

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: April 13, 2011
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 11-27
Acquisition of Property at SE 72nd Ave. and SE Foster Road

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6864

ACTION SUMMARY

This action authorizes the Portland Development Commission (PDC) to acquire real property and improvements located at 7104-7120 SE Foster Road, 7126-7130 SE Foster Road, and 7238 SE Foster Road (collectively, the Property), comprised of three lots in the Lents Town Center Urban Renewal Area (URA), from property owner Albina Community Bank, for the purchase price of \$1,400,000. An appraisal of the Property was completed on December 13, 2010, by Romanaggi Valuation Services, LLC that estimated the fee simple valuation to be \$1,400,000.

The Purchase and Sale Agreement allows for a negotiated reduction in the purchase price if environmental remediation is found to be necessary. Preliminary reports estimate significant contamination is not present. A final determination and potentially re-negotiated purchase price will be completed before the anticipated April 29, 2011, closing date.

Funding for the acquisition is contained in the Adopted FY 2010-11 Lents Town Center URA Budget (see Attachment A). In addition, the Portland Housing Bureau (PHB) will contribute 30 percent of the acquisition price, or \$420,000, plus 30 percent of the cost of due diligence and closing.

The Property is located on three separate lots on the south side of SE Foster Road between SE 71st and SE 73rd Avenues (see Attachment B), totals approximately 1.68 acres, and contains one 6,934 sf structure. The zoning code designation for all three lots is CG, or General Commercial, which allows retail and service businesses with a local or regional market and is intended to allow auto-accommodating commercial development in areas already predominantly built in this manner and in most new commercial areas. The Property was formerly used as an auto dealership before being acquired by Albina Community Bank through foreclosure.

PUBLIC BENEFIT

The Property represents one of the few remaining large, undeveloped parcels along SE Foster Road between SE 79th Avenue and SE Powell Boulevard. The Lents URA Plan was amended by City Council Resolution No. 181968 on June 25, 2008, to include this section of SE Foster Road to assist with improvements along the commercial corridor. To date, PDC has invested in loans to small business, commercial livability grants, and affordable housing rehabilitation in this area. The URA Plan Amendment identified three large redevelopment sites for potential acquisition and subsequent redevelopment that would improve the viability of the Foster Road commercial corridor.

In addition, this acquisition supports Albina Community Bank's effort to dispose of a foreclosed property, thereby demonstrating support for a partner in community redevelopment in the city of Portland.

This action will support the following PDC goals:

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

PUBLIC PARTICIPATION AND FEEDBACK

The Lents Town Center Urban Renewal Advisory Committee has been briefed, and the majority of members present at the March 8, 2011, meeting support the acquisition. However, some of the members expressed concern that this acquisition could divert attention away from the Town Center area and that PDC already has a substantial inventory of property for redevelopment in the URA.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Lents Town Center Urban Renewal Plan specifically authorizes property acquisition from willing sellers for rehabilitation or redevelopment of property to achieve the goals of the Plan. The Plan supports the goals and policies of the *Outer Southeast Community Plan* (1996) stated in Community Wide Goals ED12: "consider maintaining an accessible inventory on vacant and redevelopable commercial sites."

FINANCIAL IMPACT

The cost of acquisition will include the purchase price of \$1,400,000 plus approximately \$100,000 in closing and due diligence costs for a total acquisition cost of \$1,500,000. The Portland Housing Bureau (PHB) will contribute 30 percent of the purchase price (approximately \$450,000) which will be moved from the Housing Budget to PDC's Revitalization budget to fund the acquisition because it is anticipated that the Property will be redeveloped as a mixed-use project with affordable housing as one component. Actual redevelopment of the Property will determine whether the asset is transferred to PHB and

how much of the acquisition price is counted against the TIF Set Aside Annual Report. Budget Revision Rev. 3 will increase Revitalization Project H60050 to \$1,050,000 and Housing Project H89030 to \$450,000 to provide budget for this acquisition. This Budget Revision will be presented to the Board on May 11, 2011. Funds are currently available due to existing debt capacity and underspending of other projects. If affordable housing is not incorporated into the final redevelopment, PDC will reimburse PHB any contributed funds. Holding costs will be approximately \$5,000 annually.

RISK ASSESSMENT

The primary risk of acquiring the Property is the uncertainty of redevelopment in the current real estate market environment; this could extend PDC's holding time.

A Phase I environmental assessment has been completed and indicates that the risk of significant environmental contamination is low. A Phase II assessment will be completed before the anticipated closing date of April 29, 2010. If significant contamination is found, the Purchase and Sale Agreement allows for a negotiated reduction in the purchase price to compensate for remediation.

WORK LOAD IMPACT

Existing PDC Urban Development Department staff will manage the disposition, property management, and redevelopment process in coordination Real Estate, Finance, Legal, and Professional Services staff, as well as staff from PHB.

ALTERNATIVE ACTIONS

The PDC Board of Commissioners (Board) could decline to approve the acquisition of the Property, in which case the Board could also direct staff to renegotiate the terms of the transaction.

CONCURRENCE

The acquisition terms were approved by the PDC Financial Investment Committee in March 2011.

BACKGROUND

In the summer of 2010, Albina Community Bank approached PDC and requested that PDC consider purchasing the Property. Albina acquired the Property, formerly an automotive dealership, in 2010 through foreclosure proceedings from Metro Auto Wholesale.

The Property consists of three separate tax lots arranged in two primary parcels of 39,000 sf and 34,000 sf, both with frontage along SE Foster separated by SE 72nd Avenue (see Attachment B).

PHB will contribute 30 percent of the purchase price and due diligence and closing costs; however, PDC will remain the sole owner of the Property. If the Board authorizes the Executive Director to move forward with the acquisition, PDC, along with PHB, will conduct master planning and market feasibility studies to determine an appropriate disposition strategy that is likely to envision a mixed-use project including affordable housing along with neighborhood commercial components.

ATTACHMENTS:

- A. URA Financial Summary
- B. Project Summary

URA FINANCIAL SUMMARY

Five-Year Forecast Project Requirements

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Lents Town Center URA						
Resources						
Beginning Fund Balance	15,840,480	144,278	282,801	410,228	163,827	1,183,145
Federal and Other Grants	0	250,000	0	0	0	0
Interest on Investments	14,000	6,000	7,000	5,000	5,000	5,000
Loan Collections	113,096	108,000	108,000	108,000	108,000	108,000
Property Income	0	1,100,000	0	0	0	0
TIF Proceeds	1,352,586	14,006,563	16,201,368	13,173,424	7,835,543	5,867,234
Total Fund Resources	17,320,162	15,614,841	16,599,169	13,696,652	8,112,370	7,163,379
Requirements						
Program Expenditures						
Administration						
Finance						
H98001 Debt Management	10,000	10,000	10,000	10,000	10,000	10,000
Administration Total	10,000	10,000	10,000	10,000	10,000	10,000
Business Development						
High Growth						
H79020 Business Finance	250,000	200,000	250,000	250,000	250,000	250,000
Industry Cluster						
H28069 Lean Manufacturing	0	30,000	30,000	30,000	30,000	30,000
H28070 Green Innovation Park	0	185,000	0	0	0	0
H72026 Cluster Development	0	30,000	30,000	30,000	30,000	30,000
H79020 Business Finance	250,000	200,000	250,000	250,000	250,000	200,000
H79100 Site Recruitment	0	38,000	38,000	38,000	0	0
Neighborhood Economic Development						
H72030 Neighborhood Economic Development	120,000	0	0	0	0	0
H79020 Business Finance	500,000	400,000	400,000	400,000	400,000	400,000
H79060 Business Development	85,000	200,000	200,000	200,000	200,000	200,000
Business Development Total	1,205,000	1,283,000	1,198,000	1,198,000	1,160,000	1,110,000
Housing						
Multi-Family - For Sale						
H33441 Dahlia Commons Homeownership	446,000	1,134,000	0	0	0	0
H33442 Habitat for Humanity #3	27,709	0	0	0	0	0
Multi-Family - Rental Housing						
H20023 Holgate House	725,000	197,398	0	0	0	0
H89015 Rental Rehabilitation Projects	200,000	0	0	0	0	0
H89030 Affordable Rental Housing	0	3,000,000	250,000	250,000	1,000,000	250,000
H89031 The Glen Apartments	1,498,764	0	0	0	0	0
Single-Family - Home Repair						
H32131 REACH Home Rehabilitation	125,000	0	0	0	0	0
H89010 Home Repair Projects	286,001	444,354	434,784	544,354	294,354	444,354
Single-Family - Homebuyer Assistance						
H37930 Scat Site Home Rehab & Subs HAP	773,000	150,000	0	0	0	0
H89020 Home Buyer Assistance	709,930	400,000	700,000	800,000	700,000	700,000
Housing Total	4,791,404	5,325,752	1,384,784	1,594,354	1,994,354	1,394,354
Infrastructure						
Infrastructure Operations						
H13125 Parks Public Improvements	0	115,000	0	0	0	0
Parks						
H13125 Parks Public Improvements	270,000	0	1,175,000	100,000	100,000	100,000
Transportation						
H26714 Streets/Sidewalks LID	500,000	377,000	578,000	0	0	0
H26715 Neighborhood Trans Safety Improvements	1,408,000	2,200,000	2,300,000	550,000	0	0
Infrastructure Total	2,178,000	2,692,000	4,053,000	650,000	100,000	100,000

URA FINANCIAL SUMMARY (continued)

Five-Year Forecast Project Requirements

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Property Redevelopment						
Redevelopment						
H12209 LTC Town Cntr Redevelopment	2,065,000	1,160,000	2,990,000	1,835,000	385,000	325,000
H12212 Johnson Creek Industrial Area Revitalization	100,000	100,000	430,000	4,000,000	0	0
H27001 Storefront Grants	300,000	300,000	300,000	300,000	250,000	250,000
H27050 DOS Grants	100,000	75,000	75,000	75,000	50,000	50,000
H28030 Redevelopment Loan Projects	800,000	300,000	300,000	300,000	300,000	300,000
H28031 Clean Energy Program	1,000,000	0	0	0	0	0
H60008 SE 92nd Redevelopment	300,000	500,000	2,250,000	220,000	1,200,000	250,000
H60050 Foster Road Redevelopment	300,000	0	0	670,000	0	0
H60052 LTC Comm Livability Grants	250,000	300,000	300,000	300,000	200,000	190,000
H60053 LTC Station Area Redevelopment	75,000	0	75,000	0	0	0
H79025 Green Business Grants	125,000	125,000	125,000	125,000	125,000	125,000
Property Redevelopment Total	5,415,000	2,860,000	6,845,000	7,825,000	2,510,000	1,490,000
Total Program Expenditures	13,599,404	12,170,752	13,490,784	11,277,354	5,774,354	4,104,354
Personal Services	431,448	971,824	485,668	405,985	207,877	147,757
Transfers - Indirect	2,404,942	1,512,095	1,861,728	1,556,275	796,861	566,401
PHB Staff/Admin	740,090	677,369	350,761	293,211	150,133	106,713
Total Fund Expenditures	17,175,884	15,332,040	16,188,941	13,532,825	6,929,225	4,925,225
Contingency	144,278	282,801	410,228	163,827	1,183,145	2,238,154
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	17,320,162	15,614,841	16,599,169	13,696,652	8,112,370	7,163,379

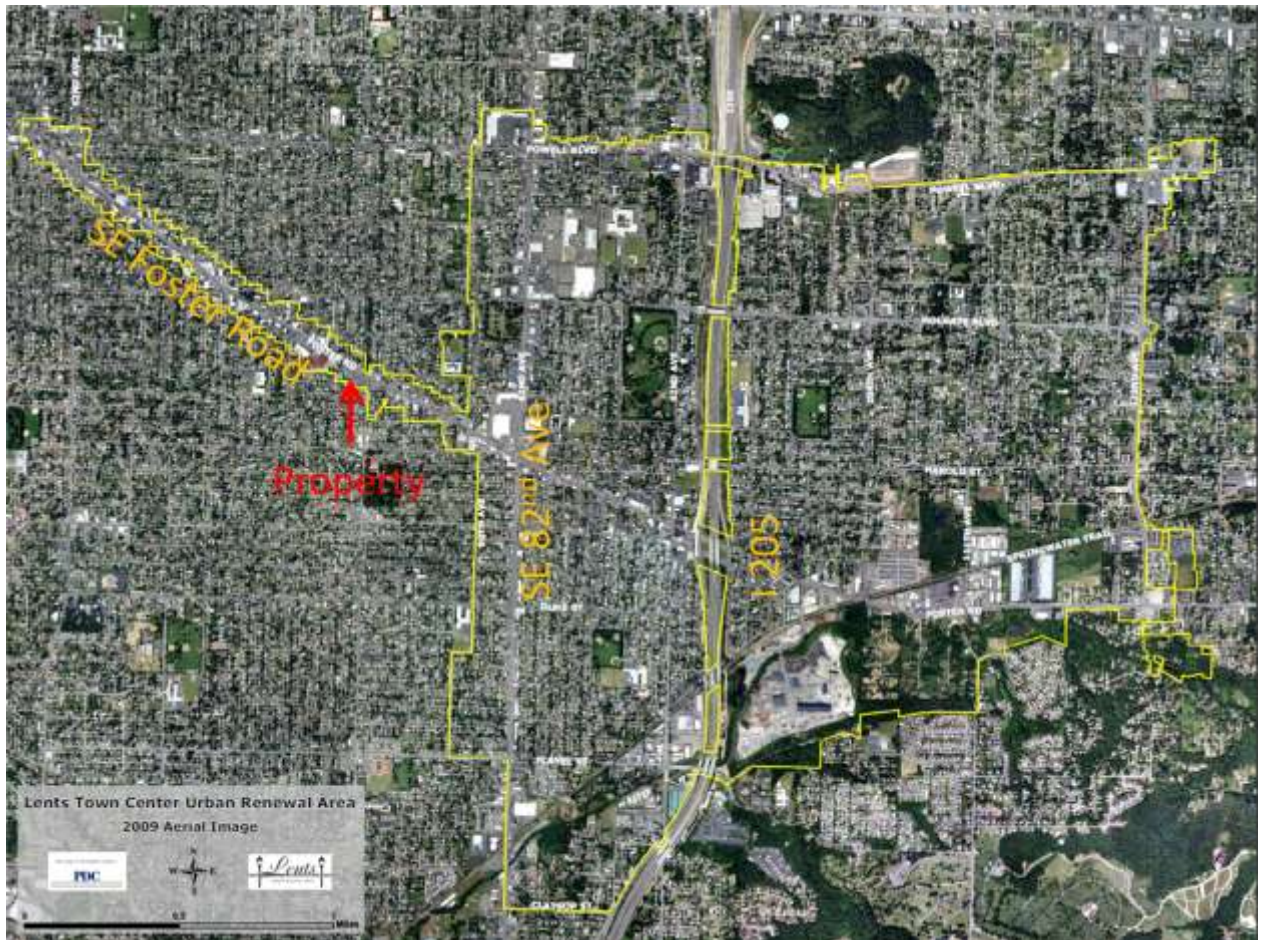
PROJECT SUMMARY

- Project Name:** 72nd and SE Foster Road Acquisition, aka 72/F
- Description:** Acquisition of 1.68 acre site on prime commercial corridor.
- Location:** South side of SE Foster Road between SE 71st and SE 73rd Avenues.
- URA:** Lents Town Center
- Current Phase:** Acquisition
- Next Milestone:** 1. Closing
2. Disposition Strategy and Master Planning
- Completion Target:** December 2011 for Disposition Strategy & Master Planning
- Outcome:** Mixed use development that includes neighborhood commercial and affordable housing components.

Site/Project Map:



Property Map



Lents Town Center URA