



DATE: June 14, 2017
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-23

Authorizing the Executive Director to Amend the Disposition and Development Agreement with Portland State University for Redevelopment of Multiple Properties within the University District Area and University Place Site

BOARD ACTION REQUESTED

Adopt Resolution No. 7239

ACTION DESCRIPTION

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute amendments to a Disposition and Development Agreement (DDA) between Prosper Portland and Portland State University (PSU) that will:

1. Approve the near-term payment of cash to PSU in the form of a Development Grant and in lieu of transfer of the Prosper Portland-owned Jasmine site (Jasmine Block);
2. Approve a purchase and sale agreement (PSA) for the transfer of the Jasmine Block to PSU; and
3. Approve the terms of other DDA amendments, particularly regarding the Budget Rent-A-Car and University Place projects.

Overall, the proposed actions do not materially increase Prosper Portland's expenditure obligation under the DDA. However, these actions are a material departure in terms of form and timing from the existing terms of the PSU DDA and therefore require Prosper Portland Board approval. If approved, these actions will allow PSU to collaborate with other institutions to offer a range of education and job training opportunities to a local and diverse student body, preparing them to pursue family wage jobs and contributing to a vibrant economy. These actions also align with Prosper Portland's 2015-2020 Strategic Plan, by creating access to high quality employment for Portland residents and by forming 21st Century civic networks, institutions, and partnerships.

BACKGROUND AND CONTEXT

On December 14, 2014, the Prosper Portland Board, through Resolution No. 7088, authorized a DDA setting forth the terms and conditions of a partnership whereby Prosper Portland would provide resources and property to PSU to fulfill its vision of an "equitable and sustainable future through academic excellence, urban engagement, and expanding opportunity for all." The DDA was related to Portland City Council's direction to reduce the impact of urban renewal on taxing jurisdictions which included closing the Education Urban Renewal Area (URA), but to maintain commitments to PSU that

were originally contemplated in the Education URA plan. The actions set forth in the DDA represent an approach by Prosper Portland and PSU to identify multi-use and multi-purpose projects where private businesses can be encouraged to locate in conjunction with higher education facilities. The partnership furthers PSU’s mission of inter-relating the urban and academic environments and Prosper Portland’s focus on building an equitable economy for all Portlanders.

The DDA addresses five projects to receive support from Prosper Portland, two of which are land conveyances and three of which are financial investment or other support (see a Site Map in Attachment A, and a Project List, Status, and Rendering in Attachment B). Prosper Portland investments generally support the ground floor, private, commercial, tax-generating uses in PSU projects. The proposed amendments support PSU’s effort to prepare for and develop three projects identified in the DDA: Jasmine Block, Budget Rent-A-Car, and University Place.

Jasmine Block

PSU plans to construct a 200,000 square foot (SF), nine-story, mixed-use building on a three-quarter block Prosper Portland-owned site commonly referred to as the Jasmine Block. This building, known as 4th & Montgomery, will ultimately include the following programmatic users: PSU’s Graduate School of Education, Oregon Health & Sciences University (OHSU), Portland Community College (PCC), and the City of Portland (see a rendering in Attachment C). These institutions will leverage each other’s programs such as education and public health to provide multi-disciplinary and continuous education tracks for students. PCC will move its Dental Hygiene, Dental Assistant, and Dental Laboratory Technology programs from its Sylvania campus to 4th & Montgomery. The City will also own space in 4th & Montgomery as part of its plan to accommodate future City employee growth and reduce the need for multiple leased spaces.

PSU and its partners commissioned a detailed building program to determine areas needed for each user, key adjacencies, and rough order of magnitude costs. The study also assessed site development options and constraints including streetcar and light rail access, retail locations, and building footprint. The study estimated the total project cost to be \$100,000,000. PSU agreed to build taxable TIF-generating ground floor space equal or greater in value to the land.

PSU is pursuing State of Oregon (State) funding in order to construct the new building (see the project sources table below). The State, which requires a local match, does not recognize land value as an eligible source. Therefore, Prosper Portland is proposing to provide a Development Grant to PSU equal to the land’s appraised value to satisfy the State match requirement; an appraisal conducted in January, 2017, valued the site at \$7,490,000 (\$224.91/SF) total. PSU will be required to repay the Development Grant if the project is not commenced. The Development Grant will be sourced from the South Park Blocks (\$4,600,000) and North Macadam (\$2,890,000) URA funds to make up the total appraised land value.

Table 1. Jasmine Block Project Sources.

	Amount	Type of funding	Notes
State Budget Request	\$36,000,000	G bond	Requires Match
	\$9,000,000	Q bond	No Match Required
	\$6,000,000	XI(F) bonds	No Match Required
Sub-total	<u>\$51,000,000.00</u>		
Partners			
PCC (local bond)	\$17,000,000	\$16,000,000 does	

		not count toward State match	
City of Portland	\$15,000,000		
OHSU/PSU fundraising	\$10,000,000		
OHSU	\$2,500,000		
PSU	\$2,500,000		
Prosper Portland	\$7,490,000	Recoverable grant	
Sub-Total	<u>\$ 54,490,000</u>		
Total	\$105,490,000		

Prosper Portland and PSU will enter into a PSA for the conveyance of the Jasmine Block. PSU will pay a transaction fee equal to \$150,000 to Prosper Portland at the time of closing that will be allocated into the two URA funds.

4th & Montgomery is expected to commence construction in 2019. The DDA will be amended to reflect a final completion date of June 2021. Prosper Portland will maintain a repurchase rights via promissory note as outlined in the DDA, which allows Prosper Portland to repurchase the Jasmine Block if ownership has already been transferred and construction has not commenced by January 31, 2025. The PSU obligation to build the taxable ground floor space will be secured by a note.

Jasmine Block PSA Key Terms

- Subject Property: as Jasmine Parcels are defined in the DDA
- Purchase price: \$7.49 million
- Closing Condition: Note securing the obligation to construct taxable development
- Closing on or about August 31, 2017
- Minimal Due Diligence (PSU effectively controls the site now under a use permit and the site is paved);
- Post-Closing: Construction to commence by 2019; Prosper Portland’s Equity, Green Build, and State Prevailing Wage policies apply
- Restrictions: Develop TIF-generating uses not less in value than \$7,490,000, secured by note

Jasmine Block Schedule

Task	Revised Date	Original Date
Construction design	No change	Conclusion of 2018
Project construction	No change	Fall 2019
Occupancy permits	June 2021	End of 2020

Budget Rent-A-Car

The Budget Rent-A-Car (Budget) site, which is adjacent to PSU’s Art Building, is owned by TriMet. PSU has longer-term plans to redevelop the Budget site in conjunction with the Art Building into a multi-use building that will include taxable TIF-generating space. Currently, PSU is seeking to temporarily house classrooms in trailers on the Budget site while Neuberger Hall is renovated. TriMet has agreed to enter into a PSA directly with PSU to allow the temporary use, with eventual sale to PSU at fair market value

for redevelopment of the site sometime in 2021. PSU will undergo a planning process that may include additional stakeholder outreach to ensure alignment with the University Framework Plan.

The DDA specifies that Prosper Portland is obligated to either fund the acquisition of the Budget site at a cost equal to market value or provide \$2,000,000 (the estimated value of the Budget site in 2015) to PSU for another project. The university recently commissioned an appraisal of the Budget site and found that the increase in market value is consistent with the overall value increase as seen at the Jasmine Block. This brings the estimated value of the site to approximately \$5,840,000, thereby increasing Prosper Portland’s obligation by \$3,840,000.

Prosper Portland will provide funds equal to the Budget site’s market value (capped at \$5,840,000 to reduce additional exposure) directly to PSU to purchase the property. The payment will be made in two installments – the first will be \$2,000,000 (the original obligation) in FY 2017-18. The balance will be paid in FY 2018-19 after a second appraisal is completion. Prosper Portland will reserve the right to reduce the final contribution to the Budget project in accord with any lower appraised value established prior to the final payment.

As described below, this additional commitment to the Budget site will be offset by reduced commitment to the University Place project. If ownership of the Budget site cannot be secured, Prosper Portland would remain obligated through the DDA to provide PSU \$2,000,000 for another approved project. If PSU fails to commence construction on the Budget site, at the election of Prosper Portland, the funds shall be repaid in full or directed to another project approved by Prosper Portland.

Budget Block Schedule

Task	DDA Date – No changes
Stakeholder outreach on use of property	Beginning in 2019
ID PSU and/or commercial uses for redevelopment	By 2020
PSU issue RFP for partner to pursue development	By June 2021
Selection of partner	By June 2022
PSU acquire land from TriMet	By 2021
Development design	Completed in 2023
Commence construction	January 31, 2024
Occupancy permits	Fall of 2026

University Place

PSU, which owns a 3.86-acre site at 310 SW Lincoln Street commonly known as University Place, is seeking attract a partner to construct a mixed-use development at University Place that meets PSU’s priorities and supports the growth of the school and the University District. The development must be consistent with the University’s Framework Plan, the North Macadam Urban Renewal Plan, and other relevant City priorities. Future development will aim to include a mix of uses including housing and commercial at a higher density that what currently exists on the site. In the original DDA, Prosper Portland committed to investing \$13,000,000 million into the project. In exchange, PSU is obligated to build not less than \$66,000,000 in taxable real estate assessed value.

In 2015 PSU issued a request for proposals (RFP) for a University Place development partner. While it received responses, PSU did not move proceed further, as the proposals did not align with PSU’s vision and undervalued the site. As a result, PSU is in breach under the terms of the DDA. Prosper Portland could assert a remedy in the form of decreased funding commitments.

However, the proposed amendments provide a path for University Place’s future development to begin generating tax increment, while implementing additional clauses that reduce and/or ultimately relieve Prosper Portland’s financial commitment should the project not be realized. Prosper Portland and PSU have proposed the following terms:

- Prosper Portland will reallocate a portion of the funds committed for University Place’s development to the acquisition of the Budget site, reducing Prosper Portland’s contribution to the University Place site from \$13,000,000 to approximately \$9,610,000;
- The University Place project schedule will reflect a delay of the start of construction from May 2019 to spring 2021 with PSU obtaining occupancy permits in fall 2023 rather than summer 2021;
- A clause will be added to the DDA that further reduces Prosper Portland’s investment in the University Place project if construction does not start in spring 2021. This reduction will be \$1,300,000 per year which is equal to the estimated value of potential lost tax increment on an annual basis; and
- Prosper Portland shall no longer be obligated to provide the University Place funding to PSU if construction has not begun on University Place by fall 2023, or an alternative project (to be agreed upon by Prosper Portland and PSU), has not commenced construction by spring of 2020.

University Place Schedule

Task	Revised DDA Date	DDA Date
Development RFP	Spring 2019	June 2015
Contract to development partner	Winter 2019	In 2016
Design and permitting	Spring 2020	December 1, 2018
Commence construction	Spring 2021	May 2019
Occupancy permits	Fall 2023	Summer 2021

COMMUNITY AND PUBLIC BENEFIT

Prosper Portland’s investment in the PSU projects provides a series of community and public benefits including:

1. Provides increased access for a diverse student body, including people who have been historically underserved, to a higher education environment and urban context to support their professional development and success;
2. Supporting the growth of the local economy through education, research, and job training; and
3. Creating new partnerships among educational institutions, public agencies, and private businesses for shared investment in Portland’s central city.

PUBLIC PARTICIPATION AND FEEDBACK

There has been no direct public participation related to these proposed DDA amendments. However, staff engaged stakeholders, including the Central City Budget Advisory Committee, on terms and commitments of the original DDA. In addition, the projects within the original DDA are part of PSU’s University District Framework Plan, which outlines the path for future growth for PSU to realize its vision as a sustainable urban research university.

BUDGET AND FINANCIAL INFORMATION

There are sufficient resources in the North Macadam and South Park Blocks URA funds for the Development Grant, Budget project, and University Place (see Attachments D and E).

RISK ASSESSMENT

Prosper Portland will mitigate its risk of the Development Grant by including a repayment deadline on the grant agreement with PSU. In addition, the ownership of the Jasmine parcel will not be transferred until the full amount of grant funds are returned to the agency.

Prosper Portland's strategy to make the Budget and University Place projects financially dependent upon one another minimizes the agency's financial exposure. The committed amount of funds is maintained, but will be re-allocated to meet the shift in both projects' priorities and timelines. Furthermore, Prosper Portland:

- Will placing additional safeguards for the purchase of the Budget site by capping the total contribution amount at the current appraised value as well as paying in two installments over two fiscal years with the final payment amount subject to an updated appraisal.
- Will include a clause requiring PSU to either re-invest funds into a TIF-eligible use at another project or repay Prosper Portland the funds provided to purchase the Budget site should PSU fail to commence construction by January 31, 2024.
- Has obtained PSU's assurance that it will pursue a private development partner and have a viable project at University Place even with less public investment.
- Has added clauses within the DDA that reduce Prosper Portland's investment should construction delays or failure to construct at University Place affects and reduces TIF generation.

ALTERNATIVE ACTIONS

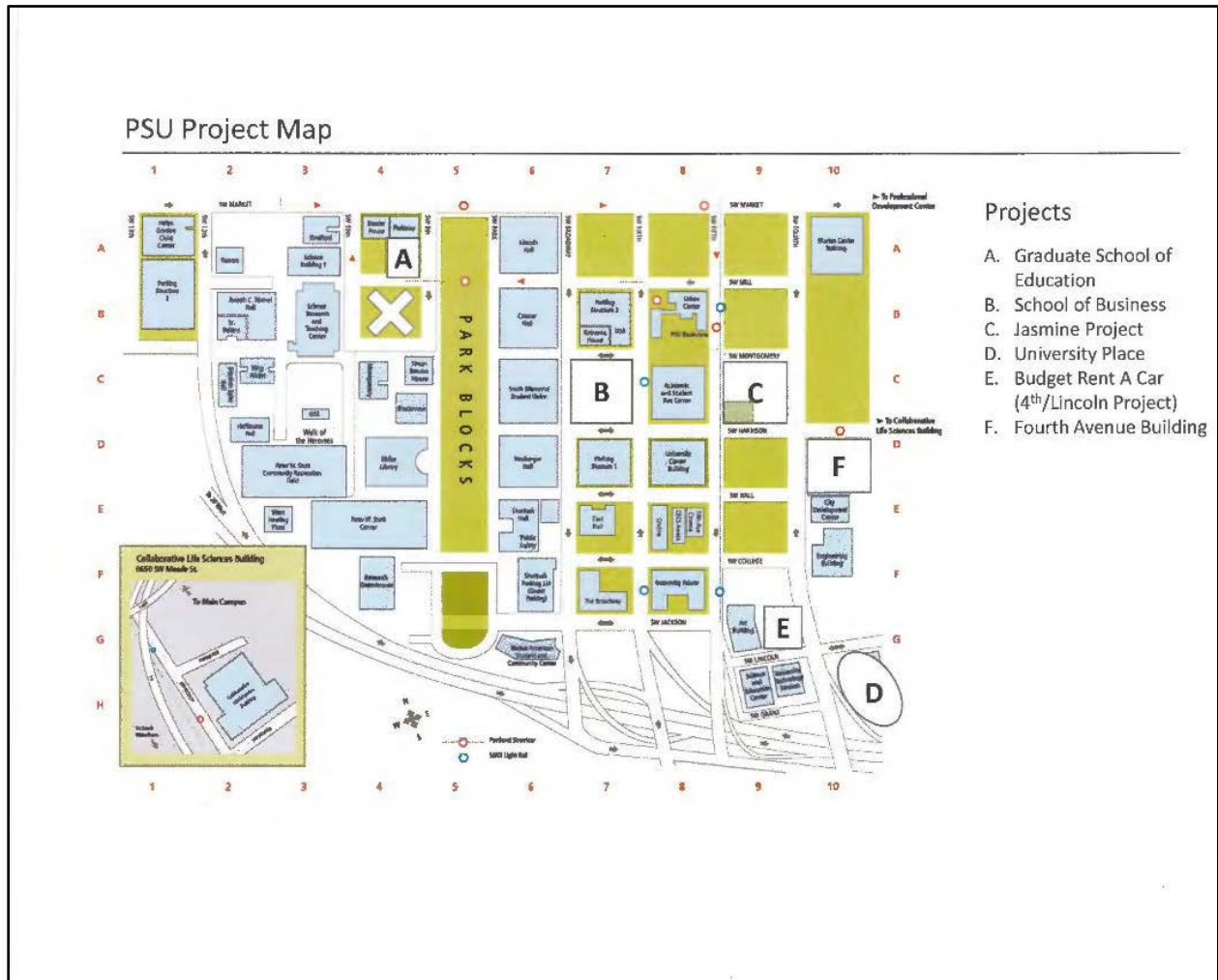
The Prosper Portland Board could decide to:

- Direct staff to convey the Jasmine Block to PSU as detailed in the DDA and not provide a Development Grant.
- Direct staff to maintain the terms currently in the DDA with regards to Budget and University Place;
- Declare the default condition for delay in the University Place project and seek to reduce the monetary commitments in the DDA; or
- Reject the proposed amendments in their entirety.

ATTACHMENTS

- A. Site Map
- B. Project List, Status, and Rendering
- C. Jasmine Block/4th & Montgomery Rendering
- D. North Macadam URA FY 2016-17 Budget
- E. South Park Blocks URA FY 2016-17 Budget

Site Map

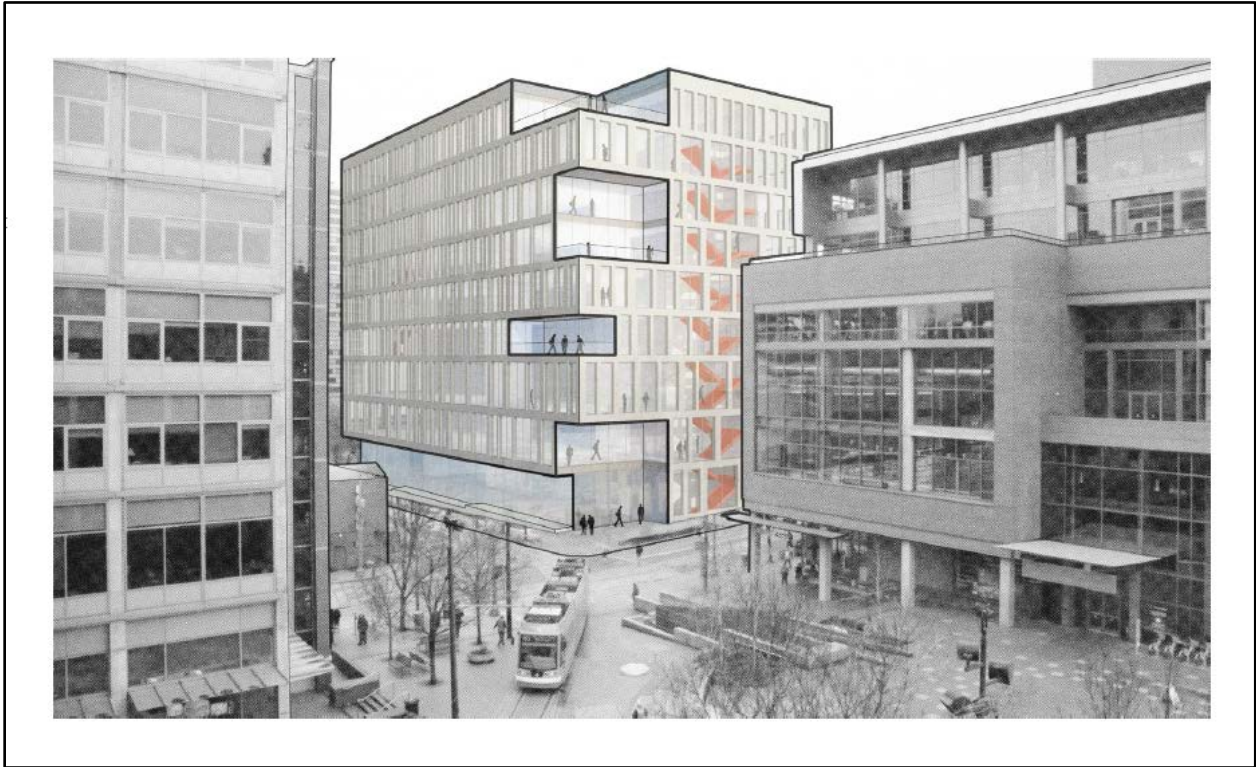


Project List and Status, and Rendering

Following are projects identified in the DDA and current status of each:

Project	Status
Graduate School of Education – The Project is located at SW 5 th & Mill. PSU intends to construct a new building, or remodel of the existing Extended Studies Building, to create a high density urban mixed-use office and classroom building for the purpose of PSU and City of Portland (City) occupancy and uses. City will lease or purchase minimum 30,000 SF of office space. No resources are anticipated from Prosper Portland.	2015 State funding not granted. Now included in Jasmine Block project. State funding anticipated for June, 2017.
School of Business Administration – Prosper Portland will provide \$2M in North Macadam URA funds in FY 2016-17.	Funding provided. Project completion estimate fall, 2017.
Jasmine Block – The 4 th and Montgomery Project, a mixed-use development, is anticipated to include 50-100K SF of PSU use with separate commercial use. Prosper Portland will transfer ownership of the property consisting of two parcels totaling 33,500 SF by 2020.	Committed project partners: PSU, OHSU, City of Portland, retail/commercial uses. Anticipate State funding June, 2017.
SW Fourth & Lincoln (Budget Rent-A-Car) – SW Fourth & Lincoln is currently owned by TriMet and adjacent to PSU’s Art Building. The project is envisioned to be developed as a multi-use building in conjunction with the Art Building. Prosper Portland will facilitate the transfer or purchase of the property that will assist in the inclusion of a sizeable taxable commercial/retail space.	In discussions with TriMet about temporary use, with future purchase. Timeline is not changed.
University Place – This project supports the redevelopment of a 3.86-acre site at 310 SW Lincoln. PSU desires to attract a development partner to build a dense, mixed-use development including housing and commercial uses adjacent to the Portland-Milwaukie light rail alignment. Prosper Portland investment in this Project is anticipated to be \$13M. Resources are projected to be released over three years; FY 2018-21.	Proposed pushback of timeline to allow other projects with funding / interested partners to move forward.
Fourth Avenue Building - The Fourth Avenue Project, located at the 1900 SW 4 th Avenue, would provide PSU the opportunity for additional commercial space within its Maseeh College of Engineering and Computer Science. \$2M in resources are projected to be released in FY 2024-25.	No changes anticipated at this time.

Jasmine Block/4th & Montgomery Rendering



North Macadam URA FY 2016-17 Budget

**Financial Summary
 Five-Year Forecast**

<u>North Macadam URA Fund</u>	<u>Revised FY 2016-17</u>	<u>Approved FY 2017-18</u>	<u>Forecast FY 2018-19</u>	<u>Forecast FY 2019-20</u>	<u>Forecast FY 2020-21</u>	<u>Forecast FY 2021-22</u>
Resources						
Beginning Fund Balance	14,418,548	12,922,460	9,838,222	4,059,889	6,587,065	5,444,949
Revenue						
Fees and Charges	138	-	-	-	-	-
Interest on Investments	30,000	30,000	30,000	-	-	-
Loan Collections	27,238	12,387	-	-	-	-
TIF - Short Term Debt	6,993,000	9,833,197	8,369,980	8,883,179	9,378,895	14,183,828
TIF - Long Term Debt	2,000,000	5,000,000	-	-	5,200,000	-
Property Sales	0	9,181,924	-	-	-	-
Rent and Property Income	298,444	261,895	261,895	261,895	261,895	261,895
Total Revenue	9,348,818	24,299,403	8,661,875	9,145,074	14,840,790	14,445,723
Total Resources	23,767,364	37,221,864	18,500,098	13,204,764	21,427,855	19,890,673
Requirements						
Administration						
A00024-Debt Management-NMC	21,000	20,000	20,000	20,000	20,000	20,000
Administration Total	21,000	20,000	20,000	20,000	20,000	20,000
Housing						
A00165-Affordable Housing-NMC	2,003,000	10,338,900	7,050,000	150,000	150,000	250,000
A00423-Parcel 3-NMC	0	7,700,000	-	-	-	-
A00424-Parcel 3-Remediation-NMC	0	1,280,000	-	-	-	-
Housing Total	2,003,000	19,298,900	7,050,000	150,000	150,000	250,000
Infrastructure						
Parks						
A00510-District Partner Greenway-NMC	240,000	-	-	100,000	8,150,000	3,475,000
Transportation						
A00228-Central Dist Infra-NMC	5,000	-	-	-	-	-
A00231-Bond Avenue-NMC	2,450,000	1,151,000	3,650,000	-	-	-
Infrastructure Total	2,695,000	1,151,000	3,650,000	100,000	8,150,000	3,475,000
Property Redevelopment						
Real Estate						
A00272-South Witmt Lot 3-NMC	5,616	5,000	-	-	-	-
A00273-RiverPlace Prkng -NMC	47,857	51,507	51,507	51,507	51,507	51,507
A00275-Real Estate Mgmt-NMC	6,713	6,713	6,713	6,713	6,713	6,713
Commercial Property Lending						
A00000-CPRL-General-NMC	500,000	500,000	500,000	500,000	-	-
A00519-Jasmine Block-NMC	747,045	2,890,000	-	-	-	-
Redevelopment Strategy						
A00267-Lincoln Station-NMC	0	-	2,000,000	4,600,000	6,400,000	-
A00268-Eco District-NMC	2,500	2,500	2,500	-	-	-
A00270-N Distr Partnershp-NMC	2,500,000	2,500,000	-	-	-	-
A00422-PSU-Sch of Bus Comm-NMC	1,358,722	-	-	-	-	-
Redevelopment Grants						
A00418-SiP-General-NMC	12,000	-	-	-	-	-
Property Redevelopment Total	5,180,453	5,955,720	2,560,720	5,158,220	6,458,220	58,220
Total Program Expenditures	9,899,453	26,425,620	13,280,720	5,428,220	14,778,220	3,803,220
Personnel Services	130,057	98,718	161,057	168,404	168,879	171,297
Total Fund Expenditures	10,029,510	26,524,338	13,441,777	5,594,624	14,947,099	3,974,517
Interfund Transfers - Indirect Charges	815,394	859,303	998,631	1,023,075	1,035,806	1,054,199
Contingency	12,922,460	9,838,222	4,059,889	6,587,065	5,444,949	14,861,956
Total Fund Requirements	23,767,364	37,221,864	18,500,098	13,204,764	21,427,855	19,890,673

South Park Blocks URA FY 2016-17 Budget

**Financial Summary
 Five-Year Forecast**

South Park Blocks URA Fund	Revised FY 2016-17	Approved FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21	Forecast FY 2021-22
Resources						
Beginning Fund Balance	8,598,328	3,480,773	4,328,278	3,990,553	3,651,370	3,310,343
Revenue						
Fees and Charges	837	832	500	500	500	2,734
Interest on Investments	10,000	10,000	-	-	-	-
Loan Collections	87,438	103,958	62,538	62,538	62,538	341,853
TIF - Short Term Debt	0	1,000,000	-	-	-	-
Property Sales	747,045	6,028,078	-	-	-	-
Total Revenue	845,320	7,142,864	63,036	63,036	63,036	344,587
Total Resources	9,441,646	10,603,637	4,389,314	4,053,589	3,714,406	3,654,930
Requirements						
Administration						
A00028-Debt Management-SPB	8,120	5,000	5,000	5,000	5,000	25,000
Administration Total	8,120	5,000	5,000	5,000	5,000	25,000
Economic Development						
Business Lending						
A00205-BL -General-SPB	200,000	200,000	200,000	200,000	200,000	1,000,000
Economic Development Total	200,000	200,000	200,000	200,000	200,000	1,000,000
Housing						
A00187-Affordable Housing-SPB	5,360,000	1,148,191	-	-	-	-
Housing Total	5,360,000	1,148,191	-	-	-	-
Property Redevelopment						
Real Estate						
A00298-PSU Campus Lot-SPB	0	4,600,000	-	-	-	-
Redevelopment Grants						
A00498-Prosperity Investment Program (PIP) Grant-SPB	100,000	50,000	50,000	50,000	50,000	50,000
Property Redevelopment Total	100,000	4,650,000	50,000	50,000	50,000	50,000
Total Program Expenditures	5,668,120	6,001,191	255,000	255,000	255,000	1,075,000
Personnel Services	7,138	6,918	6,450	6,546	6,639	6,731
Total Fund Expenditures	5,675,258	6,008,109	261,450	261,546	261,639	1,081,731
Interfund Transfers - Indirect Charges	305,615	289,250	137,312	140,673	142,423	144,952
Contingency	3,480,773	4,328,278	3,990,553	3,651,370	3,310,343	2,428,248
Total Fund Requirements	9,441,646	10,603,637	4,389,314	4,053,589	3,714,406	3,654,930