

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: August 27, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-111
Disposition Agreement with Block 19 LLC for NW 9th Avenue Parcel/Tax Lot 2800

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6632

ACTION SUMMARY

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) authorizes the Executive Director to enter into a Disposition Agreement (DA) between PDC and Block 19, LLC for the disposition of a 1,213 square foot, PDC-owned parcel on the west side of NW 9th Avenue between NW Overton Street and NW Naito Parkway (Property).

The Property will be conveyed to Block 19, LLC through a quitclaim deed. In return for the property conveyance, Block 19, LLC will install landscaping improvements as part of the Encore condominium project and maintain the Property in perpetuity. PDC is not seeking monetary compensation for the property conveyance.

Key aspects of the DA call for Block 19, LLC to record the quitclaim deed, install landscaping by November 1, 2008, and pay all associated costs; and for PDC to issue the quitclaim deed, inspect the landscaping upon completion, and issue a certificate of completion.

In the event Block 19, LLC does not install the landscaping improvements by November 1, 2008, the DA calls for Block 19, LLC to pay PDC liquidated damages in the amount of \$14,360, which is the estimated real market value for the Property.

PUBLIC BENEFIT

This action will have the following public benefits:

- Convert unused right-of-way to taxable, private property, which will generate a small increase in property tax revenue;
- The Property will be attractively landscaped and maintained at no cost to the city;

- Installation of landscaping on the Property will improve the NW 9th Avenue intersections with NW Naito Parkway and NW Overton Street, which function as a gateway to and from the Pearl District;
- The landscaped Property will complement the Encore building and enhance the development potential of PDC-owned Block 5;
- The landscaped Property will enhance the streetscape, providing a more attractive setting for pedestrians, bicyclists, motorists, transit and for future development in the area;
- A small amount of PDC staff time and maintenance expenses will be avoided by transferring the Property to private ownership; and
- Completing the transfer of the Property to Block 19, LLC will enhance partnerships with the Portland Design Commission, Portland City Council, Hoyt Street Properties LLC, and Block 19, LLC by supporting implementation of the site design approved by the Design Commission and fulfilling the intent of the street vacation supported by PDC and approved by the City Council.

This action will support the following PDC goals:

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

PUBLIC PARTICIPATION AND FEEDBACK

PDC staff notified the land use chair of the Pearl District Neighborhood Association (PDNA) in July 2008 of the proposed conveyance of the Property to Block 19, LLC. The land use chair had previously been aware of this issue, did not think it was controversial or warranted further discussion at a PDNA meeting, and indicated PDNA support for the proposal.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Entering into the DA with Block 19, LLC is consistent with the following plans and policies:

- River District Urban Renewal Plan (1998): including Goal B.4 to provide more attractive streetscapes for pedestrians, bicyclists, and transit; and Goal E.3 to create open spaces that provide an attractive setting for area residents.
- PDC Real Property Disposition Policy (Administrative Policy No. AP-05.11): this policy requires the disposition of real property to be carried out in a legal, fiscally prudent and responsible manner and in accordance with the Real Property Disposition Business Process Manual.

FINANCIAL IMPACT

Entering into the DA and disposing of the Property according to the DA will not create any direct impact to PDC's adopted budget since PDC did not pay to acquire the Property and is

not seeking monetary compensation for conveying ownership to Block, 19 LLC. Transferring the Property to private ownership, and its subsequent improvement, will result in a small increase in property tax revenue, including tax increment funds, and will result in a small decrease in PDC staff time associated with holding and maintaining the property. According to the terms of the DA, Block 19, LLC will record the deed, landscape the property, and pay all costs associated with these activities.

RISK ASSESSMENT

It may be considered controversial for PDC to convey the Property without seeking monetary compensation from Block 19, LLC. However, the unique circumstances surrounding how PDC came to own this Property, the intended use of the Property as landscaping, and the public benefits resulting from the proposed disposition mitigate these concerns. In addition, the DA calls for Block, 19 LLC to pay PDC the estimated real market value (\$14,360) for the Property should Block 19, LLC not construct the landscaping improvements by November 1, 2008.

WORK LOAD IMPACT

Authorization to enter into the DA will result in a slight short-term increase in workload for PDC staff related to monitoring and implementing the DA. However, this has already been taken into account in establishing staffing needs and should not result in a need for additional staff beyond those positions already established. In the long run, the authorization to enter into the DA will result in a slight reduction in workload which had been previously associated with holding and maintaining the Property.

ALTERNATIVE ACTIONS

The Board could elect to not authorize the DA. It is unlikely staff could find another entity willing to purchase, own, landscape, maintain the property in an attractive manner, or otherwise develop the Property. The Property would likely remain vacant and would result in increased maintenance costs for PDC. This action could also negatively impact relations with Block 19, LLC, Hoyt Street Properties, LLC, the Portland Design Commission, and the Portland City Council by not fulfilling the street vacation and landscaping concept as approved by the Design Commission and City Council.

CONCURRENCE

The Pearl District Neighborhood Association, Block 19, LLC, Hoyt Street Properties, LLC, and the PDC Investment Committee are in favor of approving the DA.

BACKGROUND

Hoyt Street Properties, LLC (HSP) is the developer of the Encore residential condominium tower on Block 19 located west of NW 9th Avenue, north of NW Overton Street, and south of NW Naito Parkway (Attachment A). During a Design Advice Request session prior to submitting plans for the Encore for design review approval, the Portland Design Commission made a specific request for HSP to incorporate an adjacent, 4,931 square foot (SF) parcel into the

landscaping plan (Attachment B). The adjacent parcel was formerly part of the NW 9th Avenue right-of-way prior to the NW 9th Avenue being realigned to connect to NW Naito Parkway at a right angle as part of the Station Place redevelopment project. The parcel was no longer needed or used for transportation purposes, was covered with gravel and weeds, and was an unsightly blemish on the area. The Design Commission perspective was that incorporating this vacant parcel into the Encore landscape plan would enhance the area and improve the streetscape.

HSP incorporated this advice into the project planning for the Encore and included the parcel in the landscape plan that was approved by the Design Commission. In 2006, HSP further implemented this concept by filing a street vacation application. As an owner of properties in the vicinity, PDC supported this request by signing the street vacation petition on June 23, 2006. PDC supported the application because the application would have the following public benefits:

- The vacation would convert unused right-of-way to taxable private property;
- The area would be attractively landscaped at no cost to the city;
- The landscaped area would contribute to the “gateway” at NW 9th Avenue and NW Overton Street;
- The landscaped area would enhance the development potential of PDC owned Block 5; and
- The vacation supported development goals of the River District Urban Renewal Area.

At the time, both HSP and PDC anticipated that the full 4,931 SF parcel would revert to HSP ownership due to HSP ownership of the adjacent Block 19 and since PDC did not own any abutting properties. The street vacation application was approved by the Portland City Council on December 12, 2007 (Ordinance 181476) (Attachment C).

When the street vacation was recorded by Multnomah County in early 2008, the portion of the parcel to the west of the NW 9th Avenue centerline reverted to HSP ownership. However, it was determined that the 1,199 SF portion of the street vacation on the east side of the centerline of the former NW 9th Avenue reverted to PDC ownership due to PDC's prior ownership of parcels assembled to realign NW 9th Avenue as part of the Station Place redevelopment and subsequently dedicated as right-of-way for this purpose (Attachment D). PDC neither anticipated nor desired ownership of this remnant parcel. This parcel is what is now known as Tax Lot 2800.

HSP has since transferred interest in Block 19 to Block 19, LLC.

In May 2008, Block 19, LLC requested PDC to grant ownership of the remnant Property to Block 19, LLC for the purpose of fulfilling the original intent of the street vacation and landscape plan and to complete the deal as originally envisioned and approved by the Design Commission and City Council. Block 19, LLC continues to be willing to take ownership of the Property and install landscaping on the Property pursuant to the approved design for the Encore.

The staff proposal is to dispose of the Property by issuing a quitclaim deed to Block 19, LLC and to not seek monetary compensation for the Property since PDC did not intend to acquire the

Property through the street vacation process and Block 19, LLC is willing to take ownership and landscape the Property consistent with approved plans.

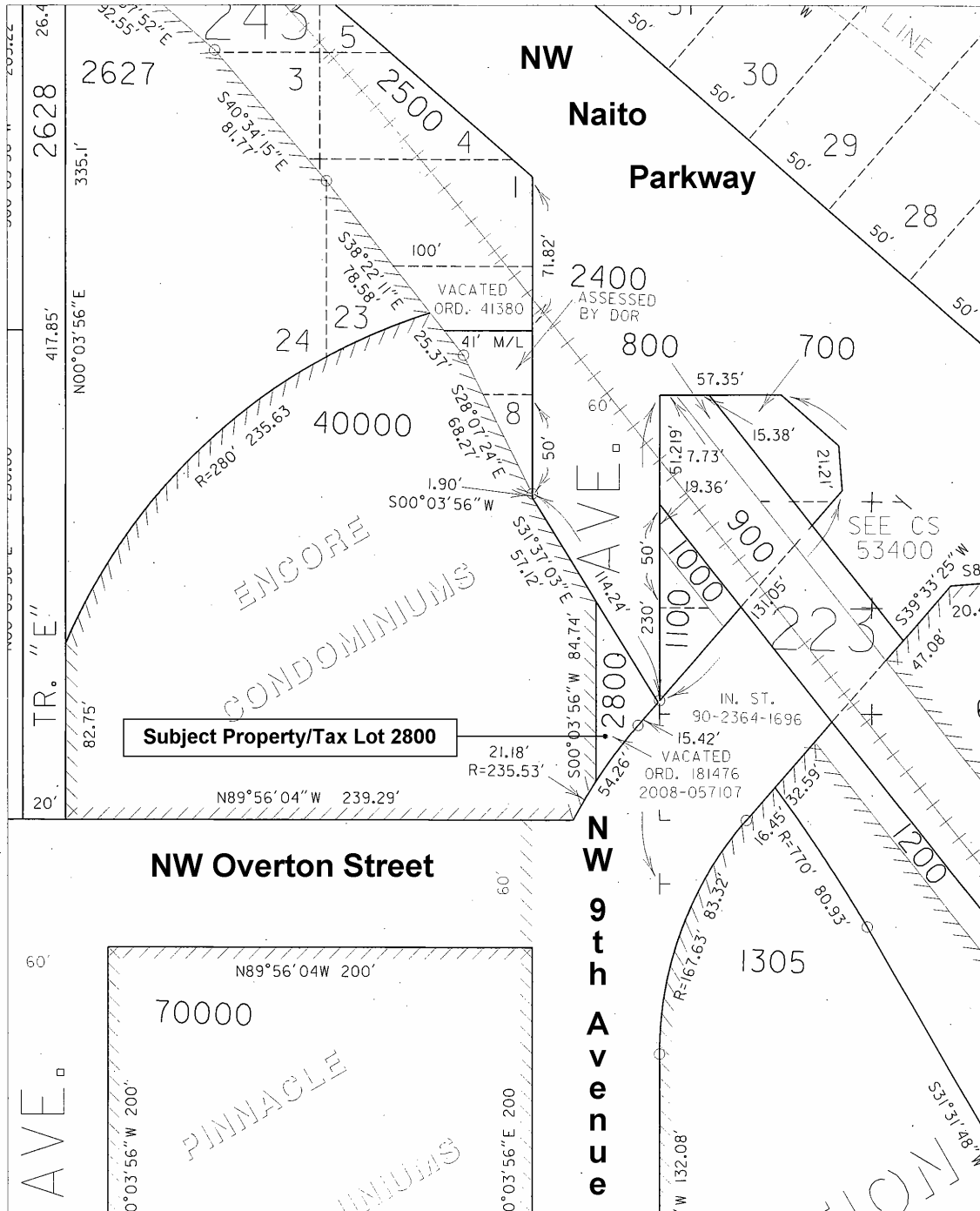
PDC also owns Tax Lots 700, 800, and 1100 as shown in Attachment B. These are remnant parcels remaining from the parcels PDC assembled for the purpose of realigning NW 9th Avenue. Although located in the same vicinity as the Property, these parcels cannot be combined to form a cohesive development parcel due to their location in or separation by the railroad right-of-way.

ATTACHMENTS:

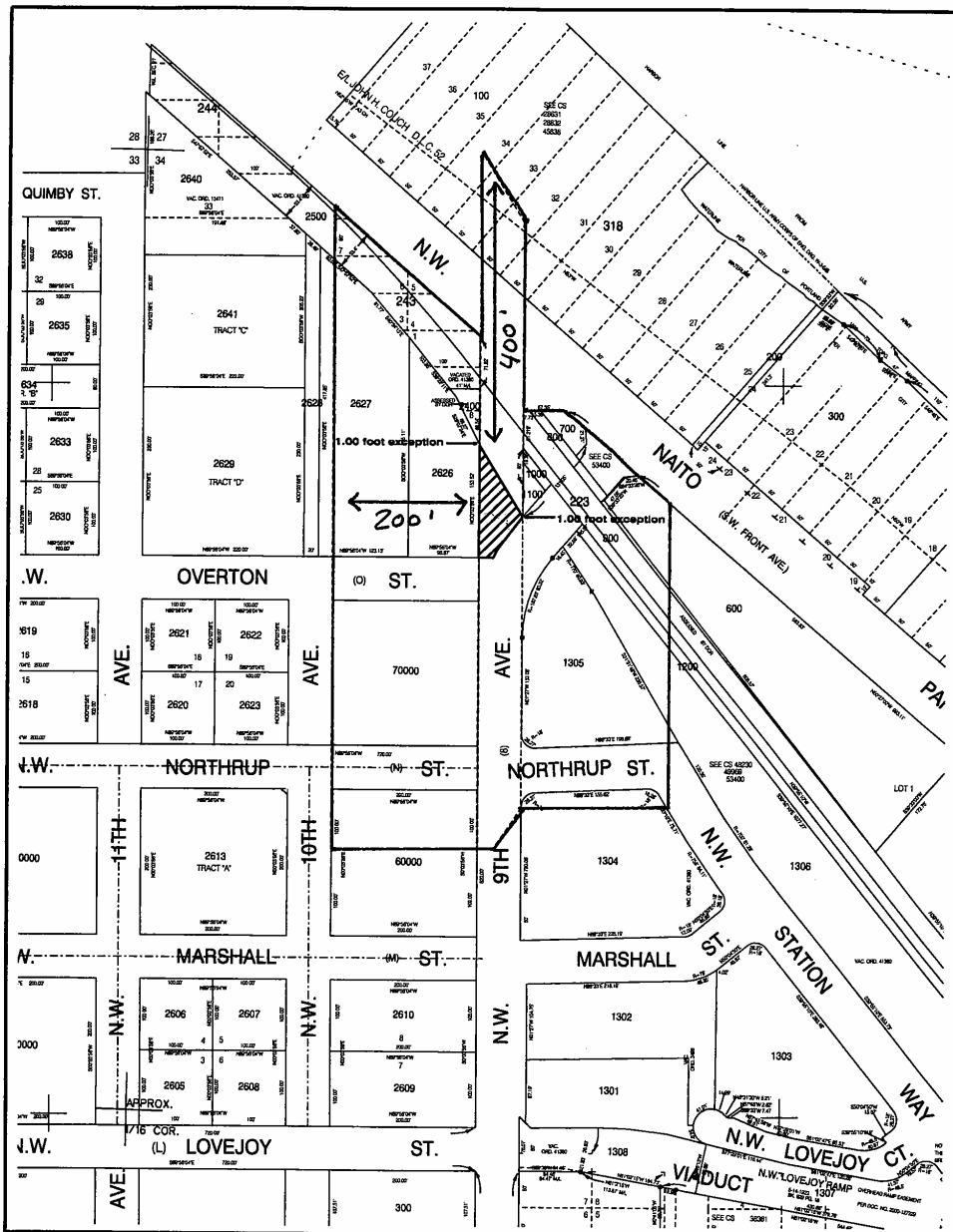
- A. Vicinity Map
- B. Proposed Street Vacation
- C. Vacated Right-of-Way
- D. Parcels Resulting from Street Vacation Approval

CC: L. Bowers, Interim Development Department Director
E. Jacobson, Sr. Project Coordinator
D. Elott, Interim General Counsel

Attachment A – Vicinity Map



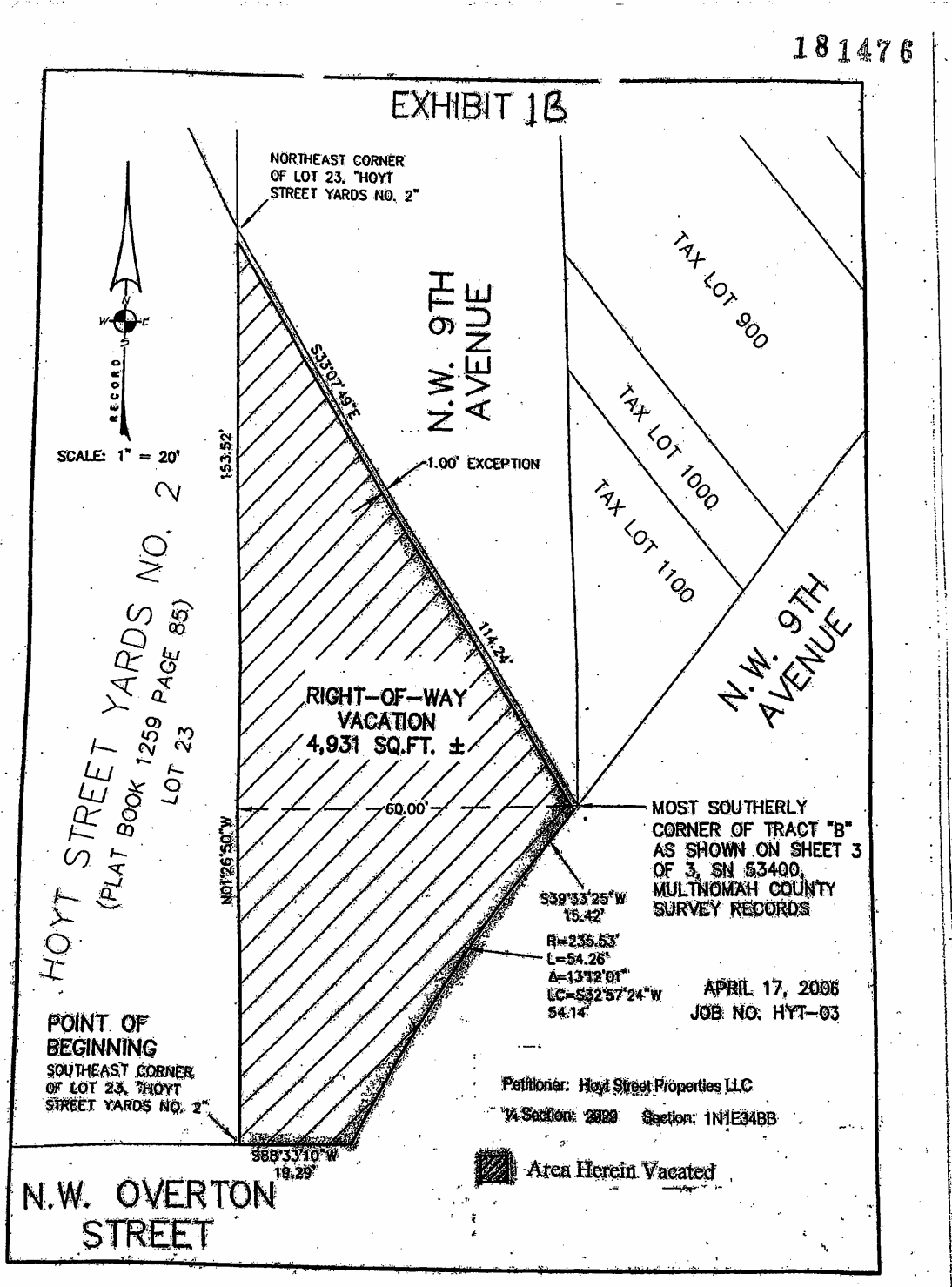
Attachment B – Proposed Street Vacation



NW 9th Avenue south of NW Naito Parkway

Petitioner: Hoyt Street Properties LLC ¼ Section: 2929 Section: 1N1E34BB	Area Proposed for Vacation Affected Area Boundary	 Scale: 1" to 200'
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Attachment C – Vacated Right-of-Way (Ordinance 181476)



Attachment D— Parcels Resulting from Street Vacation Approval

