



**DATE:** June 25, 2014  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 14-25

Authorizing the Executive Director to Execute a Purchase and Sale Agreement Granting the Portland Development Commission the Right to Acquire a 7,762 Square Foot Parcel Located on the Northeast Corner of NW 4th Avenue and West Burnside in the River District Urban Renewal Area in the Amount of \$1,200,000 Plus Related Option Payments

#### **BOARD ACTION REQUESTED**

Adopt Resolution No. 7059

#### **ACTION DESCRIPTION**

This action will authorize the Executive Director to execute a Purchase and Sale Agreement (PSA) for the acquisition of a 7,762 square foot vacant parcel (Property) located on the northeast corner of NW 4th Avenue and West Burnside (the Property) in the River District Urban Renewal Area (URA); a map of the parcel is provided as Attachment A. The sellers are a group of individuals led by Michael Wright (Owners).

#### **BACKGROUND AND CONTEXT**

Over the past year, the Portland Development Commission (PDC) has worked closely with the Old Town/Chinatown Community Association and area stakeholders to prepare the Old Town/Chinatown Five-Year Action Plan (Action Plan), a comprehensive initiative to create a vibrant, economically healthy neighborhood. The Action Plan addresses public safety and livability, balancing residential incomes through the introduction of new middle-income units and preservation of existing affordable housing units, investing in rehabilitation of historic buildings, embracing and enhancing the area's unique culture and history, and promoting economic vitality. Facilitating the development of privately-owned properties is one of the activities called for in the Action Plan, and the Property has been recognized by the community as one of those opportunity sites.

The Property is currently occupied by the Right-to-Dream-Too camp (R2D2). There have been active conversations between the City of Portland (City) and R2D2, including an action by the Portland City Council in February 2014 approving a settlement deal which directed \$846,000 to R2D2 to help them find a new and more permanent home. The PDC Board of Commissioners (Board) took action on February 12, 2014, authorizing the execution of a PSA with Pearl Hotel Investors, LLC, for the conveyance of Station Place Lot 7 contingent upon that separate City agreement referenced above. The contemplated transaction includes a 30 month option period designed to allow for PDC to conduct due diligence on the Property, provide PDC time to evaluate development options prior to taking title, and to provide time for the Owners, R2D2, and other partners and stakeholders to identify a new home for R2D2.

### **COMMUNITY AND PUBLIC BENEFIT**

Public benefits of authorizing a PSA for the Property with the goal of eventual redevelopment of the site include:

- Enhancing the Chinatown Gate as an entryway to the Old Town/Chinatown district
- Improving street level activation through retail and other ground floor uses
- Increasing connectivity across West Burnside between downtown and Old Town/Chinatown
- Creating new value and property tax revenue to the City and other partner jurisdictions

### **PUBLIC PARTICIPATION AND FEEDBACK**

There was no formal public participation related to the proposed terms of the PSA. However, staff has conducted extensive community outreach related to the Action Plan and recommended project activities. The Action Plan has been discussed in numerous forums, including:

- Work sessions with multiple City bureaus                      September – October 2013
- PDC Board briefing    October 2013
- Portland Business Alliance    February – May 2014
- Old Town/Chinatown Community Association                      September 2013 – June 2014

In addition, staff has held individual meetings with various businesses and property owners regarding the Action Plan. Stakeholders are supportive of implementation of the Action Plan, including PDC facilitating redevelopment of the Property.

The acquisition of the Property per the proposed terms was reviewed and recommended by PDC's Finance Investment Committee on May 8, 2014.

### **BUDGET AND FINANCIAL INFORMATION**

The proposed acquisition price of \$1,200,000 reflects the fair market value of the Property based on an appraisal dated September 1, 2013. The terms of this proposed transaction also provide a 30 month option period at a cost of \$10,000 per month. With the exception of Owners' default, the option payments are not applicable to the acquisition price and are non-refundable. If closing occurs prior to the expiration of the 30 month option period, a lump sum payment equal to the remaining option payments will be paid to the Owners at closing.

The option payments compensate the Owners for the delayed closing, expected increase in market value, and provide PDC time to study and evaluate development options prior to taking title. PDC will use the option period to conduct standard due diligence and evaluate site development alternatives.

Since the 30 monthly option payments must be paid even if the property sale closes earlier, PDC is reserving \$1,500,000 in its budget to acquire the Property.

The River District URA fiscal year 2014-15 Approved Budget and Forecast is attached to this Report as a Financial Summary (Attachment B), and adequate financial resources are available in the Commercial Property Redevelopment Loan line item to support the acquisition price and option payments.

### **RISK ASSESSMENT**

The execution of the PSA itself does not obligate PDC to acquire the Property. Before exercising the option right to acquire the Property, the Executive Director will determine whether PDC has conducted comprehensive due diligence including examinations of environmental conditions and risks, title conditions, redevelopment potential and estimated holding and operating costs, and identification of any other risks of owning, managing, and developing the Property.

The PSA gives the Seller 30 months to negotiate with R2D2 and other interested parties concerning the relocation of the existing Property users. However, without a negotiated solution, the Owner is obligated to deliver possession of the Property clear of any property interests or claims. There may be legal or other limitations on PDC's ability to enforce this requirement. In such case, PDC may elect either to cancel the PSA and not proceed to closing, or to consent to the delay of closing until the condition is satisfied. If it elects to cancel the transaction due to failure of the Owner to deliver the Property free of occupancy by third parties, the option payments must be returned to PDC. This obligation will be secured by a lien on the Property.

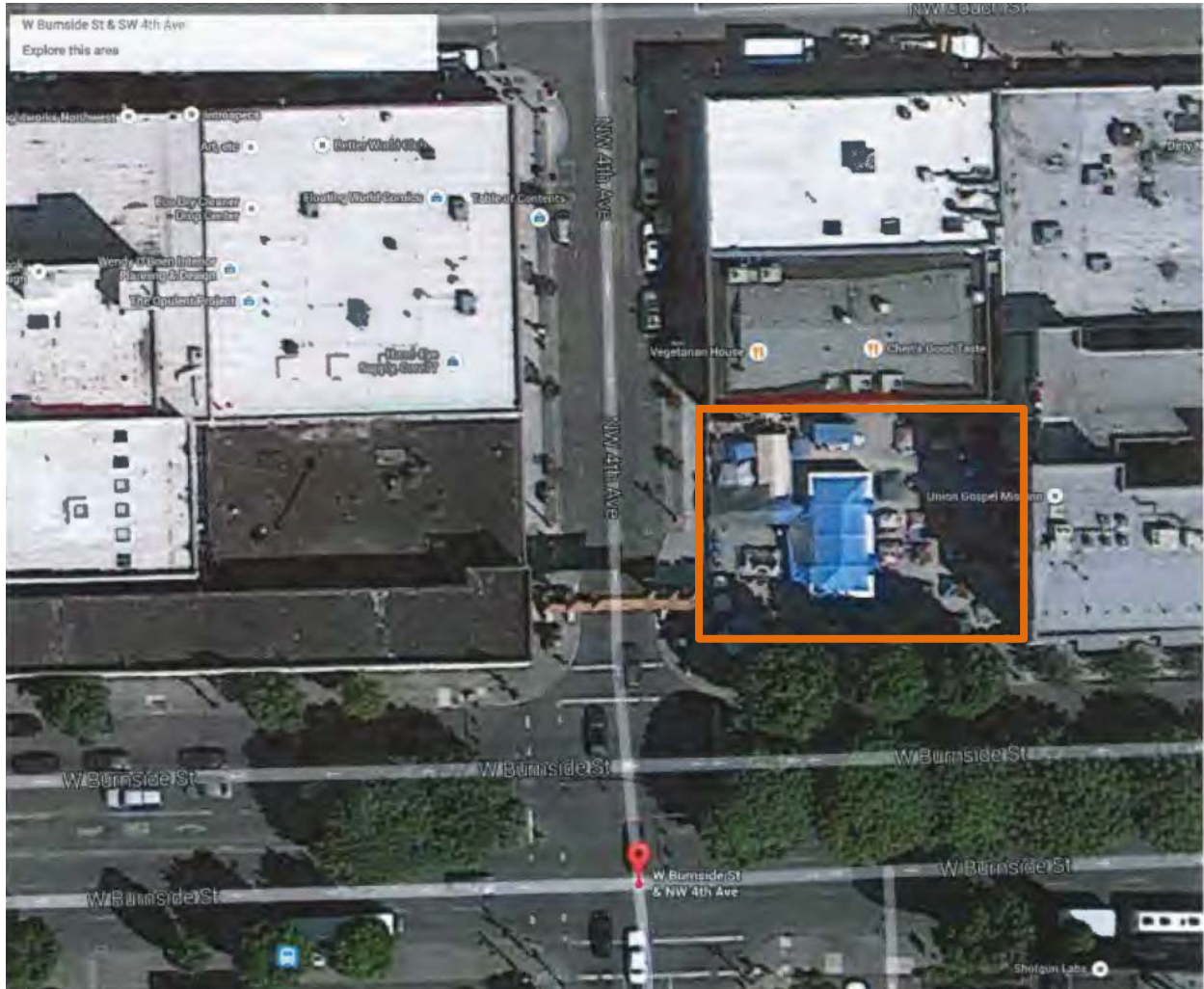
#### **ALTERNATIVE ACTIONS**

The PDC Board could elect to reject this proposed transaction, or could require changes to the terms and conditions of the PSA. If changes are instructed, staff will pursue negotiations of those with the Owners and report back to the PDC Board.

#### **ATTACHMENTS**

- A. Aerial Map
- B. URA Financial Summary

Aerial Map



**URA Financial Summary**

**Five-Year Forecast Program Requirements Detail**

	Revised- 2 FY 2013-14	Approved FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19
<b>River District URA</b>						
<b>Resources</b>						
Beginning Fund Balance	38,290,152	24,128,634	208,906	811,332	16,872,569	4,266,798
Fees and Charges	23,000	935	10,961	1,124	2,737	1,910
Interest on Investments	200,000	0	0	0	0	0
Intergovernmental Revenues	1,790,946	1,322,413	1,322,413	0	0	0
Loan Collections	2,899,564	8,110,789	3,108,070	2,956,649	3,392,019	3,013,874
Long Term Debt	0	10,100,000	21,000,000	61,387,874	0	2,605,785
Property Income	3,367,147	1,684,440	1,684,440	1,684,440	1,684,440	1,684,440
Reimbursements	1,030,000	1,340,496	480,496	480,496	480,496	480,496
Short Term Debt	25,000,000	19,078,701	22,342,241	6,159,442	18,669,280	12,412,918
<b>Total Resources</b>	<b>72,600,809</b>	<b>65,766,408</b>	<b>50,157,527</b>	<b>73,481,357</b>	<b>41,101,541</b>	<b>24,466,221</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Administration</b>						
<b>Financial Administration</b>						
A45101330 Debt Management-RVD	52,000	65,000	65,000	65,000	65,000	65,000
<b>Total Administration</b>	<b>52,000</b>	<b>65,000</b>	<b>65,000</b>	<b>65,000</b>	<b>65,000</b>	<b>65,000</b>
<b>Business Development</b>						
<b>Business Lending</b>						
L02100330 BIF-General-RVD	301,000	325,000	325,000	325,000	325,000	325,000
L02110330 BIF-Cluster Group-Budget-RVD	500,000	175,000	175,000	175,000	175,000	175,000
<b>Small Business &amp; Community Dev</b>						
B55005330 OT/CT Action Plan-RVD	0	125,000	125,000	125,000	0	0
<b>Traded Sector Business Dev</b>						
B15100330 Cluster Development-RVD	37,500	50,000	50,000	50,000	50,000	50,000
B55005330 OT/CT Action Plan-RVD	80,000	0	0	0	0	0
T01069330 Lean Manufacturing-RVD	12,500	0	0	0	0	0
<b>Total Business Development</b>	<b>931,000</b>	<b>675,000</b>	<b>675,000</b>	<b>675,000</b>	<b>550,000</b>	<b>550,000</b>
<b>Housing</b>						
<b>PHB Housing</b>						
H15135330 The Medford-RVD	0	1,476,000	0	0	0	0
H15136330 Erickson-Fritz-RVD	2,900,000	5,894,702	0	0	0	0
H15137330 The Abigail-RVD	0	8,936,091	2,800,000	0	0	0
H15430330 Affordable Rental Hsg-RVD	0	850,000	4,751,409	7,200,000	2,500,000	1,200,000
H15900330 PHB Staff & Admin-RVD	689,077	818,911	1,140,081	819,756	753,533	1,228,468
H15930330 Fairfield Apartments-RVD	19,391	50,000	50,000	50,000	0	0
H15951330 Yards at Union Station-RVD	220,000	0	0	0	0	0
<b>Total Housing</b>	<b>3,828,468</b>	<b>18,025,704</b>	<b>8,741,490</b>	<b>8,069,756</b>	<b>3,253,533</b>	<b>2,428,468</b>
<b>Infrastructure</b>						
<b>Parks</b>						
N33011915 Nbrhd Prk(The Fields)-RVD-Adm	470,992	0	0	0	0	0
<b>Public Facilities</b>						
N33022015 Union Station Grant-RVD-Adm	1,650,017	1,725,017	1,653,017	3,500,500	0	0
<b>Transportation</b>						
N33033415 Pearl District Cir-RVD-Adm	395,700	1,779,465	0	0	0	0
<b>Total Infrastructure</b>	<b>2,516,709</b>	<b>3,504,482</b>	<b>1,653,017</b>	<b>3,500,500</b>	<b>0</b>	<b>0</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Redevelopm</b>						
P33050015 Post Office-RVD-Adm	500,000	500,000	0	10,000,000	10,000,000	9,000,000

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
P33050115 Dtnw Retail Strat-RVD-Adm	195,000	30,000	30,000	30,000	0	0
P33060535 Station Place Lot 7-RVD-Adm	28,149	0	0	0	0	0
P33092015 Real Estate Mgmt-RVD-Adm	0	2,000	0	0	0	0
P33091015 Public Outreach-RVD-Adm	2,000	0	0	0	0	0
P33060815 Old Fire Station Mgmt-RVD-Adm	88,047	51,247	0	0	0	0
P33060715 One Waterfront North-RVD-Adm	4,187	7,187	7,187	7,187	7,187	7,187
A45997330 Superfund-RVD	0	25,000	0	0	0	0
P33060545 Station Place Prkng-RVD-Adm	260,855	236,576	224,076	224,076	224,076	224,076
P33060525 Station Place Lot 5-RVD-Adm	12,842	4,000	4,000	4,000	4,000	4,000
P33060415 Centennial Mills-RVD-Adm	104,256	1,154,256	54,256	54,256	54,256	54,256
P33060315 Grove Hotel-RVD-Adm	44,499	73,592	73,592	73,592	73,592	73,592
P33052115 10th & Yamhill Redev-RVD-Adm	0	0	3,250,000	10,000,000	0	0
P33060615 Block R-RVD-Adm	6,750	8,750	8,750	8,750	8,750	8,750
P33050415 Centennial Mills Rdv-RVD-Adm	75,000	1,070,000	14,000,000	0	0	0
P33060215 Union Station-RVD-Adm	1,917,805	2,079,371	1,929,371	1,929,371	1,929,371	1,929,371
P33052215 CC 2035-RVD-Adm	75,977	0	0	0	0	0
P33052715 PNCA-RVD-Adm	22,000	0	0	0	0	0
P33052815 PNCA Contract-RVD	135,000	0	0	0	0	0
P33054315 RD Enviro-RVD-Adm	600,000	200,000	0	0	0	0
P33055115 Multnomah County-PDV-Adm	26,948,460	0	0	0	0	0
P33060115 Block Y-RVD-Adm	16,044	16,044	16,044	16,044	16,044	16,044
<b>Commercial Real Estate Lending</b>						
<b>R01100330 CPRI-General-RVD</b>	<b>7,803,000</b>	<b>30,720,000</b>	<b>9,350,000</b>	<b>12,000,000</b>	<b>11,000,000</b>	<b>2,000,000</b>
<b>Community Redevelopment Grants</b>						
G01100330 CLG-General-RVD	0	100,000	0	0	0	0
G02100330 DOS-General-RVD	100,000	100,000	100,000	100,000	100,000	100,000
G03100330 SIP-General-RVD	300,000	300,000	300,000	300,000	300,000	300,000
<b>Total Property Redevelopment</b>	<b>39,239,871</b>	<b>36,678,023</b>	<b>29,347,276</b>	<b>34,747,276</b>	<b>23,717,276</b>	<b>13,717,276</b>
<b>Program Expenditures</b>	<b>46,568,048</b>	<b>58,948,209</b>	<b>40,481,783</b>	<b>47,057,532</b>	<b>27,585,809</b>	<b>16,760,744</b>
Personal Services	693,481	607,255	2,251,928	2,467,514	2,436,587	2,053,652
Transfers - Indirect	4,110,646	6,002,038	6,612,484	7,083,742	6,812,347	5,651,825
<b>Fund Expenditures</b>	<b>51,372,175</b>	<b>65,557,502</b>	<b>49,346,195</b>	<b>56,608,788</b>	<b>36,834,743</b>	<b>24,466,221</b>
Agency	21,228,634	208,906	811,332	16,872,569	4,266,798	0
Original Fund Balance	0	0	0	0	0	0
<b>Requirements</b>	<b>72,600,809</b>	<b>65,766,408</b>	<b>50,157,527</b>	<b>73,481,357</b>	<b>41,101,541</b>	<b>24,466,221</b>