



DATE: August 17, 2016
TO: Board of Commissioners
FROM: Faye Brown, Interim Executive Director
SUBJECT: Report Number 16-45

Authorizing a Purchase and Sale Agreement to Convey 1.97 Acres of Real Property in the River District and Downtown Waterfront Urban Renewal Areas to Wolff Enterprises LLC for \$9,000,000

BOARD ACTION REQUESTED

Adopt Resolution No. 7203

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the Executive Director to execute a Purchase and Sale Agreement (PSA) between PDC and The Wolff Company, doing business as Wolff Enterprises LLC (Developer) for the conveyance of the Broadway Bridge Property (Property), a 1.97-acre PDC-owned site in the River District and Downtown Waterfront Urban Renewal Areas (URAs). The Property is located at 1053 – 1201 NW Naito Parkway (see project summary in Attachment A).

Developer plans to construct a multi-family apartment project consisting of two buildings, the northern structure containing approximately 230 dwelling units and the southern structure containing approximately 110 dwelling units, as well as approximately 164 vehicular parking spaces (Project). Developer will achieve the outcomes of the Portland Housing Bureau's Mixed-Use Limited Tax Exemption (MULTE) Program which requires 20 percent of the Project's dwelling units (approximately 68 units) to be affordable to households at 60 percent Median Family Income (MFI) for ten years. Developer also plans for 55 of those affordable dwelling units to be affordable to households at 60 percent MFI for an additional 20 years.

BACKGROUND AND CONTEXT

Property Description. The Property is vacant, relatively flat, and consists of two tax lots. The northern tax lot is 50,965 square feet (SF) (1.17 acres) and is located north of the Broadway Bridge ramp in the River District URA. The southern tax lot is 35,050 SF (0.81 acres) and is located under and south of the Broadway Bridge ramp in the Downtown Waterfront URA. The northern tax lot is zoned Central Employment with Design Review overlay (EXd) and has a base Floor Area Ratio (FAR) of 2:1 and a maximum allowed height of 100 feet. The southern tax lot is zoned Central Commercial with Design Review overlay (CXd) and has a FAR of 4:1 and a maximum allowed height of 75 feet.

The Property has a fair market value of \$8,770,000 according to a May 4, 2016 appraisal.

The Property has historical environmental contamination from use by prior owners and has been enrolled in the Oregon Department of Environmental Quality's (DEQ's) Voluntary Cleanup Program. PDC has conducted numerous studies to characterize the contamination. The DEQ Record of Decision (ROD) and Contaminated Media Management Plan (CMMP) outline the actions required to remediate the contamination. The estimated incremental cost of construction required to comply with the ROD and implement the CMMP will be deducted from the sale price proceeds and held in escrow to reimburse the Developer for such costs. Any funds not drawn upon to reimburse necessary environmental costs will be returned to PDC.

History. The Property was acquired by PDC in October 1987 as part of the larger Union Station acquisition. Since then, PDC dispositions have led to several successful redevelopment projects that have transformed the neighborhood, including Station Place Garage, Courtyard Marriott, The Yards, Station Place Tower, and Ziba Design Studio.

Disposition. Between 2000 and 2011, PDC partnered with Winkler Development Corporation to develop an office building and garage project known as One Waterfront Place on the Property and the property immediately to the north. The Disposition and Development Agreement (DDA) for that project was amended eight times to allow for additional time and to restructure the key deal points but ultimately terminated in 2011 when construction did not commence by the scheduled deadline.

PDC listed the Property with a broker in June 2015 and received two offers: (1) from Madrona Park, LLC (Winkler Development Corporation), the owner of the property immediately to the north of the Property to purchase the Property for \$2,000,000 to develop either a parking structure or affordable housing; and (2) from The Wolff Company to purchase the Property for \$9,000,000 to develop the Project. The PDC Financial Investment Committee recommended and PDC Executive Director selected The Wolff Company as the preferred developer.

Purchase and Sale Agreement. Key terms of the PSA include:

- Purchase price of \$9,000,000 for the Property, which represents a fair market valuation according to a May 2016 appraisal, less certain incremental environmental costs;
- Developer must develop the Property consistent with the River District and Downtown Waterfront URA plans and zoning regulations and include approximately 340 residential units, of which 20 percent must be affordable to households at 60 percent MFI for a ten-year period;
- Developer will have a 75-day due diligence period after which the \$125,000 earnest money deposit will become non-refundable;
- Developer must close on the Property within 13 months of execution of the PSA. Developer has the right to extend closing for up to 120 days by making non-refundable \$50,000 payments for each of two 60 day extensions;
- Developer must commence construction within 60 days after closing;
- Developer accepts responsibility for the environmental condition of the Property and for compliance with all environmental laws. \$1,400,000 will be held in escrow to reimburse Developer for incremental environmental costs necessary for implementing the CMMP during construction. Unspent environmental escrow funds will be returned to PDC; and
- Developer will comply with and implement PDC's Equity and Green Building policies.

COMMUNITY AND PUBLIC BENEFIT

Public benefits of executing the PSA include:

- The disposition will generate \$9,000,000 in land sale proceeds, less a five percent broker fee and less incremental environmental reimbursement costs. The Property sale proceeds, which can be

reinvested in other URA projects and programs, will be distributed 59 percent to the River District URA and 41 percent to the Downtown Waterfront URA based on parcel size;

- The Property will be redeveloped without direct financial assistance from PDC;
- The Project will result in the provision of approximately 340 residential units in the Central City, of which approximately 68 will be affordable to households at 60 percent MFI for ten years, and 55 of those units affordable to households at 60 percent MFI for an additional 20 years;
- The Project will redevelop a vacant property with a residential building which will attract residents and retail uses to the area; and
- The Developer will comply with and implement PDC's Equity and Green Building policies.

PUBLIC PARTICIPATION AND FEEDBACK

The co-chairs of the Old Town/Chinatown Community Association Land Use Committee are supportive of this disposition and development of the Project, as it delivers on the Community Association's goal of adding additional housing units at or above 60 percent MFI.

BUDGET AND FINANCIAL INFORMATION

The Adopted Fiscal Year (FY) 2016-17 River District URA and Downtown Waterfront URA Budgets and Five Year Forecasts currently include funds for ongoing ownership and maintenance of the Property (see Attachment B) and income from the Property sale in FY 2016-17. The PSA terms anticipate that PDC will convey the Property to the Developer in FY 2017-18. Revisions to the budget will be made to reflect the slightly later Property conveyance and discontinuation of ongoing costs as a result of the disposition.

RISK ASSESSMENT

Entering into the PSA creates minimal risks, as PDC is selling the Property at fair market value and does not have financial resources at risk. The primary risk for PDC is that the proposed Project would not be realized in accordance with the terms of the PSA as follows:

- 1. Developer May Terminate the Transaction.** There is a risk that Developer will terminate the transaction during the due diligence period. This is a standard business practice and a common risk in most commercial real property sales, provided that the term of the due diligence period is reasonable, which it is here. PDC is not providing any predevelopment financing and, therefore, does not have any financial resources at risk.

A related risk is that Developer will terminate the transaction subsequent to the end of the due diligence period but prior to closing. This risk is mitigated by Developer providing a \$125,000 earnest money payment that will generally be non-refundable at the end of the due diligence period.

- 2. Developer May Not Redevelop the Property Successfully.** There is a risk that Developer will not succeed in redeveloping the Property. Subsequent to the end of the due diligence period but prior to closing, this risk is mitigated by the earnest money payment which PDC will retain if the transaction does not close. Subsequent to closing, this risk is further mitigated by (a) Developer paying PDC the purchase price in cash at closing, and (b) PDC retaining a repurchase right in the event Developer does not commence construction within 60 days of closing.

ALTERNATIVE ACTIONS

The PDC Board could decide to:

- Direct PDC staff to incorporate new terms or changes to the terms and conditions into the PSA;

- Direct PDC staff to renegotiate specific terms and conditions; or
- Terminate the disposition process.

ATTACHMENTS

- A. Project Summary
- B. River District and Downtown Waterfront URAs Financial Summaries

PROJECT SUMMARY

- Project Name:** Broadway Bridge Property Purchase and Sale Agreement
- Description:** 1.97-acre vacant parcel
- Location:** 1053 – 1201 NW Naito Parkway
- URA:** River District (north parcel) and Downtown Waterfront (south parcel)
- Current Phase:** Disposition
- Next Milestone:** Closing/Conveyance
- Completion Target:** January 2018
- Outcome:** Conveyance of the Broadway Bridge Property to The Wolff Company for development of a residential project including approximately 330 apartments, of which approximately 55 will be affordable to households at 60 percent MFI for 30 years; and approximately 164 vehicular parking spaces.



River District URA Financial Summary

**Financial Summary
 Five-Year Forecast**

River District URA Fund	Revised FY 2015-16	Adopted FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
Resources						
Beginning Fund Balance	52,655,293	82,465,148	27,320,799	17,900,648	34,640,158	20,177,482
Revenue						
Fees and Charges	10,000	7,579	11,203	10,244	6,686	2,110
Grants - Federal except HCD	1,969,511	1,088,734	630,248	-	-	-
Interest on Investments	200,000	200,000	-	-	-	-
Loan Collections	5,359,380	235,823	1,040,599	768,830	438,228	457,132
TIF - Short Term Debt	19,948,515	24,447,133	20,017,456	20,680,039	10,637,477	-
TIF - Long Term Debt	39,968,145	19,605,906	-	-	-	204,427
Other Debt	11,497,639	13,342,901	143,950	9,500,000	-	-
Miscellaneous	4,834	-	-	-	-	-
Property Sales	7,142,500	4,500,000	-	4,000,000	-	-
Rent and Property Income	2,406,249	2,314,264	2,466,015	2,466,015	2,466,015	2,466,015
Reimbursements	179,235	-	-	-	-	-
Transfers In	21,440	474,360	474,360	474,360	40,107,030	207,030
Total Revenue	88,707,448	66,216,700	24,783,831	37,899,488	53,655,436	3,336,714
Total Resources	141,362,741	148,681,848	52,104,630	55,800,136	88,295,594	23,514,196
Requirements						
Administration						
A00025-Debt Management-RVD	652,317	1,307,027	65,000	65,000	65,000	65,000
Administration Total	652,317	1,307,027	65,000	65,000	65,000	65,000
Economic Development						
Traded Sector						
A00056-Cluster Development-RVD	50,000	50,000	50,000	50,000	-	-
Community Economic Development						
A00084-OT/CT Action Plan-RVD	145,000	65,000	65,000	65,000	-	-
Business Lending						
A00204-BL -General-RVD	500,100	-	-	-	-	-
Economic Development Total	695,100	115,000	115,000	115,000	-	-
Housing						
A00166-Affordable Housing-RVD	7,930,070	21,055,906	13,003,533	928,468	-	5,500,000
Housing Total	7,930,070	21,055,906	13,003,533	928,468	-	5,500,000
Infrastructure						
Parks						
A00232-Nbrhd Prk(The Fields)-RVD	0	-	-	-	-	-
Transportation						
A00234-Pearl District Cir-RVD	1,128,738	-	-	-	-	-
A00436-District Parking-RVD	0	2,500,000	2,500,000	-	-	-
Public Facilities						
A00233-Union Station Grant-RVD	1,439,503	1,439,503	719,752	-	3,500,000	-
Infrastructure Total	2,568,241	3,939,503	3,219,752	-	3,500,000	-
Property Redevelopment						
Real Estate						
A00278-4th and Burnside-RVD	46,400	-	-	-	-	-
A00283-RD Enviro Reimb-RVD	4,500	-	-	-	-	-
A00285-Block Y-RVD	45,400	45,100	45,100	45,100	45,100	45,100
A00286-Union Station-RVD	1,368,757	892,971	1,363,757	1,363,757	1,363,757	1,363,757
A00287-Grove Hotel-RVD	0	-	-	-	-	-
A00288-Centennial Mills-RVD	10,706,976	9,853,355	48,355	48,355	-	-
A00289-Station Place Lot 5-RVD	204,000	504,000	-	-	-	-
A00290-Station Place Prkng-RVD	424,924	255,356	266,811	266,811	266,811	266,811
A00291-Block R-RVD	9,800	9,800	9,800	9,800	-	-
A00292-One Waterfront North-RVD	8,400	508,400	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	23,000	18,000	-	-	-	-
A00295-Real Estate Mgmt-RVD	10,550	10,250	10,250	10,250	10,250	10,250
A00405-PNCA Contract-RVD	585	-	-	-	-	-
Commercial Property Lending						

**Financial Summary
 Five-Year Forecast**

River District URA Fund	Revised FY 2015-16	Adopted FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
A00361-CPRL-General-RVD	3,500,000	5,502,000	8,502,000	562,604	-	-
Redevelopment Strategy						
A00276-Post Office-RVD	2,192,318	-	-	-	20,795,580	-
A00277-Dtwn Retail Strat-RVD	30,000	30,000	-	-	-	-
A00279-Broadway Corridor-RVD	310,000	590,000	-	-	-	-
A00280-10th & Yamhill Redev-RVD	1,750,000	3,250,000	-	-	-	-
A00281-CC 2035-RVD	32,772	-	-	-	-	-
A00284-Multnomah County-RVD	16,948,460	-	-	9,500,000	-	-
Redevelopment Grants						
A00390-CLG-General-RVD	100,000	100,000	100,000	100,000	100,000	100,000
A00134-DOS-General-RVD	100,000	100,000	100,000	100,000	100,000	-
A00141-SIP-General-RVD	300,000	300,000	300,000	300,000	300,000	-
A00148-GFGP-General-RVD	25,000	50,000	50,000	50,000	-	-
Property Redevelopment Total	38,141,842	22,019,232	10,796,073	12,356,677	22,981,498	1,785,918
Total Program Expenditures	49,987,570	48,436,668	27,199,358	13,465,145	26,546,498	7,350,918
Personnel Services	624,464	630,035	590,529	603,535	625,320	638,452
Debt Service	0	-	1,249,224	1,724,224	35,346,602	-
Total Fund Expenditures	50,612,034	49,066,703	29,039,111	15,792,904	62,518,420	7,989,370
Interfund Transfers - Indirect Charges	5,085,559	4,694,346	5,164,870	5,367,074	5,599,692	5,761,738
Interfund Transfers - Cash Transfers	3,200,000	67,600,000	-	-	-	-
Contingency	82,465,148	27,320,799	17,900,648	34,640,158	20,177,482	9,763,087
Ending Balance	0	-	1	-	-	1
Total Fund Requirements	141,362,741	148,681,848	52,104,630	55,800,136	88,295,594	23,514,196

Downtown Waterfront URA Financial Summary

**Financial Summary
 Five-Year Forecast**

Downtown Waterfront URA Fund	Revised FY 2015-16	Adopted FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
Resources						
Beginning Fund Balance	18,955,207	35,443,061	26,912,264	18,512,766	10,533,249	4,807,940
Revenue						
Fees and Charges	9,324,659	4,980	5,200	5,188	4,337	4,330
Interest on Investments	30,000	10,000	10,000	-	-	-
Loan Collections	3,748,772	249,899	2,833,775	289,382	27,345	26,047
Property Sales	2,524,000	5,524,000	24,000	24,000	24,000	24,000
Rent and Property Income	62,805	48,835	47,210	45,585	43,960	42,335
Reimbursements	7,459,570	18,000	18,000	18,000	18,000	18,000
Total Revenue	23,149,806	5,855,714	2,938,185	382,155	117,642	114,712
Total Resources	42,105,013	41,298,775	29,850,449	18,894,921	10,650,891	4,922,652
Requirements						
Administration						
AJ0023-Debt Management-DTW	11,795	8,000	8,000	8,000	8,000	8,000
Administration Total	11,795	8,000	8,000	8,000	8,000	8,000
Economic Development						
Traded Sector						
AJ0258-Old Town Lofts-Accel	64,398	50,954	50,954	50,954	50,954	50,954
Community Economic Development						
AJ0083-OT/CT Action Plan-DTW	65,000	65,000	65,000	65,000	-	-
Business Lending						
AJ0202-BL -General-DTW	100,100	100,100	100,100	100,100	100,100	100,100
Economic Development Total	229,498	216,054	216,054	216,054	151,054	151,054
Housing						
AJ0184-Affordable Housing-DTW	0	1,971,910	-	-	-	-
Housing Total	0	1,971,910	-	-	-	-
Infrastructure						
Parks						
AJ0220-Chinese Garden-DTW	638,000	-	-	-	-	-
Transportation						
AJ0221-District Parking-DTW	500,000	2,500,000	2,000,000	-	-	-
Infrastructure Total	1,138,000	2,500,000	2,000,000	-	-	-
Property Redevelopment						
Real Estate						
AJ0259-Old Town Lofts-Prkng-DTW	12,179	12,179	12,179	12,179	12,179	12,179
AJ0250-RiverPlace Marina-DTW	18,000	18,000	18,000	18,000	18,000	18,000
AJ0251-Block 8 - L-DTW	10,000	-	-	-	-	-
AJ0252-SW 3rd & Taylor Lot-DTW	14,481	-	-	-	-	-
AJ0253-One Waterfront South-DTW	35,290	534,890	-	-	-	-
AJ0254-SW 3rd & Oak-DTW	83,533	74,100	-	-	-	-
Commercial Property Lending						
AJ0359-CPRL-General-DTW	3,951,000	8,002,000	8,002,000	7,002,000	4,568,867	4,329,857
Redevelopment Strategy						
AJ0255-Project Development-DTW	20,000	-	-	-	-	-
Redevelopment Grants						
AJ0389-CLG-General -DTW	100,000	100,000	100,000	100,000	100,000	100,000
AJ0133-DOS-General-DTW	50,000	50,000	50,000	50,000	50,000	50,000
AJ0140-SIP-General-DTW	200,000	200,000	200,000	200,000	200,000	200,000
AJ0443-GFGP-General-DTW	25,000	50,000	50,000	50,000	-	-
Property Redevelopment Total	4,519,483	9,041,169	8,432,179	7,432,179	4,949,046	4,710,046
Total Program Expenditures	5,898,776	13,737,133	10,656,233	7,656,233	5,108,100	4,869,100
Personnel Services						
	201,529	172,756	157,055	150,514	166,308	-
Total Fund Expenditures	6,100,305	13,909,889	10,813,288	7,816,747	5,274,408	4,869,100
Interfund Transfers - Indirect Charges						
	561,647	476,522	524,395	544,925	568,543	-
Contingency	35,443,061	26,912,264	18,512,766	10,533,249	4,807,940	53,552
Total Fund Requirements	42,105,013	41,298,775	29,850,449	18,894,921	10,650,891	4,922,652