



DATE: October 14, 2016
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 16-51

Modifying the Terms of a Purchase and Sale Agreement to Convey 0.38 Acres of Real Property in the Lents Town Center Urban Renewal Area to Lisac Brothers Construction, Inc.

BOARD ACTION REQUESTED

Adopt Resolution No. 7213

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will modify the terms and conditions (Term Sheet) governing a Purchase and Sale Agreement (PSA) between PDC and Lisac Brothers Construction, Inc. (Buyer), for the conveyance of two PDC-owned parcels located at the southeast corner of SE 93rd Avenue and SE Woodstock Boulevard (Property), in the Lents Town Center Urban Renewal Area (URA) (see an Aerial and Property Map in Attachment A). The Buyer intends to construct a mixed-use building and pavilion supporting a small pod of food carts as well as a six-unit, market-rate apartment building (Project).

BACKGROUND AND CONTEXT

In October 2014, PDC staff issued a Request for Interest (RFI) in for the disposition and development of multiple PDC-owned parcels in the Lents Town Center. While multiple proposals were received for other PDC-owned parcels in January of 2015, no proposals were received for the subject Property. The two parcels remained openly marketed with signage on the Property for an additional year until the Buyer approached PDC with an offer to purchase the Property and build the mixed-use Project.

On May 11, 2016, through Resolution No. 7183 the PDC Board authorized a Term Sheet for the Executive Director to execute a PSA with the Buyer. The as-is sale terms included a purchase price of \$500,000 with a 60-day due diligence period. In conformance with the Lents Town Center Streetscape Improvement Plan, the City of Portland Bureau of Transportation (PBOT) is requiring a 990 square foot right of way (ROW) dedication of the Property, as well as approximately \$225,478 in ROW improvements (see Attachment B). Because of the small size of the proposed development, this represents a significant, relative increase in Project costs and the Buyer has indicated that their proposed Project cannot fully support this additional cost. Therefore, the Buyer is requesting that PDC

reduce the purchase price to adjust for these two issues (\$144,587 reduction in the price). In exchange, the Buyer is willing to waive due diligence, except approval of their Public Works permit. During the pre-application meeting, PBOT indicated that the relocation of a major utility pole would not be required. However, confirmation of this exception is not guaranteed until the Public Works permit is approved at the end of the permitting process. If the relocation is required, the project will be infeasible in any case.

The sum of proposed changes is to increase the potential outside closing date by an additional 150 days, and provide the Buyer with a \$144,587 credit at closing. Closing must occur within 30 days of the Public Works permit approval.

COMMUNITY AND PUBLIC BENEFIT

Lents Town Center Five Year Action Plan. These actions would further multiple key objectives of the Action Plan, including stimulating development for the Lents Town Center.

District Identity. The Project will provide new services that increase the vitality of the Lents Town Center, complement existing businesses, align with the Lents Grown identity, and implement the Business District Development Strategy.

Jobs. The Project will provide temporary construction jobs and permanent commercial spaces for employment opportunities and new services in the Lents Town Center, in addition to adding residential households that support neighborhood businesses.

Equity Goals. Buyer will comply with PDC's Equity Policy requirements for participation of minority-owned, women-owned, and emerging small businesses and shall use apprentices and women, minorities, and disadvantaged individuals in the construction workforce, as provided by the Business and Workforce Equity Program requirements.

Green Building. If applicable, Buyer will comply with PDC's Green Building Policy, which requires Leadership in Energy & Environmental Design (LEED) Gold certification.

PUBLIC PARTICIPATION AND FEEDBACK

Staff has solicited feedback from local stakeholders regarding the proposed changes to the sale price. Community members reiterated their interest in seeing the Property activated in the near-term with its mix of retail and residential uses, and were supportive of the proposed public subsidy.

BUDGET AND FINANCIAL INFORMATION

Staff will request that in November 2016, the PDC Board revise the Lents Town Center URA fiscal year (FY) 2016-17 Adopted Budget and Five Year Forecast to accurately account for the sales proceeds of this Property (see Attachment C).

RISK ASSESSMENT

Risks related to these PDC Board actions include:

1. **Buyer may terminate the transaction prior to closing.** While Buyer is willing to waive most of the remaining due diligence, there is risk associated with the outstanding public works permit

and potential utility pole relocation. If the Buyer elects to terminate the transaction for any other reason than the Public Works permit, their earnest money will be non-refundable.

2. **Buyer may fail to construct after conveyance of the Property.** PDC will retain a right to repurchase the Property for the same sale price under such circumstances.

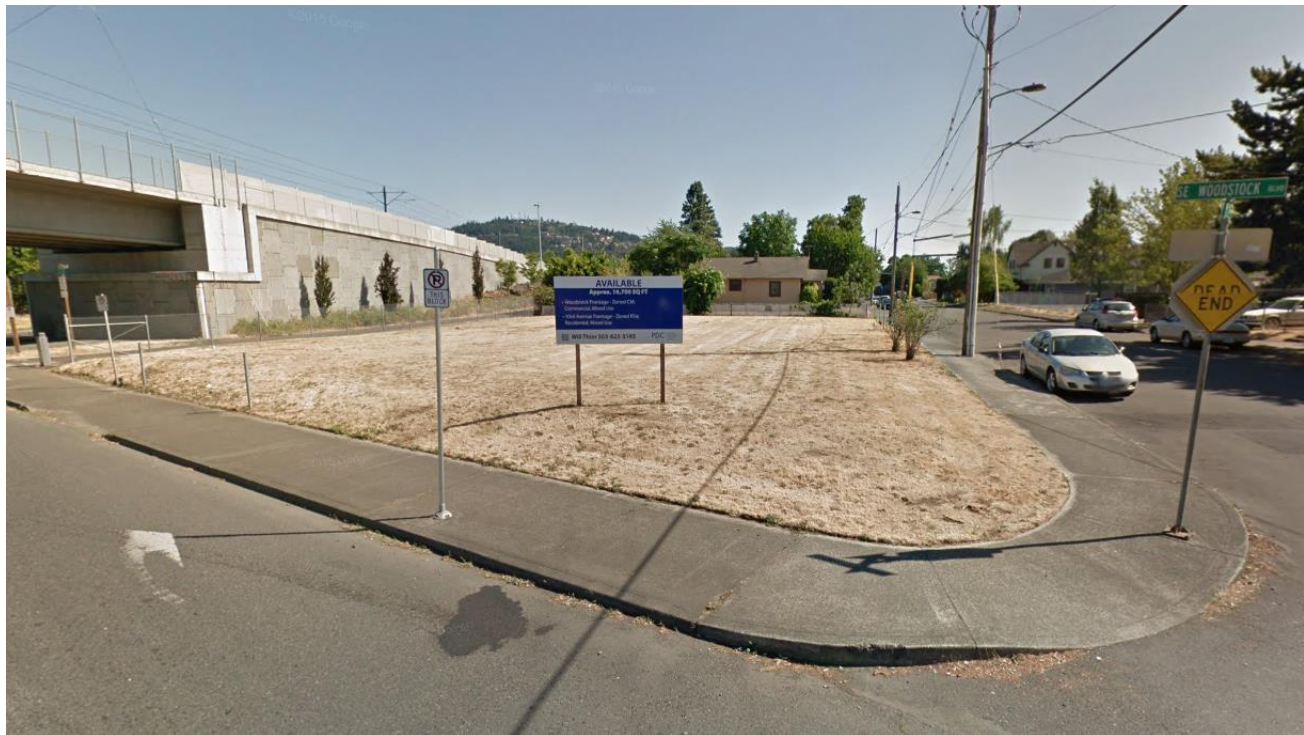
ALTERNATIVE ACTIONS

The PDC Board may elect to specify alternative terms or reject the proposal in its entirety and direct staff to discontinue the disposition process.

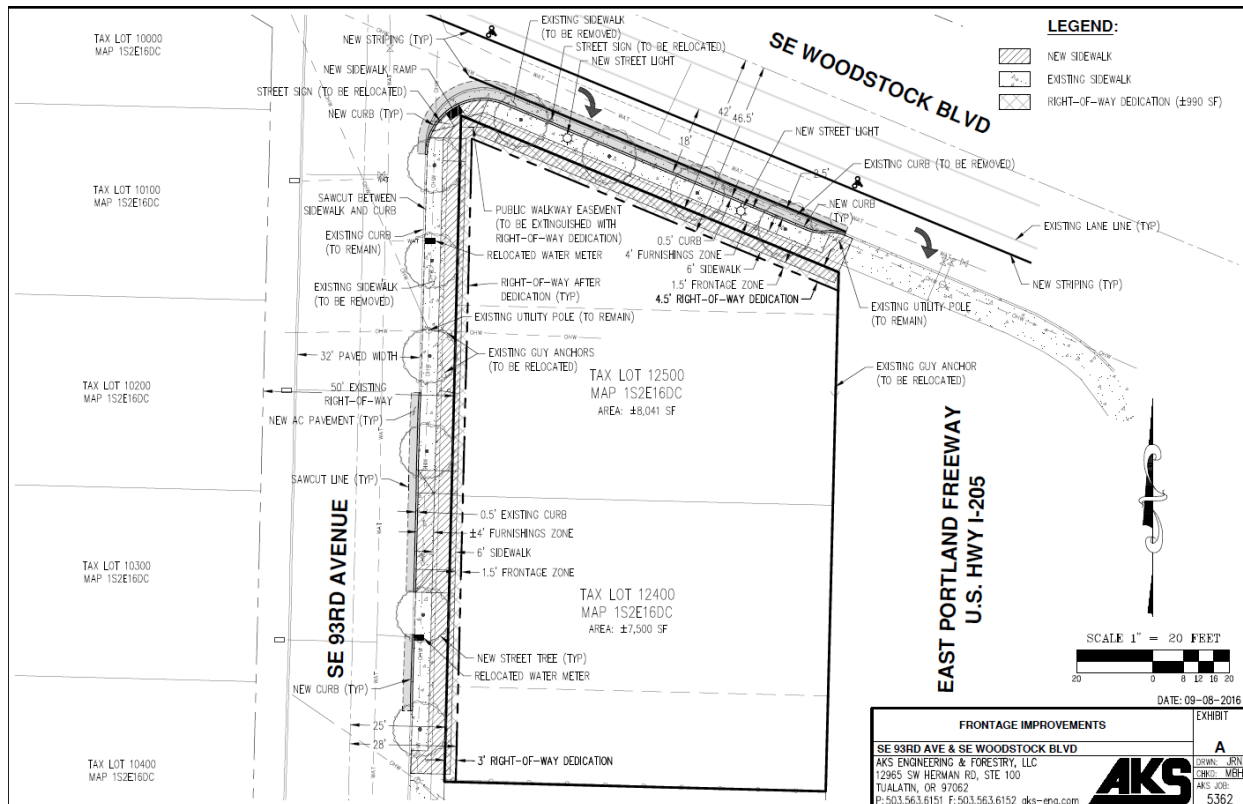
ATTACHMENTS

- A. Aerial and Property Photos
- B. Drawing of Streetscape Improvements and Right-of-Way Dedication
- C. Lents Town Center URA Financial Summary

Aerial and Property Photos



Drawing of Streetscape Improvements and ROW Dedication



Lents Town Center URA Financial Summary

**Financial Summary
 Five-Year Forecast**

Lents Town Center 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	18,589,745	17,066,817	249,609	4,057,406	5,500,042	19,567,946
Revenue						
Fees and Charges	50,300	31,211	31,462	3,539	4,107	3,390
Interest on Investments	61,040	51,118	665	1,607	8,938	72,951
Loan Collections	209,149	122,117	172,490	187,830	301,365	158,002
TIF - Short Term Debt	9,990,000	9,990,000	10,989,000	10,087,961	10,304,003	-
TIF - Long Term Debt	0	6,700,000	26,000,000	-	11,989,114	-
Property Sales	0	1,203,000	180,000	-	1,345,000	-
Rent and Property Income	61,025	109,545	58,874	58,874	2	1
Reimbursements	82,500	73,056	81,593	81,593	81,593	81,593
Total Revenue	10,454,014	18,280,047	37,514,084	10,421,404	24,034,122	315,937
Total Resources	29,043,759	35,346,864	37,763,693	14,478,810	29,534,164	19,883,883
Requirements						
Administration						
A00029-Debt Management-LTC	19,327	20,000	20,000	20,000	20,000	20,000
Administration Total	19,327	20,000	20,000	20,000	20,000	20,000
Economic Development						
Traded Sector						
A00113-Business Development-LTC	20,000	20,000	20,000	20,000	20,000	20,000
A00380-Lean Manufacturing-LTC	30,000	30,000	30,000	30,000	30,000	30,000
Community Economic Development						
A00121-Community Development-LTC	50,000	50,000	50,000	50,000	50,000	50,000
Business Lending						
A00208-BL -General-LTC	700,100	700,300	700,300	700,300	700,300	300,300
Economic Development Total	800,100	800,300	800,300	800,300	800,300	400,300
Housing						
A00159-Home Repair Projects-LTC	500,000	-	-	-	-	-
A00161-Home Buyer Assistance-LTC	500,000	-	-	-	-	-
A00170-Affordable Housing-LTC	202,475	11,953,402	13,571,255	3,280,913	4,165,000	4,371,849
A00180-PHB Staff & Admin-LTC	592,365	-	-	-	-	-
Housing Total	1,794,840	11,953,402	13,571,255	3,280,913	4,165,000	4,371,849
Infrastructure						
Parks						
A00239-Walker Stadium-LTC	200,000	-	-	-	-	-
A00240-Leach Botanical Grdns-LTC	41,334	1,890,989	-	-	-	-
Transportation						
A00243-Foster-52nd to 82nd-LTC	740,000	1,200,000	-	-	-	-
A00244-Lents Entryway-LTC	12,641	-	-	-	-	-
Infrastructure Total	993,975	3,090,989	-	-	-	-
Property Redevelopment						
Real Estate						
A00325-Lents Little Lge Fld-LTC	7,375	7,500	7,500	7,500	7,500	-
A00326-Bakery Block-LTC	290,787	106,000	95,937	95,937	95,937	95,937
A00327-LTC II Parking Lot-LTC	7,840	8,200	8,200	8,200	8,200	-
A00328-MetroAuto Whisl WLot-LTC	66,620	9,500	9,500	-	-	-
A00329-MetroAuto Bldg & Lot-LTC	351	50	50	50	50	50
A00330-ArchctIronPrdctBldg-LTC	212,100	12,100	12,100	12,100	12,100	-
A00332-Real Estate Mgmt-LTC	69,883	33,000	33,000	33,000	33,000	33,000
Commercial Property Lending						
A00365-CPRL-General-LTC	4,502,000	15,515,000	15,515,000	1,001,000	1,001,000	1,001,000
Redevelopment Strategy						
A00323-LTC Town Ctr Redev-LTC	100,000	-	-	-	-	-
A00331-Project Development-LTC	100,000	200,000	150,000	150,000	150,000	150,000
Redevelopment Grants						
A00130-CLG-General-LTC	450,000	250,000	250,000	250,000	250,000	250,000
A00137-DOS-General-LTC	75,000	150,000	150,000	150,000	150,000	150,000

**Financial Summary
 Five-Year Forecast**

<u>Lents Town Center URA Fund</u>	<u>Revised FY 2015-16</u>	<u>Adopted FY 2016-17</u>	<u>Forecast FY 2017-18</u>	<u>Forecast FY 2018-19</u>	<u>Forecast FY 2019-20</u>	<u>Forecast FY 2020-21</u>
A00145-SIP-General-LTC	300,000	600,000	600,000	600,000	600,000	600,000
A00149-GFGP-General-LTC	125,000	125,000	125,000	125,000	125,000	125,000
Property Redevelopment Total	6,306,956	17,016,350	16,956,287	2,432,787	2,432,787	2,404,987
Total Program Expenditures	9,915,198	32,881,041	31,347,842	6,534,000	7,418,087	7,197,136
Personnel Services	561,370	391,560	350,902	358,630	371,576	379,379
Total Fund Expenditures	10,476,568	33,272,601	31,698,744	6,892,630	7,789,663	7,576,515
Interfund Transfers - Indirect Charges	1,500,374	1,824,654	2,007,543	2,086,138	2,176,555	2,239,541
Contingency	17,066,817	249,609	4,057,406	5,500,042	19,567,946	10,067,827
Total Fund Requirements	29,043,759	35,346,864	37,763,693	14,478,810	29,534,164	19,883,883