



**DATE:** December 16, 2015  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 15-72

Authorizing Terms for the Acquisition of a Building Located at 1506 NE 2nd Avenue in the Oregon Convention Center Urban Renewal Area

#### **BOARD ACTION REQUESTED**

Adopt Resolution No. 7157

#### **ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the terms for the leasehold purchase and sale agreement (Leasehold PSA) with Shilo Inn Rose Garden, LLC (Shilo), for a building located at 1506 NE 2nd Avenue (Building) in the Oregon Convention Center Urban Renewal Area (URA) for an amount not to exceed \$2,832,500. The Building is currently operated as a Shilo Inn Hotel (Hotel) and is located on property owned by Holy Rosary Church (see maps in Attachment A).

#### **BACKGROUND AND CONTEXT**

Shilo has offered to sell PDC a 44-room, 15,322 square foot Hotel located on a 27,000 square foot parcel adjacent to the Broadway/Weidler commercial corridor in inner northeast Portland. Acquisition of the Hotel, a two-story, wood frame building that was remodeled in 2005, provides PDC an opportunity to land bank a commercial property in a key area.

Should the PDC Board approve the terms for acquisition of the Hotel, PDC staff will immediately commence due diligence, with particular focus on the purchase price and negotiation of the ground lease. The terms include an acquisition price not to exceed \$2,832,500. This figure is based upon a July 3, 2013, appraisal, which valued the Hotel's highest and best use at \$3,000,000. Should the PDC-commissioned appraisal value the Hotel 15 percent or greater below \$2,832,500, PDC staff will return to the PDC Board to reconsider the transaction.

The other major due diligence task will be to renegotiate the ground lease, the successful negotiation of which will be a condition to closing in the Leasehold PSA transaction. The purchase of the Hotel is subject to a long standing master ground lease between the land owner, Holy Rosary Church, and a master lessee, Garden Hotels Investment Company (Garden). Garden subleases the Hotel parcel under the master lease to Shilo.

Should acquisition proceed, Shilo Management Corporation would continue to operate the Hotel under a management agreement with PDC, with all profits (net of a market rate management fee) forwarded to PDC. Any revenue stream will be returned to the Oregon Convention Center URA budget.

The proposed terms have been reviewed by the PDC Financial Investment Committee and recommended for approval to the Executive Director.

#### **COMMUNITY AND PUBLIC BENEFIT**

Acquisition of the property will help further the goals the 2015-2020 PDC Strategic Plan.

#### **PUBLIC PARTICIPATION AND FEEDBACK**

There has been no direct public participation or feedback to date regarding this specific transaction, as this is an opportunity-driven action. However, PDC staff will commence public participation when PDC is prepared to discuss disposition options.

#### **BUDGET AND FINANCIAL INFORMATION**

There is adequate funding for this transaction in the Adopted FY 2015-16 Oregon Convention Center URA Budget (see Attachment B).

#### **RISK ASSESSMENT**

The Leasehold PSA will include a broad contingency that allows PDC to terminate the transaction during due diligence for any reason in PDC's sole discretion. At the conclusion of due diligence, and assuming PDC desires to close on the property, the earnest money would become non-refundable except in the event of seller default.

The Executive Director's execution of the Leasehold PSA will be subject to PDC staff receiving satisfactory answers to outstanding questions, resolution of open issues, and completion of due diligence items, including the determination of purchase price and the negotiation of the ground lease amendment. Prior to closing, the Executive Director will send a written memo to the PDC Board with explanations on how these items have been answered, resolved, and completed.

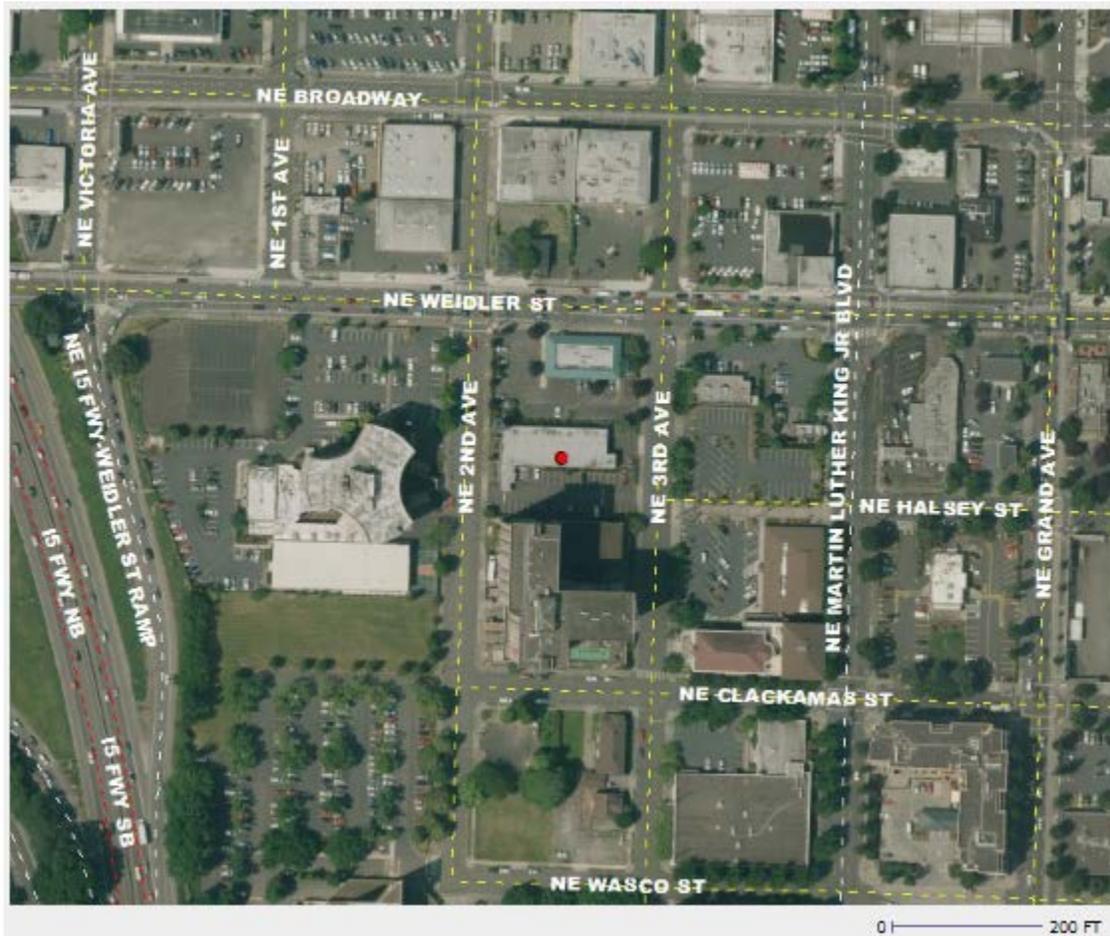
#### **ALTERNATIVE ACTIONS**

The PDC Board may elect to not approve the acquisition of the Hotel as proposed or direct PDC staff to renegotiate the terms of the transaction.

#### **ATTACHMENTS**

- A. Site Map and Aerial
- B. URA Financial Summary

Site Map and Aerial



**URA Financial Summary**

**Five-Year Forecast Program Requirements Detail**

	Revised- 3 FY 2014-15	Adopted FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20
<b>Convention Center URA</b>						
<b>Resources</b>						
Beginning Fund Balance	41,234,535	39,808,483	2,252,042	2,158,838	4,848,203	6,369,541
Fees and Charges	49,390	1,500	1,500	1,500	1,500	1,500
Interest on Investments	40,000	30,000	20,000	10,000	5,000	0
Loan Collections	375,095	496,015	651,799	731,013	1,437,195	1,164,964
Property Income	1,669,581	3,812,790	2,012,790	3,882,930	2,012,790	2,012,790
<b>Total Resources</b>	<b>43,368,601</b>	<b>44,148,788</b>	<b>4,938,131</b>	<b>6,784,281</b>	<b>8,304,688</b>	<b>9,548,795</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Administration</b>						
<b>Financial Administration</b>						
A45101350 Debt Management-CNV	6,500	6,500	30,045	30,045	30,045	30,045
<b>Total Administration</b>	<b>6,500</b>	<b>6,500</b>	<b>30,045</b>	<b>30,045</b>	<b>30,045</b>	<b>30,045</b>
<b>Business Development</b>						
<b>Business Lending</b>						
L00210350 BL -General-CNV	100	150,100	150,100	150,100	150,100	150,100
<b>Traded Sector Business Dev</b>						
B55800350 Business Development-CNV	50,000	0	0	0	0	0
<b>Total Business Development</b>	<b>50,100</b>	<b>150,100</b>	<b>150,100</b>	<b>150,100</b>	<b>150,100</b>	<b>150,100</b>
<b>Housing</b>						
<b>PHB Housing</b>						
H15042350 OCC Miracles Club-CNV	92,381	0	0	0	0	0
H15430350 Affordable Rental Hsg-CNV	493,960	11,850,000	0	0	0	0
H15900350 PHB Staff & Admin-CNV	377,841	0	0	0	0	0
<b>Total Housing</b>	<b>964,182</b>	<b>11,850,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Infrastructure</b>						
<b>Transportation</b>						
N35033115 Green Streets-CNV-Adm	138,000	0	0	0	0	0
<b>Total Infrastructure</b>	<b>138,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Redevelopm</b>						
P35051115 Block47-CNV-Adm	37,732	13,098	0	0	0	0
P35050715 ConventionCenter Hotel-CNV-Adm	10,000	4,000,000	0	0	0	0
P35051415 Rose Qtr Master Plan-CNV	100,000	0	0	0	0	0
P35060115 910 NE MLK Building-CNV-Adm	48,633	16,933	16,933	16,933	0	0
P35060215 Fmr B&K Car Rental-CNV-Adm	31,500	13,500	0	0	0	0
P35060515 Inn at Conv Ctr Mgmt-CNV	1,437,003	1,350,348	1,350,348	1,350,348	1,350,348	1,350,348
P35060615 Block 49-CNV-Adm	4,899	3,365	3,365	3,365	3,365	3,365
P35090015 Project Development-CNV-Adm	0	23,309,383	0	0	0	0
P35092015 Real Estate Mgmt-CNV-Adm	5,000	5,000	5,000	5,000	5,000	5,000
P35050515 Eco District-CNV-Adm	2,500	2,500	0	0	0	0
<b>Commercial Real Estate Lending</b>						
R01100350 CPRL-General-CNV	200,000	0	0	0	0	0
<b>Community Redevelopment Grants</b>						
G03100350 SIP-General-CNV	100,000	0	100,000	100,000	100,000	100,000
<b>Total Property Redevelopment</b>	<b>1,977,267</b>	<b>28,714,127</b>	<b>1,475,646</b>	<b>1,475,646</b>	<b>1,458,713</b>	<b>1,458,713</b>