

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7216

AUTHORIZING THE ACQUISITION OF 2.19 ACRES OF REAL PROPERTY AND A LEASE FOR 2.18 ACRES OF REAL PROPERTY LOCATED ON SE WATER AVENUE BETWEEN SE TAYLOR AND SE MADISON STREETS IN THE CENTRAL EASTSIDE URBAN RENEWAL AREA FROM THE OREGON DEPARTMENT OF TRANSPORTATION

WHEREAS, the Portland Development Commission (“PDC”) is undertaking the Central Eastside Urban Renewal Plan, adopted August 1996, and subsequently amended (the “Plan”);

WHEREAS, acquisition and redevelopment of the three full blocks of property owned by the Oregon Department of Transportation (“ODOT Blocks”) on SE Water Avenue in the Central Eastside Urban Renewal Area has long been envisioned by the general public, elected officials, and adopted land use and development plans as an important and strategic redevelopment site in Portland’s central city;

WHEREAS, ODOT listed the eastern parcels of the ODOT Blocks as surplus in May 2014;

WHEREAS, PDC responded in June 2014 on behalf of the City of Portland with the intention to redevelop the ODOT Blocks through a public/private development partnership and achieve public goals, including increasing job density within the Central Eastside; adding to the City’s supply of industrial and commercial space; providing an opportunity for affordable space; and constructing structured parking to support additional growth in an area that has experienced significant employment growth and has a constrained parking supply;

WHEREAS, ODOT leases the western parcels of the ODOT Blocks for non-permanent uses and PDC intends to lease these parcels to provide surface parking;

WHEREAS, PDC and ODOT have negotiated a term sheet of the key terms of a Bid and Sale Agreement (“Sale Agreement”) which are reflected in Exhibit A for PDC to acquire the eastern parcels of the ODOT Blocks for a purchase price of \$2,845,000;

WHEREAS, PDC and ODOT have negotiated a term sheet of the key terms of a Lease Agreement (“Lease Agreement”) which are reflected in Exhibit B for PDC to lease the western parcels of the ODOT Blocks for a twenty-year term with two options to extend for ten years each;

NOW, THEREFORE, BE IT RESOLVED, that the PDC Board authorizes the Executive Director to execute a Sale Agreement, in substantial accord with the terms and conditions reflected in Exhibit A, subject to certain conditions;

BE IT FURTHER RESOLVED, that the PDC Board authorizes the Executive Director to execute a Lease Agreement, in substantial accord with the terms and conditions reflected in Exhibit B, subject to certain conditions;

BE IT FURTHER RESOLVED, that the Executive Director may approve changes to the Agreements, if such changes do not materially increase PDC's obligations or risks, as determined by the Executive Director in consultation with PDC's General Counsel; and

BE IT FURTHER RESOLVED, that this resolution shall become effective immediately upon its adoption.

**ODOT Blocks – Purchased Parcels
Term Sheet**

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|------------------|---|---------------------------|
| Property: | North: SE Water Ave between SE Taylor St and SE Salmon St | 34,800 SF |
| | Center: SE Water Ave between SE Salmon St and SE Main St | 34,800 SF |
| | <u>South: SE Water Ave between SE Main St and SE Madison St</u> | <u>25,600 SF</u> |
| | Total: | 95,200 SF (2.19 acres) |

Owner: Oregon Department of Transportation

Purchaser: Portland Development Commission

Premises: The property is vacant

Bid Amount/Purchase Price: \$2,845,000 (reflecting an agreed reduction to compensate for environmental cost)

Conveyance Form: Bargain and Sale Deed

As-Is: PDC shall take the property as-is following due diligence

Earnest Money Deposit: ODOT will waive the Earnest Money Deposit given the public agency to public agency transaction

Existing Lease: The existing lease on the North Parcel will be terminated upon closing

Closing: Intended for December – January outside.

**ODOT Blocks – Leased Parcels
Term Sheet**

Property: Each parcel will have its own lease, with the same terms

| | |
|---|---------------------------|
| North: SE Water Ave between SE Taylor St and SE Salmon St | 20,635 SF |
| Center: SE Water Ave between SE Salmon St and SE Main St | 31,282 SF |
| South: SE Water Ave between SE Main St and SE Madison St | 43,159 SF |
| <hr/> | |
| Total: | 95,036 SF (2.18 acres) |

Owner/Landlord: Oregon Department of Transportation

Tenant: Portland Development Commission

Use: Interim uses include unimproved surface parking in accordance with City Council Ordinance 187410 waiving Title 33 requirements; storage; and non-permanent structures
Long-term uses include improved surface parking, meeting Title 33 requirements, to serve adjacent development

Term: An initial term of twenty years, with two options to extend for terms of ten years each

Possession Date: Concurrent with closing on the purchased parcels

Rent Commencement Date: Concurrent with closing on the purchased parcels

Rent: An initial rate of \$0.145 per SF per month or \$1.74 per SF per year
No escalation for the first five years followed by an annual 3 percent escalation beginning in year six and continuing through year ten
A Fair Market Value Adjustment (Appraisal) every ten years, beginning in year 11 with an annual three percent escalation each year that does not include a FMV adjustment

Termination: PDC may terminate any one of the leases with 30 days' notice
ODOT termination to be negotiated

Existing Lease: ODOT will terminate an existing parking lease on the northernmost lease parcel.
PDC has the option to enter into a lease with the existing operator