

DATE: February 8, 2017
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-06
Update on Centennial Mills and Request for PDC Board Recommendation on Next Steps

BOARD ACTION REQUESTED

No action is requested; information only.

SUMMARY

At the February 8, 2017 Portland Development Commission (PDC) Board of Commissioners (Board) meeting, staff will provide an update on the status of selective demolition of Centennial Mills (Project), a PDC-owned property located on NW Naito Parkway in the River District Urban Renewal Area (see a site map in Attachment A). Staff will also present two scenarios for redevelopment of the site: one scenario would entail partial site redevelopment and allow for the Portland Police Bureau's (PPB) Mounted Patrol Unit (MPU) to reoccupy existing buildings on site; the other scenario would entail full site redevelopment. Both scenarios would maintain the Flour Mill building on site. Staff will discuss the feasibility of these options and request that the PDC Board recommend a preferred option to the Portland City Council (City Council).

BACKGROUND

In 2000, PDC acquired the Property for the purposes of creating access to and open space on the Willamette River. In 2004, PDC proposed to demolish most of the buildings on the site; however, based on public response, then-Mayor Tom Potter directed PDC not to proceed with demolition, and the Portland City Council instructed PDC to initiate a framework plan process for the site. The resulting 2006 Centennial Mills Framework Plan established five key redevelopment principles:

1. Provide Open Space
2. Capture History
3. Define a Community Focal Point
4. Strengthen Connections
5. Embrace Sustainability

Selective Demolition

Given the rapid and dangerous deteriorating condition of the Property, in July 2015 the PDC Board, through Resolution No. 7137, authorized a multi-part contract to demolish selected buildings at the site. The PDC Board subsequently approved Resolutions Nos. 7177 and 7208 in order to complete the selective demolition. The total approved guaranteed maximum price for the demolition is \$14,276,705. Since July 2015, the following major tasks have been completed:

- Demolition of 10 buildings
- Over 27,000 working hours with no safety incidents

- Salvage and recycling of more than 300,000 board feet of timber and more than 500 tons of scrap metals
- Identification and consolidation of historical artifacts for safekeeping per State Historic Preservation Office Memorandum of Agreement
- Repairs to fire/life/safety system, roof, and weatherproofing of Flour Mill building
- Significant abatement of lead-based paints and other hazardous materials
- Significant cleanup of Willamette riverbank, resulting in commendation letter from Oregon Department of Environmental Quality

Total actual costs upon completion next month will be approximately \$11,590,000. This will constitute a contract savings of over \$2,600,000.

Redevelopment Options

Staff has worked with GBD Architects, KPFF, and R&H Construction to craft redevelopment options for the site. Site plans, programming, and design are developed to sufficient detail to support sound cost and operating assumptions. The two most distinct options are 1) partial site redevelopment with the MPU reoccupying existing buildings, and 2) full site redevelopment,

Partial Site Redevelopment. If PDC were to sign a lease with the MPU, approximately two-thirds of the site would not be available for redevelopment. New development would consist of incorporating the existing Flour Mill into a mixed-use project at the northern end of the site. The integrated mixed-use building would be approximately 97,000 SF with 97 parking stalls. As in the full site option, the Flour Mill would be converted into 20,000 SF of creative office with an additional 7,000 SF of commercial ground-floor space. The remainder of the program would consist of 85 residential units, ranging in size from 600 to 1,200 SF. The project would provide a public access easement to reach the greenway path. The total cost (excluding land) to develop the project is estimated to be \$58,200,000 with an annual NOI of \$2,500,000. Staff estimates that this would result in a financial gap of approximately \$5,200,000 which could be funded out of the remaining Project budget. The partial site redevelopment concept would likely generate approximately \$350,000 in annual real estate taxes. Finally, the MPU lease of the remaining buildings would transfer an average of \$99,000 per year from PPB to PDC over a proposed five-year lease term.

Full Site Redevelopment. The full site option provides 400,000 square feet (SF) of ground-up development with approximately 325 below-grade parking stalls. This program envisions more than 20,000 SF of creative office space located in the renovated Flour Mill, with another nearly 17,000 SF of commercial ground-floor space distributed across three separate buildings. The majority of the program consists of 426 residential units, with sizes ranging between 600 and 1,200 SF. The full site option also incorporates two open space areas of approximately 10,000 SF each that would provide access to the greenway path. The total cost (exclusive of land) to develop the full site and greenway is estimated to be \$163,100,000 and would produce approximately \$8,000,000 in annual Net Operating Income (NOI). Staff estimates that this program could support a residual land value between \$9,000,000 and \$10,000,000. In addition, the full site redevelopment concept would likely generate approximately \$2,000,000 in annual real estate taxes.

River District URA Budget

The total Project budget from fiscal year (FY) 2014-15 through FY 2016-17 is \$20,000,000 (see Attachment B). Total projected hard cost demolition expenditures are \$11,590,575. After accounting for \$2,722,890 of other spent and anticipated project costs, staff anticipates a balance of \$5,686,535

remaining budget for the Project. Future improvements may include greenway, public realm, and/or Flour Mill preservation requirements.

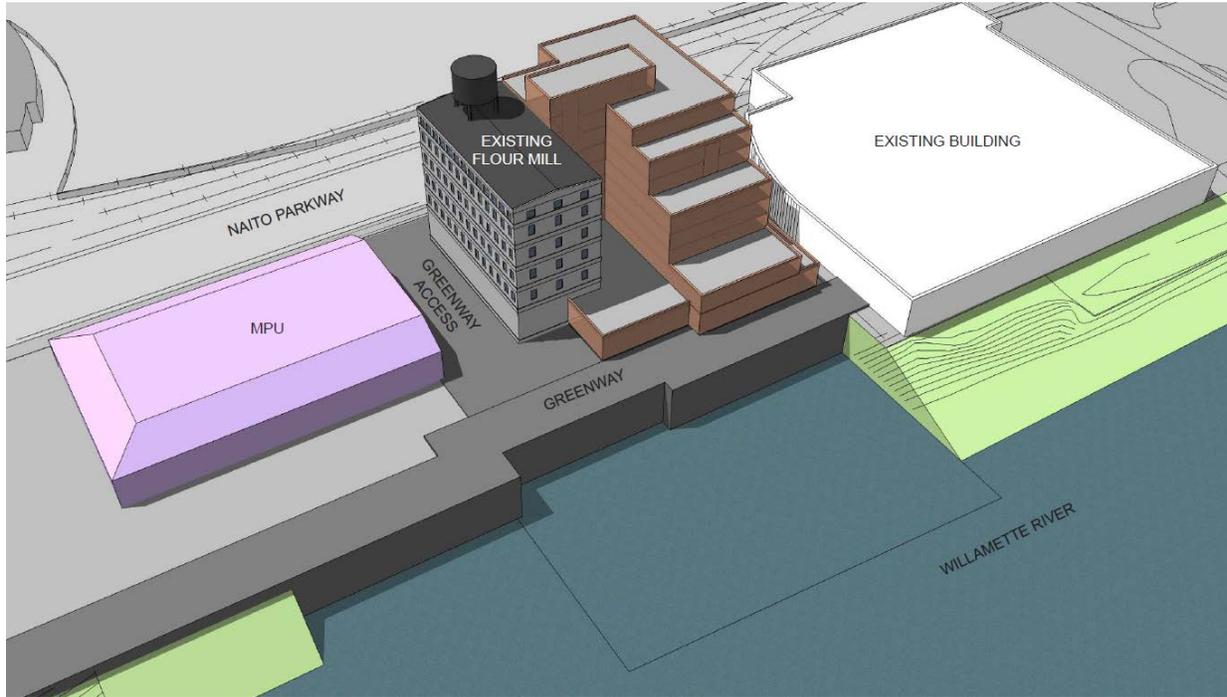
Next Steps

Staff will present these redevelopment options, along with the PDC Board's recommendation, to Portland City Council in March 2017.

ATTACHMENTS

- A. Property Aerial
- B. Partial Site and Full Site Redevelopment Options
- C. FY 2015-16 River District URA Adopted Budget

Partial Site Redevelopment



Full Site Redevelopment



River District URA Fiscal Year 2016/17 Budget

**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