

DATE: September 13, 2013
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 13-36
Authorizing an Easement Agreement and Lot Line Adjustment Agreement with StarTerra, LLC, to Acquire and Convey 3,240 Square Feet of Real Property in the Oregon Convention Center Urban Renewal Area

BOARD ACTION REQUESTED

Adopt Resolution No. 7024

ACTION DESCRIPTION

This action will authorize the Executive Director to execute an Easement Agreement and Lot Line Adjustment Agreement between the Portland Development Commission (PDC) and StarTerra, LLC, (StarTerra). The agreements will (1) grant to StarTerra a permanent access easement to provide for the construction and use of a private street, and (2) require StarTerra to adjust the common lot lines between properties owned by PDC and StarTerra in order to transfer in fee the Easement Agreement property to StarTerra, which will in exchange transfer to PDC in fee a comparable strip of property to the west of the PDC Property. See visual depiction of the properties in Attachment A.

BACKGROUND AND CONTEXT

The PDC acquired the 13,500 square foot (SF) Block 47 (PDC Property) in 1991 as the first step toward gaining site control of several blocks for a convention center hotel. PDC was unable to secure control of the adjoining properties and subsequently pursued development of a convention center hotel on the PDC-owned Blocks 43 and 26. Those efforts were unsuccessful. Given the high visibility of the location, PDC installed public art landscaping on the PDC Property intended to be temporary in nature and removed upon future redevelopment.

In 2005, StarTerra began acquiring the property adjacent to the PDC Property and, as of 2013, StarTerra owns or has an option to purchase the 2.61 acres adjacent to the PDC Property (StarTerra Property). In 2008, PDC and StarTerra entered into a Disposition and Development Agreement (DDA) which called for StarTerra to acquire the PDC Property and pursue a mixed-use project on the combined properties. The project did not come to fruition and the DDA expired by its terms, with PDC retaining title to the PDC Property.

Although the DDA expired, StarTerra has continued to pursue a mixed-use development on its own property. In 2012, StarTerra entered into a Purchase and Sale Agreement to sell a portion of the StarTerra Property to Rembold Companies to develop a six-story, mixed-use building with 186 residential units (Block A Apartments). Also in 2012, StarTerra teamed with Mortenson Development to pursue development of a convention center hotel on the StarTerra Property in response to a Request for Proposals issued by Metro in May 2012.

In order to construct and provide access to the Block A Apartments, StarTerra desires to acquire rights to the northern portion of the PDC Property (see Attachment B). Given the time requirements of the Block A Apartment Project, StarTerra needs immediate access to this northern strip to provide construction access, and thereafter needs assurances that the owners of the Block A Apartments have permanent access rights over this strip. PDC is willing to provide such access rights in exchange for an agreement to transfer to PDC, by Lot Line Adjustment, a strip of property of comparable size to the west of the PDC Property. The proposed lot line adjustment will shift the northern lot line of the PDC Property approximately 36 feet to the south and the western lot line of the PDC Property approximately 28.42 feet to the west. As a result of the line adjustment, PDC will convey 3,240 SF of the PDC Property to StarTerra at the northern lot line and PDC will acquire 3,240 SF of the StarTerra Property at the western lot line. The configuration of the PDC Property will change slightly, from 90 feet in width by 150 feet in length, to 118.42 feet in width by 114 feet in length, but the size of the parcel will remain unchanged at 13,500 SF.

COMMUNITY AND PUBLIC BENEFIT

Public benefits of executing the Easement and Lot Line Adjustment Agreements include the following:

- The private street will facilitate the construction of the 186-unit Block A Apartment project, which will add a much-needed and desired residential component to the Lloyd District and vicinity of the Oregon Convention Center and Tri-Met MAX light rail service; and
- StarTerra will provide PDC a vehicle and pedestrian access easement to the private street for a future curb cut and driveway serving the PDC Property.

PUBLIC PARTICIPATION AND FEEDBACK

Although this action will not result in development on the PDC Property, this action will facilitate the development of the Block A Apartments and the proposed convention center hotel. Over the past several years, there has been outreach to the community and stakeholders regarding a potential mixed-use development and convention center hotel on the combined PDC and StarTerra Properties. Area stakeholders, including the Lloyd Executive Partnership, Lloyd Transportation Management Association, and Metro have been supportive of efforts to develop a mixed-use project at this location. No direct public participation has taken place regarding the proposed Lot Line Adjustment and Temporary Easement Agreements.

BUDGET AND FINANCIAL INFORMATION

The Oregon Convention Center Urban Renewal Area (OCCURA) fiscal year (FY) 2013-14 Adopted Budget currently includes funds for ongoing ownership and maintenance of the PDC Property (Attachment C). This action will have no significant budget or financial impacts on PDC. The lot line adjustment and design, permitting, and construction of the private street will occur at StarTerra's sole expense. In addition, StarTerra will pay PDC's direct and third-party expenses associated with the transaction up to a maximum of \$50,000.

RISK ASSESSMENT

Entering into these agreements creates the following risks:

1. There is a risk StarTerra will begin construction of the private street on the PDC Property but will be unable to complete the lot line adjustment. If this occurs, StarTerra will be required to make PDC whole by, at PDC's choice, either (a) acquiring the PDC Property at a purchase price determined by an appraisal (without accounting for the access easement encumbrance), or (b)

paying PDC for the reduction in value of the PDC Property caused by the granting of the access easement.

2. There is a risk the 3,240 SF of StarTerra Property to be conveyed to PDC will be environmentally contaminated. This risk is offset by StarTerra agreeing to pay PDC's costs for conducting environmental investigations of the property, and a condition in the Lot Line Adjustment Agreement for StarTerra to not complete or record the lot line adjustment until PDC is satisfied with the environmental condition of the StarTerra Property.
3. There is a risk that PDC will incur costs in excess of \$50,000 in the process of accommodating the lot line adjustment. The agreements require StarTerra to provide a \$25,000 retainer that will be used by PDC to offset staff and third-party costs associated with accommodating the lot line adjustment. PDC will charge costs on a time and materials basis. In the event costs exceed \$25,000, PDC will provide notice to StarTerra to increase the retainer amount along with a budget. PDC staff does not anticipate PDC expenses will exceed \$50,000, and the budget will enable PDC to closely monitor expenses.
4. Given the high visibility of this location, there is a risk the landscaping on the PDC Property will be damaged and that the landscaping on the 3,240 SF of StarTerra Property to be conveyed to PDC will not be of comparable quality. This risk is offset by terms in the agreements requiring StarTerra to minimize damage to the PDC Property, to pay for all maintenance and repair costs, to prepare a landscaping plan to be approved by PDC, and to landscape the property to be conveyed to PDC in a substantially similar way to that of the existing PDC Property. In the event StarTerra does not provide a landscaping plan that is acceptable to and approved by PDC within 120 days of the effective date, PDC will design and install the landscaping improvements at StarTerra's expense.
5. There is a risk that vehicular access to the PDC Property will be compromised by construction of the private street. This risk is offset by a requirement for StarTerra to grant PDC a vehicle and pedestrian access easement to the private street to accommodate construction of a curb cut and driveway serving the PDC Property at a location to be determined by PDC in the future.

ALTERNATIVE ACTIONS

The Board could decide to:

- Not approve the Easement Agreement and/or Lot Line Adjustment Agreement; or
- Direct staff to renegotiate specific terms and conditions.

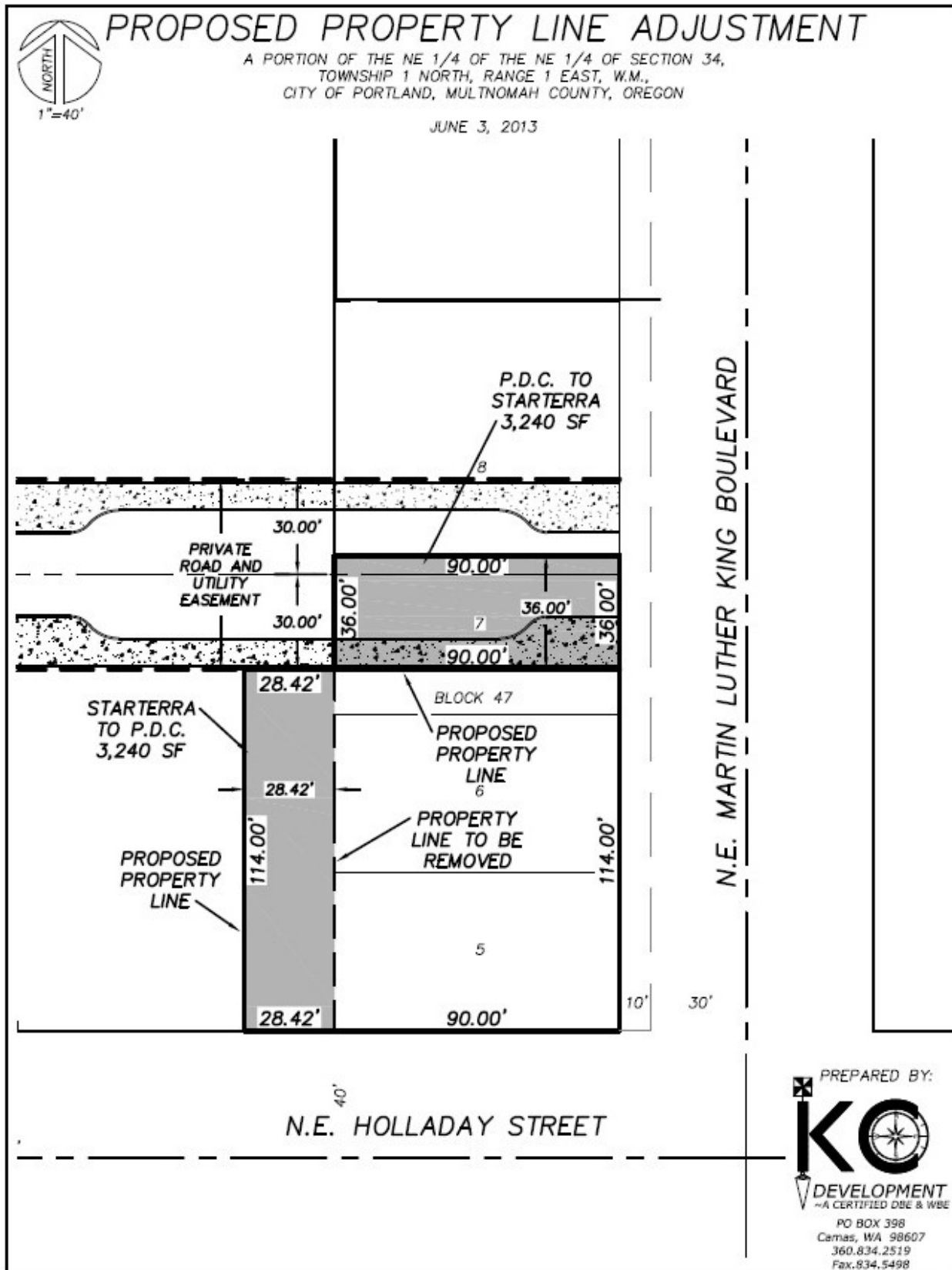
ATTACHMENTS

- A. Project Summary
- B. Map of Proposed Lot Line Adjustment
- C. OCCURA Adopted FY 2012-13 Budget

PROJECT SUMMARY

- Project Name:** Block 47 Lot Line Adjustment and Temporary Easement Agreements
- Description:** 0.31-acre vacant parcel zoned Central Commercial with Design Review Overlay (CXd)
- Location:** Northwest corner of NE Martin Luther King, Jr. Boulevard and NE Holladay Street
- URA:** Oregon Convention Center
- Current Phase:** Lot Line Adjustment
- Next Milestone:** Completion of Lot Line Adjustment
- Completion Target:** March 2014
- Outcome:** Northern and western lot lines of the PDC Property adjusted to facilitate the construction of a private street. PDC will convey 3,240 SF to StarTerra at the northern PDC Property boundary and PDC will acquire 3,240 SF from StarTerra at the western PDC Property boundary. The configuration of the PDC Property will change slightly but the size of the parcel will remain unchanged at 13,500 SF. StarTerra to construct the private street at StarTerra's sole expense.





URA Financial Summary

Five-Year Forecast Program Requirements Detail

	Revised-3 FY 2012-13	Adopted FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
Convention Center URA						
Resources						
Beginning Fund Balance	48,830,180	40,962,864	70,295	1,985,383	7,776,605	8,112,970
Interest on Investments	100,000	50,000	40,000	30,000	20,000	10,000
Loan Collections	400,000	1,252,513	228,839	401,549	321,731	2,198,960
Property Income	1,161,803	1,116,803	6,026,943	6,912,313	553,600	53,600
Reimbursements	119,432	0	0	0	0	0
Total Resources	50,611,415	43,382,180	6,366,077	9,329,245	8,671,936	10,375,530
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101350 Debt Management-CNV	30,044	30,044	30,045	30,045	30,045	30,045
Total Administration	30,044	30,044	30,045	30,045	30,045	30,045
Business Dev						
Business Lending						
L02110350 BIF-Cluster Group-Budget-CNV	0	110,000	125,000	125,000	125,000	125,000
L02100350 BIF-General-CNV	250,000	150,000	150,000	150,000	150,000	150,000
Traded Sector Business Dev						
B15102350 Site Recruitment-CNV	50,000	50,000	50,000	50,000	50,000	50,000
Total Business Dev	300,000	310,000	325,000	325,000	325,000	325,000
Infrastructure						
Transportation						
N35033115 Green Streets-CNV-Adm	50,000	100,000	0	0	0	0
Total Infrastructure	50,000	100,000	0	0	0	0
Portland Hsg Bureau						
PHB Housing						
H15430350 Affordable Rental Hsg-CNV	937,600	12,708,000	307,248	0	0	0
H15900350 PHB Staff & Admin-CNV	326,516	699,305	386,850	108,102	0	0
H15902350 MFH - 2nd and Wasco-CNV	8,700	4,000	3,000	0	0	0
H15903350 Lloyd Cascadian Phase II-CNV	8,667	4,000	0	0	0	0
Total Portland Hsg Bureau	1,281,483	13,415,305	697,098	108,102	0	0
Property Redev						
Commercial Property Redevelopm						
P35051015 Bee Car Rental-CNV-Adm	74,404	250,000	0	0	0	0
P35050515 Eco District-CNV-Adm	70,000	70,000	70,000	0	0	0
P35051115 Block47-TinaChristie-CNV-Adm	9,171	8,498	8,498	8,498	0	0
P35080615 Block 49-CNV-Adm	358	0	0	0	0	0
P35050715 ConventionCenter Hotel-CNV-Adm	909,431	4,019,053	0	0	0	0
P35090015 Project Development-CNV-Adm	0	133,371	0	0	0	0
P35080215 Fmr B&K Car Rental-CNV-Adm	12,183	8,200	8,200	0	0	0
P35080115 910 NE MLK Building-CNV-Adm	25,670	20,604	14,301	14,301	0	0
P35059815 Inn At Convention Ctr-CNV-Adm	100,000	823,265	783,265	783,265	87,735	10,000
P35057915 Eco Distr Implement-CNV-Adm	40,000	1,680,000	1,640,000	0	0	0
P35052215 CC 2035-CNV-Adm	67,522	0	0	0	0	0
P35051315 Rose Quarter Revit-CNV-Adm	4,000,000	20,100,000	0	0	0	0
P35091015 Public Outreach-CNV-Adm	5,000	5,000	5,000	5,000	5,000	5,000
Commercial Real Estate Lending						
R01100350 CPRL-General-CNV	0	250,000	0	0	0	0
Community Redevelopment Grants						

Five-Year Forecast Program Requirements Detail

	Revised-3 FY 2012-13	Adopted FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
G02100350 DOS-General-CNV	50,000	50,000	0	0	0	0
G03100350 SIP-General-CNV	100,000	100,000	0	0	0	0
Total Property Redev	5,463,739	27,517,991	2,529,264	811,064	92,735	15,000
Total Program Expenditures	7,125,266	41,373,340	3,581,407	1,274,211	447,780	370,045
Personal Services	471,103	336,184	166,894	60,272	24,431	27,416
Transfers - Indirect	2,652,182	1,602,361	632,393	218,157	86,755	96,145
Total Fund Expenditures	10,248,551	43,311,885	4,380,694	1,552,640	558,966	493,606
Contingency	40,362,864	70,295	1,985,383	7,776,605	8,112,970	9,881,924
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	50,611,415	43,382,180	6,366,077	9,329,245	8,671,936	10,375,530