

**DATE:** April 20, 2016  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 16-20

Authorizing the Executive Director to Execute a Prospective Purchaser Agreement with the Oregon Department of Environmental Quality for the 13.4 Acres of Real Property Located at 715 NW Hoyt Street in the River District Urban Renewal Area

**BOARD ACTION REQUESTED**

Adopt Resolution No. 7178

**ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the execution of a Prospective Purchaser Agreement (PPA) (in the form of a court-approved Consent Judgment), for the PDC Board-authorized purchase of the United States Postal Service (USPS) Processing and Distribution Center at 715 NW Hoyt Street (Downtown Property) (see an aerial in Attachment A).

The PPA is a settlement of potential future liability that a party may face when buying contaminated property. The PPA for the Downtown Property substantially narrows the potential environmental obligations that PDC or a subsequent developer may face when developing the Downtown Property. It also establishes the protocol for PDC transfer of ownership and of cleanup responsibility to successor developer(s) of the Downtown Property.

Following are key terms of the PPA:

- The PPA allows the site to remain in its current “capped” state until the time PDC or a developer is ready to break ground.
- When a particular development design is known, the PPA controls the process for obtaining Oregon Department of Environmental Quality (DEQ) approval of the associated soil or groundwater cleanup.
- The PPA allows the Downtown Property to be developed in phases without generating obligations to address future phases for which development scenarios are not yet known.
- When PDC or a subsequent developer is ready to commence redevelopment of a phase, the PPA requires removal of “hot spots” in that phase.
- For areas that are not hot spots the PPA allows capping with building foundations, sidewalks, or other impermeable surfaces.
- The PPA allows for development of parks with surface capping consisting of two to three feet of clean soil or hardscape.
- The benefits of the PPA are fully assignable to PDC successors, such as developers.

- PDC may be released from the PPA obligations on a phased basis following certain DEQ transfers and completion of phase cleanups.

### **BACKGROUND AND CONTEXT**

The 13.4-acre 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, in between Portland's Old Town/Chinatown neighborhood and the Pearl District. The Downtown Property includes three structures: the main four-story, 420,000 square foot (SF) building; a 10,000 SF vehicle maintenance facility; and a 98,000 SF, 300-space parking structure. The Downtown Property also includes more than four acres of paved surface parking and circulation currently used for USPS truck loading and storage.

Beginning as early as 1882, the Downtown Property was the site of a railroad switching yard, turntable, maintenance and cleaning facilities, as well as a manufactured gas plant. These and associated uses have left the site impacted by varying levels of contamination.

Based on numerous site investigations, DEQ has determined that much of the Downtown Property may remain capped – either by the existing features or by new construction. Some areas of the site are hot spots and will require more intensive removal and disposal of impacted soils. While parts of the Downtown Property cannot be investigated due to existing structures, it has been assumed that site conditions will be in accord with the several other properties PDC has purchased in the area that were similarly impacted by former rail operations.

DEQ has evaluated the Downtown Property and has issued a Record of Decision (ROD) that governs the type of cleanup necessary to protect human health and the environment. The PPA incorporates the ROD but in greater detail and in a way that controls the process for determining the environmental cleanup obligations associated with each phase prior to commencement of construction.

The PPA is designed to allow for PDC-initiated cleanup actions or cleanup actions that are undertaken by developers to which PDC may sell part or all of the developable pads.

### **COMMUNITY AND PUBLIC BENEFIT**

Public benefits of executing the PPA include:

- Establishing an approach for remediating environmental contamination in a densely populated, mixed-use urban environment;
- Limiting the environmental obligation that PDC may face from DEQ when purchasing contaminated property;
- Providing clarity on the environmental obligations and, therefore the environmental costs associated with redevelopment; and
- Gaining statutory contribution protection against claims for cleanup from other parties.

### **PUBLIC PARTICIPATION AND FEEDBACK**

A public comment period on the final draft of the PPA commenced on April 1, 2016, and will continue for 30 days, concluding May 1, 2016. A public meeting regarding the PPA was held on April 6, 2016, and there were no attendees. This public process is anticipated to support a Multnomah County Circuit Court Judge approval on or about June 1, 2016, and recording of the PPA against the title to the Downtown Property at the time of PDC's acquisition closing.

There has been much broader and significant public participation regarding the development of the Broadway Corridor Framework Plan, which establishes a high-level, conceptual redevelopment

framework for the Downtown Property (see Attachment B), which will require successful remediation work.

### **BUDGET AND FINANCIAL INFORMATION**

It is estimated that the cost to remediate the Downtown Property hot spots is \$1,600,000. Environmental costs related to the public street and park areas identified in the Broadway Corridor Framework Plan are included within the infrastructure costs carried in the Post Office line item within the River District URA budget (see Attachment C). There are adequate resources in the fiscal year 2015-16 River District URA budget and forecast for all of these remediation costs.

### **RISK ASSESSMENT**

The risk to PDC in entering the PPA is minimal. The document, by design, is a risk mitigation instrument.

### **ALTERNATIVE ACTIONS**

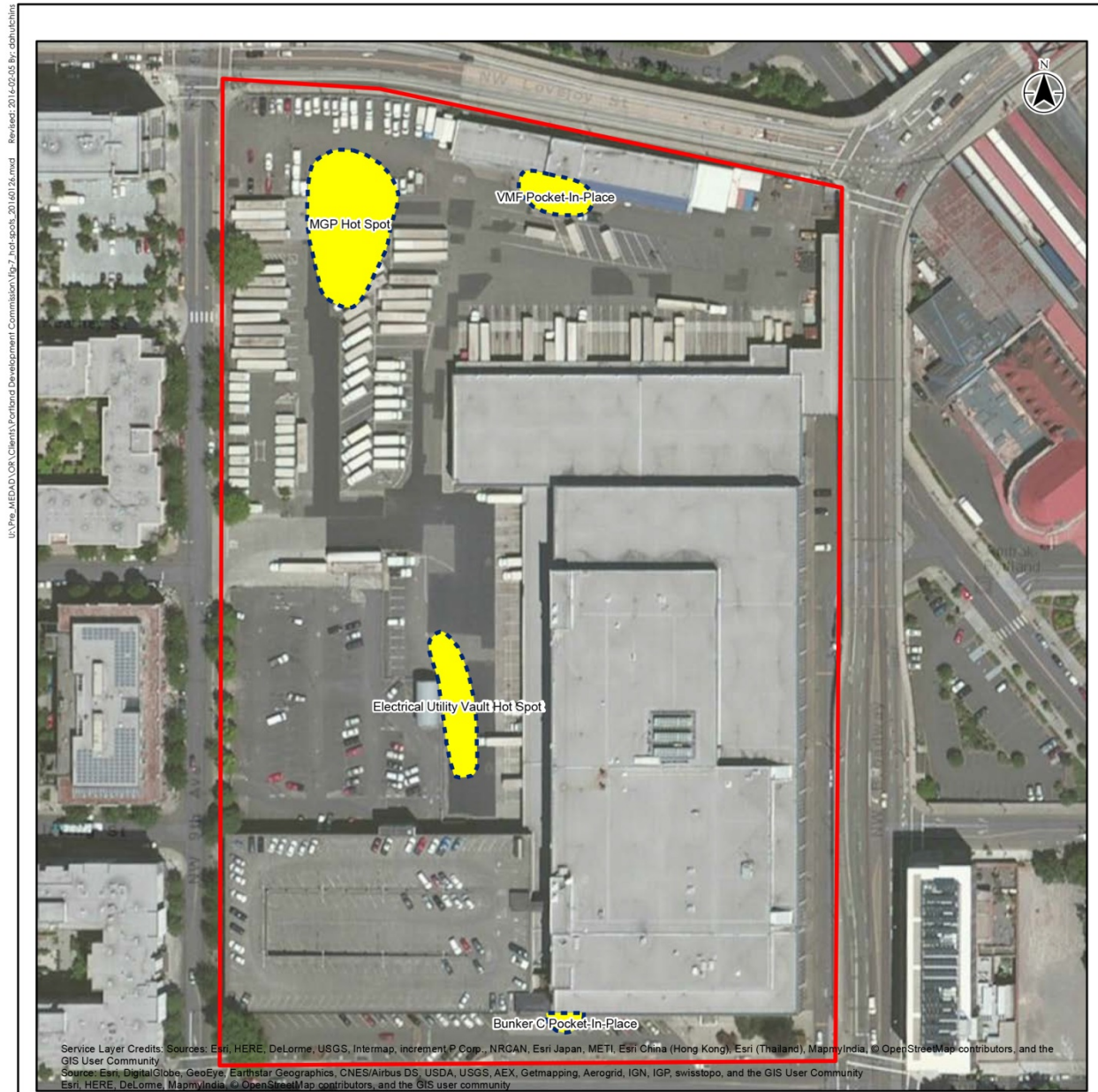
The PDC Board could decide to:

- Proceed with Downtown Property acquisition without a PPA. Such a course would leave PDC subject to fairly unlimited DEQ direction as to when, where, and how site cleanup is to occur.
- Elect to continue negotiation with DEQ. There is little point to continued negotiations as PDC secured all of the major elements desired.

### **ATTACHMENTS**

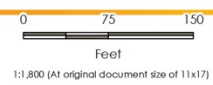
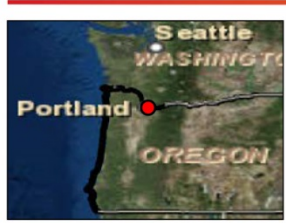
- A. Aerial of Downtown Property
- B. Downtown Property Conceptual Redevelopment Framework
- C. River District URA Financial Summary

**AERIAL OF DOWNTOWN PROPERTY**





U:\Pre-MEDAD\OR\Clients\Portland Development Commission\Map\_7\_hot-spots\_20160126.mxd - Revised: 2016-02-05 By: cshuchling

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**Legend**

-  Approximate Hot Spot/  
Pocket-In-Place Areas
-  Approximate Site Boundary



Project Location: 715 NW Hoyt Street, Portland, Oregon  
 Prepared by DH on 2016-01-25  
 Technical Review by LF on 2016-01-26  
 Independent Review by MS on 2016-01-26

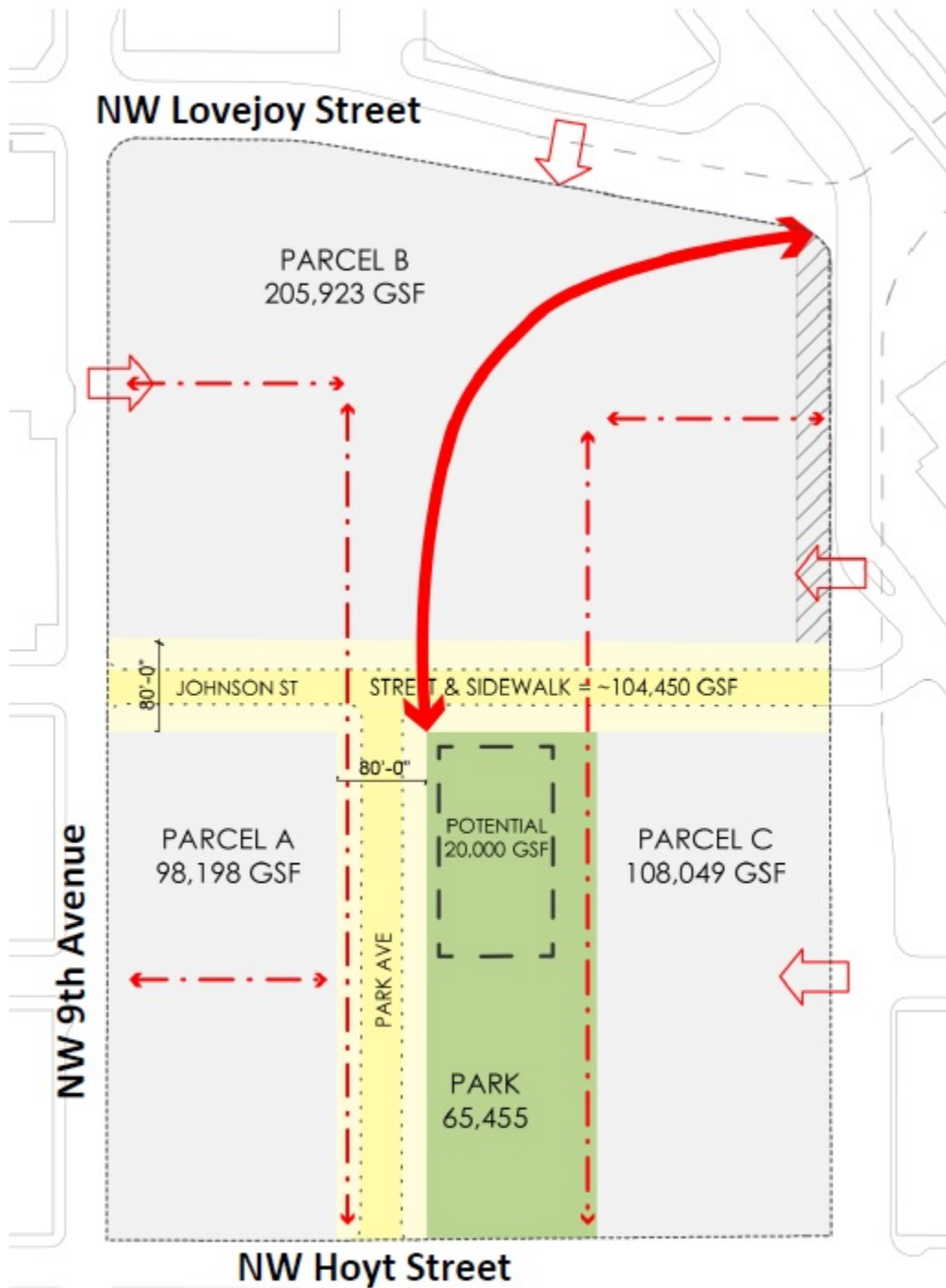
Client/Project: Portland Development Commission  
 715 NW Hoyt Street, Portland, OR  
 Master RAP

Figure No.: 7

Title: Site Layout with Hot Spot and Pocket-In-Place Locations Page 01 of 01

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**DOWNTOWN PROPERTY CONCEPTUAL REDEVELOPMENT FRAMEWORK**



**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
<b>River District URA Fund</b>						
<b>Resources</b>						
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
<b>Total Resources</b>	<b>104,020,267</b>	<b>106,873,937</b>	<b>53,412,481</b>	<b>58,739,114</b>	<b>95,410,109</b>	<b>9,541,220</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Administration</b>						
<b>Financial Administration</b>						
A45101330-Debt Management-RVD	77,435	65,000	65,000	65,000	65,000	65,000
<b>Administration Total</b>	<b>77,435</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>						
L00210330-BL -General-RIV	500,100	0	0	0	0	0
<b>Small Business &amp; Community Dev</b>						
B55005330-OT/CT Action Plan-RVD	145,000	125,000	0	0	0	0
<b>Traded Sector Business Dev</b>						
B15100330-Cluster Development-RVD	50,000	50,000	50,000	50,000	0	0
<b>Business Development Total</b>	<b>695,100</b>	<b>175,000</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>	<b>0</b>
<b>Housing</b>						
<b>PHB Housing</b>						
H15430330-Affordable Housing-RVD	7,930,070	6,805,906	11,253,533	2,428,468	20,000,000	0
<b>Housing Total</b>	<b>7,930,070</b>	<b>6,805,906</b>	<b>11,253,533</b>	<b>2,428,468</b>	<b>20,000,000</b>	<b>0</b>
<b>Infrastructure</b>						
<b>Public Facilities</b>						
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
<b>Transportation</b>						
N33030115-District Parking-RVD	0	2,500,000	2,500,000	0	0	0
<b>Infrastructure Total</b>	<b>3,561,889</b>	<b>3,860,917</b>	<b>3,287,810</b>	<b>0</b>	<b>3,500,000</b>	<b>0</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Redevelopment</b>						
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
<b>Commercial Real Estate</b>						
<b>Lending</b>						
R01100330-CPRL-General-RVD	9,302,157	5,502,000	8,502,000	562,604	0	0
<b>Community Redevelopment</b>						
<b>Grants</b>						
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
<b>Property Redevelopment Total</b>	<b>40,738,478</b>	<b>22,951,473</b>	<b>10,796,073</b>	<b>12,356,677</b>	<b>22,981,498</b>	<b>1,785,918</b>
<b>Total Program Expenditures</b>	<b>53,002,972</b>	<b>33,858,296</b>	<b>25,452,416</b>	<b>14,900,145</b>	<b>46,546,498</b>	<b>1,850,918</b>
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
<b>Total Fund Expenditures</b>	<b>59,296,664</b>	<b>40,480,205</b>	<b>32,513,221</b>	<b>22,651,160</b>	<b>89,269,836</b>	<b>8,251,108</b>
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
<b>Total Requirements</b>	<b>104,020,267</b>	<b>106,873,937</b>	<b>53,412,481</b>	<b>58,739,114</b>	<b>95,410,109</b>	<b>9,541,220</b>