

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: August 13, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-104
Purchase & Sale Agreement with Becker Land, LLC for the disposition of PDC-owned land at the Riverside Parkway Corporate Center in the Airport Way Urban Renewal Area

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6578

ACTION SUMMARY

This action will authorize the Executive Director to execute a Purchase and Sale Agreement with Becker Land, LLC for the sale of lots 1 and 2, totaling 8.175 acres, at Riverside Parkway Corporate Center (RPCC) in the Airport Way Urban Renewal Area (AWURA) for a purchase price of up to \$2,139,888 based on a fair market appraisal.

PUBLIC BENEFIT

The sale of RPCC lots 1 and 2 will generate approximately \$2 million in program income to the Portland Development Commission (PDC) that can continue to fund PDC's economic development incentive programs that support the attraction and retention of quality jobs in the Airport Way Urban Renewal Area. Additionally, this sale will allow Becker Land to stay in Portland, retaining over 50 quality jobs, will result in over \$6 million in private investment (\$2 million for the land purchase and \$4 million for improvements), and will generate annually an estimated \$100,000 in property tax revenues.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

The Columbia Corridor Association, which has an advisory role to PDC for the entire Columbia Corridor area, has endorsed PDC's job retention and recruitment efforts in Airport Way as well as our efforts with the Riverside Parkway Corporate Center. This proposed

sale is consistent with those endorsements. There are no neighborhood associations, nor is there an Urban Renewal Advisory Committee in the AWURA.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This project is fully consistent with the goals and objectives of the Airport Way Urban Renewal Plan, adopted by the PDC Board of Commissioners (Board) and City Council in 1986 (Ordinance 158500).

When the land RPCC was acquired in 2002, it was envisioned as a high density industrial project providing high quality jobs to Portland area residents. The land sales to date, including this proposed action, are consistent with and further those goals.

FINANCIAL IMPACT

The offering price was determined by an October 2006 appraisal by Integra Realty, which was updated in April 2008. The offering price was further supported by an Opinion of Value issued by PDC's brokers for the property, the Grubb & Ellis Company, on November 1, 2007, who attests that \$6.50 is a fair market "shovel-ready" price based on current market conditions and sales of comparable industrial properties and the special conditions of the property. The purchase price is discounted to \$6.00 per square foot to reflect necessary work to make the land "shovel ready" for development. This essentially involves compacting the soil in order to hold the weight of the building.

Staff also anticipates that Becker Land will request funds under the Quality Jobs Program (QJP) and the Economic Opportunity Fund (EOF). The amount of funding under these programs that Becker may qualify is not known at this time. Their request will be evaluated under the guidelines for each program.

RISK ASSESSMENT

The primary risk is that Becker Land will not go through with the transaction after a potential extended closing period expires. The Purchase and Sale Agreement allows Becker to extend the closing period for up to one year to allow for sale and 1031 Exchange of their Swan Island property. However, this risk is heavily mitigated because, after 120 days, Becker would be required to deposit a \$100,000 non-refundable payment into escrow and accrue 3.0% interest on the unpaid balance of the purchase price for the first six months of the closing extension and then accrue 6.5% interest on unpaid balance of the purchase price for the last six months of the closing extension. The accrued interest would be payable to PDC at closing. Furthermore, if Becker does not complete construction in accordance with the schedule of performance, PDC would have the right to require that the property be re-conveyed back to PDC..

WORK LOAD IMPACT

There is nominal impact on PDC's workload. Much of the negotiations have been managed by our broker, Grubb & Ellis. PDC Legal staff prepared the Purchase & Sale Agreement, and PDC Housing staff will manage the closing of escrow with assistance from Legal staff.

ALTERNATIVE ACTIONS

The Board could elect to not authorize the Purchase & Sale Agreement or to modify its terms and conditions. If different terms and conditions were desired by the Board, staff would attempt to renegotiate those with Becker Land and return to the Board for its consideration.

CONCURRENCE

This proposed action is in furtherance of the development of RPCC which has received wide support from PDC's public and private partners including the Port of Portland, TriMet and the Columbia Corridor Association. Additionally, PDC's Airport Way Team has reviewed the proposed action and is in support of it.

BACKGROUND

In 2000, in an effort to spur new development with high density employment and quality jobs, PDC sought to acquire land in the Airport Way area that could be reserved for users that met PDC's jobs goals and objectives. This initiative was intended to make sure that high quality users still had opportunities to locate in the Columbia Corridor as opposed to being forced to locations outside of the City for lack of available sites. PDC also targeted PDC's Quality Jobs Program resources to qualifying parties as a further incentive to attract them to this area.

In April 2001, PDC and the Panattoni Development Company (Panattoni) entered into an Option to Purchase Agreement for the property now called Riverside Parkway Corporate Center. PDC acquired the property in January 2002 and Panattoni commenced building the streets and infrastructure immediately thereafter. Panattoni marketed the property through a local real estate company and late in 2002 sold the first lot to Portland Hospital Services Corp. However, no other sales occurred after that and the Panattoni's option expired in March 2005.

In May 2005, the Board adopted Resolution No. 6240 authorizing execution of a contract with Grubb & Ellis to provide brokerage services to PDC. Grubb & Ellis have been leading the marketing of the property since that time.

Becker intends to construct a minimum 40,000 square foot building consisting of 4,000 sf of office space and 36,000 sf cross-dock/warehouse. They plan to expand to 62,000 square feet consisting of 4,000 sf office space and 58,000 sf cross-dock/warehouse as business demands. The metal building will be prepped with future expansion in mind with a facade of brick and stucco. The cross-dock shall have 18 doors on each side with the capacity to expand to 27 doors on each side.

Becker Land is a family owned, Tukwila, Washington based, diversified trucking company serving the Pacific Northwest since 1925. Counting all of its facilities, Becker has over 100 employees and 35 owner/operator drivers. They have 5 terminals in total, two in Oregon, two in Washington and one in British Columbia. The Oregon terminals are located at the airport and on Swan Island. The new RPCC terminal would replace the Swan Island terminal that is constricting company growth. The relocation of Becker to RPCC will retain 50 family wage jobs and potentially add more with a future phase two expansion of the facility.

The Purchase and Sale Agreement calls for an all-cash transaction; therefore, the net sales proceeds would be available to fund future economic development activity in the AWURA. PDC purchased the land at RPCC in January 2002 for \$4.26 per square foot.

The offering price for land at RPCC is set by PDC and its brokers, Grubb & Ellis, and supported by an appraisal by Integra Realty dated April 2008, at \$6.50 per square foot for lots that are “shovel-ready,” in other words, requiring no additional pre-development work at the time of closing. For sites that are not “shovel-ready,” the purchase price is discounted by an amount reflecting the costs of any necessary predevelopment work. In this case, the actual purchase price was determined to be \$6.00 per square foot and equates to a \$2,139,888 sales price assuming no adjustments and brokerage fees. The Purchase and Sale Agreement also allows for a \$0.50 per square foot reduction in sale price for areas impacted by easements. Furthermore, the brokerage agreement with Grubb & Ellis calls for a 5 percent brokerage fee to be split between Grubb & Ellis and the Buyer’s broker, Colliers International.

After deduction of the 5 percent brokerage fee, closing costs, and potential adjustments for easements, net revenues to PDC would be approximately \$2,000,000.

ATTACHMENTS:

- A. AWURA Fund Summary
- B. Project Summary and Schedule
- C. Term Sheet

CC: L. Bowers, Interim Director of Development
S.B. Allen, Senior Development Manager
D. Elott, Interim General Counsel
J. Jackley, Executive Operations Manager

URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	<i>Revised FY 2007-08</i>	<i>Adopted FY 2008-09</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>	<i>FY 2012-13 Forecast</i>
Airport Way URA						
Resources						
Beginning Fund Balance	6,473,166	1,931,218	1,717,196	1,845,911	2,042,307	2,282,148
Interest - City Invest Pool	69,340	100,000	20,000	5,000	1,500	5,000
Loans - Interest Earned	9,247	16,956	16,956	16,956	13,467	0
Loans - Principal Collection	9,247	16,956	16,956	16,956	13,467	0
Other Contracts	1,000	0	0	0	0	0
Real Property Sales	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Reimbursement	2,545	5,000	5,000	0	0	0
Total Fund Resources	6,564,545	5,070,130	4,776,108	4,884,823	5,070,741	5,287,148

Requirements

Project Expenditures (does not include Personal Services or Indirect Cost)

Development						
11004 - AW Cascade Station Devel	322,758	350,000	316,500	290,000	270,000	265,000
11014 - AW Riverside Pkwy Industr Pk Dev	458,906	260,000	250,000	250,000	0	0
11015 - AW Subdistrict B Pre-Dev	25,000	25,000	0	0	0	0
11019 - AW Community Outreach	2,000	2,000	2,000	2,000	2,000	2,000
Development Total	808,664	637,000	568,500	542,000	272,000	267,000
Economic Development						
70014 - AW Business Finance	2,500,000	1,400,000	1,400,000	1,400,000	1,650,000	1,900,000
70229 - AW Business Retention	260,500	200,000	150,000	150,000	150,000	150,000
70759 - AW Target Industry Devel	0	100,000	100,000	100,000	100,000	100,000
Economic Development Total	2,760,500	1,700,000	1,650,000	1,650,000	1,900,000	2,150,000
Central Services						
59157 - AW Debt Management	3,000	3,000	3,150	3,308	3,473	3,647
Central Services Total	3,000	3,000	3,150	3,308	3,473	3,647
Total Project Expenditures	3,572,164	2,340,000	2,221,650	2,195,308	2,175,473	2,420,647
Indirect Cost	1,061,163	1,012,934	708,547	647,208	613,120	659,561
Total Fund Expenditures	4,633,327	3,352,934	2,930,197	2,842,516	2,788,593	3,080,208
Contingency	1,931,218	1,717,196	1,845,911	2,042,307	2,282,148	2,206,940
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	6,564,545	5,070,130	4,776,108	4,884,823	5,070,741	5,287,148

PROJECT SUMMARY AND SCHEDULE

Project Name:	Becker Land
Description:	Acquisition of PDC-owned property.
Location:	Riverside Parkway Corporate Center, Lots 1 and 2
URA:	Airport Way
Current Phase:	Board Approval
Next Milestone:	Execution of Purchase and Sale Agreement, September 2008
Due Diligence:	September through December 2008
Close:	December 2008, or possible 12-month extension with non-refundable \$100,000 deposit and 3.0% interest-only payments on the outstanding balance for the first six months then 6.5% interest-only payments for the last six months.
Begin Construction	June 2010 (NTE 18 months after closing)
Completion Target:	June 2011 (12 months after start of construction)
Outcome:	The construction of a 42,000 sf trucking terminal, the retention of 50 family wage jobs and receipt of \$2,000,000 in program income for future job creation and retention.
Site/Project Map:	See next page

Riverside Parkway Corporate Center



Becker Land - Term Sheet

Buyer	Becker Land, LLC
Site Location / Size	Airport Way URA - Riverside Parkway Corporate Center (RPCC) All of lots 1 and 2; 8.2 acres or 356,648 sf
Proposed Use	Combined warehouse, distribution center, repair facility and office; initially 42,600 sf with a potential expansion to 60,000 sf
Purchase Price	\$6.00 / sf as is, \$5.50 for areas affected by easements; \$2,140,000 without easements or broker’s commissions (\$2,015,000 net of easements and broker’s commissions)
Brokerage Commission	5% split 50%/50% between Grubb & Ellis (PDC’s broker) and Colliers International (Becker’s broker)
Earnest Money	\$50,000 cash (applied to sale price if deal closes)
Option Term	90 days
Closing	30 days after end of option period.
Closing Extension	One (1) year for \$100,000 cash, non-refundable (applied to sale price if project closes) In addition, PDC would receive 3.0% interest on outstanding balance of sale price until closing for the first six months then 6.5% interest on outstanding balance of sale price for the last six months of the extension period.
Business Equity and Work Force Training	Yes, Good Faith Effort
Form of Agreement	Purchase and Sale Agreement
Reversion	Becker will be required to start construction within 18 months of closing or PDC may reacquire land.
Other Provisions	Use of surcharge material after DP Industrial has completed its use of material on lots 6 and 7.