

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: December 9, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-137
Acquisition of Real Property at 8801 SE Foster Road

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6755

ACTION SUMMARY

This action will authorize the Portland Development Commission (PDC) to acquire real property and improvements located at 8801 SE Foster Road (the Property), comprised of one lot in the Lents Town Center, from property owners Craig T. Bauske and Karen K. Bauske, for the purchase price of \$395,000. An appraisal of the Property was completed on May 1, 2009, by Integra Realty Resources that estimated the fee simple valuation to be \$350,000. The owner was previously under contract with a potential buyer for \$425,000; however that transaction failed to close. Funding for the acquisition is contained in the Adopted FY 2009-10 Lents Town Center Urban Renewal Area (URA) Budget (see Attachment A).

The Property is located on the north side of SE Foster Road, adjacent to the Assurety Northwest project (see Attachment B). The Property consists of one parcel that totals 0.21 acre in size. The site contains an existing retail building with 2,502 square feet of gross building area, and parking that can accommodate four automobiles. The zoning code designation for the Property is Central Employment with a design overlay (EXd).

PUBLIC BENEFIT

Acquisition of the Property will benefit the public in three significant ways: (1) streetscape enhancement, (2) improved pedestrian, bicyclist, and traffic safety, and (3) facilitation of the second phase of the Assurety Northwest redevelopment project.

After acquisition, PDC contemplates deconstructing the existing structures and dedicating approximately 116 feet long and 15 feet deep of frontage along SE Foster Road to the City for widened sidewalks, street trees, natural storm water treatment, and on-street parking. This improved frontage, in conjunction with the Foster-Woodstock Streetscape Enhancement Project, will improve streetscapes and public safety, and facilitate re-development of the Lents Town Center along SE Foster Road and SE Woodstock Road east of SE 88th Avenue and west of the I-205 expressway, and along SE 92nd Avenue north of SE Woodstock and south of SE Reedway. The model for enhanced streetscape for this

Property, and the rest of the Lents Town Center, is the SE Foster Road frontage of the Assurety Northwest project adjacent to the east of the Property (see Attachment C).

The second benefit to the public is greatly enhanced pedestrian, cyclist, and auto traffic safety. The structure on the Property abuts a narrow, four-foot wide sidewalk along SE Foster Road that poses a safety hazard for pedestrians and cyclists (see Attachment B). Furthermore, the building on the property obstructs the view of motorists attempting to turn onto SE Foster Road from SE 88th Avenue (see Attachment B). The deconstruction of the building and widening of the sidewalk will greatly alleviate these hazards to public safety.

A third public benefit will be the facilitation of the second phase of the Assurety Northwest redevelopment project. The first phase of the Assurety Northwest project, a 22,000 square foot office and retail building, was completed in November of 2007. Assurety Northwest, an insurance and financial services company, relocated from Gresham to Portland bringing over 50 quality jobs paying in excess of \$50,000 per year and resulting in the first new, large-scale commercial redevelopment in the center of Lents in a number of years. The project approved by the PDC Board of Commissioners (Board) on October 12, 2005 (Resolution No. 6296), called for a two-phase development. The second phase, which has been delayed due to the economic downturn, calls for a minimum 10,000 square foot, 2-story office and retail building complementary to the first phase. When completed, the second phase of the project is estimated to bring approximately 25 additional quality jobs to the Lents Town Center URA. The owners of Assurety Northwest believe additional parking would enhance the prospects for the second phase of the project. The owners have expressed a desire to purchase from PDC the residual portion of the Property not needed for right-of-way dedication, for adding additional parking and green space for tenant use to support a second phase of the development. Staff estimates that approximately 1,740 square feet (20% of the property) would be needed for right-of-way dedication, leaving 7,352 square feet for additional parking and green space.

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

The Foster-Woodstock Streetscape Enhancement Project Citizens Advisory Committee (CAC) has endorsed a plan for the Streetscape Project that includes the acquisition of the Property. Furthermore, the Lents Town Center Urban Renewal Advisory Committee (Lents URAC) accepted the CAC plan recommendation at their November 10, 2009, public meeting.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Lents Town Center Urban Renewal Plan specifically authorizes property acquisition from willing sellers for rehabilitation or redevelopment of property to achieve the goals of the Plan. The Plan supports the goals and policies of the *Outer Southeast Community Plan* (1996) stated in Community Wide Goals ED12: “consider maintaining an accessible inventory on vacant and redevelopable commercial sites,” a policy “to foster the development of a Lents Town Center that attracts employment opportunities, residential density, and recreational activities while reducing adverse environmental impacts,” and objectives for “assembling land for development around the I-205/Foster interchange.” The *Lents Neighborhood Plan* (1998) supports the Lents Town Center Urban Renewal Plan in Policy 7 to “restore Lents identity as a friendly, safe, attractive neighborhood for everyone in our historic community.” The acquisition is in compliance with PDC’s Acquisition Policy.

FINANCIAL IMPACT

The acquisition, site preparation, and relocation of personal property are estimated to cost \$456,000. This is detailed as follows:

Property acquisition	\$395,000
Building deconstruction, environmental remediation	\$ 60,000
Relocation of personal property	<u>\$ 1,000</u>
Total	\$456,000

The financial impact is potentially mitigated by future sale of the residual property not needed for right-of-way dedication, estimated at 80% of the total property area, to Assurety Northwest for fair market value, which considers the contribution of building deconstruction and environmental remediation.

RISK ASSESSMENT

A primary risk is that Assurety Northwest would not follow through on their stated intention to purchase the residual property from PDC for a parking and green space addition to their property. In this event, a potential risk mitigation strategy would be to market the property to another developer or create public green space on the Property. The zoning designation of Central Employment with a design overlay (EXd) allows for flexibility in an alternate disposition strategy.

As part of PDC’s due diligence investigations, PDC staff has performed Phase I and Phase II environmental assessments and a hazardous building survey. The reports indicate no significant environmental risk. One underground oil storage tank was known to be present on the Property. Investigations have indicated some leakage from the tank. As part of the site preparation process, PDC will remove the oil tank and contaminated soil at a cost estimated under \$25,000.

For tax purposes, the Property owners insisted that closing occur on or before December 31, 2009. If PDC fails to close the transaction before that date and is not encumbered by the Property owner, PDC will forfeit its \$20,000 security deposit. However, the \$20,000

security deposit will be applied to the purchase price if the transaction closes on or before December 31, 2009, as anticipated.

WORK LOAD IMPACT

Existing PDC Urban Development Department staff will manage the disposition, property management, and redevelopment process in coordination with Real Estate, Finance, Legal, and Professional Services staff.

ALTERNATIVE ACTIONS

The PDC Board could decline to approve the acquisition of the property at 5716 SE 92nd Avenue, in which case the Board could also direct staff to renegotiate the terms of the transaction.

CONCURRENCE

Acquisition negotiations and specific terms were approved by the PDC Investment Committee in November 2009. The PDC Lents Town Center URA Team, Lents URAC, and Foster-Woodstock Streetscape Enhancement Project CAC have discussed and support the acquisition.

BACKGROUND

This action will support the Lents Town Center revitalization and redevelopment efforts set forth in the 1998 Lents URA Plan and Amendment #1. Staff has been active in seeking acquisition opportunities that fit the vision of the town center as a pedestrian and bike friendly district. In addition, the neighborhood is designated as a Town Center under Metro's 2040 Regional Growth Plan, which calls for appropriate densities and urban amenities as the area redevelops.

The current negotiations were initiated by PDC when staff discovered that the owners had listed their property for sale at \$425,000. PDC staff ordered an appraisal by Integra Realty Resources that was completed on May 28, 2009, and indicated an opinion of fair market value of \$350,000. PDC staff was granted permission on July 13, 2009, from the PDC Investment Committee to begin negotiations with the owner which commenced soon thereafter. The final negotiated price of \$395,000 was within the parameters set by the Investment Committee. Influencing this final price was the fact the Property owners had received a prior Purchase & Sale Agreement from a private entity in 2008 for \$425,000, although it failed to close.

ATTACHMENTS:

- A. URA Financial Summary
- B. Project Summary and Site Maps
- C. Assurety Northwest Streetscape

URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Revised FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
Lents Town Center URA						
Resources						
Beginning Fund Balance	2,218,657	2,994,431	565,833	638,627	675,706	640,238
Interest on Investments	250,000	24,240	65,219	66,905	66,590	66,692
Loan Collections	121,782	278,100	88,100	94,758	101,534	100,000
Property Income	270,000	0	2,600,000	0	0	0
TIF Proceeds	12,335,086	20,049,948	12,953,475	18,215,416	17,386,408	18,203,661
Total Resources	15,195,525	23,346,719	16,272,627	19,015,706	18,230,238	19,010,591
Requirements						
Program Expenditures						
Business and Industry						
Community Economic Development						
H72030 Community Econ Development	0	250,000	250,000	400,000	500,000	500,000
General Business Assistance						
H79020 Business Finance	500,000	1,100,000	1,100,000	1,300,000	1,400,000	1,500,000
H79022 Business Retention	100,000	100,000	100,000	100,000	100,000	100,000
Business and Industry Total	600,000	1,450,000	1,450,000	1,800,000	2,000,000	2,100,000
Housing						
Multi-Family - For Sale						
H32110 122nd and Pardee	978,000	115,000	0	0	0	0
H33418 New Homeowner Dev	396,173	0	0	600,000	0	1,000,000
H33438 ROSE/PCLT Homeownership	0	117,000	0	0	0	0
H33441 Dahlia Commons Homeownership	0	745,000	0	0	0	0
H33442 Habitat for Humanity #3	200,000	280,000	0	0	0	0
Multi-Family - Rental Housing						
H89015 Rental Rehabilitation Projects	0	200,000	0	0	0	0
H89030 Affordable Rental Housing	1,400,000	2,975,000	1,900,000	2,200,000	4,000,000	2,000,000
H89032 Beyer Court Apartments	0	50,000	0	0	0	0
H89033 Bush Street Modular Apartments	0	25,000	0	0	0	0
Plans and Strategies - Housing						
H37914 Housing Policy/Planning	5,000	0	0	0	0	0
Portland Housing Bureau						
H28025 Administration	0	161,596	468,720	549,900	527,400	553,284
Single-Family - Home Repair						
H32131 REACH Home Rehabilitation	125,000	125,000	125,000	150,000	150,000	0
H89010 Home Repair Projects	250,000	344,901	250,000	300,000	300,000	550,000
Single-Family - Homebuyer Assistance						
H37929 Scat Site Homeownership Acq HAP	2,181,527	0	0	0	0	0
H37930 Scat Site Home Rehab & Subs HAP	50,000	1,308,473	0	0	0	0
H89020 Home Buyer Assistance	1,500,000	1,243,435	200,000	700,000	700,000	800,000
Housing Total	7,085,700	7,690,405	2,943,720	4,499,900	5,677,400	4,903,284

URA FINANCIAL SUMMARY (continued)

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Revised FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
Infrastructure						
Facilities						
H60009 LTC Public Facilities	50,600	620,000	0	0	0	0
Parks						
H13125 Parks Public Improvements	1,021,000	135,000	95,000	40,000	100,000	269,000
Transportation						
H26714 Streets/Sidewalks LID	20,000	500,000	500,000	0	0	0
H26715 Neighborhood Trans Safety Improvements	428,000	2,000,000	2,600,000	1,800,000	1,000,000	2,000,000
Infrastructure Total	1,519,600	3,255,000	3,195,000	1,840,000	1,100,000	2,269,000
Revitalization						
Redevelopment						
H12209 LTC Town Cntr Redevelopment	1,825,000	3,537,000	3,075,000	3,585,000	2,200,000	2,100,000
H12212 Johnson Creek Industrial Area Revitalization	100,000	80,000	100,000	100,000	1,900,000	2,000,000
H27001 Storefront Grants	300,000	300,000	300,000	400,000	400,000	400,000
H27050 DOS Grants	300,000	100,000	100,000	100,000	100,000	200,000
H28030 Redevelopment Loan Projects	0	1,000,000	900,000	300,000	300,000	300,000
H60008 SE 92nd Redevelopment	74,729	375,000	500,000	2,900,000	1,200,000	350,000
H60050 Foster Road Redevelopment	0	0	300,000	0	0	0
H60051 122nd Corridor Redevelopment	0	40,000	300,000	0	0	0
H60052 LTC Comm Livability Grants	0	200,000	250,000	300,000	300,000	300,000
H60053 LTC Station Area Redevelopment	0	75,000	75,000	0	0	1,000,000
Revitalization Total	2,599,729	5,707,000	5,900,000	7,685,000	6,400,000	6,650,000
Administration						
Finance						
H98001 Debt Management	10,000	10,000	10,000	10,000	10,000	10,000
Administration Total	10,000	10,000	10,000	10,000	10,000	10,000
Total Program Expenditures	11,815,029	18,112,405	13,498,720	15,834,900	15,187,400	15,932,284
Personal Services	743,511	960,874	416,640	488,800	468,800	491,808
Internal Expenditures	2,489,865	2,510,596	1,718,640	2,016,300	1,933,800	2,028,708
Total Fund Expenditures	15,048,405	21,583,875	15,634,000	18,340,000	17,590,000	18,452,800
Contingency	147,120	1,762,844	638,627	675,706	640,238	557,791
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	15,195,525	23,346,719	16,272,627	19,015,706	18,230,238	19,010,591

PROJECT SUMMARY

Project Name: Acquisition of Bauske Property

Description: Retail/Office of 2,502 square feet on a 0.21 acre site

Location: 8801 SE Foster Road

URA: Lents Town Center

Current Phase: Acquisition

Next Milestone: Deconstruction of building, environmental remediation, site preparation

Completion Target: Fall of 2010

Outcome: Dedication of right-of-way frontage for Foster Woodstock Streetscape Enhancement Project and the sale of the residual property to Assurety Northwest for additional parking and green space in support of second phase of Lents Town Center redevelopment.

Site/Project Maps:

Property Location in Lents



Site map



View from Foster Road Sidewalk



Assurety Northwest Streetscape

