DATE: December 8, 2010
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 10-110
Vanport Phase II Housing

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED
Adopt Resolution No. 6839

ACTION SUMMARY

This action will authorize a Disposition and Development Agreement (DDA) with Lisac Brothers Construction, Inc. for the redevelopment of Portland Development Commission (PDC)-owned real property located on NE Garfield Avenue in the Oregon Convention Center and Interstate Corridor Urban Renewal Areas (URAs). The disposition involves the construction of ten single-family, market-rate homes on NE Garfield Avenue between NE Sumner and NE Emerson Streets. Lisac Brothers Construction, Inc. will pay the full appraised value of $260,000 for the property.

PUBLIC BENEFIT

Development of the Vanport Phase II Housing site will enhance the neighborhood and buffer the residents on NE Garfield Avenue from the Vanport Phase I commercial project. This is a market transaction – the land will be sold for the appraised value. The project will provide temporary construction jobs, increase the tax base, and provide revenue to PDC that can be used for other redevelopment projects. In addition, it will increase the residential density of the neighborhood, providing potential customers for small businesses at Vanport and the surrounding area.

This action will support the following PDC goals:
- Strong Economic Growth and Competitiveness
- Healthy Neighborhoods

PUBLIC PARTICIPATION AND FEEDBACK

The housing project was presented to the Vanport Square Project Advisory Committee (PAC) at their May 6, 2010, and September 22, 2010, meetings. The PAC expressed support for the project as presented.
COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Because the property is located within the Oregon Convention Center URA and the Interstate Corridor URA, both Urban Renewal Plans are relevant to the project.

Oregon Convention Center Urban Renewal Plan (Adopted by Portland City Council June 19, 1989, as Amended through January 15, 2004):

- Goal MLK Ext. #4: Focus on key Commercial Nodes on MLK Jr. Blvd.
- Goal MLK Ext. #5: Create Local Jobs by Attracting new Businesses and Investment.

PDC’s Strategic Plan 2010 (Resolution No. 6767, adopted by PDC Board of Commissioners on January 27, 2010), is focused around five goals, two of which are supported by this project:

- Strong Economic Growth and Competitiveness, by providing potential customers to PDC-sponsored commercial projects on NE Martin Luther King Junior Boulevard and in the surrounding neighborhood.
- Healthy Neighborhoods, by increasing density and adding potential riders in key transit corridor.

PDC contract-related policies, e.g., M/W/ESB, Construction Wage, Workforce Training, etc., will not apply to this project since PDC will not be providing any financial assistance.

FINANCIAL IMPACT

Lisac Brothers Construction, Inc. is paying the full market value of $260,000 in cash at closing. The market value was established by an April 8, 2010, appraisal by Integra Realty Resources. Furthermore, the developers will finance the acquisition and construction of the homes through private sources and will not receive any financial assistance from PDC.

RISK ASSESSMENT

The housing market has yet to fully recover, which poses a risk to any housing project. This risk is partially mitigated by the fact that the homes are estimated to be priced between $245,000 and $265,000 which is close to the median price for metro area home sales.

WORK LOAD IMPACT

Staffing for the project is in the current work plans of both the Urban Development Department and Legal Services Department. Total PDC staff time necessary for the implementation of the agreement is anticipated to be less than 8 hours per month.

ALTERNATIVE ACTIONS

The PDC Board of Commissioners (Board) may reject the agreement, take no action, or request renegotiation of terms and conditions. If the agreement is rejected or if no action is taken, the likely result would be for Lisac Brothers Construction, Inc. to withdraw from negotiations with PDC.
CONCURRENCE

The disposition terms were approved by the PDC Investment Committee. Furthermore, the project team includes a member of the Portland Housing Bureau who has contributed to and concurs with the development agreement.

BACKGROUND

The PDC Board gave Vanport Partners, LLC the right to develop the Phase II housing and the Phase III commercial portions of the Vanport Square project when the Phase I DDA was authorized by the Board in March 2006 (Resolution No. 6340). The first phase of Vanport, a 40,000 sf commercial condominium, was completed in March 2008. All 16 units have been sold or leased to a predominately local, diverse group of entrepreneurs.

The Board approved a development agreement for the Phase III commercial development on May 9, 2007 (Resolution No. 6483). In July of 2007, PDC and Vanport Partners, LLC signed a Purchase and Sale Agreement for the Phase III commercial development. Unfortunately, negotiations with the anchor tenant did not result in the signing of a lease. By June of 2009, the developers missed the deadline for completion of construction. By this time, PDC was no longer bound to exclusive negotiations with Vanport Partners for the Phase III commercial project. Recently, PDC received an unsolicited proposal to develop the Phase III site from another developer. At present, no commitment to exclusive negotiations with any party has been made.

While completing the Phase I commercial project and trying to move forward with the Phase III commercial project, the Vanport Partners began predevelopment work on the Phase II housing project. In the spring of 2007, the Vanport Partners had prepared and presented to PDC staff plans for a 16-unit development on the site. Not long after, the housing market went into a severe downturn, and through mutual agreement; the Vanport Partners and PDC staff put the project on hold until housing market conditions improved. PDC gave the Vanport developers until September 30, 2009, in order to put forth a viable plan for moving the Phase II project forward. By that deadline no plans were presented and PDC informed the Vanport Partners that they would entertain other development proposals for the Phase II housing project.

In February of 2010, PDC staff received a proposal from Lisac Brothers Construction, Inc. to develop ten single-family, market-rate homes on the Phase II site. In June of this year, PDC’s Investment Committee gave staff authorization to begin negotiations with Lisac Brothers Construction, Inc. for the disposition and development of the Vanport Phase II housing project.

The new development team of Lisac Brothers Construction, Inc. will retain the Vanport Partners as consultants, with their involvement in the project ending at the start of construction. Once securing control of the land, Lisac Brothers Construction, Inc. would begin the site subdivision process which is estimated to take nine months. While the site subdivision is moving forward, Lisac Brothers Construction, Inc. would simultaneously pursue design and permitting. Lisac Brothers Construction, Inc. estimates construction could begin 12 to 18 months after execution of a development agreement with PDC and completion of all housing units 12 to 36 months after start of construction.

Lisac Brothers Construction, Inc. is a small builder/developer that has had success in developing affordable, market-rate, in-fill projects in Portland. Irving Park Townhouses on NE
7th is one example. Lisac Brothers Construction, Inc. is confident that it can obtain construction financing for the proposed project and has submitted a letter of interest from Lewis & Clark Bank to support this assertion.

The new development team is proposing to build ten (10) detached, market-rate homes averaging 1,300 sf on separate fee lots (see Attachment D, Project Site Plan and Schematic Design). The homes would be three levels, with the ground level primarily devoted to a garage that would be accessed from the rear through the Vanport Phase I parking lot or in the case of the end units, NE Emerson and NE Sumner. The sales price per unit is estimated to be between $245,000 and $265,000, which is close to the median price for metro area home sales.

ATTACHMENTS:

A. URA Financial Summary
B. Project Summary
C. Project Site Plan and Schematic Design
# URA Financial Summary

## Revised Fund Summary - Five-Year Budget Projections

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**Requirements**
PROJECT SUMMARY

Project Name: Vanport Phase II - Housing
Description: Ten single-family, market-rate homes
Location: Western portion of 5200 block of NE Martin Luther King Junior Blvd.
URA: Oregon Convention Center with small portion in Interstate Corridor Urban Renewal Area
Current Phase: Approval of Disposition and Development Agreement (DDA)
Next Milestone: Execution of DDA and begin subdivision of project site
Completion Target: July 1, 2015
Outcome: Construction and sale of all 10 homes

Site/Project Map:
Project Site Plan and Schematic Design