DATE: October 14, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-59

Authorizing the Executive Director to Execute a Purchase and Sale Agreement to Convey 0.39 Acres of Real Property in the Interstate Corridor Urban Renewal Area to Geza Development, LLC, for $415,000

BOARD ACTION REQUESTED
Adopt Resolution No. 7146

ACTION DESCRIPTION
This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the Executive Director to execute a Purchase and Sale Agreement (PSA) between PDC and Geza Development, LLC (Buyer), for the conveyance of the C&M Motors site (Property), a 16,837 square foot (SF) PDC-owned parcel located at 6931 NE Martin Luther King, Jr. Boulevard in the Interstate Corridor Urban Renewal Area (URA) (see Attachment A) for the purchase price of $415,000. Buyer intends to relocate their residential construction firm to this site to operate their business.

BACKGROUND AND CONTEXT
In 2003, C&M Motors BMW & Mercedes Benz, LLC (Borrower), a minority-owned auto repair and used parts business located in northeast Portland, was evicted from space it had rented for 25 years at 7617 NE Martin Luther King, Jr. Boulevard. In order to continue operating in northeast Portland, the Borrower applied to PDC for financial assistance to purchase and renovate the Property, which was then owned by the Multnomah County Tax Assessor’s Office and was severely dilapidated. Subsequently, in 2010, Multnomah County informed the Borrower that they were in default of their contract. PDC negotiated a payoff with Multnomah County and accepted a deed in lieu of foreclosure for the Property from the Borrower in return for writing off the Borrower’s outstanding loan balance of $416,430. Since PDC took title to the Property in 2011, it has remained unoccupied.

On February 11, 2015, PDC staff briefed the PDC Board on the agency’s real estate assets and the PDC Board directed staff to dispose of the Property through direct marketing. PDC posted signage on the Property in April 2015 and marketed its sale for a period of approximately 90 days, ending on June 5, 2015. PDC received three offers ranging from $250,000 to $375,000. Due to their long-standing interest in acquiring the property, the fact that they were the highest of the three offers, and their proposed use was most consistent with the PDC 2015-2020 Strategic Plan, the Buyer was selected for exclusive negotiations and subsequently agreed to a purchase price of $415,000. The Buyer will be purchasing the Property “as-is” to include the presence of some qualified hazardous building material as well as several property line encroachment issues.
The key terms of the negotiated PSA include:

- Purchase price of $415,000;
- “As-Is” sale;
- Earnest money payment of $5,000;
- 30 Day Inspection Period;
- Closing within 60 days of the Effective Date;
- Closing subject to 80 percent lender financing;
- PDC will place a covenant in the deed that will prohibit the development of market-rate housing on the site for a period of five years; and
- PDC will place a covenant in the deed that will obligate the owner or future owners to adhere to PDC’s Equity and Green Building policies.

COMMUNITY AND PUBLIC BENEFIT

After purchasing the Property, the Buyer intends to relocate their residential construction business to the site. The business has nine full-time employees and is indirectly responsible for an average of 40 additional sub-contractor jobs per project. Sale of the Property will help deliver on the PDC 2015-2020 Strategic Plan priority to “increase equitable opportunities by growing small and promising new business ventures, commercializing research, and supporting real estate ownership and development that fosters wealth creation within communities of color and low-income neighborhoods.”

As condition of the sale, a covenant will be placed in the deed to the Property that will prohibit the development of market-rate housing on the site for a period of five years. This will ensure that the Buyer operates a business on the Property for five years and maintains it as a commercial, job-oriented use. After the five-year period expires, the Buyer may continue to operate a business on site or redevelop it within the allowed parameters of the zoning code, which include commercial and residential uses.

Other public benefits include activating a long-vacant site on a major commercial corridor and returning the Property to tax rolls after many years of being exempt. Over the long-term, PDC’s Equity Policy and Green Building Policy will apply to future redevelopment and reuse.

BUDGET AND FINANCIAL INFORMATION

The Interstate Corridor URA Fiscal Year (FY) 2015-16 Adopted Budget includes a low estimate of anticipated sales proceeds from this proposed transaction (see Attachment B). The FY 2015-16 Revised 1 Budget will increase this estimate to $410,000. The difference in gross/net proceeds represents transactional costs.

RISK ASSESSMENT

Entering into this PSA creates minimal risks, as PDC is selling the Property “as-is” and does not have financial resources at risk. There is a risk that Buyer will terminate the transaction during the 30-day due diligence period, which is within their rights according to the PSA. A related risk is that Buyer will terminate the transaction subsequent to the end of the Closing Period. This risk is mitigated by Buyer providing a $5,000 earnest money payment; this payment is non-refundable after the end of the due diligence period.

ALTERNATIVE ACTIONS

The PDC Board could decide to:

- Direct PDC staff to incorporate new terms into the PSA;
- Direct PDC staff to renegotiate specific terms and conditions;
- Reject the proposal in its entirety and direct PDC staff to continue marketing the Property; or
- Reject the proposal in its entirety and direct PDC staff to discontinue the disposition process.

**ATTACHMENTS:**

A. Property Summary
B. Interstate Corridor URA FY 2015-16 Financial Summary
## PROJECT SUMMARY

<table>
<thead>
<tr>
<th>Property Name:</th>
<th>C&amp;M Motors</th>
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<tbody>
<tr>
<td>Description:</td>
<td>0.39-acre parcel zoned Mixed Commercial with overlays</td>
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<tr>
<td>Location:</td>
<td>NE Martin Luther King, Jr. Boulevard &amp; NE Bryant Street</td>
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<td>URA:</td>
<td>Interstate Corridor</td>
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<td>Disposition Method:</td>
<td>Direct marketing</td>
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<td>Next Milestone:</td>
<td>Purchase &amp; Sale Agreement execution</td>
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<td>Closing Target:</td>
<td>December 2015</td>
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<td>Outcome:</td>
<td>Conveyance of the Property to Geza Development, LLC (Buyer) for $415,000. Buyer will relocate its business operations and offices to the existing improvements. Buyer will be restricted from redeveloping the site for a period of five years.</td>
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</tbody>
</table>

### Aerial Photo

![Aerial Photo](attachment:6931_NE_Martin_Luther_King_Jr_Boulevard.png)

6931 NE Martin Luther King, Jr. Boulevard
Street View

Looking southwest from NE Martin Luther King, Jr. Boulevard
# Five-Year Forecast Program Requirements Detail

## Interstate Corridor URA

<table>
<thead>
<tr>
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<td>171,776</td>
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<td>324,280</td>
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<td>Total Resources</td>
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<td>28,025,035</td>
<td>28,225,174</td>
<td>32,708,438</td>
<td>36,294,250</td>
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## Requirements

### Program Expenditures

#### Administration

- Financial Administration
  - A40101370 Debt Management-ISD
    - Revised-3: 39,966
    - Adopted: 41,486
    - Forecast: 22,532
    - Total Administration: 39,966

#### Business Development

- Business Lending
  - L00200370 BL-Modifications-INT: 160
  - L00210370 BL-General-INT: 590,000
- Small Business & Community Dev
  - B55103370 NPI & Main St Network-ISD: 50,000
  - B55003370 Business Development-ISD: 5,000
  - B55903370 Community Development-ISD: 25,000
- Traded Sector Business Dev
  - T61003370 Lean Manufacturing-ISD: 50,000

#### Total Business Development

- 780,150
- 8,711,000
- 780,500
- 786,500
- 790,500
- 780,500

#### Housing

- PHB Housing
  - H10403370 Home Repair Projects-ISD: 527,826
  - H15403370 Home Buyer Assistance-ISD: 760,014
  - H15403370 Affordable Rental Hsg-ISD: 211,826
    - 4,014,046
    - 7,265,000
    - 6,605,000
    - 7,702,304
    - 1,600,000
  - H15403370 Beach St Apartments-ISD: 152,932
  - H15403370 PDB Staff & Admin-ISD: 422,147
    - 1,330,877
    - 1,325,055
    - 1,004,461
    - 1,157,221
    - 568,686

#### Total Housing

- 1,948,387
- 7,928,756
- 9,575,055
- 8,664,651
- 9,945,525
- 3,308,886

### Infrastructure

- Parks
  - N37017146 Dawson Park ISD-Admin: 200,000
  - N37017315 Bridgeton-ISD-Admin: 0
  - N37017515 Small Scale Improv-ISD-Admin: 0
- Transportation
  - N37027715 Killworth Streetscape-ISD-Admin: 50,000
  - N37037715 Lombard Investment-ISD-Admin: 100,000
  - N37057715 Denver Streetscape-ISD-Admin: 45,400
- Total Infrastructure
  - 309,460
    - 5,753,000
    - 1,500,000

### Property Redevelopment

- Commercial Property Redevelopment
  - P37060015 Reiss House-ISD-Admin: 9,211
  - P37065015 Project Development-ISD-Admin: 20,000
  - P37065015 C&M Motors Lot-ISD-Admin: 147,415

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Monday, June 29, 2015 11:27:57 AM
# Financial Summary

## Fund Summary - Five-Year Budget Projections

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<td><strong>Property Redevelopment Total</strong></td>
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