONorthwest listed a number of issues that would likely affect redevelopment opportunities and provided examples of other public property redevelopment projects similar in complexity for Board review. While a set of questions was prepared to guide the interviews, each discussion differed based on the interests, priorities and concerns of the participants.

## Discussion

ECONorthwest has provided EWEB with a summary of the interview results, which staff has translated into policy objectives to inform decisions moving forward:

- Honor the Master Plan
  - Considerable investment in creating a vision and developing regulatory language to codify the vision has been expended. It is not EWEB's job to implement the vision, but it can help move it forward by considering community as well as economic value in decision-making.
  - Preservation of historic structures like the Steam Plant is an important component of the master plan and in retaining EWEB's legacy on the site.
  
- Manage Risk to Ratepayers
  - EWEB has a fiduciary responsibility to protect ratepayers from risk; property disposition should be structured to manage financial risk and optimize value, but not at the cost of delivering a high quality project or jeopardizing broad community support.
  - While there has been development interest in discrete portions of the site, phased disposition or parcelization may lead to stranded properties with low development potential, reducing overall value to EWEB.
  
- Seek Partnerships
  - Real estate development is not part of EWEB's core mission or primary expertise. The City of Eugene can leverage financial resources and provide other assistance to move forward with redevelopment activity; as such, they are a natural partner.
  - Partnership with prospective developers and the City should also be explored as a way to design, develop and maintain riverfront open space that is attractive, safe and accessible.
  
- Maintain Flexibility
  - In order to maximize development opportunities, EWEB should have a solicitation process that enables different property ownership, leasing arrangements and/or timing of disposition to occur if that would help enhance the financial feasibility of high-quality development concept.
  - If there is high value to the ratepayers in converting additional space in the Headquarters building, EWEB should entertain other cost-effective options that retain a visible, accessible and centralized location for customer service and Board meeting functions.
  - EWEB has some tools at its disposal to enhance the financial feasibility of high-quality development such as retaining ownership of the site during the early phases of development and should remain receptive to different ideas.

There is no "best" strategy to dispose of a publicly owned site as complex as the EWEB riverfront. The strategy needs to be appropriate and economically viable for the site and capable of realizing the agency's goals. Preliminary discussions with potential developers affirm several findings from our 2011 RFI interview process:

- The site is intriguing and its location offers lots of potential; however Eugene can be a politically challenging place for major development
- There is an expectation that public dollars will be available to assist with infrastructure and other public improvements
- Resolving uncertainty about potential contamination and other due diligence exploration is necessary to fully understand the property's value and to further understand risk

## **Recommendation**

Based on the Board's preferences and current market conditions, we recommend developing a process to attract a 'master developer.' A master developer would have a commitment with EWEB to purchase or ground lease the whole site and use the skills they have to bring about a cohesive development across the site. Alternatively, a master developer might prefer to acquire an option(s) for the majority of the site and develop incrementally in response to demand.

While EWEB has entertained interest in discrete portions of the property, a risk with selling these outright is that individual developers would maximize the value of their discrete portion but negatively impact the value of adjacent property. A master developer will strategically develop (or cause to be developed) property to maximize the value of the whole site, as well as ensure that infrastructure is built to complement flexible development in the less desirable parts.

A Request for Information/Qualifications (RFQ/I) asks interested developers to describe their qualifications, financial capacity, and how they would approach development on the site. Unlike a Request for Proposal, which asks for a design, explicit uses, and a financing plan, an RFQ/I does not ask for a specific development proposal. Management concurs with the recommendation of our consultants to initiate an RFQ/I process over: a) simply placing the site for sale, or b) issuing a request for proposals (RFP):

- Putting a For Sale sign on the property might be a quick way to get offers and dispose of the property; it might also signal that EWEB is moving forward with renewed focus on its core business. However, few developers have the resources to buy the property outright and will be expecting deep discounts for the long-term uncertainties they would inherit. EWEB is more likely to cultivate economic return by using its public influence to create community good-will through an incremental disposition approach that not only inspires trust, but also sees an updraft of financial returns as the development matures and meets expectations.
- An RFP for specific development proposals asks for too much information, too early in the process. It burdens a prospective developer with an impossible task of anticipating every possible risk, demand, cost, opportunity, or political vagary. A viable proposal requires due diligence regarding market demand, construction costs, and financing tools. Even if all these issues could be analyzed and anticipated, the time and effort to create a comprehensive and viable proposal is onerous to even the largest developers. An RFP process could also limit creativity and innovation from potential master developers.

Alternatively, an RFQ/I process will allow EWEB to meet respondents and through a thoughtful evaluation process, recommend to the Board a development team that is best suited

to achieve the agency's and community's goals. Attachment 1 describes the main components and timeline for the RFQ/I. With Board consent with this approach, staff will draft the solicitation and work with its consultants to develop an evaluation strategy that is sufficiently adaptive to the breadth and quality of responses received through the solicitation. As with all solicitations, if the responses do not meet minimal requirements we can use our learning to amend the RFQ/I or change the scope of the advertisement.

In addition to initiating an RFQ/I, management recommends that the Board issue a Declaration of Surplus for property that is immediately available for horizontal development (see Attachment 2 for map of proposed area). This does not preclude EWEB from declaring additional property surplus in the future if appropriate based on RFQ/I responses or more clearly defining the boundary of the surplus property in response to developer requirements. However, it will resolve uncertainty around the city's first right of refusal for the most developable portions of the site as early as possible. According to staff at the Lane County Assessor's Office, a declaration of surplus does not change the tax-exempt status of EWEB's property; however management has asked counsel to confirm this interpretation as well. Finally, if the Board is interested, Management recommends that the Board consider a "field trip" to see first-hand other successful urban and riverfront redevelopments that have taken place in Oregon (e.g. Corvallis, Bend and Portland).

### **Action Requested/Next steps**

With Board concurrence on the recommended path forward, Staff and the consultant team will work to more fully develop the RFQ/I and evaluation process, which we can share with Board members at their request before release. To improve the likelihood of having a pool of viable candidates respond to the solicitation, ECONorthwest is reaching out to potential developers and offering site tours. This allows a potential developer to have a realistic understanding of the site, how it relates to the surrounding area, and have an honest assessment of known hurdles. It can excite a development team who sees the opportunity, address pivotal questions for those on the fence about submitting, and discourage those that lack enthusiasm or the capacity for the project.

Management will also engage the City Manager on the proposed Declaration of Surplus to ensure that there have been no changes to City interest and that the City Manager will be comfortable with releasing those portions described in Attachment 2 concurrent with the advertisement period. With this coordinated approach, Staff will then return to the Board for a formal declaration of surplus at the November meeting. We will also continue to engage City staff on potential funding opportunities that will reduce barriers and spur redevelopment interest.

## Description of the RFQ process

The RFQ/I will be the primary communication piece between EWEB and potential master developers with interest in the entire site. The RFQ/I will include the following elements.

- An overview of the site's context. It will include an overview of the community and the surrounding uses, a description of EWEB, and a history of the site.
- A description of the Master Plan and how it has affected entitlements on the site. The Master Plan document will be made available to interested parties electronically.
- Site conditions, including (but not limited to) size, location, a description of EWEB's understanding of physical encumbrances and potential contamination issues. This section will clearly describe the aspects of the disposition for which EWEB is flexible, such as ownership of the administration building and management of open space.
- Financial resources available. The RFQ will identify the tools and incentives available at the site. The City of Eugene manages many of these, such as Urban Renewal and Multi-Unit Property Tax Exemption.
- Submission requirements.
- A description of the evaluation process and its schedule.
- The names and contact information for EWEB's designated contacts.

The requirements of submission will aim to elicit information regarding the development firms' experience with sites that may share similar challenges, successful redevelopment projects, their ability to obtain financing, and experience with public-private partnerships as well as with working with the public sector. The evaluation criteria will mirror the submittal requirements:

- Demonstrated experience;
- Capability of developer to secure financing;
- Organization of the project team; and
- Proposed development approach.

We will use multiple methods to advertise the RFQ and communicate with experienced development firms. In addition to listing the RFQ in traditional media, such as the Daily Journal of Commerce, we will directly contact firms that have expressed some interest in the site, as well as ask City development staff to continue their outreach efforts.

The evaluation process will include staff and Board review. A staff team will review the submittals and rank them based on the objective submittal criteria including those listed above. If multiple firms receive high rankings, these firms will be to participate in an interview with staff, Board members, and other advisors. The final decision will be made based on the cumulative scores of the submittals and the interview process.

A successful solicitation process will yield a development partner that can deliver a high quality project meeting the policy objectives described earlier. However, it will not likely result in cash offer. Rather, it will set in motion a period of due diligence for both parties to better understand development potential and negotiate transactions to initiate projects. A tentative timeline is presented below:

- Now – October 18: Draft RFQ/I and Prepare Declaration of Surplus
- October 21 – November 5: Finalize RFQ/I; Consent Calendar Approval for Declaration of Surplus
- November 6 – 8: Post RFQ and request City response to first right of refusal for surplus property
- January 17 – 30: End of response period (~60 days plus holidays) and evaluation process
- February 7: Recommendation to Board

The exact timeline may be extended or shortened depending on the number of responses received and scheduling of interviews if needed.

