

## Independence Landing

### *Background*

Over the last 20 years, Downtown Independence, Oregon, has experienced a revitalization – spurred on by a series of adopted plans; municipal investments in a new streetscape for Main Street, a premiere City park and amphitheater (Riverview Park), a new Civic Center; and private investments in Downtown buildings and businesses. Downtown is also home to a 30-block Historic District that appears on the National Register of Historic Places.

Adjacent to Downtown – between Main Street and the Willamette River – was the Valley Concrete site, an 18-acre, industrially-zoned property that was home to a ready-mix concrete operation. The property had over 1,000 feet of frontage on the Willamette River and was bounded to the north and south by Riverview Park and the Independence Civic Center. The City's 1996 Downtown Development Plan and 2009 Vision 2020 Plan identified this site as a key redevelopment opportunity and proposed concepts for housing and mixed-use development that would bolster Independence's restored Downtown. Both of these plans were developed with significant community involvement and represented the desires of residents, not just elected officials. The property is also located within the Independence Urban Renewal District.

### *Site Preparation*

When Oldcastle Materials, the site's owner, expressed an interest in relocating Valley Concrete's ready-mix concrete operation and putting the property for sale, the City secured a State Transportation and Growth Management (TGM) Quick Response grant to further develop concepts for the site's future. The goal of the concept plan was to determine how the site could be redeveloped to maximize the benefit to the surrounding downtown commercial area. The final document recommends a mix of higher-density housing (apartments, condos, townhomes) as well as some commercial uses, and expansion of the riverfront park system, but the key recommendation was to develop a hotel on the property. A hotel would create significant additional benefit for the downtown by drawing visitors to the area and would also be an opportunity to better connect the Independence to the region's booming wine industry.

Recognizing that the community was too far “off the beaten path” for a development of this scale to happen on its own, the City and Urban Renewal District chose to get involved and make the community's vision a reality. At the beginning of 2015, the City purchased the property and began working to bring the concept plan to fruition. The City's goal was to remove the perceived risks for redevelopment of the site and to make it development ready. The City completed Phase 1 & 2 environmental analysis of the site to ensure there was no contamination, completed a geotechnical report and also a floodplain analysis. With this due diligence complete, the City regraded the site, creating an 11-acre development terrace located above the 100 year flood elevation, and a lower terrace located in the floodplain adjacent to the river which would become an extension of Riverview Park. During site grading, contamination was uncovered which was mitigated with minimal complications and the cost of which was covered by the Brownfield Redevelopment Fund at Business Oregon

In Summer/Fall 2016, the City took the last steps toward making the site - now renamed Independence Landing - development ready. A new Downtown Riverfront Zone was created

which allows the mix of residential and commercial uses envisioned for the site, and the property was rezoned to this new designation. The property was also subdivided into eight parcels, a process that established a right-of-way for a public street to serve the parcels. Recognizing that infrastructure costs would be a barrier to development, the URD secured a \$3 million loan and \$250,000 grant from the State of Oregon to construct the road, water and sewer that would serve the site. The URD and State financing (through the Special Public Works Fund) was particularly important as development on the property was expected to pay off the infrastructure loan. At the time, the City did not have a committed developer but the terms of the SPWF were particularly favorable – 3 years of no payments to finish construction, and two years of interest-only payments. With a shovel-ready, riverfront property in a revitalized historic downtown, the City was confident it could find a developer to build something on the site within 5 years, so those terms were critical to enabling the City Council/URD's approval of the loan and construction. More contamination was found during construction of the infrastructure and it was similarly dealt with through the support of the Brownfield Redevelopment Fund.

#### *Finding a Development Partner*

In order to identify a developer who would bring the desired mix of uses to the Independence Landing site, the City released a Request For Qualifications development solicitation in August 2015. An RFQ was used instead of a Request for Proposals to lower the barrier to participation for developers. The RFQ requested information about the developer's development philosophy, previous comparable projects, and their vision for the site. The RFQ indicated the City was open to a wide array of uses, but prioritized a hotel. City received three responses to the solicitation. In December 2015, the City selected Tokola Properties as the preferred developer and entered into an exclusive negotiating agreement. Lengthy negotiations with Tokola Properties yielded a Disposition and Development Agreement which would bring a mix of lodging and high quality, higher density residential to a portion of the Independence Landing property. The proposed development would create a 75 room independent boutique hotel, 14 townhomes and 110 interior-hallway, elevator-served apartments.

#### *Structure of the Deal*

The URD would need to provide additional incentives for the proposed development to pencil out. In 2004 a significant private project that had some URD involvement flamed out, leaving a 50,000 sq. ft. concrete skeleton in a highly-visible place in the downtown. The skeleton still sits there today and is the subject of much consternation among residents and anybody else who has visited Independence. It was critical that the City avoid the possibility of another half-built project in the downtown, so the DDA back-loaded all incentives. While the residential development was the easier part to finance and complete, the City insisted that the hotel be built first – that was the goal of the project after all. The property also did not change hands until Tokola demonstrated proof of financing and reached certain design milestones on the way to submittal of permits. The URD would pay for approximately \$2 million in SDCs, financed over 10 years, which were not triggered until permits were issued, and Tokola would receive a \$500,000 cash payment upon issuance of a Certificate of Occupancy for the hotel. The cash payment would be paid back with a portion of the lodging taxes from the hotel. Tokola's development would occupy approximately 7 acres of the development terrace, leaving the City about 4 acres for future development.

### *Benefit to the City/URD*

From the beginning, the City had expressed to the community that this project would “pay for itself” and not require additional support from the General Fund or other sources. Under the DDA, the City/URD would spend a total of about \$6 million from the initial site purchase to the final incentive payments. Tokola’s proposed investment was valued at approximately \$50 million. The City hired an outside economist to complete a Return on Investment analysis to quantify the project benefits and payback period. The analysis determined that the project would pay for itself and a pro-rata share of the overall Independence Landing costs within only 8 years. If no other development happened, the project would pay back the full costs within 11 years. Twelve years is a generally accepted benchmark for payback on public private partnerships, and it was anticipated that this development would be a catalyst for additional development within the URD.

In addition to the simple payback metrics, the project would create up to 30 permanent jobs at the hotel, dozens of construction jobs, and bring \$6 million in new spending annually to Independence from new downtown residents and visitors. [This page](#) has all the relevant documents, including the DDA, staff presentation to Council/URD, and the developer presentation from the same meeting. The DDA was approved election night 2016.

### *Outcomes*

The goal of this project was to take the revitalization of downtown Independence to a new level, using a high density residential and hotel development to increase foot traffic and spending from residents and visitors. The City retained approximately 4 acres of land for future development and planned to offer it for market-rate, non-incentivized development when the Tokola development had stabilized. A secondary goal was to create a logical extension to our existing riverfront park system, setting the stage for further trail expansions into approximately a mile of City-owned land to the south.

The park was completed first, in summer 2019 using state grants. It has been heavily used since it was a gravel track. The hotel opened in October of 2019, and the apartments will reach full occupancy July 1, 2021 after construction delays due to COVID. While the development took longer than anticipated, its benefits are still obvious.

Since the DDA was signed in 2016, the downtown saw a marked increase in the quality of businesses opening and the caliber of business owners running them. Vacancy downtown also dropped to almost zero. Even during the COVID recession, new commercial space has been brought online and occupied. While two restaurants closed, three new restaurants and a retail shop opened, including two breweries which are destination businesses for any downtown. A new restaurant group formed and has signed leases on five spaces downtown for a variety of concepts. If they follow through on their stated plans, there will literally be one vacancy in all of downtown Independence on July 1<sup>st</sup>. Most significantly, a local developer approached the City to purchase and develop a portion of the remaining land. He offered to pay fair market value for the land and promised not to request any funding or support from the City. He is now building a 40,000 sq. ft. mixed use structure with 40 residential units and four commercial spaces across the street from the hotel. The project is expected to be complete by the end of the year.

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### *Conclusion*

This project only worked because of the amount of community engagement in early planning processes, and the availability of the Urban Renewal District to leverage the development's future tax revenue. It was a tremendously heavy lift for a community of Independence's size and touched on all the important aspects of economic development, from public/private partnerships to placemaking, to leveraging grants and creative financing. The spinoff benefits of the project are only beginning to be felt but are obvious and significant. In addition to the tangible growth of businesses in the downtown, City staff are regularly fielding calls from residential, commercial, and industrial developers who have been watching the community and want to be a part of the story. Finally, this project and each of its component parts are transferrable to other communities. This was a well-planned and executed project but did not rely on innovative techniques. Many aspects can be gleaned and applied by other communities in their own economic development work.

