

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: January 29, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-08
Acquisition of real property from TriMet and intergovernmental agreement regarding access.

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6665

ACTION SUMMARY

This action will authorize the Executive Director to enter into a Purchase and Sale Agreement with TriMet to acquire an 808 square foot portion of real property at the northwest corner of N. Interstate and N. Church Ave., adjacent to the Killingsworth Station project site. In addition, this action will also authorize the Executive Director to enter in an Intergovernmental Agreement, as well as a Reciprocal Easement for Ingress and Egress with TriMet, both of which are necessary to fulfill project goals and objectives.

PUBLIC BENEFIT

Acquisition of property will maximize the development potential of the planned Killingsworth Station Project, by allowing a portion of the project to be built on land adjacent to a TriMet light-rail power substation deemed as surplus property. The Killingsworth Station Project will result in approximately 54 new ownership housing units, 33 of which will be sold at prices affordable to households earning 80% of median family income, and approximately 9,200 square feet of neighborhood serving retail /commercial condominium space.

Entering into an Easement for Ingress and Egress will allow TriMet to access the Interstate MAX light rail power substation, and for owners of the future Killingsworth Station to enter the building's parking lot.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

Staff meets regularly with the Interstate Corridor Urban Renewal Advisory Committee (ICURAC), updating the Committee on the status of this project.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Purchase of this parcel to enlarge the project site for the Killingsworth Station Project at this Interstate transit node supports the following plans and strategies:

Interstate Corridor Urban Renewal Area Plan (ICURA): The adopted ICURA Plan stipulates as a general principle the goal of optimizing light rail investment through the creation of catalyst projects near light rail stations. The plan also supports increasing the number of ownership opportunities for current and future residents and supporting expanded services, business and employment opportunities.

Interstate MAX Station Area Revitalization Strategy: The strategy identifies the Killingsworth Station site as a key transit-supportive redevelopment site to support the light rail investment.

FINANCIAL IMPACT

PDC will purchase the 808 square foot parcel from TriMet for \$35,244, based on a market appraisal completed by PGP Valuation on July 2008 to be paid by PDC on behalf of TriMet. In addition, PDC will pay \$13,600 to TriMet for a perpetual easement for ingress and egress purposes on the parcel. In total, PDC will pay \$48,844 for both the parcel and easement. Budget for this purchase will come from fund: Killingsworth Block 370-30-34606.

The Intergovernmental Agreement establishes a scope of work that PDC will complete for TriMet related to designing the project to meet transit development goals. PDC will be paid \$45,294 by TriMet for services related to assuring the project conforms to the terms of transit-supportiveness. This amount reflects the total cost of the parcel and easement, minus appraisal and closing costs incurred by TriMet.

RISK ASSESSMENT

Environmental and title reports have been completed on this parcel of property; the results being free and clear of any risk. There is little risk allowing Tri-Met to have access to their substation north of the project.

WORK LOAD IMPACT

This project is included in the work plans of existing staff.

ALTERNATIVE ACTIONS

The Board could elect not to authorize the execution of these documents, thereby requiring the developer to negotiate directly with TriMet or redesigning the project.

CONCURRENCE

PDC has been working closely with TriMet on these agreements over the last 6 months. The Federal Transportation Administration approved TriMet's application for disposition of the substation surplus property to PDC in August, 2008.

BACKGROUND

In 2003, PDC assembled the 32,000 square foot Killingsworth Station Site at the northeast corner of North Interstate Avenue and North Killingsworth Street in the Interstate Corridor URA for the development of mixed-use, transit oriented housing (the Project). PDC purchased the properties from 2000 to 2003 for a total of \$1,100,000.

In January, 2004, a project development team that included KemperCo, Innovative Housing Inc., and Peninsula Community Development, was selected through a Request for Proposal (RFP #02-21) process. Citing rising construction costs and market risks, the lead developer on the team, KemperCo, withdrew from the project in November, 2005.

In April, 2006, PDC released a second request for proposals (RFP #05-40) for the redevelopment of the Killingsworth Station Site requiring a minimum of 40 ownership housing units and retail space. It also required that at least 35 percent of the units be affordable to households at 100 percent of median family income (MFI) and 15 percent of the units affordable at 80 percent of MFI. The RFP required a mixture of one and two bedroom units.

In August 2006, pursuant to a public participation and selection advisory process that included stakeholders from the Interstate Corridor Urban Renewal Advisory Committee (ICURAC) and adjacent neighborhood associations, PDC selected Winkler Development Corporation (WDC). WDC's original proposal included 42 1-bedroom units, six 2-bedroom units and three 3-bedroom units for a total of 51 units, with 9,227 square feet of ground floor retail. On August 23, 2006, the Board of Commissioners authorized the Executive Director to enter into exclusive negotiations with WDC for the development and disposition of the Killingsworth Station Site through Resolution 6386.

Since that time, Staff worked closely with WDC to conduct detailed due diligence and financial feasibility analysis for the project. On November 14, 2007, the Commission was briefed on the current status of the Killingsworth Station project (Board Report 07-137). At that meeting, staff shared some preliminary conclusions with regards to a forthcoming appraisal's determinations of land value and market sales. The Commission instructed staff to conduct further financial analysis and due diligence on the project and to return to the Commission with the analysis prior to their consideration of the Killingsworth Station Disposition and Development Agreement (DDA) in early January, 2008.

On January 23, 2008, PDC's Board approved Resolution 6553 authorizing the Executive Director to execute a DDA with Killingsworth Station, LLC. At that time, staff anticipated the total permanent subsidy for the project to equal roughly \$3,340,000. The original DDA, approved on January 23, 2008, went unsigned by PDC and Killingsworth Station, LLC, once it became apparent from the receipt of higher than expected preliminary sub-contractor bids that the development budget was inadequate to fund the project.

On July 9, 2008, PDC's Board approved Resolution 6620 authorizing the Executive Director to execute a revised DDA with Killingsworth Station, LLC.

Since that time, staff has been working to ensure completion of the tasks identified in Exhibit C of the schedule of performance under the revised DDA.

ATTACHMENTS:

- A. URA Financial Summary
- B. Project Summary

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>
Interstate Corridor URA						
Resources						
Beginning Fund Balance	2,526,737	528,171	918,839	774,599	539,000	170,684
Interest - City Invest Pool	40,000	40,000	20,000	20,000	20,000	0
Loans - Interest Earned	79,840	60,120	53,559	1,156,384	46,897	38,748
Loans - Principal Collection	552,000	710,120	53,559	1,156,384	46,897	38,748
Real Property Sales	600,000	1,120,000	2,511,000	0	0	0
Reimbursement	1,272	0	0	0	0	0
Rent and Property Income	4,617	0	0	0	0	0
Tax Increment - L-T Debt	7,133,047	21,847,566	7,992,000	6,493,500	3,196,800	4,995,000
Tax Increment - S-T Debt	5,889,075	5,994,000	5,078,737	5,704,600	5,994,000	5,994,000
Total Fund	16,826,588	30,299,977	16,627,694	15,305,467	9,843,594	11,237,180

Requirements

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

Development

19018 - Interstate Redevelopment	199,606	291,000	481,000	1,521,000	870,000	870,000
19019 - Interstate DOS Program	271,247	300,000	300,000	300,000	300,000	300,000
19020 - Interstate Streetscape Improve	2,169,944	4,872,000	2,581,000	300,000	0	800,000
19021 - Interstate Trans Improvements	190,066	150,000	75,000	75,000	75,000	175,000
19023 - Interstate Community Liv.	300,000	300,000	300,000	300,000	300,000	300,000
19038 - Interstate Parks	1,011,000	815,000	755,000	1,005,000	505,000	505,000
19048 - Downtown Kenton Redev	25,000	100,000	800,000	1,500,000	700,000	700,000
19049 - IC Redevelopment Loan Program	400,000	400,000	400,000	400,000	400,000	400,000
Development Total	4,566,863	7,228,000	5,692,000	5,401,000	3,150,000	4,050,000

Economic Development

19026 - IC Storefront Grants	540,333	400,000	400,000	400,000	400,000	400,000
70019 - IC Business Finance	1,725,000	1,350,000	1,385,000	1,850,000	1,750,000	1,750,000
70257 - IC Business Retent & Asst	80,900	20,000	50,000	0	0	0
70275 - Killingsworth Block Fin Asst	0	0	900,000	0	0	0
70556 - IC Community Ec Dev	0	275,000	0	0	0	0
Economic Development Total	2,346,233	2,045,000	2,735,000	2,250,000	2,150,000	2,150,000

Housing

19025 - IC Aff Rental Housing	200,000	970,000	1,500,000	1,500,000	502,000	502,000
31043 - Interstate Home Repair	555,618	500,000	300,000	300,000	300,000	300,000
33419 - Interstate Homebuyer Asst	400,000	450,000	450,000	450,000	450,000	450,000
33431 - IC Aff Homeownership Dev	566,577	1,290,423	500,000	500,000	500,000	500,000
34606 - Killingsworth Block	450,000	4,760,000	706,000	996,000	0	0
34612 - Patton Park Aff. Rental Hsg	1,415,000	3,055,000	0	0	0	0
34613 - Shaver Green	1,036,556	1,063,444	0	0	0	0
37919 - IC Hsg Policy/Planning	31,902	5,000	5,000	5,000	5,000	5,000
37928 - Vanport Phase II Housing	79,255	0	0	0	0	0
37931 - IC HAP Aff Hmownrshp/Acq	0	2,511,000	0	0	0	0
37932 - IC HAP Aff Ownrshp/Rehab	0	550,000	0	0	0	0
Housing Total	4,734,908	15,154,867	3,461,000	3,751,000	1,757,000	1,757,000

Central Services

59148 - IC Debt Management	17,655	18,537	19,464	20,438	21,459	22,532
Central Services Total	17,655	18,537	19,464	20,438	21,459	22,532

Executive

60040 - IC Eastside/Central City Plan	0	75,000	75,000	0	0	0
Executive Total	0	75,000	75,000	0	0	0

Total Project Expenditures	11,665,659	24,521,404	11,982,464	11,422,438	7,078,459	7,979,532
Operating Transfers Out	600,000	642,259	0	0	0	0

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>
Interstate Corridor URA						
Indirect Cost	3,001,460	4,217,475	3,870,631	3,344,029	2,594,451	2,916,447
Total Fund Expenditures	15,267,119	29,381,138	15,853,095	14,766,467	9,672,910	10,895,979
Contingency	1,559,469	918,839	774,599	539,000	170,684	341,201
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	16,826,588	30,299,977	16,627,694	15,305,467	9,843,594	11,237,180

PROJECT SUMMARY

Project Name: Killingsworth Station

Description: The Project includes approximately 54 residential condominium units, 48 1-bedroom units, and six 2-bedroom units (the “Project”). Approximately 60% of the Project (33 units) will be affordable to individuals earning no more than 80 percent of MFI. The remaining 21 units will be sold at market rates. Approximately 9,227 square feet of ground floor retail space will be marketed as commercial condominiums to promote wealth creation and entrepreneurship opportunities for local and other small business owners. The Project includes approximately 16 one-car garages and approximately 34 on-site surface parking spaces for a total of approximately 50 parking spaces.

Location: Northeast corner of North Interstate Avenue and North Killingsworth Street

URA: Interstate Corridor URA

Current Phase: Completion of contract design documents

Next Milestone: Securing of building Permits

Completion Target: Spring 2010

Site/Project Map:

