

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** January 14, 2009

**TO:** Board of Commissioners

**FROM:** Bruce A. Warner, Executive Director

**SUBJECT:** Report Number 09-04  
Development Agreement Amendment #7 with the Fremont Partners, LLC  
for the Fremont Residential Project

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6661

#### ACTION SUMMARY

This action would authorize the Executive Director to execute Amendment #7 to the Amended and Restated Agreement for Disposition and Development (DDA) for the Fremont Residential Project at 3510 NE Martin Luther King Jr. Boulevard dated August 17, 2005 (as amended through April 25, 2007), between the Portland Development Commission (PDC) and Fremont Partners, LLC (Developer).

Amendment #7 would extend dates in the Schedule of Performance, specifically the date for PDC to Issue a Certificate of Completion from October 1, 2008, to May 1, 2009. This is necessary due to performance issues on the part of the General Contractor that have delayed project completion.

#### PUBLIC BENEFIT

Updating and extending dates in the Schedule of Performance is necessary to reflect the construction delays and realities facing the project. Completion of the project will meet long standing community goals of building out the site with row homes that fit in with and buffer existing residences on NE Grand Ave. The Residential Project will complement the Commercial Project and the homes will increase the stock of market-rate, high quality housing in the King Neighborhood. The Developer will market the residential units to the north/northeast Portland community and one unit will be sold to a Portland Community Land Trust qualified purchaser.

#### **This action will support the following PDC goals:**

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

## **PUBLIC PARTICIPATION AND FEEDBACK**

Staff has conducted outreach to community and business stakeholders on the project over the last three years, reporting regularly to the MLK Advisory Committee, the Fremont/MLK Vision Committee, and to the Fremont Project RFP Selection Committee. These groups are aware of the delays facing the project and support its completion.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

The Fremont Project implements the Fremont/MLK Vision Study, approved by the Board in January 2001 and City Council in April 2001, and the Oregon Convention Center (OCC) Urban Renewal Plan, adopted in 1989.

## **FINANCIAL IMPACT**

PDC provided construction financing for the Residential Project in the amount of \$250,000 and land financing in the amount of \$126,500. The PDC financing matures December 31, 2008, and a request has been received from Fremont Partners to extend the maturity by 12 months to allow the project to complete construction without going into default.

## **RISK ASSESSMENT**

Extending dates in the Schedule of Performance aligns expectations with the reality of this project. Developers have requested an extension on their construction loan with their primary lender, Albina Community Bank, as well as PDC. It is expected that these requests will be accepted. There is risk in selling these homes in the current, weak, real estate market, but the project still needs to be completed before sales can begin. This risk will be mitigated to a limited degree by requiring Albina to approve and extend its loan terms.

## **WORK LOAD IMPACT**

PDC Construction Manager will need to stay on the project longer to see it through and this is accommodated in his work plan.

## **ALTERNATIVE ACTIONS**

If the Schedule of Performance is not extended, the project will remain out of compliance with, and in potential breach of, the DDA. PDC's investment in the project will be at risk without an extension of time to allow completion.

## **CONCURRENCE**

Developers are working with other city bureaus to obtain permits to complete work on the residential project. The OCC and MLK Teams concur with the proposed extension of the construction loan.

## **BACKGROUND**

The Fremont/MLK Vision Committee met monthly in 2001 to set a vision plan for three PDC project sites close to the NE Martin Luther King Jr. Blvd. and Fremont Street intersection. The Fremont Project site was one that the committee spent a lot of time discussing to establish a design and program that would fit the neighborhood and implement the Albina Community Plan gateway designation. The committee placed high importance on the residential portion of the project, believing that a buffer of residential homes would be critical to preserve the livability of the existing homes on Grand Ave.

PDC staff and community members were aware of the challenges of programming so much on a small site, however the goals prevailed for enhancing this corner and providing an opportunity for creating a model for other such urban infill sites that serve as transitions between streets with single family homes and those with heavy traffic. The Fremont Partners, LLC responded to the RFP and proposed a high-quality project that was very close to what had been envisioned in the Fremont/MLK Vision Study, with both a commercial and residential component. From the time that the project was proposed by the Developer in 2003, until now, the estimated Residential Project budget has continued to rise. It was not until the Developer received their first real construction bids (subcontractor bids) that they realized that the high quality material and design (brick, garages in back, porches, etc.) created a budget much higher than originally expected. Granite Construction was the only contractor that came in with a budget that could be supported by the expected sales prices of the units.

Developer experienced problems with and has taken action to replace its General Contractor. Developer needs additional time to complete construction so units can be marketed and sold.

**ATTACHMENTS:**

- A. OCCURA Financial Summary
- B. Project Summary

## URA FINANCIAL SUMMARY

### Financial Summary

#### Fund Summary - Five-Year Budget Projections

	<i>Revised FY 2007-08</i>	<i>Adopted FY 2008-09</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>	<i>FY 2012-13 Forecast</i>
<b>Convention Center URA</b>						
<b>Resources</b>						
Beginning Fund Balance	8,500,611	656,604	829,457	1,258,123	1,496,844	57,166
Budgeted Transfers	600,000	642,259	0	0	0	0
Interest - City Invest Pool	62,213	25,000	10,000	10,000	10,000	10,000
Loans - Interest Earned	20,957	97,616	97,616	97,616	94,151	89,666
Loans - Principal Collection	53,206	97,616	97,616	97,616	94,151	89,666
Real Property Sales	1,800,000	2,900,000	2,500,000	0	0	0
Reimbursement	70,000	70,000	900,000	0	0	0
Rent and Property Income	101,986	130,000	0	0	0	0
Tax Increment - L-T Debt	5,504,198	10,989,000	5,536,135	5,719,275	1,198,800	1,423,575
Tax Increment - S-T Debt	1,515,774	2,868,619	3,069,121	282,585	0	0
<b>Total Fund Resources</b>	<b>18,228,945</b>	<b>18,476,714</b>	<b>13,039,945</b>	<b>7,465,215</b>	<b>2,893,946</b>	<b>1,670,073</b>

#### Requirements

Project Expenditures (does not include Personal Services or Indirect Cost)

<b>Development</b>						
16212 - OCC Community Outreach	20,000	20,000	20,000	20,000	20,000	10,000
16217 - Lloyd Area Planning	20,000	0	0	0	0	0
16230 - Lloyd Trans Improve/Streetcar	150,000	0	0	0	0	0
16231 - OCC Streetcar Construction	1,500,000	1,750,000	1,000,000	0	0	0
16237 - HQ Hotel	200,000	4,100,000	0	0	0	0
16241 - OCCURA DOS Program	153,450	125,000	125,000	125,000	125,000	125,000
25525 - MLK Jr Blvd Improvements	550,000	50,000	0	0	0	0
25533 - Vanport Redevelopment	330,000	0	0	0	0	0
25535 - 3934 NE MLK Renovation	165,344	287,759	0	0	0	0
25536 - 3510 NE MLK Fremont Redev	237,117	0	0	0	0	0
25537 - MLK Jr Blvd Gateway Imprmnts	100,000	150,000	500,000	0	0	0
25605 - MLK Jr Blvd Commercial SiteDev	50,000	30,000	0	0	0	0
25606 - Lloyd Commercial Develop	40,000	20,000	10,000	0	0	0
25607 - MLK Jr Blvd Action Pln Implmnt	20,000	10,000	10,000	10,000	10,000	10,000
25608 - OCC Redevelopment Loan Progra	942,668	1,500,000	2,000,000	1,000,000	0	0
25610 - Bee Car Rental Redevelopment	7,000	7,000	0	0	0	0
25611 - OCC Blk 47/49 Redevel	0	300,000	0	0	0	0
<b>Development Total</b>	<b>4,485,579</b>	<b>8,349,759</b>	<b>3,665,000</b>	<b>1,155,000</b>	<b>155,000</b>	<b>145,000</b>
<b>Economic Development</b>						
25521 - OCC Storefront Grants	438,482	250,000	250,000	250,000	250,000	250,000
70016 - OCC Business Finance	2,300,000	1,000,000	1,000,000	500,000	250,000	250,000
70241 - OCC Business Retention	117,298	100,000	100,000	100,000	50,000	50,000
70268 - OCC Business Development	500,000	0	0	0	0	0
70551 - OCC Community Ec Dev	0	500,000	500,000	500,000	500,000	500,000
70751 - OCC Target Industry Devel	0	100,000	100,000	100,000	100,000	100,000
<b>Economic Development Total</b>	<b>3,355,780</b>	<b>1,950,000</b>	<b>1,950,000</b>	<b>1,450,000</b>	<b>1,150,000</b>	<b>1,150,000</b>
<b>Housing</b>						
19032 - Piedmont Place/Affordable Hsg	291,421	299,752	2,351,877	0	0	0
25203 - North OCC Housing	11,677	0	0	0	0	0
37921 - Lloyd Hs Policy/Planning	10,000	5,000	0	0	0	0
80002 - MFH - 2nd and Wasco	1,600	1,600	0	0	0	0
80003 - Lloyd Cascadian Phase II	1,100	0	0	0	0	0
80006 - MFH Lloyd Opportunities	176,960	0	0	0	0	0
80007 - OCC Affordable Rental Housing	430,606	608,417	0	2,000,000	900,000	0
80010 - Fremont Housing	140,000	0	0	0	0	0
80026 - Grant Warehouse/Affordable Hsg	500,000	1,600,000	0	0	0	0

### PROJECT SUMMARY

**Project Name:** Fremont Project - Residential  
**Description:** Seven, for-sale, market-rate row homes  
**Location:** NE Grand Avenue & NE Fremont Street  
**URA:** Oregon Convention Center URA  
**Current Phase:** 90% construction complete  
**Next Milestone:** Construction completion, Certificate of Completion  
**Completion Target:** Construction completion March 2009  
**Outcome:** Seven new row homes  
**Site/Project Map:**

