DATE: October 14, 2016  
TO: Board of Commissioners  
FROM: Kimberly Branam, Executive Director  
SUBJECT: Report Number 16-51

Modifying the Terms of a Purchase and Sale Agreement to Convey 0.38 Acres of Real Property in the Lents Town Center Urban Renewal Area to Lisac Brothers Construction, Inc.

BOARD ACTION REQUESTED
Adopt Resolution No. 7213

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will modify the terms and conditions (Term Sheet) governing a Purchase and Sale Agreement (PSA) between PDC and Lisac Brothers Construction, Inc. (Buyer), for the conveyance of two PDC-owned parcels located at the southeast corner of SE 93rd Avenue and SE Woodstock Boulevard (Property), in the Lents Town Center Urban Renewal Area (URA) (see an Aerial and Property Map in Attachment A). The Buyer intends to construct a mixed-use building and pavilion supporting a small pod of food carts as well as a six-unit, market-rate apartment building (Project).

BACKGROUND AND CONTEXT

In October 2014, PDC staff issued a Request for Interest (RFI) in for the disposition and development of multiple PDC-owned parcels in the Lents Town Center. While multiple proposals were received for other PDC-owned parcels in January of 2015, no proposals were received for the subject Property. The two parcels remained openly marketed with signage on the Property for an additional year until the Buyer approached PDC with an offer to purchase the Property and build the mixed-use Project.

On May 11, 2016, through Resolution No. 7183 the PDC Board authorized a Term Sheet for the Executive Director to execute a PSA with the Buyer. The as-is sale terms included a purchase price of $500,000 with a 60-day due diligence period. In conformance with the Lents Town Center Streetscape Improvement Plan, the City of Portland Bureau of Transportation (PBOT) is requiring a 990 square foot right of way (ROW) dedication of the Property, as well as approximately $225,478 in ROW improvements (see Attachment B). Because of the small size of the proposed development, this represents a significant, relative increase in Project costs and the Buyer has indicated that their proposed Project cannot fully support this additional cost. Therefore, the Buyer is requesting that PDC
reduce the purchase price to adjust for these two issues ($144,587 reduction in the price). In exchange, the Buyer is willing to waive due diligence, except approval of their Public Works permit. During the pre-application meeting, PBOT indicated that the relocation of a major utility pole would not be required. However, confirmation of this exception is not guaranteed until the Public Works permit is approved at the end of the permitting process. If the relocation is required, the project will be infeasible in any case.

The sum of proposed changes is to increase the potential outside closing date by an additional 150 days, and provide the Buyer with a $144,587 credit at closing. Closing must occur within 30 days of the Public Works permit approval.

COMMUNITY AND PUBLIC BENEFIT

Lents Town Center Five Year Action Plan. These actions would further multiple key objectives of the Action Plan, including stimulating development for the Lents Town Center.

District Identity. The Project will provide new services that increase the vitality of the Lents Town Center, complement existing businesses, align with the Lents Grown identity, and implement the Business District Development Strategy.

Jobs. The Project will provide temporary construction jobs and permanent commercial spaces for employment opportunities and new services in the Lents Town Center, in addition to adding residential households that support neighborhood businesses.

Equity Goals. Buyer will comply with PDC’s Equity Policy requirements for participation of minority-owned, women-owned, and emerging small businesses and shall use apprentices and women, minorities, and disadvantaged individuals in the construction workforce, as provided by the Business and Workforce Equity Program requirements.

Green Building. If applicable, Buyer will comply with PDC’s Green Building Policy, which requires Leadership in Energy & Environmental Design (LEED) Gold certification.

PUBLIC PARTICIPATION AND FEEDBACK

Staff has solicited feedback from local stakeholders regarding the proposed changes to the sale price. Community members reiterated their interest in seeing the Property activated in the near-term with its mix of retail and residential uses, and were supportive of the proposed public subsidy.

BUDGET AND FINANCIAL INFORMATION

Staff will request that in November 2016, the PDC Board revise the Lents Town Center URA fiscal year (FY) 2016-17 Adopted Budget and Five Year Forecast to accurately account for the sales proceeds of this Property (see Attachment C).

RISK ASSESSMENT

Risks related to these PDC Board actions include:

1. Buyer may terminate the transaction prior to closing. While Buyer is willing to waive most of the remaining due diligence, there is risk associated with the outstanding public works permit.
and potential utility pole relocation. If the Buyer elects to terminate the transaction for any other reason than the Public Works permit, their earnest money will be non-refundable.

2. **Buyer may fail to construct after conveyance of the Property.** PDC will retain a right to repurchase the Property for the same sale price under such circumstances.

**ALTERNATIVE ACTIONS**

The PDC Board may elect to specify alternative terms or reject the proposal in its entirety and direct staff to discontinue the disposition process.

**ATTACHMENTS**

A. Aerial and Property Photos  
B. Drawing of Streetscape Improvements and Right-of-Way Dedication  
C. Lents Town Center URA Financial Summary
Aerial and Property Photos
Drawing of Streetscape Improvements and ROW Dedication
### Lents Town Center URA Financial Summary

#### Five-Year Forecast

<table>
<thead>
<tr>
<th>Lents Town Center URA Fund</th>
<th>Revised FY 2015-16</th>
<th>Adopted FY 2016-17</th>
<th>Forecast FY 2017-18</th>
<th>Forecast FY 2018-19</th>
<th>Forecast FY 2019-20</th>
<th>Forecast FY 2020-21</th>
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<tbody>
<tr>
<td><strong>Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Beginning Fund Balance</td>
<td>10,589,745</td>
<td>17,066,167</td>
<td>245,609</td>
<td>4,057,406</td>
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<td><strong>Revenue</strong></td>
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<td></td>
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<tr>
<td>Fees and Charges</td>
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<td>Loan Collections</td>
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<td>TIF - Short Term Debt</td>
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<td>9,990,000</td>
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<td>10,687,901</td>
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<td>TIF - Long Term Debt</td>
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<td>Property Sales</td>
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<td>180,000</td>
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<td>1,345,000</td>
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<td>Rent and Property Income</td>
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<td>Reimbursements</td>
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<td>81,593</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>10,454,014</td>
<td>18,289,047</td>
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<td>37,763,693</td>
<td>14,478,819</td>
<td>26,534,164</td>
<td>19,883,883</td>
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</table>

#### Requirements

**Administration**
- A00229-Debt Management-LTC: 19,327
- Administration Total: 19,327

**Economic Development**
- A00113-Business Development-LTC: 20,000
- A00380-Lean Manufacturing-LTC: 30,000
- Community Economic Development:
  - A00121-Community Development LTC: 50,000
- Business Lending:
  - A00208-BL-General-LTC: 700,100
- Economic Development Total: 800,100

**Housing**
- A00159-Home Repair Projects-LTC: 500,000
- A00101-Home Buyer Assistance-LTC: 500,000
- A00170-Affordable Housing-LTC: 202,475
- A00180-PHS Staff & Admin-LTC: 592,395
- Housing Total: 1,794,840

**Infrastructure**
- A00239-Walker Stadium-LTC: 200,000
- A00240-Leach Botanical Grns-LTC: 41,334
- Transportation:
  - A00243-Foster-52nd to 62nd-LTC: 740,000
- A00244-Lents Entryway-LTC: 12,641
- Infrastructure Total: 993,075

**Property Redevelopment**
- Real Estate:
  - A00325-Lents Little Lgp Fld-LTC: 7,375
  - A0326-Bakery Block-LTC: 290,797
- Transportation:
  - A00327-LTC II Parking Lot-LTC: 7,840
- A00328-MetroAuto Whsl WLot-LTC: 66,620
- A00329-MetroAuto Bldg Lot-LTC: 351
- A00330-ArchitecturalPrdcBldg-LTC: 212,100
- A00332-Real Estate Mgmt-LTC: 69,883
- Commercial Property Lending:
  - A00355-CPRR-General-LTC: 4,502,000
- Redevelopment Strategy:
  - A00324-TC Town Ctr Redevelop-LTC: 100,000
- A00331-Project Development-LTC: 100,000
- Redevelopment Grants:
  - A00130-COL-General-LTC: 450,000
  - A00137-DPS-General-LTC: 75,000
# Financial Summary

## Five-Year Forecast

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<tr>
<td>A00145-GP-General LTC</td>
<td>300,000</td>
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<td>A00146-GFGP-General LTC</td>
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<td>Property Redevelopment</td>
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<td>Total Fund Expenditures</td>
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<td>Contingency</td>
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