

DATE: April 20, 2016
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 16-19
Update on the Acquisition of 13.4 Acres of Real Property Located at 715 NW Hoyt Street in the River District Urban Renewal Area

BOARD ACTION REQUESTED

No action requested; information only.

SUMMARY

At the April 20, 2016, Portland Development Commission (PDC) Board of Commissioners (Board) meeting, PDC staff will provide an update on acquisition of the United States Postal Service (USPS) Processing and Distribution Center at 715 NW Hoyt Street (Downtown Property). The Downtown Property is located in the River District Urban Renewal Area (URA) and is bounded by NW Hoyt Street, NW 9th Avenue, NW Lovejoy Street, and NW Broadway (see project summary in Attachment A).

BACKGROUND AND CONTEXT

The Downtown Property has been identified as perhaps the most significant redevelopment opportunity within Portland's Central City through multiple Portland City Council adopted land use and development plans. On January 13, 2016, and February 10, 2016, the PDC Board approved key terms for a Purchase and Sale Agreement (PSA) for PDC to acquire the Downtown Property. Key elements of the overall transaction include:

- PDC to acquire the Downtown Property for a Purchase Price of \$88,000,000, at least \$14,500,000 of which will be contributed by the Portland Housing Bureau (PHB) for future affordable housing development rights;
- USPS to acquire a replacement property and construct a replacement facility for a total project budget of approximately \$157,000,000;
- USPS to lease the Downtown Property, other than the retail portion of the Downtown Property, from PDC for a nominal fee from and after closing until the USPS has completed and moved to the replacement facility; and
- The lease term for the retail portion of the Downtown Property shall end at the date that PDC has provided USPS with temporary or permanent replacement retail premises.

In addition to the \$88,000,000 purchase price, key PSA terms for PDC's acquisition of the Downtown Property include:

- First option payment of \$2,500,000 to be made upon satisfaction of the conditions outlined in the term sheet previously approved by the PDC Board;
- Second option payment of \$875,000 to be made on July 16, 2016;
- If closing has not occurred by August 1, 2016, a third option payment of \$875,000 to be made on or before August 15, 2016, which will extend closing to September 30, 2016;
- Closing to occur on or before September 30, 2016, and shall consist of (i) the payment by PDC of the remainder of the purchase price; (ii) the closing on the acquisition of the replacement site by USPS; (iii) the mutual execution by PDC and USPS of the lease; (iv) the delivery by USPS of the deed in favor of PDC for the Downtown Property; and
- At the conclusion of the construction of the replacement facility, if the actual project costs are less than \$157,000,000, USPS shall refund PDC in an amount equal to 20 percent of the cost savings, up to a maximum refund of \$6,000,000.

The option payments are all non-refundable and applicable to the purchase price.

Purchase and Sale Agreement. Negotiation of the PSA is nearly complete and PDC staff anticipate the PSA will be executed by the end of April 2016 in accordance with the terms previously approved by the PDC Board. The following terms have been modified within the Executive Director's authority:

- PDC to make a payment of approximately \$2,600,000 to USPS within two weeks of execution of the PSA so that USPS can pay the owner of the replacement property for the precompression of soft soils by surcharge preloading. This will expedite the completion of the replacement facility by approximately six months. This PDC payment will be applicable to the purchase price and refundable in the event closing does not occur;
- The cost savings formula in the event the replacement facility costs less than \$157,000,000 has been eliminated. After receiving the appraisals for the Downtown Property and the replacement property, the USPS was not willing to accept a payment of less than \$88,000,000 for the Downtown Property. The \$88,000,000 purchase price is comprised of the \$69,100,000 fair market value for the Downtown Property plus the premium above the fair market value for the replacement property.
- The base rent the USPS will pay PDC following closing has been changed as follows: months zero to 30: no change, as USPS will pay \$1 in rent for this entire period; months 31 to 42: from fair market value to \$200,000 for the entire term (\$16,666.67 per month); and beyond month 42 there is no change as the rent will be the fair market value. USPS has provided PDC a schedule that anticipates USPS will complete construction of and relocation to the replacement facility within 31 months from execution of the PSA.

Option Agreement. USPS and Trammell Crow have successfully completed negotiation of the option agreement that will enable USPS to acquire the replacement property and construct the replacement facility. PDC staff anticipate the option agreement will be executed by the end of April 2016.

Design-Build Documents and Bidding. USPS has proceeded with the preparation of design-build documents for the replacement facility and anticipates the package will be completed by April 30, 2016. To facilitate the selection of a qualified contractor, on February 1, 2016, USPS solicited pre-qualification statements. USPS anticipates identifying the pre-qualified contractors by April 22, 2016. USPS anticipates issuing the design-build package to the prequalified contractors by May 6, 2016, conducting a pre-proposal meeting at the site the week of May 16, 2016, with bids due by July 5, 2016.

National Environmental Policy Act (NEPA) Process. USPS is evaluating the environmental impacts of the relocation facility in conformance with NEPA. This has included publication of a Notice of Intent on

March 9, 2016, in *The Oregonian*, preparation of a Section 106 State Historic Preservation Office consultation letter issued on April 1, 2016, and the preparation of a Preliminary Environmental Assessment which is anticipated to be completed by May 12, 2016.

Master Plan Process. Subsequent to acquisition of the Downtown Property, PDC staff, in partnership with PHB, anticipates issuing a solicitation in early 2017 for a development team to participate in a master plan process for the Downtown Property. This master plan will be consistent with the PDC Board adopted Broadway Corridor Framework Plan and specifically address phasing, uses, circulation, open space, and other considerations. PDC staff will brief the PDC Board on this master planning process prior to issuing any solicitation. Based on the results of the master plan, it is currently estimated that PDC may begin conveying portions of the site to a development partner no earlier than 2019.

BUDGET AND FINANCIAL INFORMATION

The executed PSA and associated payments do not change any of the budgetary or financial information previously described in the February 10, 2016, PDC Board Report, which acknowledged that there are adequate funds for the transaction in the fiscal year 2015-16 River District URA budget and forecast (see Attachment B).

ATTACHMENTS

- A. Project Summary
- B. River District URA Financial Summary

PROJECT SUMMARY

Project Name:	USPS Purchase and Sale Agreement
Description:	Acquisition of USPS property for \$88,000,000
Location:	715 NW Hoyt Street, Portland, Oregon
URA:	River District
Current Phase:	Acquisition
Next Milestone:	Closing
Completion Target:	August 2016
Outcome:	Redevelopment of underutilized industrial site to include high-density, mixed-use development, affordable housing, public parks, and extension of public street network.



Downtown Property



Replacement Property

RIVER DISTRICT URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2015-16	Requested FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
River District URA Fund						
Resources						
Beginning Fund Balance	52,655,293	15,223,603	22,393,732	20,899,259	36,087,954	6,140,273
Debt Proceeds	11,673,378	14,277,183	157,562	9,500,000	0	0
Fees and Charges	8,000	7,579	11,203	10,244	6,686	2,110
Interest on Investments	200,000	0	0	0	0	0
Intergovernmental Revenues	1,969,511	1,088,734	630,248	0	0	0
Loan Collections	5,359,380	235,823	1,040,599	768,830	438,228	457,132
Long Term Debt	2,500,000	44,100,000	6,055,021	0	0	475,690
Miscellaneous	5,000	0	0	0	0	0
Property Income	9,701,190	6,966,015	2,466,015	6,466,015	2,466,015	2,466,015
Short Term Debt	19,948,515	24,975,000	20,658,101	21,094,766	16,511,226	0
Transfers In	0	0	0	0	39,900,000	0
Total Resources	104,020,267	106,873,937	53,412,481	58,739,114	95,410,109	9,541,220
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101330-Debt Management-RVD	77,435	65,000	65,000	65,000	65,000	65,000
Administration Total	77,435	65,000	65,000	65,000	65,000	65,000
Business Development						
Business Lending						
L00210330-BL -General-RIV	500,100	0	0	0	0	0
Small Business & Community Dev						
B55005330-OT/CT Action Plan-RVD	145,000	125,000	0	0	0	0
Traded Sector Business Dev						
B15100330-Cluster Development-RVD	50,000	50,000	50,000	50,000	0	0
Business Development Total	695,100	175,000	50,000	50,000	0	0
Housing						
PHB Housing						
H15430330-Affordable Housing-RVD	7,930,070	6,805,906	11,253,533	2,428,468	20,000,000	0
Housing Total	7,930,070	6,805,906	11,253,533	2,428,468	20,000,000	0
Infrastructure						
Public Facilities						
N33022015-Union Station Grant-RVD-Adm	2,461,889	1,360,917	787,810	0	3,500,000	0
N33033415-Pearl District Cir-RVD-Adm	1,100,000	0	0	0	0	0
Transportation						
N33030115-District Parking-RVD	0	2,500,000	2,500,000	0	0	0
Infrastructure Total	3,561,889	3,860,917	3,287,810	0	3,500,000	0
Property Redevelopment						
Commercial Property Redevelopment						
P33050015-Post Office-RVD-Adm	0	0	0	0	20,795,580	0
P33050115-Dtwn Retail Strat-RVD-Adm	30,000	30,000	0	0	0	0
P33050215-4th and Burnside-RVD	46,400	0	0	0	0	0
P33050315-Broadway Corridor-RVD	310,000	590,000	0	0	0	0

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2015-16	Requested FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
P33052115-10th & Yamhill Redev-RVD-Adm	1,750,000	3,250,000	0	0	0	0
P33052215-CC 2035-RVD-Adm	32,772	0	0	0	0	0
P33052715-PNCA-RVD-Adm	22,000	0	0	0	0	0
P33054315-RD Enviro Reimb-RVD	4,500	0	0	0	0	0
P33055115-Multnomah County-PDV-Adm	16,948,460	0	0	9,500,000	0	0
P33060115-Block Y-RVD-Adm	45,400	45,100	45,100	45,100	45,100	45,100
P33060215-Union Station-RVD-Adm	1,368,757	1,363,757	1,363,757	1,363,757	1,363,757	1,363,757
P33060415-Centennial Mills-RVD-Adm	9,750,476	10,803,355	48,355	48,355	0	0
P33060525-Station Place Lot 5-RVD-Adm	204,000	4,000	0	0	0	0
P33060545-Station Place Prkng-RVD-Adm	347,106	266,811	266,811	266,811	266,811	266,811
P33060615-Block R-RVD-Adm	9,800	9,800	9,800	9,800	0	0
P33060715-One Waterfront North-RVD-Adm	8,400	508,400	0	0	0	0
P33060815-Old Fire Station Mgmt-RVD-Adm	23,000	18,000	0	0	0	0
P33092015-Real Estate Mgmt-RVD-Adm	10,250	10,250	10,250	10,250	10,250	10,250
Commercial Real Estate Lending						
R01100330-CPRL-General-RVD	9,302,157	5,502,000	8,502,000	562,604	0	0
Community Redevelopment Grants						
G01100330-CLG-General-RVD	100,000	100,000	100,000	100,000	100,000	100,000
G02100330-DOS-General-RVD	100,000	100,000	100,000	100,000	100,000	0
G03100330-SIP-General-RVD	300,000	300,000	300,000	300,000	300,000	0
G04100330-GFGP-General-RVD	25,000	50,000	50,000	50,000	0	0
Property Redevelopment Total	40,738,478	22,951,473	10,796,073	12,356,677	22,981,498	1,785,918
Total Program Expenditures	53,002,972	33,858,296	25,452,416	14,900,145	46,546,498	1,850,918
Debt	583,669	1,297,528	1,305,406	1,780,406	36,498,326	0
Personnel Services	624,464	630,035	590,529	603,535	625,320	638,452
Transfers - Indirect	5,085,559	4,694,346	5,164,870	5,367,074	5,599,692	5,761,738
Total Fund Expenditures	59,296,664	40,480,205	32,513,221	22,651,160	89,269,836	8,251,108
Contingency	15,223,603	22,393,732	20,899,259	36,087,954	6,140,273	1,290,112
Transfers	29,500,000	44,000,000	0	0	0	0
Ending Fund Balance	0	0	1	0	0	0
Total Requirements	104,020,267	106,873,937	53,412,481	58,739,114	95,410,109	9,541,220