



DATE: November 10, 2021

TO: Board of Commissioners

FROM: Kimberly Branam, Executive Director

SUBJECT: Report Number 21-31

Authorizing the Terms of a Disposition and Development Agreement to Convey Approximately 4.4 Acres of Property in the River District Urban Renewal Area for \$13,000,000 and an Additional \$1,200,000 to the Safeguard Security, Inc. Contract

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7436

At the November 10, 2021, Prosper Portland Board of Commissioners (Board) meeting, staff will request approval of the following two actions that further the redevelopment of the 4.4-acre Centennial Mills property located at 1632 NW Naito Parkway in the River District tax increment finance district (see a Property Aerial in Attachment A and a Property Plan in Attachment B):

1. Authorize the terms of a \$13,000,000 disposition and development agreement with the following entities or a partnership to be comprised of these entities and/or their principals: Handson Equities, LLC (principal: Orlando Montero); Yashari LLC or Emma Corp. (principal: Emanuel Yashari); MLR Ventures, LLC (principal: Tim Ralston); such sale to be consistent with the Summary of Terms and Conditions attached to Resolution No. 7436 as Exhibit A.
2. Authorize the Executive Director to amend a security contract with Safeguard Security, Inc. for services necessary to prevent access to the existing buildings due to challenges in securing the property and the risks posed to human health and safety given existing conditions. The proposed two-year extension and increase of \$1,200,000 of the security contract is consistent with the proposed terms and timelines of the contemplated property disposition.

If approved, these actions by the Prosper Portland Board will not only advance the sale and redevelopment of an underutilized property, they will also ultimately provide critical resources to help support the Broadway Corridor and Old Town investments.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

These actions will fulfill Prosper Portland's strategic objectives of creating healthy complete neighborhoods, leveraging regional assets, and advancing the agency's financial sustainability goals. As noted, this disposition will also provide resources critical to fulfilling other important agency initiatives in the River District.

BACKGROUND AND CONTEXT

Following direction from the Portland City Council (City Council), on February 17, 2000, the Prosper Portland Board through Resolution No. 5397 authorized the purchase of Centennial Mills for the purposes of creating open space and access to the Willamette River. In 2004, Prosper Portland proposed demolishing all the buildings on the site to facilitate development of a park; however, based on public response, the City Council through Resolution No. 36320 instructed Prosper Portland to redevelop the property rather than demolish the buildings for a park purpose. It also directed Prosper Portland to develop a plan for future redevelopment; the resulting Centennial Mills Framework Plan (Framework Plan), was adopted by the Prosper Portland Board through Resolution No. 6422 on December 13, 2006.

Prosper Portland's best efforts over the past 15 years to further the redevelopment of Centennial Mills, in alignment with the strategic guidance and requirements governing the property have been unsuccessful. These efforts include pursuing negotiations from 2007 to 2019 with three prospective developers (LAB Holdings, Harsch Investment, and Lynd Opportunity Partners) and a call for "best and final offers" from three short-listed parties in spring of 2021, which did not result in a viable offer. A more detailed summary of historical actions leading to this proposed action is included as Attachment C.

In early 2021, following multiple attempts to solicit interest and negotiate the terms of disposition and development of the property and with consideration of the significant property management expense and risk, staff reinstated direct marketing efforts through broker Capacity Commercial. Of particular importance, staff also obtained confirmation of 1) an expedited solicitation and modified evaluation process, including the utilization of internal and Capacity Commercial's expertise; 2) modified development criteria; and 3) acknowledgment of the potential need for an accelerated negotiation and closing timeline.

The renewed marketing efforts and terms resulted in four offers, of which the buyer's offer is being recommended as the most viable. Staff, in consultation with Capacity Commercial and Prosper Portland's internal Committee for Accountability of Finance and Equity, believe the proposed terms and timeline to close on the property are reasonable due to the site's complexity. The buyer is also uniquely positioned relative to the other offers due to demonstrated experience in waterfront development within the immediate vicinity including the River North project located to the north of Centennial Mills which includes a combination of townhomes, condominiums, and apartments. The buyer is also uniquely positioned relative to the other offers due to demonstrated experience in waterfront development within the immediate vicinity, including the River North project located to the north of Centennial Mills which includes a combination of townhomes, condominiums, and apartments.

Over the past several years Prosper Portland has invested in site development including demolition of substantial portions of the buildings and wharf; accommodating the retention of the Mounted Patrol Unit (which has since been dissolved); environmental remediation; pre-development loans and grants; property management; and holding costs. Property management and security at Centennial Mills are challenging due to its proximity to the water and the Willamette River Greenway Trail, both accessible by the public with easy entry onto the property. The Flour Mill is in disrepair, making it difficult to secure and thereby allowing access to the rooftop and water tower. Significant break-ins and damage to the site have occurred, and tenants have had materials and equipment damaged. To better ensure the safety of the buildings and tenants, and mitigate the risk of liability, 24/7 on-site security has been procured; annual property management costs are estimated at \$450,000.

Continuing to hold this property without proceeds from a land sale is now coming at the expense of other strategic priorities – as well as increasing risks associated with the safety and security of the property. The sale and development of the property is anticipated to result in:

- Land sale proceeds of \$13,000,000
- A reduction in ongoing property management and security obligations, costs, and risks
- Furthering the vision of the Centennial Mills Framework Plan, including:
 - Mixed use development of the property within 10 years
 - Greenway trail constructed the full length of the property within the 50-foot greenway setback, with pedestrian accessways connecting NW Naito Parkway to the greenway trail (as required by code)
 - Historical artifact displays to be incorporated into the greenway trail and overall development concept (as required by the Memorandum of Agreement with the State Historic Preservation Office)
- Fulfillment of any Inclusionary Housing requirements on-site (in comparison to off-site or fee in-lieu-of payments)
- Compliance with Prosper Portland’s Construction Business and Workforce Equity and Green Building policies
- Potential salvage of building materials in future development

EQUITY IMPACT

There are several notable equity impacts from this action. As noted, the Construction Business and Workforce Equity Policy will apply to future redevelopment, ensuring equitable contracting and workforce opportunities. In addition, the sale will provide financial resources available for other strategic priorities within the district that are furthering the agency’s equity goals – most notably Broadway Corridor and Old Town.

In addition, redevelopment of the Centennial Mills site will extend the greenway trail and riverbank setback, enabling greater public connection to the Willamette River; provide interpretive panels highlighting the history of the site; and be subject to the City of Portland’s Inclusionary Housing Policy, requiring 10 to 20 percent of any new residential units be restricted to households with incomes below 60 to 80 percent area median income. If any residential units are built as part of the buyer’s project, these required affordable units will required to be provided on site.

COMMUNITY PARTICIPATION AND FEEDBACK

Prosper Portland staff has conducted extensive community engagement over the past 15 years, including creating the Centennial Mills Framework Plan; providing periodic updates to the Pearl District Neighborhood Association; convening advisory committees to inform the selection of prospective development partners; and updating the Portland Landmarks Commission.

Given the site’s location and complexity, there are many project stakeholders, including the Pearl District Neighborhood Association, Restore Oregon, adjacent residents, and numerous public agencies including Portland Bureau of Environmental Services, Oregon Department of Environmental Quality, U.S. Army Corps of Engineers, Oregon State Historic Preservation Office, Portland Historic Landmarks Commission, and Portland Design Commission. Stakeholder concerns have included input regarding the prior demolition of a portion of the mill structure due to dangerous conditions, mixed reactions to the potential for the Flour Mill to be demolished or retained (potentially at the expense of other opportunities), and preferences for other site improvements such as setbacks from adjacent development and wide pedestrian accessways to extend from NW 9th Avenue to the greenway.

Additional opportunities for public engagement are anticipated during the buyer’s design and feasibility process including the City of Portland’s land use and design review permitting process.

BUDGET AND FINANCIAL INFORMATION

The Adopted River District fiscal year (FY) 2021-22 budget and forecast (see Attachment C) includes funding to complete outstanding environmental mitigation work related to Tanner Creek and general property management and maintenance through FY 2022-23. In a forthcoming budget amendment, staff will recommend the inclusion of funds for an additional year of property management expenses and \$1,000,000 for necessary removal or cutting of existing pilings that previously supported the historic wharf structure.

Prosper Portland will complete the removal or cutting of the piles within lands leased from the Division of State Lands (DSL) separately from the sale of the property in order to reduce risk and potential regulatory hurdles – and out of recognition that the DSL-leased lands are not necessary for redevelopment.

Balancing the River District budget and maintaining financial commitments associated with Broadway Corridor and Old Town is highly dependent on revenue from the sale of Centennial Mills in a timely manner.

RISK ASSESSMENT

The primary risk is failure to successfully engage a capable, experienced development partner and structure a disposition and development agreement in a manner that will lead to successful redevelopment of the property. As noted, Prosper Portland's ability to fulfill financial commitment in Broadway Corridor and Old Town is dependent on revenue from the sale of the property. Additionally, in the event Prosper Portland is not able to successfully convey the property to a development partner, Prosper Portland will continue to incur significant property management, maintenance, safety, and security costs and risk.

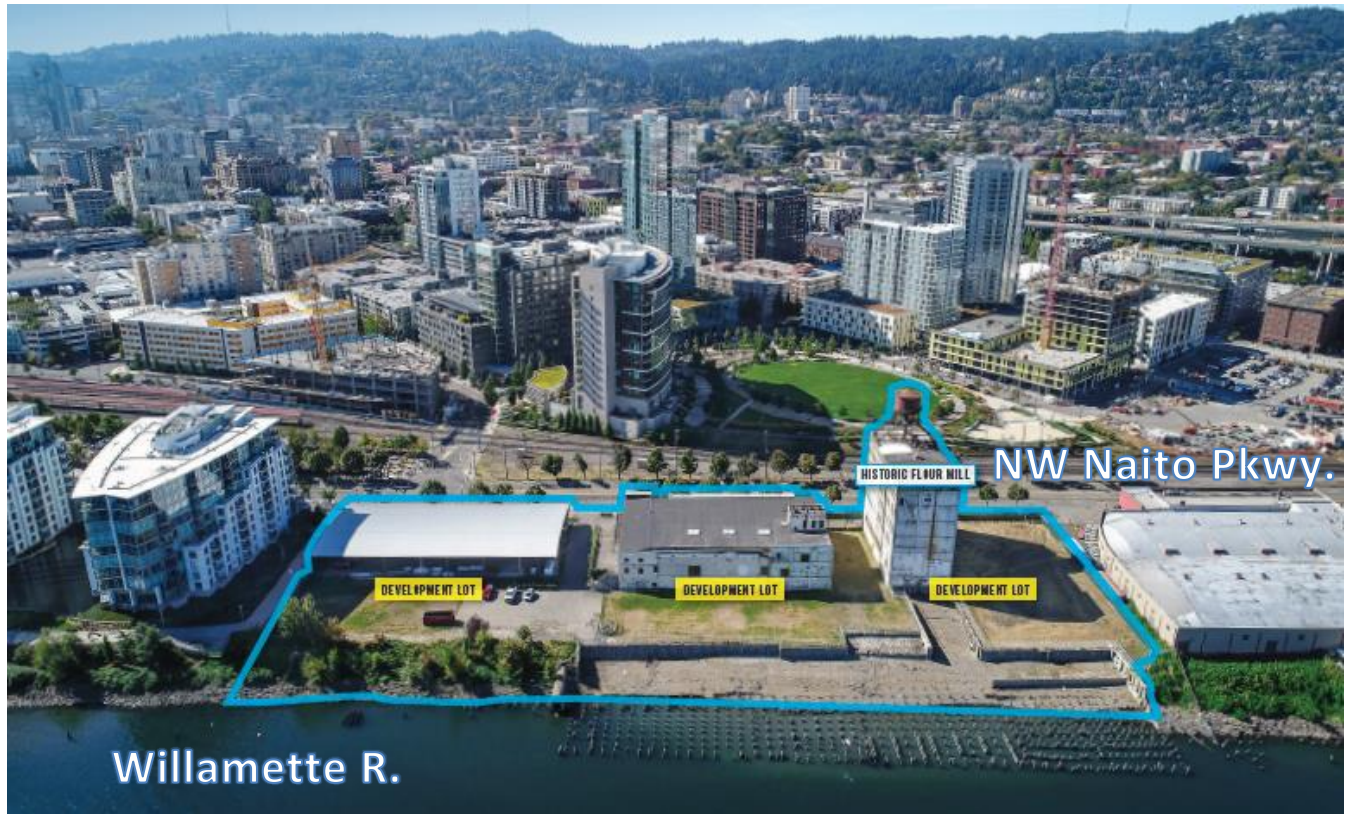
The proposed disposition terms and conditions are structured such that Prosper Portland will not incur additional responsibility or costs for site improvements or environmental remediation.

Lastly, in February 2021 staff elected to remove certain aspects of the project (i.e., not require preservation of the Flour Mill and not utilize a community advisory committee in the evaluation of offers) in order to close on a sale that meets Prosper Portland's financial requirements while minimizing the risk of building community expectations that the agency is able to meet and financially support. While this decision has been shared with key stakeholders, concerns may be expressed by community stakeholders regarding the loosening of these development requirements.

ATTACHMENTS

- A. Property Aerial
- B. Property Plan
- C. Historical Timeline
- D. River District Financial Summary

Property Aerial



Centennial Mills - Property Plan

Thursday, September 12, 2019 5:00 PM

Property Strategic Considerations	
Goals & Objectives	
Acquisition Date & Purpose	<p>June 19, 2000 from ADM Milling, Co.</p> <ul style="list-style-type: none"> Acquired as part of the River District Strategic Investment Plan (City of Portland Resolution 35350) for redevelopment and public uses (Resolution 5397-February 17, 2000)
Property Plan Objective	Development Site / Active
2015-2020 Strategic Plan Objective(s)	Objective 1: Create Healthy, Complete Neighborhoods Throughout Portland (Outcome 1.1: Vibrant Communities & Corridors)
Financial Sustainability Plan Objective	Mission Related Investment - 6%
Equity Objective(s)	<p>Interim: Increase equitable contracting of certified firms</p> <p>Development: Leverage onsite affordable housing; Promote opportunity objectives for the Business Equity Program and the Workforce Equity Program by promoting contracting and employment opportunities to MWESB business and communities of color</p>
Property Information	
Property Characteristics	
Property Code ¹	330-A00288
Property Name(s)	Centennial Mills
Project Name(s)	Centennial Mills
Property Description	Former Flour Mill and Mounted Patrol Unit building and riding area
Address	1362 NW Naito Parkway
RNumber(s)	R141440
Tax Lot Description(s)	COUCHS ADD, BLOCK 318, INC RIP RTS OUT TO HARBOR LN LOT 25-37, SELY 15.79' OF LOT 38
Lot Size	4.4 acres (193,406 sq ft)
Building SF	77,225 sq ft
Neighborhood	
URA	River District
Neighborhood	Pearl District
NMTC Census Tract	Census Tract 51
Opportunity Zone	Yes-Severe Distress
Zoning	EX-Central Employment; d-Design Zone; g-River General
Base FAR & Height	2:1 / 100'

Financial Baseline	
Book Value (2017)	\$2,650,000
Real Market Value (2017)	\$13,476,360
Appraised Value	January 9, 2018: \$11,700,000 (Sales Comparison Approach) by R.P. Herman & Associates LLC
Financial Sustainability Plan Cash Flow	(\$56,435) FY 19/20 \$469,616 Ten-year outlook including FY 19/20
Due Diligence	
Alta/As-Built	Yes / Yes
Title Report	February 4, 2010
Title Easements	Sewer Easement-Tanner Creek-Recorded 8/24/1916; Walkway Easement-Waterfront Pearl Condos-Recorded 10/2/2009 # 2009-139372
Site Constraints	Portion of property lies within the 100-year flood plain, and most of the property lies within the 1996 Flood Inundation Zone. Property is located adjacent to the Portland Harbor Superfund Site.
Environmental Documents/Notes	ESA Phase 1: February 1999; ESA Phase 2: October 2008; Phase II ESA Centennial Mills Post-Demolition Sampling: July 10, 2017; Phase I ESA (for Lynd Opportunity Partners): November 21, 2018; Pockets of contaminated or non-clean fill soil remain-developer incremental costs (GASB 49 17/18)
Additional Information	
Historical Background	
Interim Activity Strategy	Manage & maintain the property in a way that minimizes risks and holding costs, while maintaining it in a clean and respectable manner. Work in coordination and consultation with project management staff responsible for implementation of related development plans. Interim uses would include short-term/one-time permits only, on grounds only, like community events, film uses, and construction staging.
Development Goals & Objectives	
Re-Development/Re-Use	
Active/Inactive	Active
Phase of Development (acquisition, community process, predev, disposition, construction)	Predevelopment
Development Concept(s)	Mixed use development with greenway trail. Further concept TBD.
Action Plan / Framework(s)	Centennial Mills Framework Plan
URA / Community Goal(s)	River District URA Plan
Major Consultant Contracts	Brokerage contract with Real Estate Investment Group
Major Milestone(s) & Deadline(s)	Letters of Intent to be received by June 30, 2019; select development partner and enter into MOU by September 30, 2020 for a 6-9 month period; Board to approve DDA by June 2021; property sale in FY 21/22

	Budget Investment of \$1M for Tanner Creek Remediation in FY 19/20
Project Budget	See Fund 330 Budget
Project Manager	Eric Jacobson
Project Team Member(s)	Ember Breckenridge (Property Manager), Colin Polk (Environmental)
Project Sponsor	Amy Edwards
Developer	N/A
Major External Stakeholder(s)	Pearl District Neighborhood Association; Restore Oregon
Major Bureau Partner(s)	BES and BDS
Agency Approvals & Recommendations	
FIC Approval(s)	N/A
Board/Council Approval(s) & Recommendation(s)	N/A
Agreements	
LOI/MOU/DDA/PSA	
Additional Notes	
Project File Document Location	S:\Projects\CC-URAs\RD\Projects\Centennial Mills

Historic Timeline

The following is a list of historical information that led to this action, from past to present:

- December 21, 1994: City Council adopted the River District Strategic Investment Plan which, among other things, called for the acquisition of Centennial Mills for the purpose of removing Centennial Mills and creating a public park and identified a funding strategy to do so (Resolution No. 35350);
- February 17, 2000: Prosper Portland Board authorized the purchase of Centennial Mills for the purpose of creating access to and public park on the Willamette River (Resolution No. 5397);
- December 2000: The U.S. Environmental Protection Agency (EPA) and Oregon Department of Environmental Quality (DEQ) designated the Lower Willamette River between river miles 1.9 and 11.8 as the Portland Harbor Superfund Site as a result of a 1997 study that showed that river sediments in Portland Harbor are contaminated with dichlorodiphenyltrichloroethane (DDT) and other pesticides, polychlorinated biphenyls (PCBs), and petroleum. Centennial Mills is located at the edge of the Portland Harbor Superfund Site.
- May 25, 2005: City Council instructed Prosper Portland to halt plans to demolish Centennial Mills and instead redevelop the property and to work with the Bureau of Planning, citizens, and stakeholders to prepare a plan for future redevelopment (Resolution No. 36320)
- October 11, 2006: City Council accepted the Centennial Mills Framework Plan (Resolution No. 36443);
- December 13, 2006: Prosper Portland Board adopted the Centennial Mills Framework Plan (Resolution No. 6422);
- 2007 – 2016: Prosper Portland solicited for and partnered with private developers Lab Holding and Harsch Investment Properties to analyze and identify redevelopment scenarios;
- December 11, 2014: Prosper Portland Board, acting as the Local Contract Review Board, approved an emergency status and an expedited process for selective demolition of the property's most dangerous buildings due to substantial threat to property, public health, welfare, and safety (Resolution No. 7089);
- July 2015: Prosper Portland Board authorized a multi-phase contract to demolish selected buildings at the site (Resolution No. 7137);
- April 20, 2016 and September 2016: Prosper Portland Board authorized completion of the selective demolition (Resolutions Nos. 7177 and 7208). The Flour Mill, Warehouse E, and Riding Arena were not included in the demolition project and are still present on the site;
- January 6, 2017: The U.S. EPA issued its final cleanup plan (Record of Decision) for the Portland Harbor Superfund Site
- March 22, 2017: City Council accepted Prosper Portland's recommendation to pursue development of the full site, precluding re-occupancy of the remaining buildings by the Police Bureau's Mounted Patrol Unit, directed Prosper Portland to work with partner bureaus and pursue development of the full site that captures full land value and optimizes community benefits in alignment with the Framework Plan, including public access to the river and the greenway, and for Prosper Portland and the Portland Housing Bureau (PHB) to review all options for maximizing the development of housing affordable for people earning between 0% and 60% of median family income and to report their recommendations to Council (Resolution No. 37275);

- April 14, 2017: Prosper Portland entered into a contract with Real Estate Investment Group (REIG) for brokerage services to assist with selecting a development partner, and issued a Call for Offers of December 15, 2017;
- September 13, 2017: Prosper Portland Executive Director Kimberly Branam and PHB Director Kurt Creager provided a letter to City Council in response to Resolution No. 37275 outlining an approach to full development of the site including affordable housing.
- April 22, 2018: Prosper Portland entered into a non-binding Letter of Intent with Lynd Opportunity Partners;
- April 11, 2019: Lynd Opportunity Partners decided to no longer proceed with development of the property;
- June – December 2019: REIG solicited continued interest from the pool of potential development partners who had responded to the December 2017 Call for Offers, and received unsolicited interest from additional parties;
- January – March 2020: Prosper Portland staff conducted initial interviews with eight potential development partners.
- May 2020: Café recommended and the Executive Director approved shortlisting three developers: AJ Capital, Greystar, and Foundation Real Estate Development / Hake Development.
- February 2021: Prosper Portland Leadership provided direction to maximize financial return; remove the firm requirement for preservation of the Flour Mill; and utilize brokerage and internal expertise to evaluate “best and final offers” from the short-listed candidates.
- April – May 2021: Prosper Portland sought “best and final offers” from the short-listed candidates which did not result in a viable offer
- June 2021: CAFÉ authorized re-initiating Direct Marketing efforts with the intent of a streamlined evaluation process and modified development requirements.

River District Financial Summary

Financial Summary Five-Year Forecast

River District URA Fund	Revised 4 FY 2020-21	Adopted FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
Resources						
Beginning Fund Balance	72,237,857	58,598,141	7,003,308	3,887,162	2,275,956	869,628
Revenue						
Fees and Charges	3,578	3,616	2,110	-	-	-
Grants - Federal except HCD	500,000	-	-	-	-	-
Interest on Investments	975,375	470,737	95,475	-	-	-
Loan Collections	361,560	502,065	562,281	543,408	5,833,662	42,083
TIF - Short Term Debt	11,140,985	-	-	-	-	-
Property Sales	0	-	8,000,000	6,000,000	-	-
Rent and Property Income	1,477,623	2,014,997	2,446,726	2,576,789	2,699,728	2,866,614
Reimbursements	90,000	13,687	14,098	14,521	14,956	15,405
Transfers In	69,951,421	-	-	-	-	-
Total Revenue	84,500,542	3,005,102	11,120,690	9,134,718	8,548,346	2,924,102
Total Resources	156,738,399	61,603,243	18,123,998	13,021,880	6,272,390	2,054,474
Requirements						
Administration						
A00025-Debt Management-RVD	637,275	1,033,098	33,098	33,098	33,098	-
Administration Total	637,275	1,033,098	33,098	33,098	33,098	-
Housing						
A00166-Affordable Housing-RVD	2,336,007	9,366,715	5,876,228	-	-	-
Housing Total	2,336,007	9,366,715	5,876,228	-	-	-
Infrastructure						
Public Facilities						
A00483-Union Station Grant-RVD	50,000	-	-	-	-	-
Infrastructure Total	50,000	-	-	-	-	-
Property Redevelopment						
Real Estate Management						
A00276-Post Office-RVD	1,174,400	777,923	644,923	544,923	459,923	459,923
A00278-4th and Burnside-RVD	23,525	34,558	34,558	34,558	9,000	9,000
A00285-Block Y-RVD	89,860	86,493	88,267	90,128	91,778	93,496
A00286-Union Station-RVD	1,502,232	1,684,650	1,739,184	1,798,287	1,858,081	1,919,944
A00288-Centennial Mills-RVD	488,930	416,264	466,932	9,000	9,000	9,000
A00290-Station Place Prkng-RVD	538,797	807,661	649,082	671,074	680,313	694,552
A00291-Block R-RVD	15,347	34,128	34,734	35,371	36,008	36,645
A00292-One Waterfront North-RVD	20,661	9,000	9,000	9,000	19,652	19,652
A00293-Old Fire Station Mgmt-RVD	475,803	280,685	-	-	-	-
A00558-RD Small Lots - 9th & Naito-RVD	7,875	17,269	17,682	18,116	18,572	19,028
A00587-Block 25-RVD	98,887	35,054	35,054	35,054	-	-
Real Estate Predevelopment						
A00276-Post Office-RVD	10,283,782	22,660,000	55,000	7,957,000	-	-
A00278-4th and Burnside-RVD	105,000	5,000	5,000	5,000	-	-
A00587-Block 25-RVD	75,000	-	-	-	-	-
A00620-Post Office Grant-RVD	575,800	-	-	-	-	-
Real Estate Disposition						
A00288-Centennial Mills-RVD	200,000	300,000	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	105,000	905,000	5,000	5,000	-	-
Redevelopment Strategy						
A00038-Superfund-RVD	436,360	382,320	46,080	79,200	79,200	-
A00279-Broadway Corridor-RVD	229,000	-	-	-	-	-
A00517-OT/CT Investment & Parking-RVD	2,500,000	10,951,177	-	-	-	-
Redevelopment Grants						
A00390-CLG-General-RVD	550,000	100,000	100,000	100,000	-	-
A00497-Prosperity Investment Program (PIP) Grant-RVD	300,000	150,000	150,000	150,000	-	-
Property Redevelopment Total	19,796,259	39,637,182	4,080,496	11,541,711	3,261,527	3,261,240
Total Program Expenditures	22,819,541	50,036,995	9,989,822	11,574,809	3,294,625	3,261,240
Personnel Services	753,491	1,298,302	1,170,243	1,036,067	1,082,282	482,057
Total Fund Expenditures	23,573,032	51,335,297	11,160,065	12,610,876	4,376,907	3,743,297
Interfund Transfers - Indirect Charges	4,365,834	3,264,637	3,076,771	2,686,960	2,765,112	1,606,550
Interfund Transfers - Cash Transfers	70,201,392	-	-	-	-	-
Contingency	58,598,141	7,003,308	3,887,162	(2,275,956)	(869,628.00)	(3,295,373)
Total Fund Requirements	156,738,399	61,603,243	18,123,998	13,021,880	6,272,390	2,054,474