

DATE: February 11, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-14
Update on Real Property Disposition Process and Real Property Portfolio

BOARD ACTION REQUESTED

No action is requested; information only.

SUMMARY

The purpose of this report is to provide the Portland Development Commission (PDC) Board of Commissioners (Board) an update on PDC's Real Property Disposition Administrative Policy and a briefing on the status of PDC-owned properties in the Real Property Portfolio. The report and the discussion at the February 11, 2015, PDC Board meeting will focus on:

- A. The current real property disposition process:
1. The PDC Administrative Policy directing Real Property Disposition generally states that:
 - a. PDC will carry out the disposition of real property in a legal, fiscally prudent, and responsible manner while facilitating the efficient and effective implementation of approved development plans and projects.
 - b. Disposition of real property by sale or otherwise requires the approval of the PDC Board.
 - c. All disposition activities shall be undertaken according to the procedures described in the Real Property Disposition Business Process Manual. This manual outlines each process and the timing when activities are required to be reviewed by the PDC's Finance Investment Committee (FIC).
 2. The Executive Director will determine the time and method of disposition based upon a Disposition Plan prepared by the Project Manager and recommended by the Department Director and FIC. Methods include, but are not limited to:
 - a. Direct Marketing: A focused marketing effort is undertaken by an authorized PDC employee or representative to identify and elicit interest from potential buyers or developers.
 - b. Exclusive Negotiations: Direct contact with a potential buyer or developer is made by an authorized PDC employee or representative.
 - c. Development Solicitations: "RFX", request for (proposals, qualifications, or interest). When used must be administered in accordance with the Real Property Disposition Business Manual.

3. The PDC Board must approve disposition of any real property at a public meeting. Except as may be limited by the PDC Board, the Executive Director may:
 - a. Approve a disposition plan;
 - b. Approve solicitation documents;
 - c. Select a buyer/developer;
 - d. Execute Board approved disposition agreements;
 - e. Assign staff necessary to implement the Real Property Disposition Business Process Manual.
 4. The Financial Investment Committee is authorized to recommend the following:
 - a. Approval of a disposition plan;
 - b. Approval of solicitation documents;
 - c. Approval of a buyer/developer;
 - d. Disposition terms and conditions;
 - e. Termination of negotiation with buyer/developer;
 - f. Approval of a negotiated disposition agreement.
- B. The rationale for various solicitations:
1. Brief overview of the Disposition Process Reference Matrix
 2. What is the rationale for various solicitations?
 3. How frequently have they been used in the past?
- C. How does PDC categorize real estate assets?
1. Brief overview of the existing Real Property Portfolio

ATTACHMENTS

- A. Real Property Disposition – Administrative Policy (dated June 25, 2014)
- B. Disposition Process Reference Matrix
- C. PDC Owned Properties – Working Draft February 2015

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

REPORT NO. 15-14

ATTACHMENT A

**UPDATE ON REAL PROPERTY DISPOSITION PROCESS AND REAL
PROPERTY PORTFOLIO**

Attachment A includes this cover page and contains three pages:

- Real Property Disposition – Administrative Policy (dated June 25, 2014)

Administrative Policy

Subject:	Real Property Disposition	Number:	AP-14.03
Effective Date:	June 25, 2014	Supersedes:	AP-05.11
Approved By:	 Patrick Quinton, Executive Director	Page:	Page 1 of 2
Policy Sponsor:	Real Estate and Lending Director		
Policy Owner:	Real Estate Development and Construction Services Manager		

As an urban renewal agency established under Oregon law and Portland City Charter (Chapter 15), the Portland Development Commission (PDC) may dispose of real property that it has acquired in accordance with this policy and other applicable laws and rules.

A. General.

1. PDC will carry out the disposition of real property in a legal, fiscally prudent and responsible manner while facilitating the efficient and effective implementation of approved development plans and projects.
2. Disposition of real property by sale or otherwise, including any interest therein (e.g., easements), requires the approval of the PDC Board of Commissioners (the Board).
3. To ensure compliance with this Policy, all disposition activities shall be undertaken according to procedures described in the *Real Property Disposition Business Process Manual*.

B. **Disposition Decision and Method.** The Executive Director will determine the time and method of disposition based on a Disposition Plan prepared by the project manager and recommended by the department director and Financial Investment Committee. Generally, the time and method of disposition will depend on whether the property is included within or supports a development plan. Methods of real property disposition include, but are not limited to:

1. **Direct Marketing.** A focused marketing effort is undertaken by an authorized PDC employee or representative to identify and elicit interest from potential buyers or developers.
2. **Exclusive Negotiations.** Direct contact with a potential buyer or developer is made by an authorized PDC employee or representative.
3. **Development Solicitation.** A development solicitation process (e.g., a request for proposals or request for offers) will be conducted when required under a particular Disposition Plan. When a development solicitation is used, it must be administered in accordance with the *Real Property Disposition Business Process Manual*.

C. Authorities.

1. The Board must approve disposition of any real property at a public meeting.
2. Except as may be limited by the Board, the Executive Director may:
 - a) Approve a disposition plan;
 - b) Approve solicitation documents (if applicable);
 - c) Select a buyer/developer;
 - d) Execute a Board-approved disposition agreement (e.g., a purchase and sale agreement, disposition and development agreement); and
 - e) Assign staff necessary to implement the *Real Property Disposition Business Process Manual*.
3. The Financial Investment Committee is authorized to **recommend** the following:
 - a) Approval of a disposition plan;
 - b) Approval of solicitation documents (if applicable);
 - c) Approval of a buyer/developer;
 - d) Disposition terms and conditions;
 - e) Termination of negotiation with a buyer/developer;
 - f) Approval of a negotiated disposition agreement.

D. **Personal Property Disposition.** Any personal property that PDC acquires should be disposed in a manner consistent with PDC's *Personal Property Disposition* policy.

E. **Procedures.** The Policy Sponsor is hereby authorized to create procedures related to the disposition of PDC's real property. [*See Real Property Disposition Business Process Manual*]

Policy History

Adopted:	July 11, 2002
Revised:	July 7, 2004
Revised:	April 26, 2005
Revised:	June 25, 2014

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

REPORT NO. 15-14

ATTACHMENT B

**UPDATE ON REAL PROPERTY DISPOSITION PROCESS AND REAL
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Attachment B includes this cover page and contains three pages:

- Disposition Process Reference Matrix

Disposition Process Reference Matrix

Before commencing a disposition, the transaction lead must prepare and obtain approval of a Disposition that outlines the timing, method format, and anticipated objectives of the disposition.

Types of Disposition

Staff should consider recommending a format that achieves the objective of the disposition given the circumstances of the potential development project without imposing an unreasonable effort or cost to for those whom PDC targets the disposition; and yet provides the Commission with adequate information necessary to undertake an objective and prudent due diligence review.

There are six different types of solicitations that can be used: Request for Proposals (RFP), Request for Qualifications (RFQ), Request for Offers (RFO), Exclusive Negotiations (EN), and Direct Marketing (DM). For more information on the different types of solicitations, please see the attached matrix.

Notifications

All development solicitations should be widely announced and advertised during the solicitation period which would normally be no less than 30 calendar days. An announcement of the disposition should be posted on the PDC website for the duration of the solicitation. An announcement can also be posted in the newspaper, magazines, and other internet based sites.

All development dispositions should provide the following information to prospective proposers:

- Location and nature of the development opportunity;
- The date, time and place of the informational meeting or tour, if any;
- Instructions on how to obtain more information about the solicitation and submittal requirements;
- The criteria in which the proposals will be evaluated and selected;
- The name and contact information of the solicitation manager; and
- The Date, time and place that proposals are due.

Evaluation and Selection

Only criteria that have a direct and meaningful relationship to determining the developer qualifications or project feasibility and suitability should be used in the evaluation of solicitation proposals and the solicitation documents should contain a clean explanation of the criteria being used and the evaluation process.

If during the evaluation and selection period, a proposer wishes to protest, please contact Professional Services for details.

At the conclusion of each development solicitation, the Transaction Lead will present the selected proposal to the Financial Investment Committee (FIC) for recommendation to the Executive Director.

Note

The below Disposition Process Reference Matrix is intended to provide general guidelines for the disposition of PDC owned real property. It is understood that each disposition will be reviewed to determine how best to align the disposition with PDC's strategic goals. Not all dispositions will fit entirely within one category. All dispositions will be reviewed by the FIC and approved by the Executive Director and the PDC Board of Commissioners.

Disposition Process Reference Matrix

	Strategic					Non-Strategic
	Request for Proposals (RFP)	Request for Qualifications (RFQ)	Request for Interest (RFI)	Exclusive Negotiations (EN)	Request for Offers (RFO)	Direct Marketing (DM)
Public Investment	Yes / No	Yes / No	Yes / No	Yes/No	Yes / No	Yes/No
Process	<p>Specific Project. Defined Time Frame.</p> <p>Generally used when a maximum exposure of, and completion for, a development opportunity is desired.</p> <p>No less than 45 calendar days of public notice.</p>	<p>Some Specifics. Defined Time Frame</p> <p>Generally used when a maximum exposure of, and competition for, a development opportunity is desired</p> <p>No less than 30 calendar days of public notice.</p>	<p>No Specifics, Public Benefit</p> <p>Generally used when a maximum exposure of, and competition for, and to generate interest in development opportunity, and a broad range of development ideas, is desired.</p> <p>No less than 30 calendar days of public notice.</p>	<p>No Specifics.</p> <p>Used when there is a specific potential buyer/use, or when PDC is approached by a property owner/developer for a specific use.</p> <p>No public notice requirement.</p>	<p>No Specifics, PDC wishes Market for strategic reasons.</p> <p>Generally used when a maximum exposure of, and competition for, a sale is desired.</p> <p>No less than 30 calendar days of public notice.</p>	<p>No Specifics, Broker or PDC Market.</p> <p>Generally used when it is desired for a potential buyer or developer to be identified in a more expeditious and/or flexible manner, the objective is the highest price, time is not critical.</p> <p>No less than 30 calendar days of public notice or listing. . .</p>
Public Objectives	<p>Clear and specific objectives regarding the desired public benefit from development of the site.</p>	<p>There are general objectives regarding the desired public benefit from development of the site.</p>	<p>There are no specific objectives regarding the desired public benefit from development of the site, though direct public benefit from the development program is expected.</p>	<p>When the adjacent property owner or a particular tenant has an interest in assembling for complementary development, or when PDC has a specific strategic tenant that aligns with the property plans and use,.</p>	<p>There are no objectives regarding the desired public benefit from development of the site, except when required by a URA Plan.</p>	<p>Financial return so that proceeds can be used to carry out objectives or best method given specific dynamics to achieve PDC's objectives</p>
Development Program Specificity	<p>Desired development program constrains the nature and characteristics of the site's potential development.</p>	<p>Desired development program constrains to some extent the nature and characteristics of the site's potential development.</p>	<p>There are no, or minimal, constraints on the nature and characteristics of an acceptable site development program.</p>	<p>There are no, or minimal, constraints on the nature and characteristics of an acceptable site development program; or assembly with the adjacent property furthers strategic use in a unique way; or there is a specific development program that can only be carried out by one development team.</p>	<p>There are no, or minimal, constraints on the nature and characteristics of an acceptable site development program.</p>	<p>.</p>
Competitive Interest	<p>There is known or anticipated to be, considerable competitive interest among potential developers.</p>	<p>There is known or anticipated to be, considerable competitive interest among potential developers.</p>	<p>There is anticipated to be, minimal competitive interest among potential developers.</p>	<p>There is anticipated to be, minimal interest among potential developers, or the specific use outweighs competitive interest.</p>	<p>There is anticipated to be, moderate competitive interest among potential developers.</p>	<p>There could be minimal to wide interest among potential developers.</p>
Response Detail	<p>PDC staff requires a high level of detail from the proposer in regards to the development program, development team, and financing plan.</p>	<p>Staff desires a high level of detail from the proposer regarding the Development Team, and a minimal level of detail from the proposer regarding the Development Program and Financing Plan.</p>	<p>Staff desires only a moderate level of detail from the proposer regarding the Development Program, Development Team, and Financing Plan.</p>	<p>PDC staff requires a high level of detail from the proposer in regards to the development program, development team, and financing plan.</p>	<p>Staff desires only a minimal level of detail from the proposer regarding the Development Program, Development Team, and Financing Plan.</p>	<p>Staff desires only a minimal level of detail from the proposer regarding the Development Program, Development Team, and Financing Plan.</p>
Result / Outcome	<p>Typically result in the identification of 1+ of the most qualified development teams to participate in interviews and/or public presentation prior to a final selection.</p>	<p>Typically result in the identification of 1+ of the most qualified development teams to participate in interviews prior to a final selection; upon selection the development team would work closely with PDC in refining the development program.</p>	<p>May result in identification of a single unique proposal to pursue; or if several proposers respond with a similar idea, the issuance of an RFP either restricted to those proposers, or open to anyone.</p>	<p>Typically results in the selection of a potential buyer or developer and the immediate negotiation of a development disposition agreement or purchase and sale agreement.</p>	<p>Typically results in the selection of a potential buyer or developer and the immediate negotiation of a development disposition agreement or purchase and sale agreement.</p>	<p>Typically results in the selection of a potential buyer or developer and the immediate negotiation of a development disposition agreement or purchase and sale agreement.</p>

**The Disposition Process Reference matrix is intended to provide general guidelines for the disposition of PDC owned real property. It is understood that each disposition will be reviewed to determine how best to align the disposition with PDC's strategic goals. Not all dispositions will fit entirely within one category. All dispositions will be reviewed by the FIC and approved by the Executive Director and the PDC Board of Commissioners.

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ATTACHMENT C

**UPDATE ON REAL PROPERTY DISPOSITION PROCESS AND REAL
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Attachment C includes this cover page and contains three pages:

- PDC Owned Properties – Working Draft February 2015

PDC Owned Properties - Working Draft February 2015

URA	Property Name	Disposition Process	RFP Issued, Listing Agreement Executed by	Real Market Value (RMV)	FY Estimated Disposition	Comments
PDC Development In Process ★						
AW	Cascade Station Parcel G - Wells Fargo Parking Lot	Hold	Nov-14	\$5,022,770	N/A	Under Construction
NMAC - Affordable	SWF 3	RFP	16/17	\$6,819,350	16/17	RFP affordable mixed use
OCC	Block 49	Hold	Oct-15	\$3,582,630	N/A	CCH Hotel Parking Garage
Disposition in Process ★						
AW	Cascade Station - Parcel K Sale to Station Hospitality	Listed with CBRE	In process	\$2,542,970	14/15	Closing Spring 2014
CES	Block 76 West	14/15	In process	\$526,200	14/15	In contract
CES	Block 76 East	14/15	In process	\$875,310	14/15	In contract
DTW	OTL Condominiums-Parking	Per HOA Agmt	In process	\$200,000	Ongoing	Selling to residential unit owners as required per the Bylaws
DTW	SW 3rd & Taylor Lot	RFX	In process	\$3,090,840	14/15	In Contract
DTW	Block 8 - L	RFX	In process	\$3,916,250	15/15	In Contract
GWY	JJ North Lot and Bingo Lot	RFX	1/14/14	\$2,786,230	15/16	RFP now closed, reviewing responses
INT	MLK South (Former Wirf's Lots and Reiss House)	RFX	In Process	\$3,354,620	14/15	Natural Grocer, anchor tenant
LTC	Parking Lt & Former Church Lt	RFX	In Process	\$423,990	15/16	Lents RFX
LTC	Sullivan Property	RFX	In Process	\$68,210	15/16	Lents RFX
LTC	Rothinger Lot	RFX	In process	\$42,260	15/16	Lents RFX
LTC	Foster Road Lot	RFX	In process	\$74,060	15/16	Lents RFX
LTC	Crossroads Plaza	RFX	In Process	\$99,780	15/16	Lents RFX
LTC	McGalliard Lots	RFX	In Process	\$167,160	15/16	Lents RFX
LTC	Former Lents Little League Field	RFX	In Process	\$978,540	15/16	Lents RFX
LTC	LTC II Parking Lot	RFX	In Process	\$602,840	15/16	Lents RFX
LTC	92nd Street Club Lot	RFX	In Process	\$304,210	15/16	Lents RFX
LTC	Edmondson's Drapery Lot	RFX	In process	\$319,860	15/16	Lents RFX
OCC	Block 47-Tina Christie	Direct	In Process	\$1,323,140	15/16	In Contract
OCC	Former B&K Car Rental	Listed with Broker	In Process	\$1,200,730	14/15	PDC has received an offer to purchase
RD	The Grove Hotel	RFX	In Process	\$1,490,000	14/15	In Contract
RD	Old Fire Station	RFX	In Process	\$3,060,270	15/16	RFX issued February 2015
RD	Centennial Mills	RFX	In Process	\$9,100,000	19/20	MOU in place
RD	Station Place Lot 5	Listed with Broker	15-Dec	\$3,863,410	15/16	Currently listed with CBRE
SPB	Jasmine Tree Restaurant	N/A	15-Dec	\$1,102,330	15/16	Transfer to PSU per DDA
SPB	PSU Carpool Lot	N/A	15-Dec	\$4,645,620	15/16	Transfer to PSU per DDA

Disposition Process TBD



AW	Cascade Station - Parcel A	TBD		\$2,542,970	16/17	Recommend PDC markets property and is approved to sell for Build to Suit (BTS) opportunities
AW	Cascade Station - Parcel D	TBD		\$3,897,500	17/18	Working with TCC on 2 year option to market to BTS opportunities
AW	Cascade Station - Parcel E	TBD		\$4,963,340	18/19	Recommend PDC markets property and is approved to sell for BTS opportunities
AW	Cascade Station - Parcel G	TBD		\$5,022,770	21/22	Recommend PDC markets property and is approved to sell for BTS opportunities
DTW	SW 3rd & Oak	Direct Marketing		\$1,744,810	16/17	Parking Lot Encumbrance, Recommend direct marketing
DTW	One Waterfront South and North	List with Broker		\$7,904,970	16/17	Recommend listing with Broker and sell at FMV
INT	C&M Motors Lot	Direct Marketing		\$442,980	15/16	Recommend listing with Broker and sell at FMV
LTC	Tate Lot	TBD		\$77,500		Working on AIP access with ODOT, Hold on disposition
LTC	93rd & Davis Lot/93rd and Woodstock lot	TBD		\$228,780	16/17	Property was listed in Lents RFX, No response. Recommend hold
LTC	Architectural Iron Products Building	TBD		\$1,093,250		Working on AIP access with ODOT, Recommend hold
LTC	Bauske Lot	TBD		\$163,450	17/18	Not included in Lents RFX
LTC	Metro Auto Wholesale West Lot	Direct Marketing		\$738,340		Not included in Lents RFX
OCC	OCC Outdoor Pavilion (Former Sizzler Lot)	TBD		\$3,291,100		Holding until CCH is developed and then will evaluate disposition alternatives
OCC	Inn at the Convention Center Hotel	TBD		\$7,358,550	17/18	Holding until CCH is developed and then will evaluate disposition alternatives
OCC	910 NE MLK Building	TBD		\$3,745,430	17/18	Holding until CCH is developed and then will evaluate disposition alternatives
RD	Block R	TBD		\$6,097,520	20/21	Redevelopment - TBD
RD	Block Y (Union Station Parking Lot)	TBD		\$2,418,640		Union Station Parking Lot, redevelop in conjunction with Union Station upgrade

PDC Income Producing Hold

DTW	OTL Condominium Commercial Space	hold		\$909,200		Agreement in place to tenant Annex
INT	Denver Avenue Warehouses	hold		\$2,034,520		Nelson Properties - Income Producing, Future Tri-Met collaboration
INT	Denver Avenue Building-Retail	hold				Nelson Properties - Income Producing, Future Tri-Met collaboration
INT	Spar-Tek Building	hold		\$1,787,090		Nelson Properties - Income Producing, Future Tri-Met collaboration
LTC	Bakery Block	hold		\$2,400,260		Zhaus Lease, Hold
NMAC	RiverPlace Garage	hold		\$4,759,590		Income Producing
RD	Station Place Parking Garage	hold		\$11,151,420		Income Producing
RD	Union Station	hold		\$28,451,350		Upgrade facility, re-tenant, coordinate with facility upgrade
LTC	Metro Auto Wholesale Building & Lot	hold		\$1,194,960		Leased to Mercado

Other PDC Parcels

CES	240 NE MLK Lot	TBD		\$407,020	18/19	VOZ facility located on Property
INT	Argyle Lot	hold		\$473,000		Future Tri-Met collaboration
LTC	Waddles B&G Club	N/A		\$2,722,850	15/16	Plan to transfer to B&G Club Fall 2015
LTC	Dagel Triangle	TBD		\$115,480		Cannot be sold, Undevelopable remnant
NMAC	South Waterfront Lot 4	Hold		\$4,275,020		Cannot be transferred to Tri-met, undevelopable
INT	3620 NE MLK Public Parking Lot	Hold		\$166,340		Charging stations on property

Acquisitions in Process

CES	ODOT Blocks	TBD			15/16	PDC working with ODOT to complete due diligence
CES (Future)	Clinton Triangle	TBD				CES URA Amendment
RD	4th and Burnside	TBD			15/16	Earnest Money released
RD	Post Office	TBD			15/16	Working with USPS on site opportunities