

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 22, 2011

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number 11-56
Acquisition of Property on SE Reedway in Lents Town Center

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6895

ACTION SUMMARY

This action authorizes the Portland Development Commission (PDC) to acquire real property located on SE Reedway Street, the "Property" in the Lents Town Center Urban Renewal Area (URA), from property owner Harry Joseph Sullivan (Seller), for the purchase price of \$100,000. An appraisal of the Property was completed on September 14, 2010, by Romanaggi Valuation Services, LLC that estimated the fee simple valuation to be \$90,000. An updated appraisal dated May 20, 2011, states that the new fair market value of the Property to be \$100,000.

A Purchase and Sale Agreement (PSA) between the Seller and PDC was entered into on May 12, 2011. The PSA allows for a negotiated reduction in the purchase price if environmental remediation is found to be necessary. A Phase I Environmental Site Assessment estimates a cost of \$25,000 to complete removal of a cesspool, burn debris and contaminated soils on the Property. The Seller has agreed to pay the cost of environmental remediation up to \$25,000 estimate. The parties have entered into a Remediation Holdback Agreement that will hold the \$25,000 in an escrow account until the clean-up of the Property is completed, after which, if the cost of remediation is less than \$25,000, the Seller will be refunded the remainder.

Funding for the acquisition is contained in the Adopted FY 2010-11 Lents Town Center URA Budget (see Attachment A).

The Property is located on one lot totaling 5,000 square feet on the south side of SE Reedway Street between SE 91st and SE 92nd Avenues (see Attachment B). The zoning code designation for the lot is EXd, or Central Employment with a design overlay zone. The intent of the EXd zone is to allow industrial, business, and service uses which need a central location. The development standards are intended to allow new development which is similar in character to existing development. The design overlay zone promotes the conservation, enhancement, and continued vitality of areas of the City with special scenic, architectural, or cultural value. The Property is now vacant with no buildings but once held a residential structure that was destroyed in a fire.

PUBLIC BENEFIT

The Property is one of two remaining parcels necessary for land assemblage for a future mixed use development in the Lents Town Center (see Attachment B). The future development would support PDC's prior investments in Lents by adding to the commercial vitality of the Town Center, bringing new customers to Lents and act as a catalyst for additional job creation and economic development in Lents.

This action will support the following PDC goals:

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

PUBLIC PARTICIPATION AND FEEDBACK

The Lents Town Center Urban Renewal Advisory Committee was briefed on March 8, 2011, and is supportive of the action.

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. This action specifically supports the goal of "Revitalization of Commercial Areas." 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."

FINANCIAL IMPACT

The cost of acquisition will include the purchase price of \$100,000, plus \$10,000 in closing and due diligence costs for a total acquisition cost of \$110,000. Refer to Attachment "A" Page 2 of 2, budget code H12209 – LTC Redevelopment - for the source of funds for this acquisition. Holding cost is estimated to be less than \$1,000 per year.

RISK ASSESSMENT

The primary risk of acquiring the Property is the uncertainty of redevelopment in the current real estate market environment; this could extend PDC's holding time and increase holding costs.

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 of Commissioners (Board) could choose to not approve the acquisition of the Property as proposed or direct staff to renegotiate the terms of the transaction.

CONCURRENCE

The acquisition terms were approved by the PDC Investment Committee in December 2010. The Financial Investment Committee approved the executed Purchase and Sale Agreement on June 7, 2011.

BACKGROUND

The Property is located on one lot totaling 5,000 square feet on the south side of SE Reedway Street between SE 91st and SE 92nd Avenues (see Attachment B). The zoning code designation for the lot is EXd, or Central Employment with a design overlay zone. The intent of the EXd zone is to allow industrial, business, and service uses which need a central location. The development standards are intended to allow new development which is similar in character to existing development. The design overlay zone promotes the conservation, enhancement, and continued vitality of areas of the City with special scenic, architectural, or cultural value. The Property is now vacant with no buildings but once held a residential structure that was destroyed in a fire.

In the fall of 2010, Mr. Harry J. Sullivan approached staff and offered his property for sale to PDC. Prior to this, PDC has made several previous attempts to acquire the Property, in 2000, 2003 and most recently in 2007. Mr. Sullivan rejected all previous offers. The last offer, in 2007, made to Mr. Sullivan by PDC was for \$130,000 and was based on a January 8, 2007, real market appraisal of the Property.

ATTACHMENTS:

- A. URA Financial Summary
- B. Project Summary

URA FINANCIAL SUMMARY

Five-Year Forecast Project Requirements

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Lents Town Center URA						
Resources						
Beginning Fund Balance	15,840,480	144,278	282,801	410,228	163,827	1,183,145
Federal and Other Grants	0	250,000	0	0	0	0
Interest on Investments	14,000	6,000	7,000	5,000	5,000	5,000
Loan Collections	113,096	108,000	108,000	108,000	108,000	108,000
Property Income	0	1,100,000	0	0	0	0
TIF Proceeds	1,352,586	14,006,563	16,201,368	13,173,424	7,835,543	5,867,234
Total Fund Resources	17,320,162	15,614,841	16,599,169	13,696,652	8,112,370	7,163,379
Requirements						
Program Expenditures						
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
Business Development						
High Growth						
H79020 Business Finance	250,000	200,000	250,000	250,000	250,000	250,000
Industry Cluster						
H28069 Lean Manufacturing	0	30,000	30,000	30,000	30,000	30,000
H28070 Green Innovation Park	0	185,000	0	0	0	0
H72026 Cluster Development	0	30,000	30,000	30,000	30,000	30,000
H79020 Business Finance	250,000	200,000	250,000	250,000	250,000	200,000
H79100 Site Recruitment	0	38,000	38,000	38,000	0	0
Neighborhood Economic Development						
H72030 Neighborhood Economic Development	120,000	0	0	0	0	0
H79020 Business Finance	500,000	400,000	400,000	400,000	400,000	400,000
H79060 Business Development	85,000	200,000	200,000	200,000	200,000	200,000
Business Development Total	1,205,000	1,283,000	1,198,000	1,198,000	1,160,000	1,110,000
Housing						
Multi-Family - For Sale						
H33441 Dahlia Commons Homeownership	446,000	1,134,000	0	0	0	0
H33442 Habitat for Humanity #3	27,709	0	0	0	0	0
Multi-Family - Rental Housing						
H20023 Holgate House	725,000	197,398	0	0	0	0
H89015 Rental Rehabilitation Projects	200,000	0	0	0	0	0
H89030 Affordable Rental Housing	0	3,000,000	250,000	250,000	1,000,000	250,000
H89031 The Glen Apartments	1,498,764	0	0	0	0	0
Single-Family - Home Repair						
H32131 REACH Home Rehabilitation	125,000	0	0	0	0	0
H89010 Home Repair Projects	286,001	444,354	434,784	544,354	294,354	444,354
Single-Family - Homebuyer Assistance						
H37930 Scat Site Home Rehab & Subs HAP	773,000	150,000	0	0	0	0
H89020 Home Buyer Assistance	709,930	400,000	700,000	800,000	700,000	700,000
Housing Total	4,791,404	5,325,752	1,384,784	1,594,354	1,994,354	1,394,354
Infrastructure						
Infrastructure Operations						
H13125 Parks Public Improvements	0	115,000	0	0	0	0
Parks						
H13125 Parks Public Improvements	270,000	0	1,175,000	100,000	100,000	100,000
Transportation						
H26714 Streets/Sidewalks LID	500,000	377,000	578,000	0	0	0
H26715 Neighborhood Trans Safety Improvements	1,408,000	2,200,000	2,300,000	550,000	0	0
Infrastructure Total	2,178,000	2,692,000	4,053,000	650,000	100,000	100,000

URA FINANCIAL SUMMARY (continued)

Five-Year Forecast Project Requirements

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Property Redevelopment						
Redevelopment						
H12209 LTC Town Cntr Redevelopment	2,065,000	1,160,000	2,990,000	1,835,000	385,000	325,000
H12212 Johnson Creek Industrial Area Revitalization	100,000	100,000	430,000	4,000,000	0	0
H27001 Storefront Grants	300,000	300,000	300,000	300,000	250,000	250,000
H27050 DOS Grants	100,000	75,000	75,000	75,000	50,000	50,000
H28030 Redevelopment Loan Projects	800,000	300,000	300,000	300,000	300,000	300,000
H28031 Clean Energy Program	1,000,000	0	0	0	0	0
H60008 SE 92nd Redevelopment	300,000	500,000	2,250,000	220,000	1,200,000	250,000
H60050 Foster Road Redevelopment	300,000	0	0	670,000	0	0
H60052 LTC Comm Livability Grants	250,000	300,000	300,000	300,000	200,000	190,000
H60053 LTC Station Area Redevelopment	75,000	0	75,000	0	0	0
H79025 Green Business Grants	125,000	125,000	125,000	125,000	125,000	125,000
Property Redevelopment Total	5,415,000	2,860,000	6,845,000	7,825,000	2,510,000	1,490,000
Total Program Expenditures	13,599,404	12,170,752	13,490,784	11,277,354	5,774,354	4,104,354
Personal Services	431,448	971,824	485,668	405,985	207,877	147,757
Transfers - Indirect	2,404,942	1,512,095	1,861,728	1,556,275	796,861	566,401
PHB Staff/Admin	740,090	677,369	350,761	293,211	150,133	106,713
Total Fund Expenditures	17,175,884	15,332,040	16,188,941	13,532,825	6,929,225	4,925,225
Contingency	144,278	282,801	410,228	163,827	1,183,145	2,238,154
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	17,320,162	15,614,841	16,599,169	13,696,652	8,112,370	7,163,379

PROJECT SUMMARY

- Project Name:** SE Reedway Street Acquisition
- Description:** Acquisition of 5,000 sf site as part of larger development
- Location:** South side of SE Reedway Street between SE 91st and SE 92nd Avenues.
- URA:** Lents Town Center
- Current Phase:** Acquisition
- Next Milestone:** 1. Closing on or before June 30, 2011
2. Disposition as part of larger development
- Completion Target:** FY 2013 – 2014 for mixed use development
- Outcome:** Mixed use development that includes neighborhood serving businesses
- Site/Project Map:**



Subject Property

PDC Lents Property Map



Lents Town Center URA

