

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: September 9, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-105
Acquisition of real property in the Gateway Regional Center Urban
Renewal Area

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6734

ACTION SUMMARY

On August 26, 2009 PDC Commissioners approved resolution 6732 which authorized the Executive Director to enter into a purchase and sale agreement (Agreement) with Glisan Street Developer, LLC (GSD) for the acquisition of real property in the Gateway Regional Center Urban Renewal Area URA. However, the Agreement was inadvertently omitted as an exhibit to the resolution. Accordingly, the current action will rescind the previous resolution and replace it with a corrected resolution with the Agreement attached. The content of the Agreement and the terms of the deal are unchanged.

The Agreement contemplates the purchase of three parcels: 9929 NE Glisan St., 9999 NE Glisan St. and 618 NE 99th Ave (collectively, the Property), approximately 1.5 acres in total area for \$1,900,000.

PUBLIC BENEFIT

Acquisition of the Property provides PDC the opportunity to fulfill a number of housing and redevelopment goals for the URA. The property is zoned RX (central residential) and is in Portland's Gateway Plan District that allows for a maximum density of 6:1 FAR, and a maximum height of 120 feet. In addition, up to 40% of the floor area of a building may be for commercial purposes.

The Property is less than ½ mile from the MAX Gateway Transit Center, making the site a prime opportunity for the kind of transit-oriented development (TOD) that allows residents to live car-free and for workers to utilize public transit for commuting. An investment in significant development on this site would complement PDC's investment in the Gateway Transit Center redevelopment and would provide much-needed revitalization along NE Glisan Street.

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

NOT RELEVANT TO THIS ACTION

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Gateway Regional Center Urban Renewal Plan (the Plan) calls for implementation of the Opportunity Gateway Concept Plan and Redevelopment Strategy which includes vision statements, policies and strategies that support the type of large-scale mixed-use redevelopment that could occur on the Property. The Opportunity Gateway Plan's greatest vision is summed in one word: "activity." Speaking about the community's vision and goals for the year 2019, the plan says:

Unlike 1999, when cars dominated the Gateway landscape, there are now lots of people outdoors as well. Groups of people can be seen moving in and out of buildings, sitting in outside cafes, jogging on streets, and celebrating community events at the Gateway Station Plaza. Day and night, the area buzzes with activity.

For the "subarea" around and near the Gateway Transit Center in which the Property is located, the Plan envisions an area "filled with homes and apartments, with activity focused around the mixed-use community around the light rail station, the new park near the Elks lodge, and the shops along 99th Avenue."

The Gateway Regional Center also figures prominently in the Metro's 2040 Growth Concept. This Regional Center is the only one in Portland (there are a total of nine in the region), and according to the Concept is to become a "center of commerce and local government services serving a market area of hundreds of thousands of people." Metro goes on to say that, among other things, regional centers contain these elements:

- A sense of vitality, with a compact urban form that is oriented toward walking and a mix of uses;
- Excellent accessibility to transit and major roads;
- An environment that fosters safe, enjoyable walking among the various uses;
- A mix of land uses (residential, retail, employment, civic, cultural, and recreational) and a connectedness between those uses and center

All of these elements can be fulfilled or embodied in a redevelopment of the Property.

Two additional City of Portland plans are relevant to this discussion. The Portland/Multnomah Climate Action Plan currently under consideration includes the idea that “Each resident lives in a walkable and bikeable neighborhood that includes retail businesses, schools, parks and jobs.” Lastly, Portland’s 1996 Outer Southeast Community Plan, the most recent piece of Portland’s Comprehensive plan to address Gateway, has several objectives that apply to the Property, including this one in particular: “Stimulate high-density residential development throughout the Gateway sub-district.”

FINANCIAL IMPACT

Funds for the acquisition at a price up to \$1,900,000 are budgeted and available in the Gateway Regional Center URA budget for FY 09/10. Expenditure of these funds would deplete approximately two-thirds of the URA’s housing funding for the year. In the fiscal years 10/11 and 11/12, the URA currently has a forecast budget for rental housing development of \$3.5M. It is anticipated these funds would be used to assist in the redevelopment of the Property and further property assembly.

RISK ASSESSMENT

Risks associated with this acquisition and future redevelopment include: private lenders unwilling to lend or lend enough/at favorable terms, insufficient public funding available to fill financing gaps, insufficient unit absorption, and inability to lease commercial space. All of these risks are present in the current market, and will be mitigated in the planning of the redevelopment through the programming, design, budget and pro forma. It is expected that a bulk of the forecast five year Gateway TIF housing budget will be dedicated to this redevelopment, but a project of the size and scale allowed by zoning would require additional sources of funding.

A different risk involves that of future property assembly. The Property has been conceived as part of an assembly of the entire block. This action is authorizing negotiations to acquire the bulk of properties on the block (parcels “A” and “B” on map, Attachment B), but two additional properties are not considered in this action: 9919 NE Glisan St. and 604 NE 99th Ave. (“C” and “D” on map). PDC desires to acquire these two additional properties in the future in order to control the whole block, including the “100% corner,” which will allow for a more successful development. There is some risk that PDC may not be able to negotiate a purchase of these properties, due to asking price or other constraints, which may complicate redevelopment on the site. It would also leave two small parcels that would be difficult to redevelop by anyone else due to zoning and lot size.

WORK LOAD IMPACT

The Project has been incorporated into corresponding staff work plans.

ALTERNATIVE ACTIONS

PDC could choose not to acquire the Property.

PDC could authorize the Executive Director to negotiate a different price or specific terms as part of the Agreement.

CONCURRENCE

PDC's Investment Committee approved the purchase on August 11, 2009.

The internal PDC Gateway URA Team (now SE/E Team) has been aware and supportive of PDC's acquisition of this property to further Gateway URA plan goals.

BACKGROUND

The assemblage under consideration includes parcels from two separate purchases made by Glisan Street Developer, LLC (GSD). Glisan Street Developer has two partners, Human Solutions, Inc. and HSMP, whose owners are Harry and Steve Seabold. The first set of parcels "A," includes two lots, 9929 and 9999 NE Glisan St. and totals approximately 1.4 acres (see Attachment B, Project Summary). The second piece of the assemblage, "B," is a single family home at 618 NE 99th Ave. that sits on an approximately 4,000 square foot lot.

In February 2008, Human Solutions, acting for GSD, approached PDC about the site and their project concept, and applied to PDC for a \$960,000 pre-development loan. After negotiations about the project concept and the loan terms, PDC approved the loan in July 2008. Approximately \$90,000 of the pre-development loan was disbursed. PDC also funded a Development Opportunity Services (DOS) grant for \$12,000 to Human Solutions for a market study for the proposed project in the spring of 2008.

In December 2008, Human Solutions approached PDC to inquire about assistance with refinancing or acquisition of the Property. PDC, in partnership with Enterprise, the Bureau of Housing and Community Development, and the Oregon Department of Housing and Community Services, sponsored a series of meetings to discuss possible refinancing options. A number of options including use of the city's CDBG/HOME funds, Neighborhood Stabilization Program money and the City's General Fund, were all considered. When it became clear there were no funds to assist in refinancing, the conversation turned to potential PDC acquisition of the Property.

Following the agency's acquisition process, PDC commissioned an appraisal of the Property. The appraisal, completed in April 2009 by CB Richard Ellis, put the value of parcels "A" and "B" at \$1,900,000. PDC's purchase of the Property will help facilitate assembly of the entire site and help lead to redevelopment in the future.

ATTACHMENTS:

- A. Gateway Urban Renewal Area Financial Summary
- B. Project Summary

URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Approved FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
Gateway Regional Center URA						
Resources						
Beginning Fund Balance	1,824,670	1,924,132	363,949	450,046	689,066	988,959
Fees and Charges	0	0	0	0	0	0
Interest on Investments	5,000	7,356	21,094	18,774	20,512	22,110
Loan Collections	15,000	0	0	0	0	0
Property Income	0	0	0	0	0	0
Reimbursements	0	0	0	0	0	0
Tax Increment Proceeds	4,064,017	6,301,514	7,947,003	4,442,246	4,742,581	2,654,240
Total Resources	5,908,687	8,233,002	8,332,046	4,911,066	5,452,159	3,665,309
Requirements						
Program Expenditures						
Business & Industry						
Community Economic Development						
72040 Halsey/Weidler Revitalization	0	100,000	100,000	100,000	100,000	100,000
General Business Assistance						
79020 Business Finance	200,000	498,000	300,000	300,000	300,000	175,000
79022 Business Retention	80,000	50,000	50,000	50,000	50,000	50,000
Business & Industry Total	280,000	648,000	450,000	450,000	450,000	325,000
Housing						
Multi-Family - For Sale						
89035 Homeownership Development	150,000	400,000	0	0	200,000	200,000
Multi-Family - Rental Housing						
89030 Affordable Rental Housing	510,000	2,525,000	2,540,000	1,000,000	850,000	625,000
Plans and Strategies - Housing						
37914 Housing Policy/Planning	1,000	0	0	0	0	0
Portland Housing Bureau						
28025 Administration	0	117,415	498,560	266,760	282,036	204,212
Housing Total	661,000	3,042,415	3,038,560	1,266,760	1,332,036	1,029,212
Infrastructure						
Facilities						
14392 Receiving Center Land Acquisition	5,000	3,000	3,000	3,000	3,000	3,000
Parks						
14387 Neighborhood Park and Redevelopment	2,278,836	250,000	750,000	500,000	0	0
Transportation						

PROJECT SUMMARY

Project Name: Gateway/Glisan Acquisition
Description: Acquisition of parcels totaling approximately 1.5 acres
Location: 9929-9999 NE Glisan St plus 618 NE 99th Ave.
URA: Gateway
Current Phase: Acquisition
Next Milestone: Close sale/transfer title
Completion Target: August 14, 2009
Outcome: PDC owns properties "free and clear"
Site/Project Map:

